

# 2019 Sustainability Report

Annual and Sustainability Report

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# Message from the Chairman of the Board of Directors

GRI 102-14

Dear readers!

I am pleased to present to you our second Sustainability Report, covering the key events and performance of the PIK Group in 2019 in the areas of corporate governance and environmental and social responsibility.

The attention that society pays to the Group's operations and its status as a fundamentally important business have made it essential to improve our corporate governance practices. In 2019 we updated and drafted new regulations to ensure fuller compliance with the provisions of the Bank of Russia's Corporate Governance Code and current legislation, the Listing Rules of the Moscow Exchange, and also global and industry best practices. We also expanded the sustainability competencies of the Board of Directors by electing a member of the Board of Directors whose remit includes promoting the sustainability agenda within the Group.

We continue to have success in implementing our market leadership strategy. In 2019 we saw unprecedented growth in net profits, which were up by 67.7% to RUB 45.1 billion. At the same time, for the second year running and fulfilling our obligations to our shareholders, we paid out RUB 14.9 million in dividends based on the results of the General Meeting of Shareholders held on 22 May 2019. The expanding scale of operations and the balanced financial policy of the Group allowed us to raise the credit ratings of PIK and reinforce our position in the industry.

In 2019 the PIK Group continued to implement its chosen strategic direction of digitalization of processes. We are creating IT solutions at PIK that have no equivalents in the construction and development sector. The digitalization of the Group's business processes allows us to improve our operating efficiency, optimize costs, and make our operations significantly more transparent.

The foundation of our philosophy is a positive customer experience, and we are making tremendous efforts to improve our customer relations by offering breakthrough solutions. In the reporting period, the PIK Group became Russia's first construction and development company to sell apartments entirely online. Online services help us to achieve the Group's key goal in customer interaction – making the customer journey as comfortable as possible. PIK's intention is to give customers the opportunity to interact with the Group when it is convenient for them, and using a convenient way of communicating.

In this reporting period, we also laid the foundations for the further formalization and development of the Group's sustainability management system, thanks to the approval of a Sustainability Policy. PIK also joined the National Network of the United Nations Global Compact in Russia, and become the representative of the development sector in a community of leaders in corporate social responsibility and sustainability.

We seek to be not simply a leading developer, but also a partner for our stakeholders, worthy of trust in such important matters as the choice of a place to live and the creation of a lifestyle for whole generations. We are proud of our sustainability projects and our contribution to developing the social infrastructure of our areas of presence.

I would also like to recognize the efforts of the people whose efforts have today made the PIK Group a brand that is well known on the market – our employees. Thanks to our team, which brings together talented specialists with unique skills, we have the ability to implement the most daring initiatives and to move resolutely forward into the future. PIK will continue unstintingly to invest in the professional development of our team and to ensure its safety.

I would like to express our gratitude to all employees, customers, business partners, and other stakeholders of the PIK Group, with whom we have been able to achieve successes in 2019, and together with whom we continue to grow under the challenging conditions of the pandemic. Our undisputed priorities remain fulfilling our obligations, retaining our position as a company fundamentally important to the Russian economy, and creating breakthrough solutions and services for a decent life and personal growth in a contemporary urban environment created in accordance with the PIK philosophy.

*Chairman of the Board of Directors  
PIK Group  
Alexey Karpenko*

# Message from the President of the PIK Group

GRI 102-14

Dear colleagues!

We present for your consideration the 2019 Sustainability Report of the PIK Group. This is the second report of our major development company; it is dedicated to the Group's activity in the economic, social, and environmental spheres. This Report shows PIK's devotion to the principles of openness and transparency of activity, and is intended for a broad range of stakeholders.

The Group's operating indicators were in line with plans for 2019. According to the Unified Register of Developers, the PIK Group continued to hold first place, both in terms of volume of current construction and in the area of residential real estate commissioned. Real estate commissioned in the reporting period totaled 2.024 million m<sup>2</sup>, which is 2.2% higher than in 2018.

The Group is continuing the large-scale digitalization of all stages of the business and phases of the development cycle, which makes it possible to improve the efficiency and manageability of processes. In 2019 we automated the materials procurement process and the dispatching office, debuted platforms and tools such as PIK.Pro and Digital General Contractor, concluded an agreement on electronic interaction with a partner bank, and completed the digitalization of the stages of drafting and using design documentation. All of these initiatives are part of the strategic digitalization plans that the Group has been successfully implementing since 2016.

The customer is at the center of PIK's business model, and in 2019 this was reflected in improvements to the customer experience – better quality of service in sales offices, accessibility of various channels of communication and an improvement in the feedback response time, digitalization of the process of providing and paying for services. All of these measures have had a positive effect on customer loyalty and customer satisfaction, which remained at a high level. Among other things, our consumer satisfaction index in 2019 was 4.9 out of 5.

An important event in 2019 was the fact that the PIK-Comfort Management Company entered the perimeter of the PIK Group. The management company operates housing stock – both PIK properties and third-party properties, ensures the safety of residential districts, and provides additional services to residents using the PIK-Service platform. PIK-Comfort manages 50.1 million m<sup>2</sup> of real estate, and to maintain a high level of service is transforming itself into an IT company. Having PIK-Comfort within the Group allows us to improve service quality for residents, expand our areas of presence, and extend our philosophy to a greater number of PIK properties.

The efficient work of the industrial construction segment of the PIK Group allowed us to set a new Russian record in 2019 for the volume of assembly of reinforced concrete structures, which reached 14 million m<sup>2</sup> over the reporting period. Here the Group continued its work to improve its environmental figures and energy efficiency, raise the quality of construction products, and improve working conditions and safety.

The development of a culture of safety, reducing the effect of the human factor and raising the level of safety, remains an undisputed priority for the Group. In 2019 mortality and serious injury rates fell compared to 2018, to 0.0089 and 0.063, respectively. The Group did unfortunately have a single fatal incident occur in 2019, and continues to take measures to reach its work safety goal of "Zero fatalities, zero serious injuries".

With the help of modern technologies, we have managed to significantly reduce the consumption of natural gas in our production activities, and consequently to reduce both emissions of greenhouse gases and our overall environmental impact. This project conforms with sustainability principles, since it creates benefits not only from the standpoint of the environment and energy efficiency, but also reduces the cost of products, which has a beneficial effect on the final price paid by customers.

PIK is distinguished by a unique philosophy for the integrated development of territories, the creation of a modern, comfortable, and accessible urban environment. The PIK Group seeks to create value for all stakeholders through its operations. In 2019 we commissioned 16 social infrastructure properties with a total area of 132 thousand m<sup>2</sup>. As for our human resources work, we should note new initiatives such as the PIK-Environment educational project, renewal of the PIK brand as an employer, the digitalization of a number of processes through the development of the employee's personal online account. The Group's communications campaign allowed us to strengthen the PIK brand, and also demonstrate to residents and potential customers the opportunities that PIK projects offer for an active lifestyle and the creation of neighborhood communities.

The priorities of creating value for society, fostering a new urban environment, and pursuing the Group's operations in accordance with criteria on environmental, social, and economic responsibility lie at the foundation of the Group's operations even today, in a situation complicated by the pandemic, and will continue to do so into the future. The PIK Group is grateful to its employees and business partners for their hard work and stamina, and to our customers for the trust they have shown in choosing PIK products even in these uncertain times.

*President, PIK Group  
Sergei Gordeev*

# About this Report

## Basis of preparation of the Report

This Sustainability Report (the “Report”) has been prepared by PIK Group Public Joint Stock Company (the “Group”, “PIK Group”, “PIK”) with the aim of communicating to a broad range of stakeholders the approaches to and results of the Group’s operations in the economic, environmental, and social spheres in 2019.

The PIK Group is a construction company and developer operating in various segments of the construction industry, which creates added value by providing long-term value for the stakeholders of the Group. The Group’s achievements in the field of automation and digitalization of processes remain a key theme of the Report.

The publication of the Report entails an increase in transparency and more detailed communication with stakeholders about the Group’s sustainability activities. This Report was prepared in accordance with the requirements and principles of the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI); the Core disclosure option was used. GRI 102-54 A GRI content index is provided in the Appendix. GRI 102-55

In preparing its reporting, the Group is focused on leading international and Russian experience in the field of sustainability, including the principles of the United Nations Global Compact. The Report also demonstrates the Group’s contribution to achieving the Sustainable Development Goals (SDGs) developed and approved by the United Nations in 2015. The expectations of investors and analytical agencies on the disclosure of ESG information were also taken into consideration.

## Approach to defining material topics

GRI 102-46

The Group developed its approach to defining material topics for disclosure in the Report taking into account specific aspects of its business and areas of development.

Internal and external sources were analyzed:

- analysis of internal documents;
- analysis of publicly available information on the Group;
- comparative analysis of material topics disclosed by Russian and foreign construction companies and developers.

A list of material topics was prepared:

- a preliminary list of material topics was drafted on the basis of the analysis;
- the preliminary list of material topics was agreed on with the authorized representatives of the Group;
- the final list of material topics was approved.

As part of the analysis, additional material topics were also defined for disclosure in the Report, reflecting the priority areas of activity and further development of the PIK Group.

# About this Report

## List of material topics

GRI 102-47

Material topics for disclosure by the Group in the 2019 Sustainability Report were determined based on the recommendations of GRI Standards.

Economic topics	Environmental topics	Social topics	Additional topics disclosed by the Group
201 Economic performance	302 Energy	401 Employment	Digitalization and process automation
203 Indirect economic impacts	303 Water	403 Occupational health and safety	Partnerships with suppliers and contractors
204 Procurement practices	305 Emissions	404 Training and education	Quality management in the production of construction materials
205 Anti-corruption	306 Effluents and waste	405 Diversity and equal opportunity	Use of technological and construction solutions for the health of the consumer
		413 Local communities	
		416 Customer health and safety	

## ESG analysts

Analysis of the requirements of ESG analysts and the positions of the PIK Group in ESG ratings are an important part of improving the corporate system for managing sustainability. The PIK Group discloses non-financial information in accordance with the criteria of ESG analysts and investor expectations, and to this end in 2019 the Group published its first sustainability report, covering 2018.

The assessments of ESG analysts based on the disclosure of information for 2018 made it possible to define the topics that the Group focused on in the current reporting period, and which accordingly were given additional disclosure in the 2019 Sustainability Report:

- the corporate governance system;
- ethics and anti-corruption measures;
- employee rights, diversity, and equal opportunity;
- digitalization, information security;
- quality control;
- customer safety;

- engagement with local communities;
- waste management, including hazardous wastes;
- management of water resources, including effluents.



# About this Report

## Scope of Report and preparation method

Information on the operations of the PIK Group are presented for the period 1 January through 31 December 2019. GRI 102-50 The Group's previous sustainability report was published in June 2019. GRI 102-51 The Group is committed to annual reporting that is prepared in accordance with the Sustainability Policy and which complies with the requirements of the Concept for the Development of Public Non-Financial Reporting approved by decision of the Russian Government. GRI 102-52

The Report includes information on the activities of the PIK Group and its subsidiaries, broken down by key business segments.

Financial and operating results are presented in consolidated form, based on the Group's existing methodologies on preparing and collecting data, unless indicated otherwise. The collection of information used the boundaries of the Group as defined by the Group's IFRS financial statements.

Information in the sections Occupational Health and Safety and Environmental Protection is provided only for the company PIK-Industry – the Group's main production asset. GRI 102-45

To ensure comparability of data, the most significant indicators of the Group are provided not only for the reporting year, but also for the two preceding years.

Compared to the previous sustainability report for 2018, the Report has undergone changes in certain indicators, and also as regards the disclosure of additional indicators. For example, this Report includes additional operating and financial data, a review of the industry, and a description of corporate governance practices. The PIK-Comfort Management Company entered the Group in 2019, and accordingly the boundaries of certain indicators were expanded. The necessary clarifications are given in the text of the Report. GRI 102-48 A new material topic for the Group was disclosed in 2019 – customer health and safety. No other material changes to the scope and boundaries of the Report occurred compared to the previous year. GRI 102-49

The Report also includes forward-looking statements regarding the Group's plans for 2020 and the medium term. Since the implementation of these plans is affected by a number of external factors beyond the Group's control, the results achieved in future reporting periods may not coincide with the target benchmarks indicated in the Report.

## Events after the reporting period

During the preparation of this Report (end of 2019 and first half of 2020), the global situation was complicated by the Covid-19 pandemic. As a company of fundamental importance to the economy, PIK could not stand to one side from the common cause of fighting the spread of the virus in its areas of presence. The Appendix to the Report contains a summary of the measures taken by the Group to meet its obligations to its customers and to protect its employees and the residents of PIK properties.

# About this Report

## External assurance

GRI 102-56

The Group recognizes the full importance of having an independent opinion on the reliability of non-financial disclosures for stakeholders, and plans to engage an independent auditor to audit the Report in future reporting periods.

## Contact information

GRI 102-53

The PIK Group is interested in receiving feedback from stakeholders to further improve its approaches to disclosing non-financial information. A feedback form is provided at the end of the Report. We would be grateful if you would complete this form, in order to improve future reporting practices and to satisfy the needs of PIK's stakeholders for openness and transparency of information.

Shown below is the contact information for the Group to receive feedback and also for additional questions concerning the information in this Report.

### **Investor Relations and Capital Markets Department**

Polina Kurshetsova

+7 (495) 505-97-33

+7 (495) 203-71-01

ir@pik.ru

PIK Group Public Joint-Stock Company. GRI 102-1, 102-5

Location of the standing executive body of the Group: 19/1 ulitsa  
Barrikadnaya, Moscow, 123242, Russia. GRI 102-3

The electronic version of the 2019 Report is published on the Group's  
website: [www.pik.ru](http://www.pik.ru)



# Who we are

[About the Group](#)

[Corporate governance](#)

[Sustainability management](#)

1

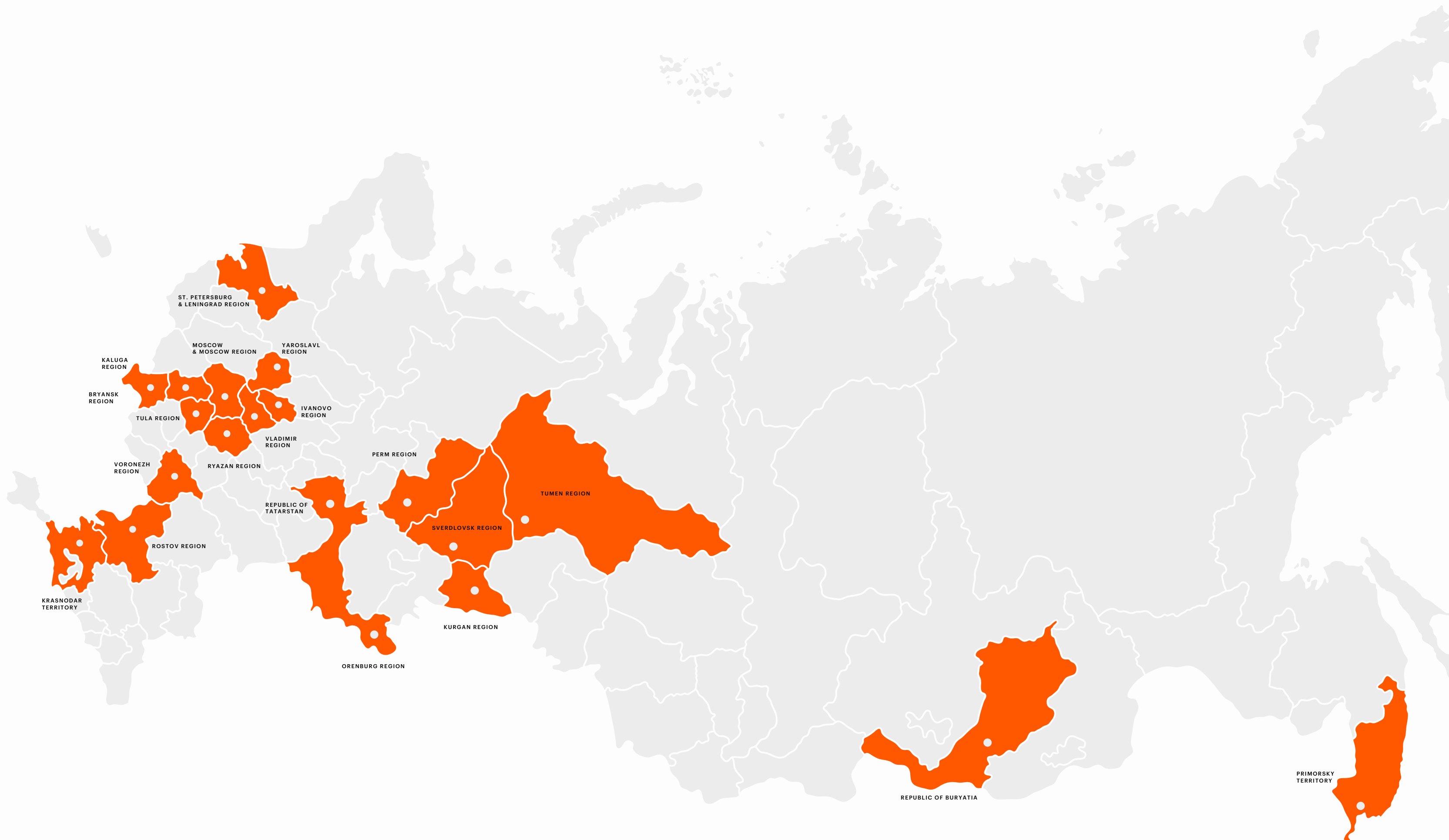
# PIK Group

The PIK Group is Russia's largest developer, specializing in the construction of modern, affordable housing and the associated social and commercial infrastructure.

**45,1** billion rubles  
in net profit

**2 024** million m<sup>2</sup>  
of housing  
commissioned

**24 773**  
group  
employees



## And is also:

- one of the backbones of the Russian economy
- the driver of the digital transformation of business processes in the development industry
- a company with a unique philosophy and a well-recognized brand
- a team of professionals ready to tackle the most ambitious and unusual assignments

# Company history

- 1994** • Foundation of the company PIK
- 2001 - 2006** • Active expansion on the market of the Moscow region, start of projects in other Russian regions  
• Acquisition of production capacity for industrial construction
- 2007** • The company carries out a successful IPO on the LSE, MICEX and RTS
- 2012** • Recovery of the real estate market and exceeding pre-crisis sales at 658 thousand m<sup>2</sup>
- 2014** • Change of shareholders of the Group, including the acquisition by Sergei Gordeev of 29% of shares  
• Arrival of new management and shaping of a new operating strategy
- 2015** • Introduction of radically new product and building designs with improved characteristics and consumer qualities  
• Modernization of production capacities  
• Launch of fundamentally new technologies for sales and customer service
- 2016** • Improvement in operating performance and acquisition of new projects  
• Strategy of digitalization of products and processes initiated  
• Takeover of main competitor on the Moscow market
- 2017** • Increase in the share of the largest shareholder to a controlling shareholding (74,6%)  
• VTB Bank becomes a portfolio investor (7,6%)  
• Achievement of record operating indicators for contracting and commissioning
- 2019** • PIK-Comfort Management Company becomes part of the PIK Group  
• Introduction of an online sales service

# 1. About the Group

## A portrait of the Group

### Operating segments

GRI 102-2

The PIK Group has been operating on the Russian real estate market since 1994, and is today the largest developer in Russia, with a main specialization in the construction of “comfort class” housing, along with all related infrastructure.

### PIK also operates in the following segments:

GRI 102-6

- design and integrated management of projects (fee development);
- production of construction structures and materials;
- construction of various properties (residential, commercial, infrastructure, etc.);
- management of housing stock;
- investments;
- franchising.

A new area for the PIK Group in 2019 was franchising– ready-made solutions for business management, escrow and project finance, project management, construction technologies, and so on.

PIK is also actively developing its own digital projects aimed at automation and optimization of business processes in the development sector. In future, a promising line of business for the Group will be the commercialization of its solutions and provision of digitalization and automation services to third-party developers and other market participants.

### Geography of operations

GRI 102-4

The Group operates as a developer in nine areas of presence, with the main emphasis on Moscow and Moscow region. In addition, the PIK Group manages real estate in more than 20 cities across the country.

Taking Moscow region as a base, PIK is unifying both its technological construction processes and its brand lists of procurement materials in all regions, which makes it possible to improve the efficiency of construction and monitoring, and to have a substantial influence on the quality of the projects being implemented in all areas of presence.

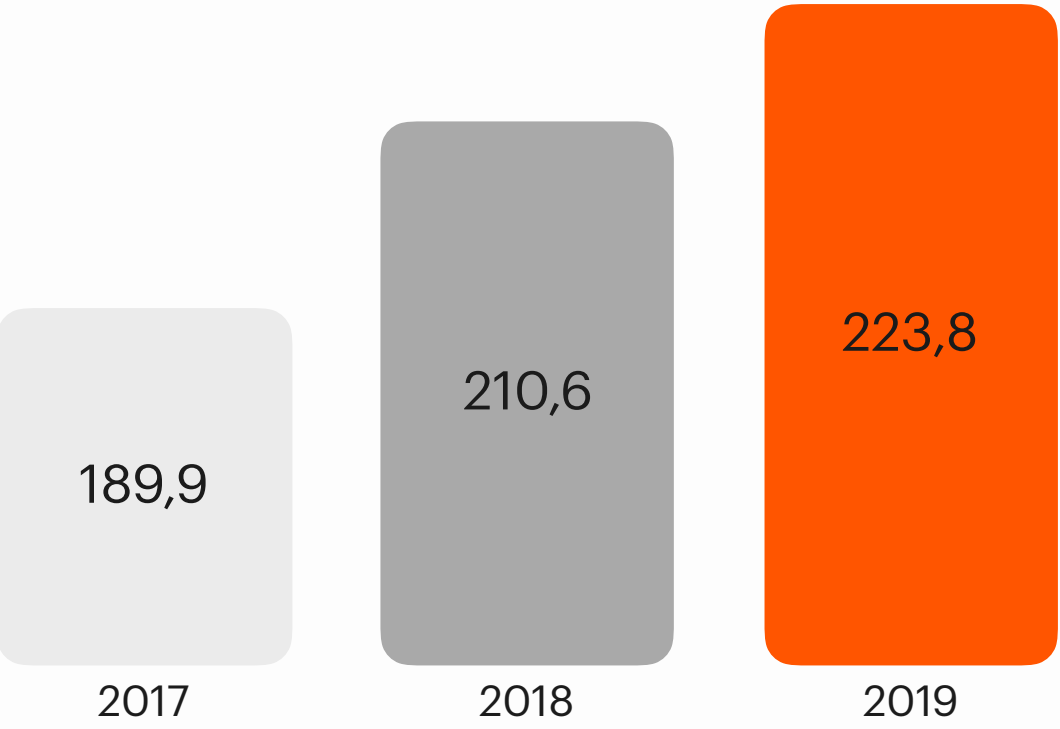


## Key operating indicators of the Group for 2019

GRI 102-7, 201-1

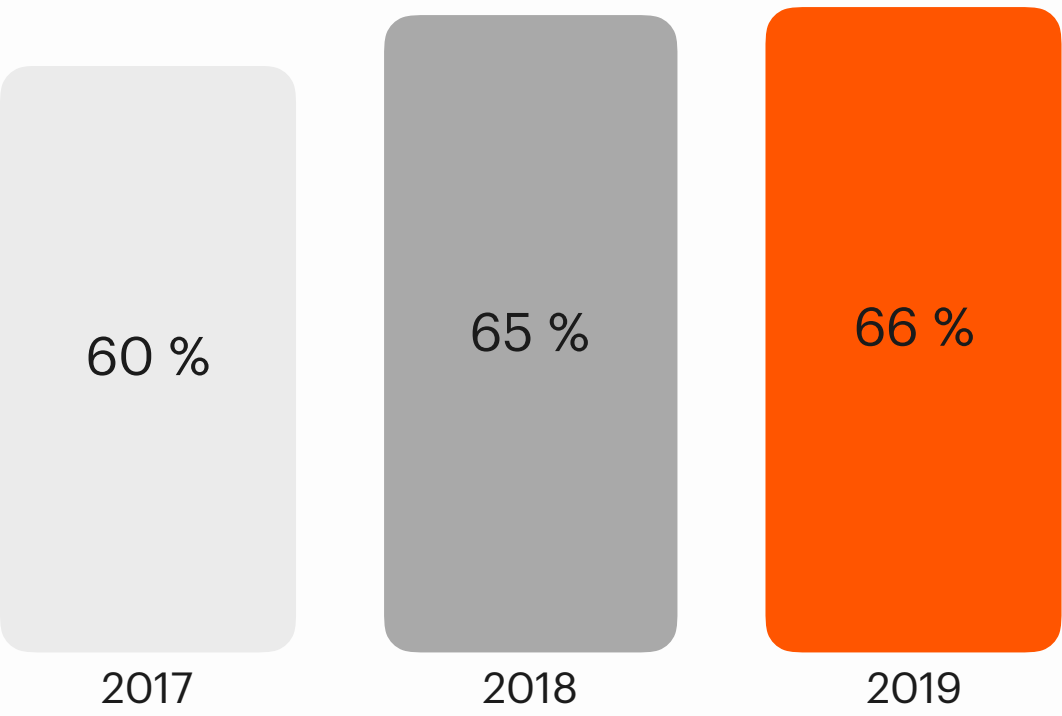
The growth of operating and financial indicators is the foundation for the Group’s sustainable and dynamic development, and also for the generation of significant cash flows. In 2019 PIK achieved market record volumes of the assembly of reinforced concrete structures – 1.4 million m².

Real estate sales, billion RUB



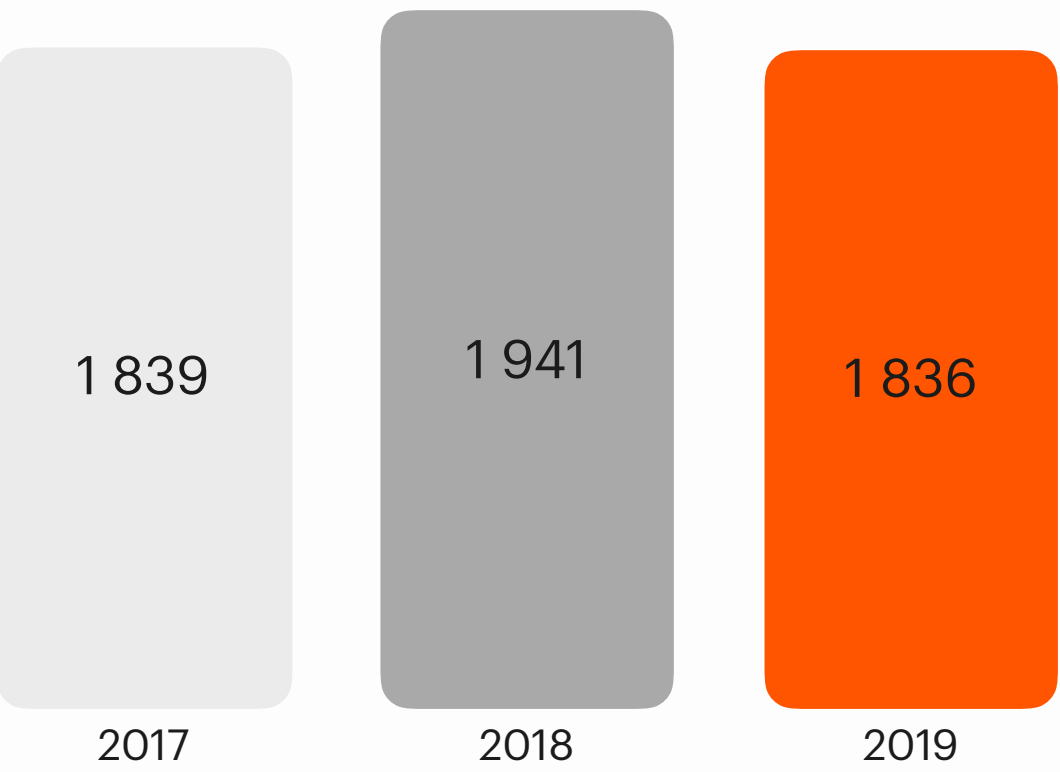
The growth of operating and financial indicators is the foundation for the Group’s sustainable and dynamic development, and also for the generation of significant cash flows. In 2019 PIK achieved market record volumes of the assembly of reinforced concrete structures – 1.4 million m².

Share of mortgage transactions in overall sales



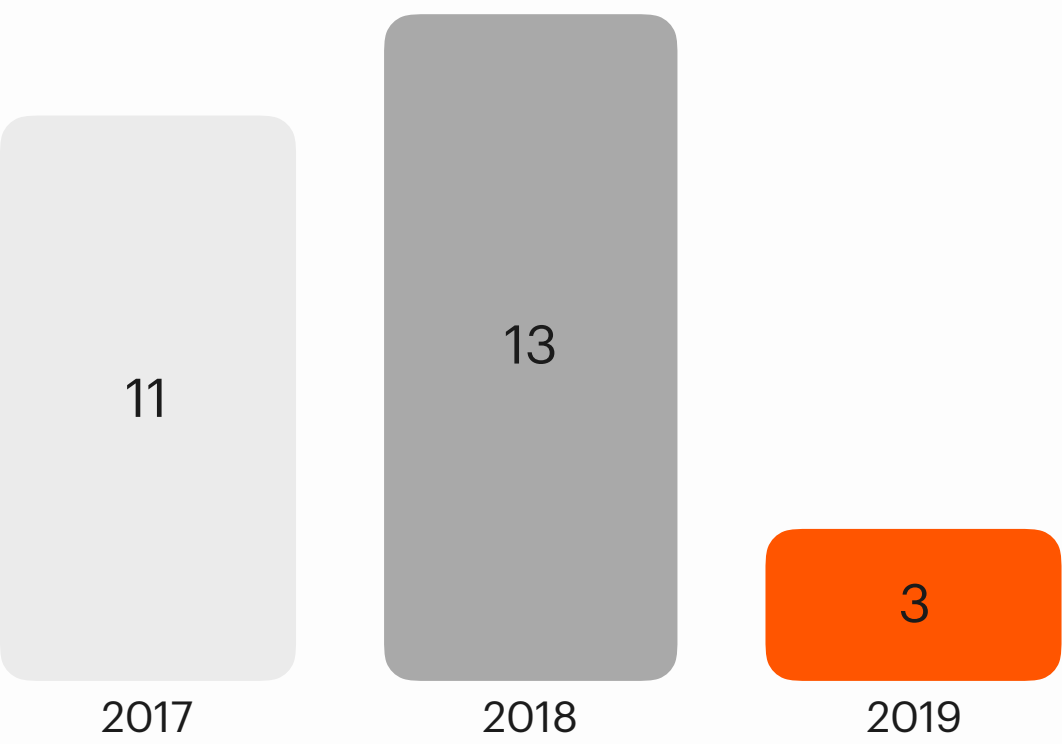
The share of mortgage sales increased by 1% in 2019 compared to 2018.

Volume of real estate sold, th. m2



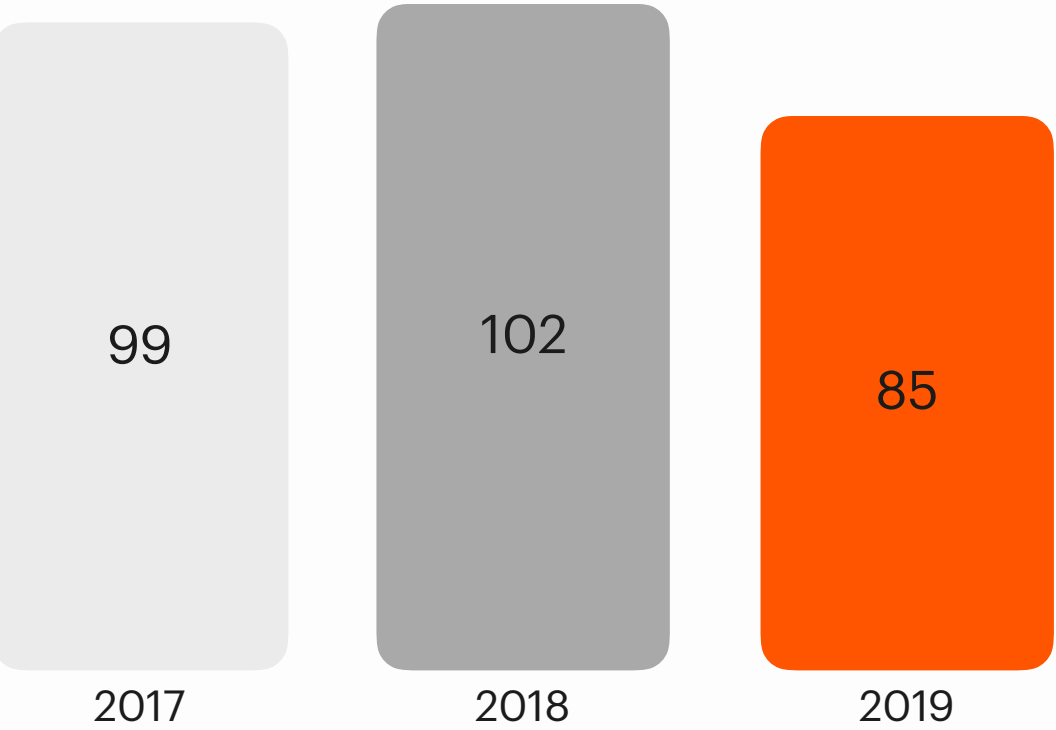
In physical terms, the volume of sales fell by 5.4% to total 1,836 thousand m2 in 2019.

Number of projects put on sale



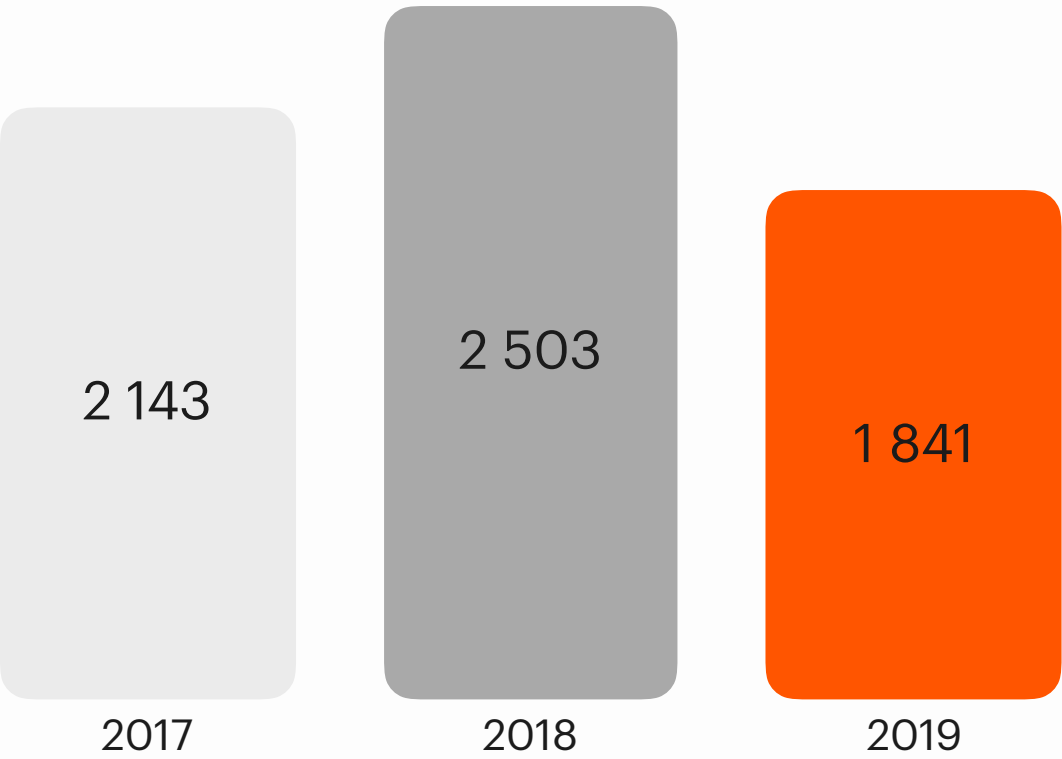
The number of projects put on sale in 2019 fell by 76.9% compared to 2018.

Number of buildings put on sale



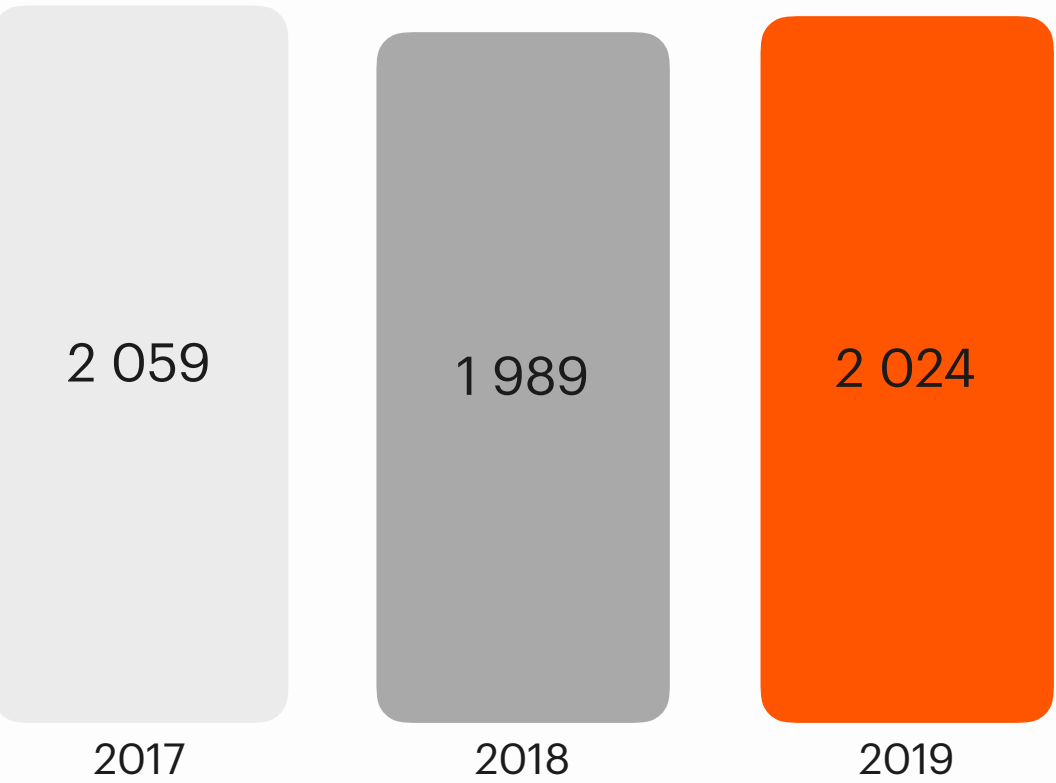
The total number of individual buildings put on the market in the reporting period also fell. The reduction compared to 2018 was 16.6%.

Volume of real estate put on sale, thousand m²



There was also a reduction of the area of real estate put on sale in 2019, falling 26.4% compared to 2018.

Volume of commissioning, thousand m²



The volume of the properties commissioned in the reporting year was 2,024 thousand m², an increase of 2.2% compared to the previous year. According to the Unified Register of Developers, PIK holds leading positions among Russian developers in the volume of current construction of residential properties and in the volume of commissioning of housing in 2019.



In addition to implementing its own projects, the Group also worked in fee development in 2019. Sales of real estate in this area were RUB 16.5 billion, or 120 thousand m² in physical terms.

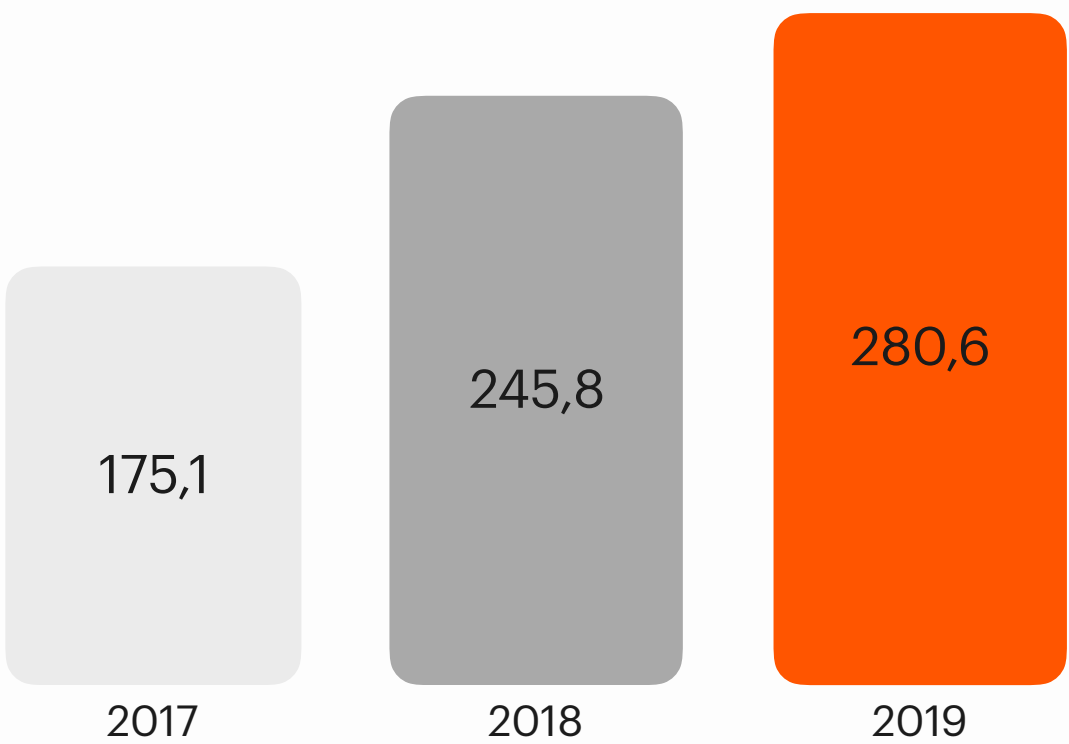


Key financial indicators of the Group for 2019

GRI 102-7, 201-1

- focus on long-term debt
- 100% of debt in roubles
- optimization of leverage and reduction in the cost of the debt portfolio

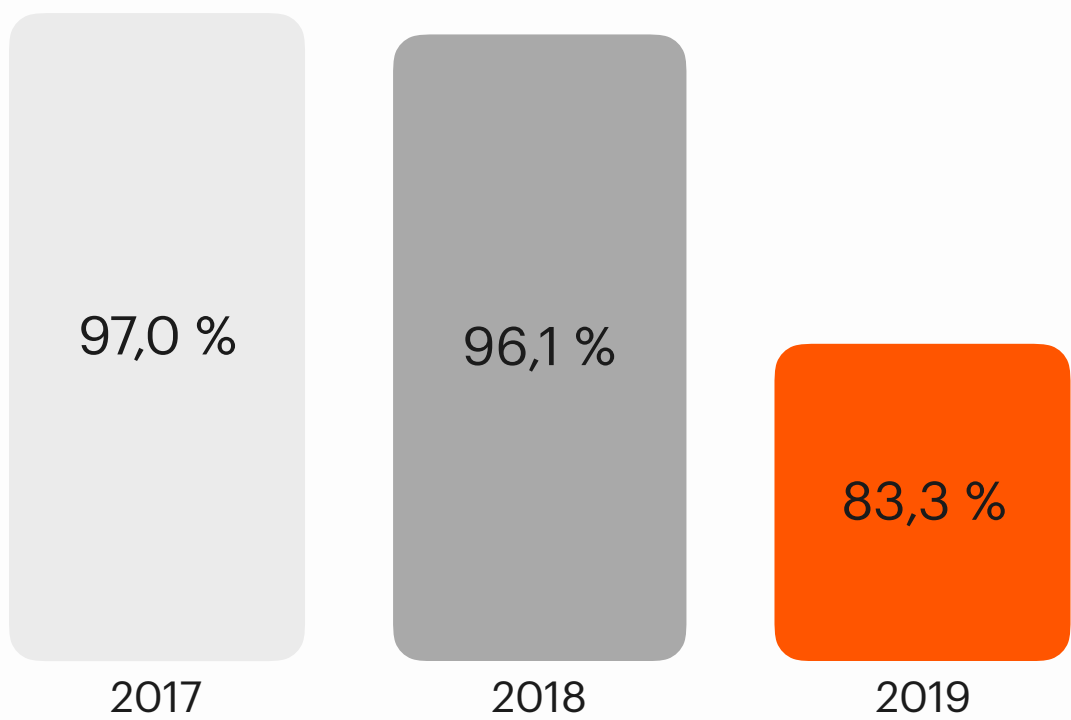
Total revenues, billion RUB



Revenues of the Group in 2019 equaled RUB 280.6 billion, which is 14.2% more than in 2018:

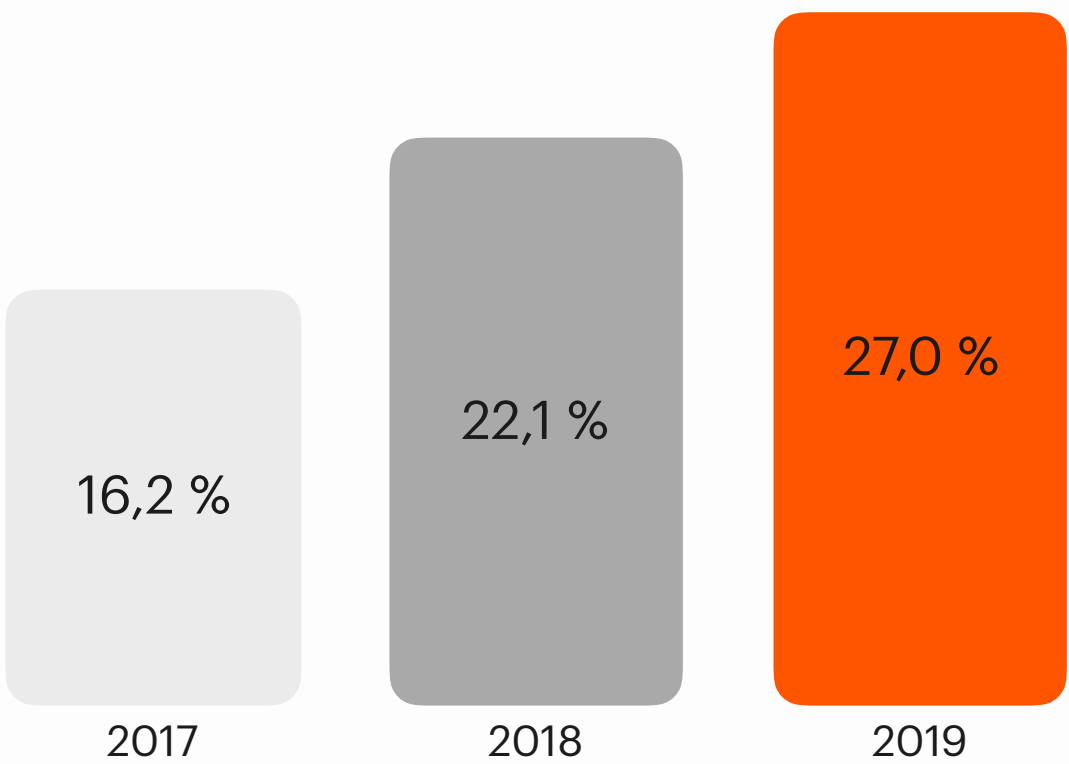
- revenues from sales of real estate equaled RUB 233.3 billion;
- revenues from the provision of construction services and other types of activity equaled RUB 47.3 billion.

Share of real estate sales in total revenues



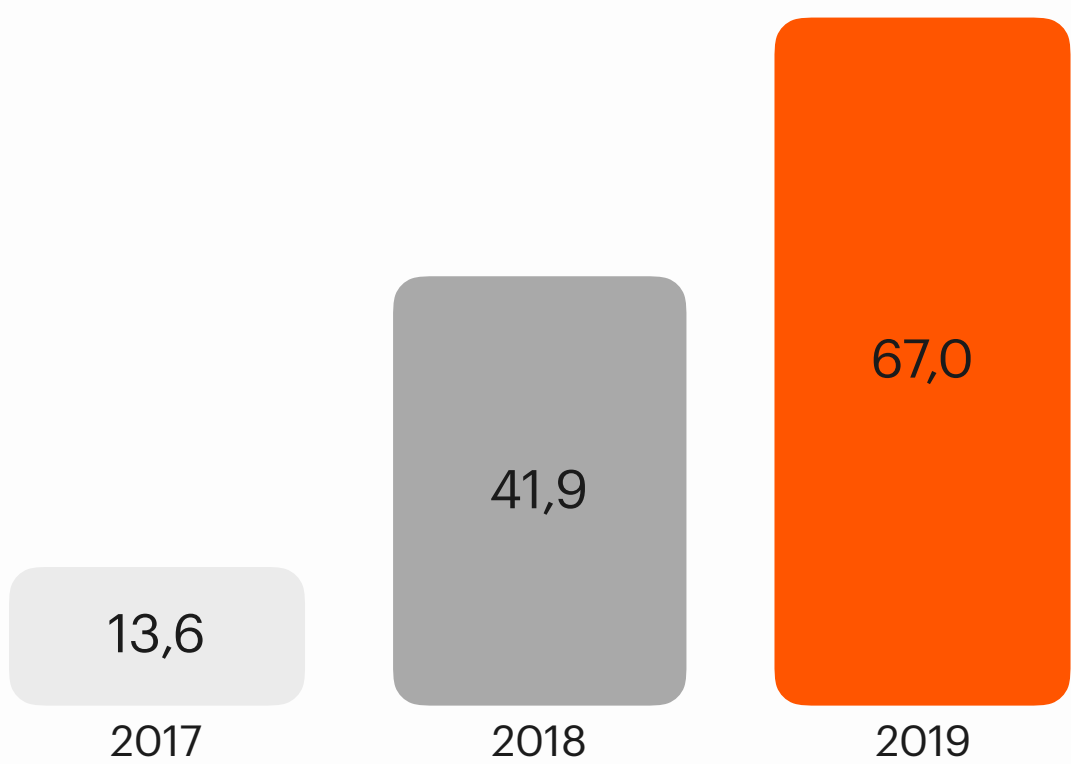
The share of real estate sales in the Group's total revenues fell by 12.8% in 2019 compared to 2018. This reduction was related to the diversification of the Group's operations.

Gross margin, %



Gross margin in 2018 was 27.0%, which is 4.9% more than in 2018. In turn, gross margin on real estate sales increased to 28.1%, compared to 21.4% in 2018, while gross margin on sales of real estate properties carried at historical cost was 33.0%.

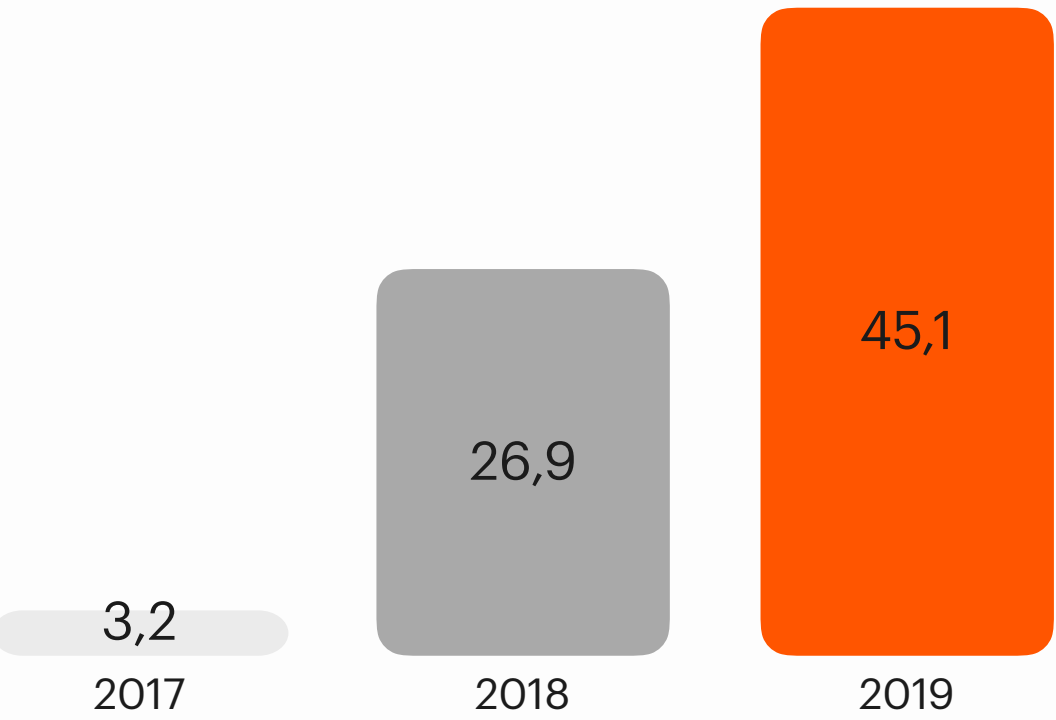
EBITDA, billion RUB



Compared to 2018, EBITDA increased by 59.9% and equaled RUB 67.0 billion. The EBITDA margin rose to 23.9% in 2018, compared to 17.1% in 2018.



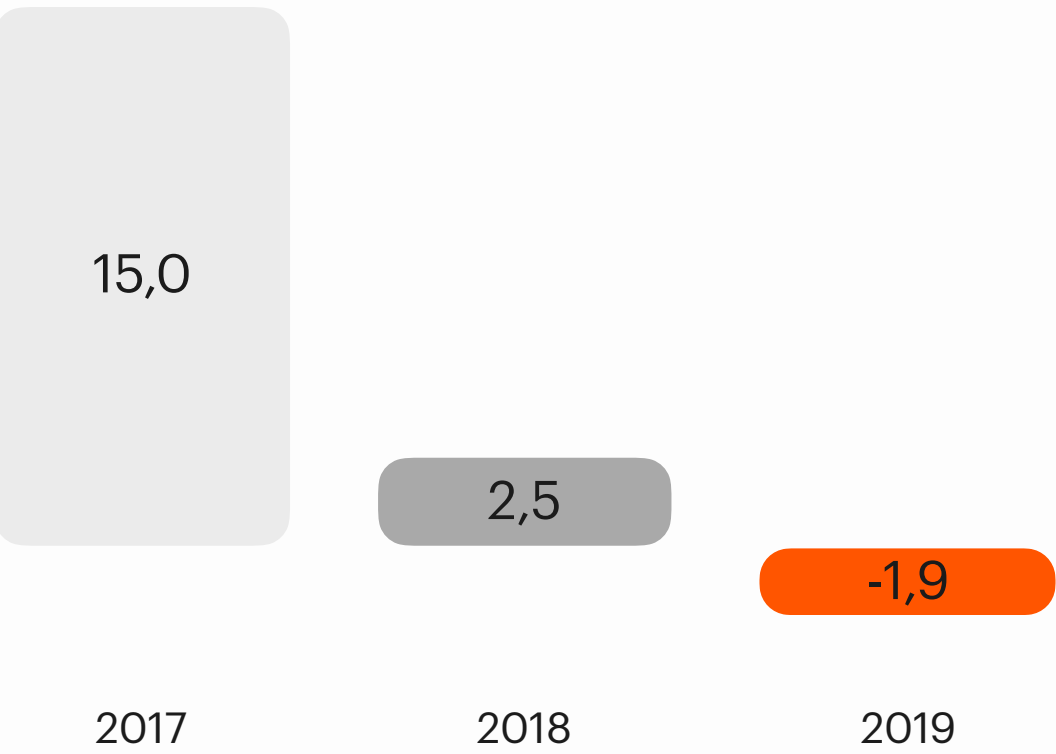
Net profits, billion RUB



The Group’s net profits in the reporting period equaled RUB 45.1 billion, which is 67.7% more than in 2018. This change is related to the growth in the price per square meter of housing.revenues from sales of real estate equaled RUB 233.3 billion;

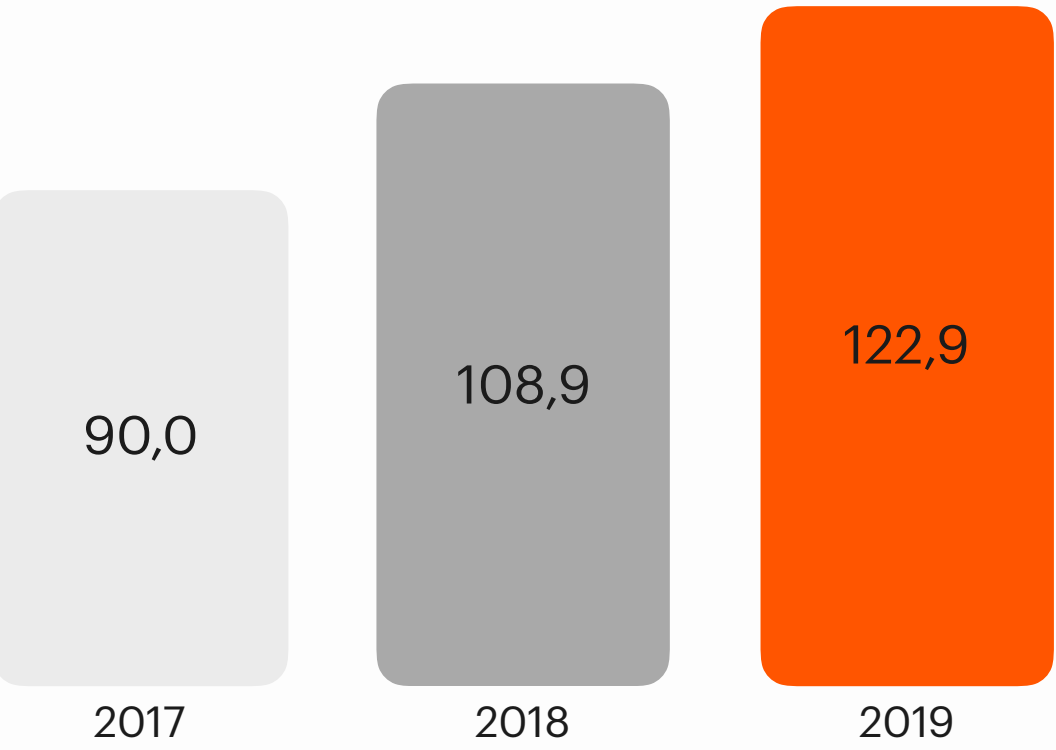
- revenues from the provision of construction services and other types of activity equaled RUB 47.3 billion.

Net corporate debt, billion RUB



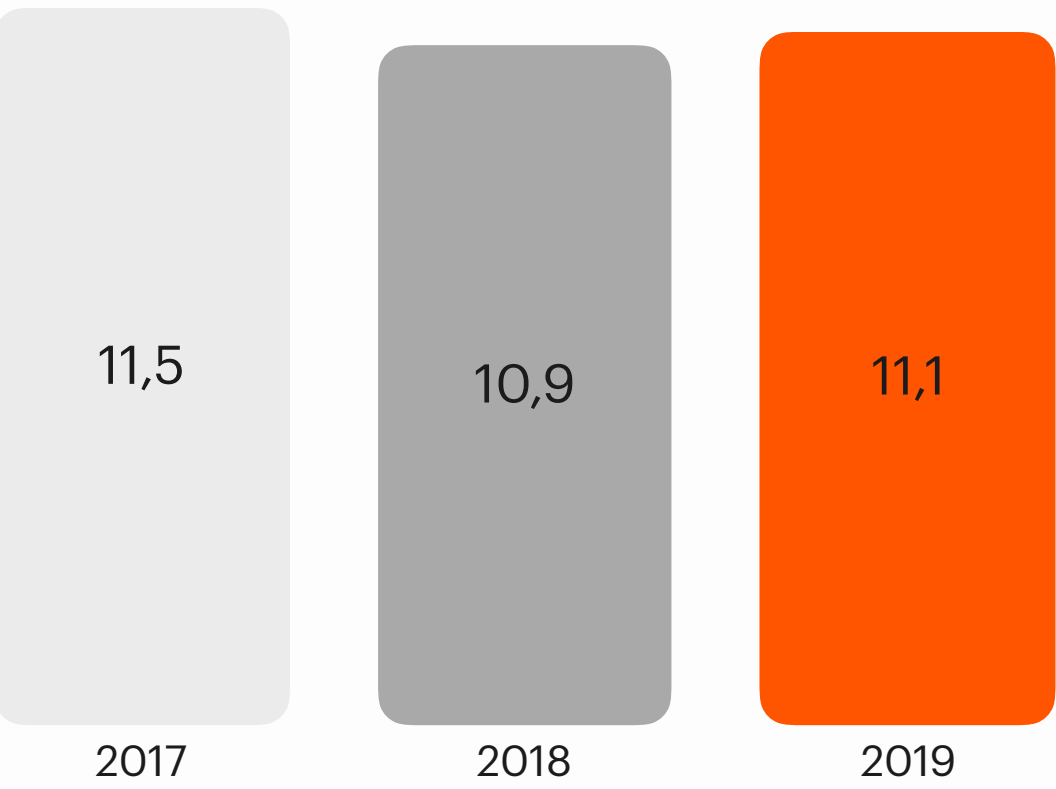
As at 31 December 2019, net corporate debt fell to negative RUB 1.9 billion.

Average sales price, thousand RUB/m²



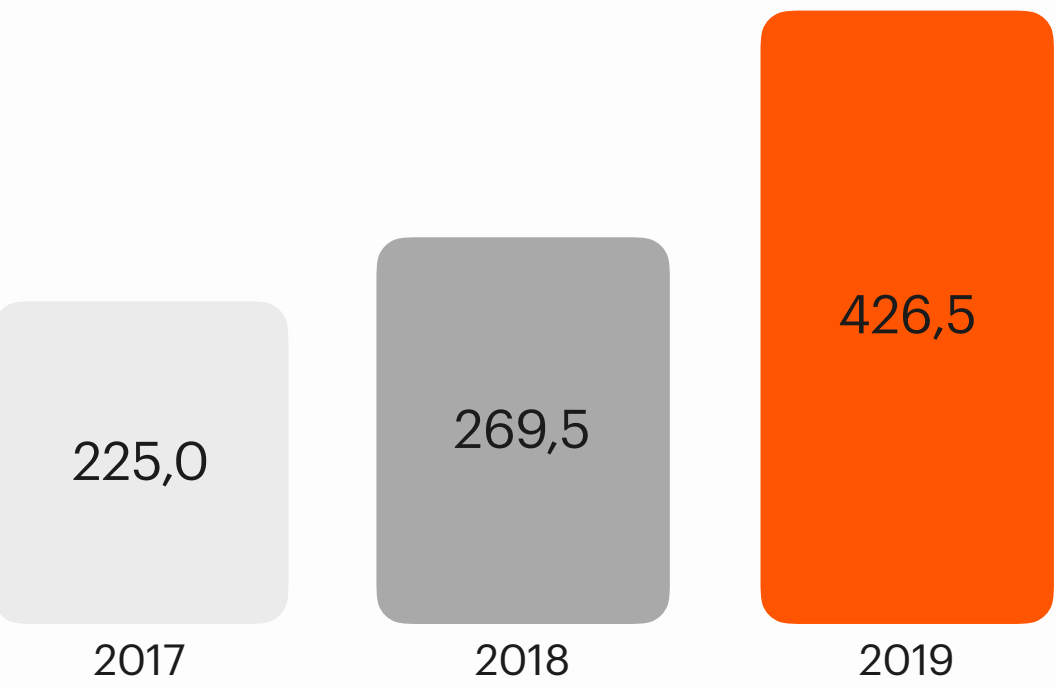
Average sales price increased by 12.9% compared to 2018 and reached 122.9 thousand RUB per m².

Size of land bank, million m²



In 2019 the size of the Group’s land bank equaled 11.1 million square meters, which is 1.8% more than in 2018.

Valuation of land bank, billion RUB

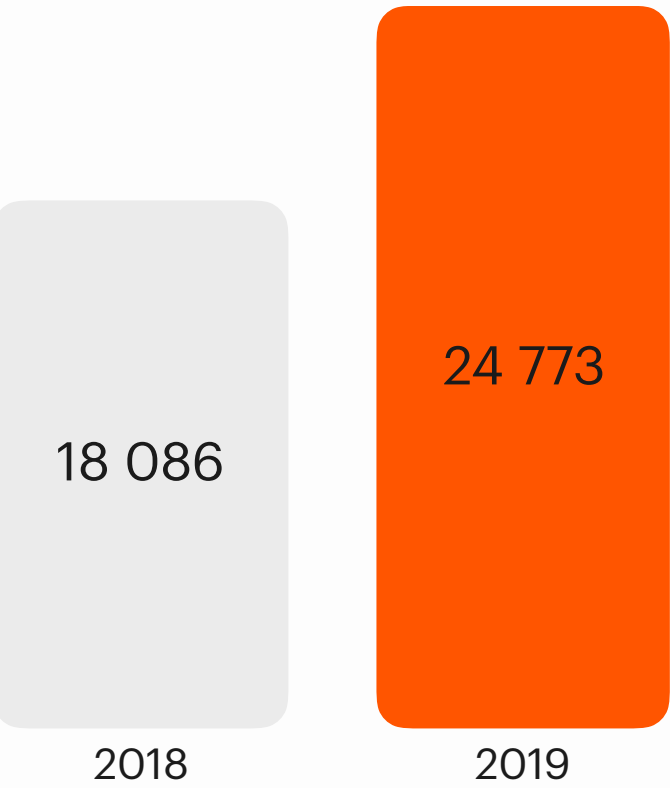


Valuation of the land bank went up by 58.3%, reaching 426.5 billion roubles

Key sustainability indicators of the Group

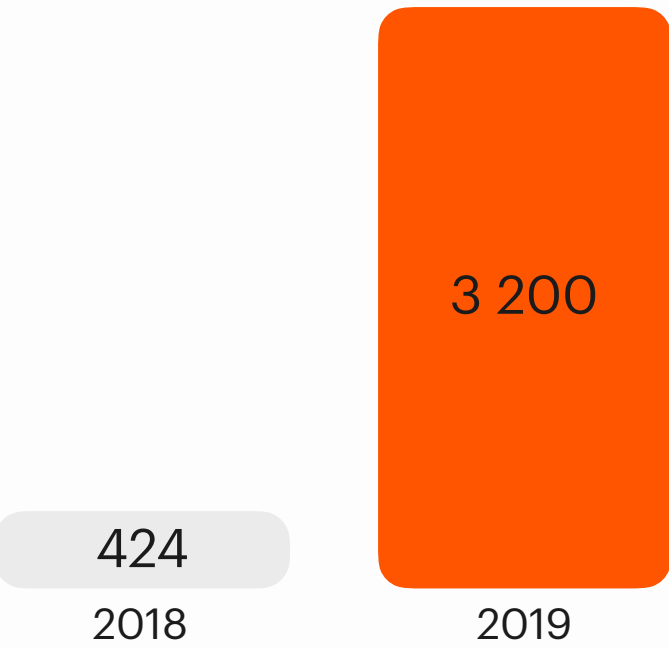
GRI 102-7

Average number of employees at year end



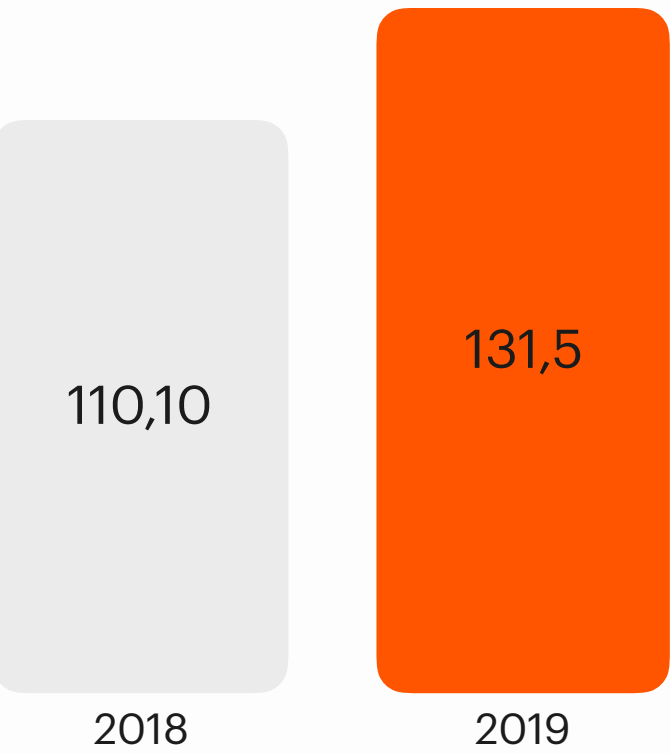
The Group had 24,773 employees in 2019, which is 37.0% more than in 2018.

Spending on environmental activities, thousand RUB



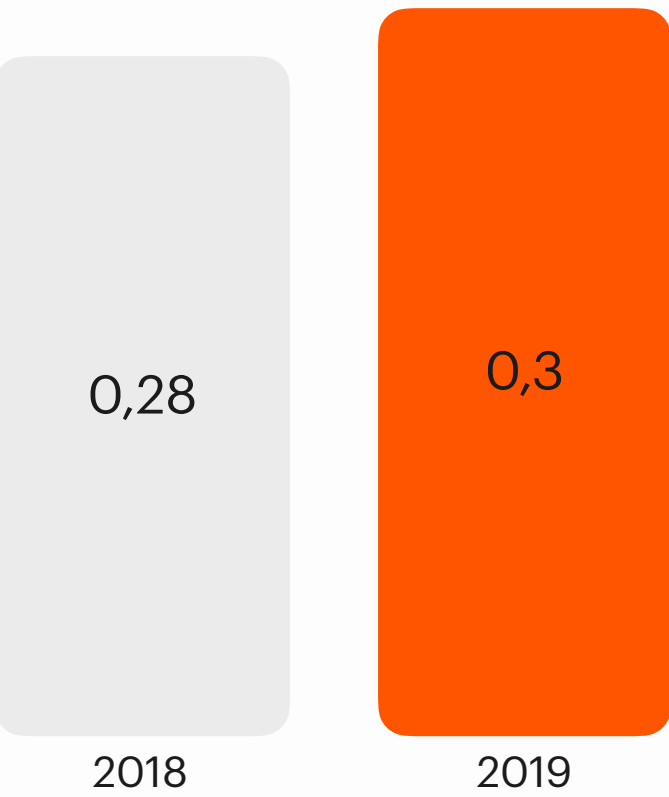
Current spending on environmental protection activities in 2019 increased by a factor of 7.5 compared to 2018. In addition, the Group invested RUB 30.9 million in the drafting of permit documentation, as well as measures to decontaminate, recycle, and dispose of wastes.

Costs on occupational health and safety, million RUB



The total increase in spending on OHS in the reporting period was 19.4% of the 2018 level.

LTIFR

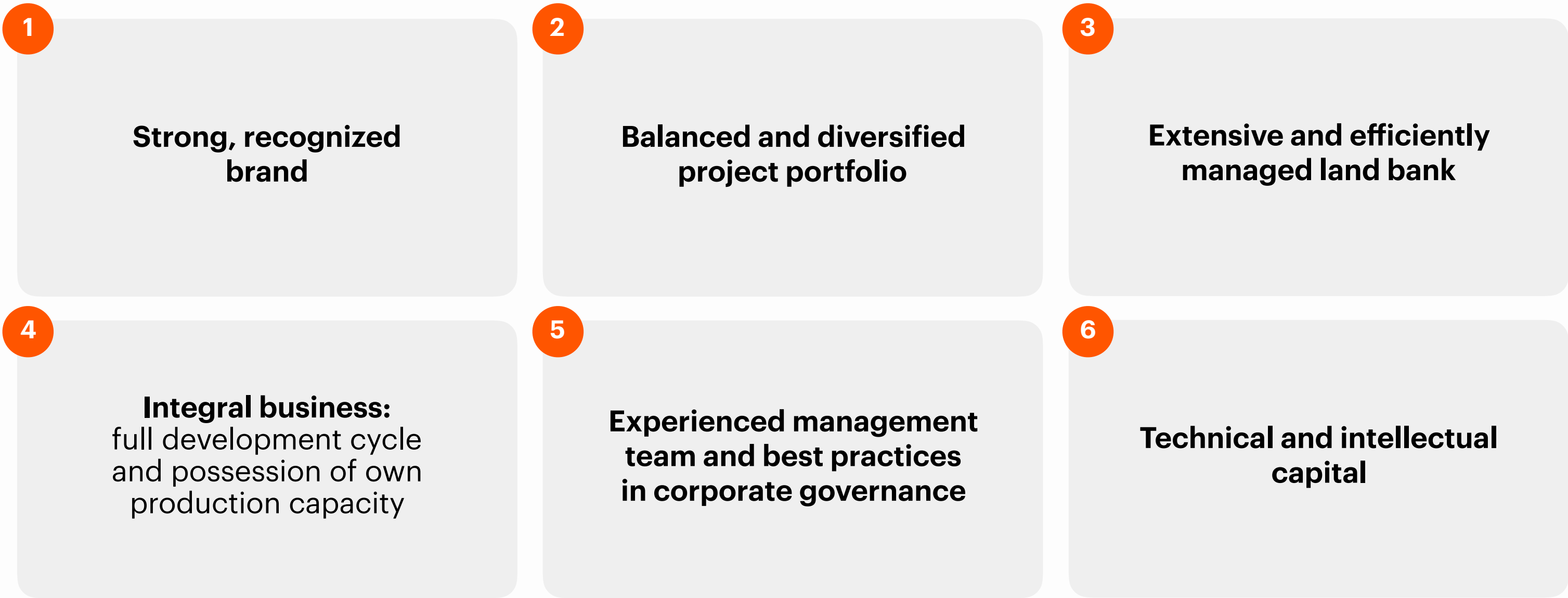


The LTIFR figure in 2019 remained at the 2018 level. A total of 34 work-related injuries were recorded in 2019, with 76.5% of incidents being minor injuries.

Strategy and business model

Competitive advantages

The fundamental factors that determine the financial and operating success of PIK are a set of competitive advantages related first and foremost to a well-recognized brand and leading positions on the residential real estate markets of Moscow and Moscow region.



1. Strong and well-recognized brand

PIK differs fundamentally from its competitors in that it develops the brand of the Group directly and not individual projects. The Group's brand represents all of the characteristics and qualities that the Group seeks to convey to its customers. In turn, all projects developed by the PIK Group must comply with these characteristics and qualities; this is achieved thanks to the corporate PIK-Standards. The Group considers the following to be key aspects of the content of its brand:

- **Standardization as the key aspect in guaranteeing quality**
- **Customer comfort. Attention to details when developing the project master plan, and also particular attention to social infrastructure;**
- **Innovation as the key aspect in optimizing business processes and improving the comfort of customer service.** This includes innovative construction technologies, the refashioning and transformation of the customer experience with the help of digitalization processes, brand promotion technologies – doing away with all of the classic offline channels, and using new channels on the basis of foreign experience.

*The PIK Group brand was listed among the top 50 most valuable brands in Russia in the 2019 Brand Finance Russia 50 rating.*

## **2. A balanced and diversified portfolio of projects**

The projects implemented by the Group provide customers with the ability to select from various options of floorplans, prices, classes, and locations. Another important aspect is balance of portfolio projects by time of implementation. In this way, the Group offers a product that is adapted to the greatest possible extent to customer needs.

## **3. Extensive land bank.**

Having its own land bank is the foundation of the Group's financial and operating stability. Ownership and effective management of land assets is one of the key indicators of PIK's success.

## **4. Integrated business: full development cycle and in-house production capacities.**

The Group conducts the full cycle of developing a property, from the purchase of a plot of land, preparation of designs and planning, and ending with the construction itself. This allows us to tightly control the entire process, which leads to a better-quality product and reduces the amount of time required for the project. In-house production capacity also leads to higher quality – some of the key construction materials are manufactured by the Group itself. Among other benefits, this allows us to guarantee on-time deliveries to construction sites.

## **5. Experienced management team and best practices in corporate governance.**

The Group is managed by experienced professionals, who are nonetheless open to new ideas and challenges. In conjunction with the use of global best practices, PIK is able to set and achieve ambitious goals.

## **6. Technical and intellectual capital.**

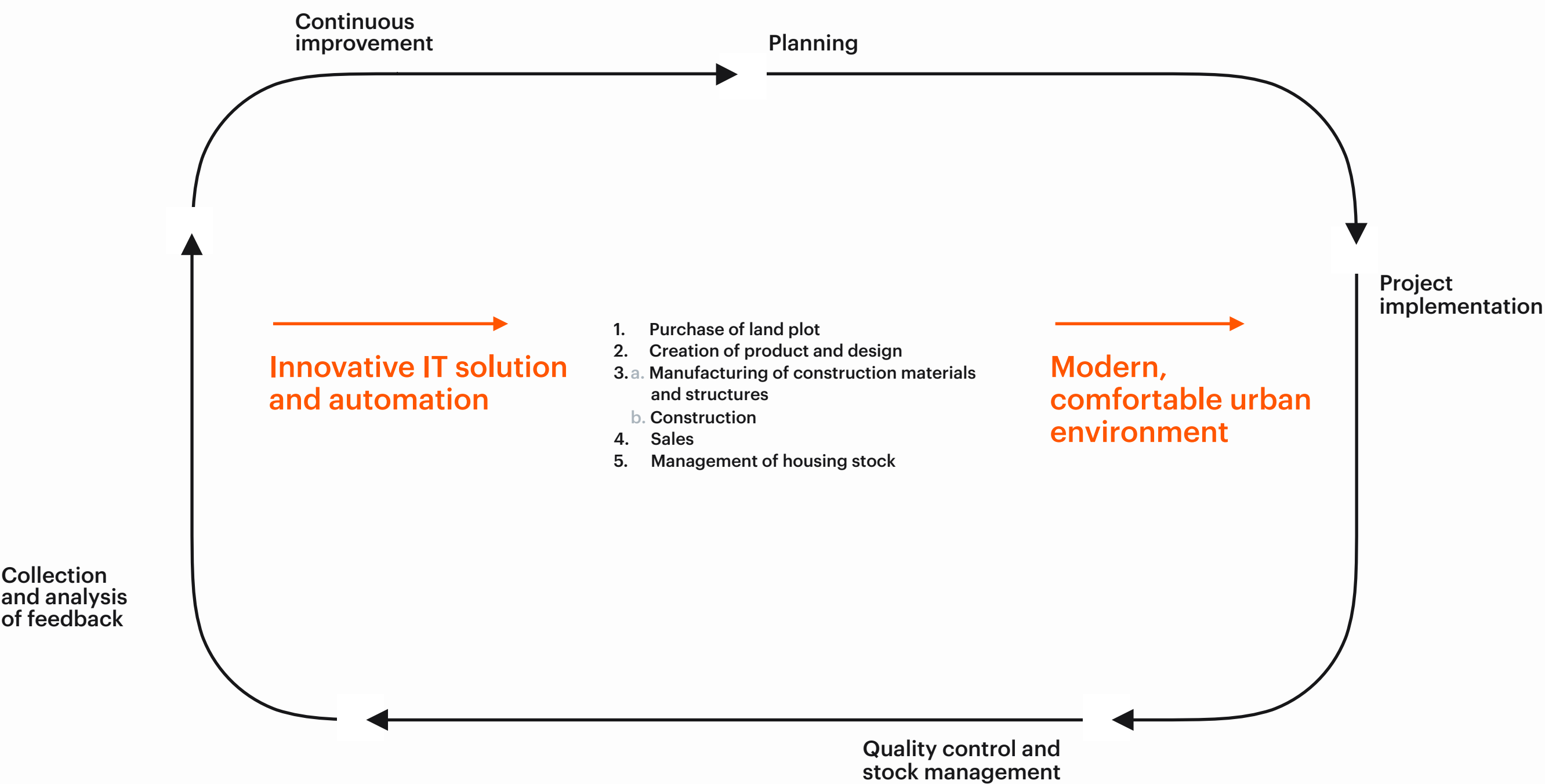
After a long time working as a developer, PIK has accumulated a significant stock of its own unique innovative solutions and designs, which make the Group stand out in the real estate market. The Group has built up a team of specialists who are ready to accept the most ambitious and unusual assignments.

# Business model

As a vertically integrated corporate group, PIK fully carries out the entire development cycle, starting from the selection and acquisition of land for construction, the creation of a master plan and design, and ending with the keys to apartments being put in the hands of the new residents. In this way, the Group ensures that both the design and implementation of the projects are of high quality, that deadlines for delivering properties are met, and that business processes are highly efficient, which in the final analysis promotes greater trust in the Group on the part of customers.

After the main cycle of development is complete, PIK starts the management of the new housing stock, which allows them to guarantee a high level of service and comfort for residents of Group properties. Such housing management services are also provided for properties built by other developers.

The continuous collection of feedback and analysis of customer satisfaction are important elements of the operations of the PIK Group. This allows us to take into account the changing needs of various groups of customs and develop projects that best satisfy our residents.



The project management system in operation at PIK has the capability to simultaneously manage several million square meters of housing. To a great extent, this is achieved thanks to the development of our own IT tools, which allow us to significantly improve the efficiency of all of the Group’s business processes, including both those related to the management of properties already built and commissioned and those that are still in the development stage. All of the Group’s projects are implemented stage by stage, and responsibility for each stage is assigned at the level of the vice-presidents of the PIK Group.

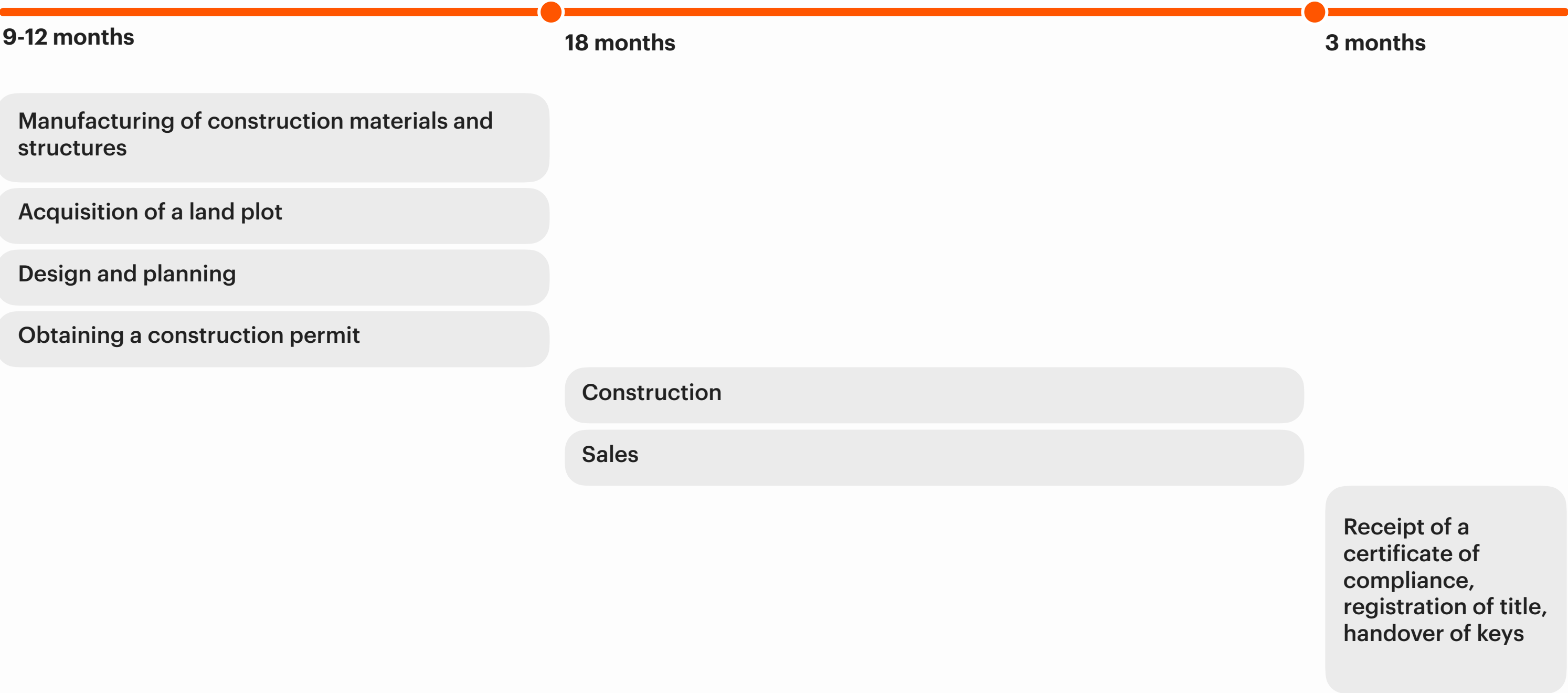
For each project, a separate project office is created that operates continuously for the entire development cycle. The functions of this office include overall management of the project: establishing deadlines for each stage and monitoring their implementation, coordination of the various departments of the Group that are involved at different stages, resolutions of minor problems and difficulties as they arise, etc.

Significant experience in effective project management has allowed the PIK Group to grow in various areas of the development sector. One such area for the Group, developed as part of its efforts to diversify operations, is carrying out the full development cycle on land plots owned by others (fee development).

## The development cycle

One of the key factors in the Group’s operating and financial prosperity is a smoothly-running development cycle. Thanks to vertical integration and in-house production capacity, as well as standardization of processes, PIK can complete projects to tight deadlines with no reduction in the quality of work.

### 30-33 months



### The total duration of the development cycle is 30–33 months, divided into three main stages:

- **first stage** (lasting 9–12 months) – selection and acquisition of a land plot that satisfies the concept of the Group, after which begins the design of the complex for the specific plot. The process of obtaining all permit documentation proceeds in parallel with this;
- **second stage** (lasting 18 months) – work related to construction, internal finishing, and also the creation of all necessary infrastructure stipulated by the planners (courtyards, parking, etc.); sales of apartments in the future buildings begins at this stage;
- **third stage** (lasting 3 months) – receipt of all necessary certificates from the state authorities that the properties meet legislative requirements and standards, registration of title, and the delivery of keys to customers.

After the completion of all work stipulated by the development cycle, the commissioned properties are transferred for management to PIK-Comfort.

### PIK-Comfort Management Company

In 2019 the PIK-Comfort Management Company became part of the PIK Group. PIK-Comfort performs the functions of operating, servicing, and managing housing stock – both PIK properties and third-party properties. PIK-Comfort is active in 19 regions of Russia, and manages a total of 50,1 million m2 of housing stock. PIK-Comfort includes enterprises that perform the operation and upkeep of elevators, maintain and repair residential buildings, collect payments for utilities, logistics, and trash collection.



The goal of PIK-Comfort is to transform the management company into an IT company, and provide high-quality services with the help of digital tools, specifically the app PIK-Comfort – My Account, which has no equivalent on the market, as well as a centralized dispatcher’s office and call center with elements of automation, to speed up the handling of calls and shorten response time.

PIK-Comfort is a leader in the management and operation of housing stock. It participates actively in measures to exchange best practices, thereby helping to develop the industry as a whole. In 2019 PIK-Comfort took prizes in the Moscow Quality competition for best goods and services. PIK-Comfort also took third spot in the Rating of Housing Cooperative and Utilities Management Companies in Moscow.

Strategy

The main strategic goal of the PIK Group is to hold its leading positions on the market for modern and accessible housing in Russia, while simultaneously diversifying its operations. The Group seeks to increase value through a digital transformation oriented to creating high-technology production and development capabilities, as well as optimizing all business processes.

The Group also intends to move beyond the boundaries of accustomed development. With this aim, projects are being implemented to provide design and construction services on third-party land plots, provision and commercialization of services in the field of digitalizing developer operations, etc.

To achieve these goals, several key lines of business for PIK were identified. In 2019 the Group continued its operations in these areas and achieved significant results.

1	Improvements in operating efficiency	<ul style="list-style-type: none"><li>• Ensuring the efficiency of developer operations using the project method of management</li><li>• Cost control at all stages of the value creation chain</li><li>• Optimizing production processes</li><li>• Developing and modernizing production and construction facilities</li><li>• Refining methods for analyzing, monitoring, and managing the Group’s main risks</li><li>• Hiring and retaining highly professional specialists, creation of appealing working conditions</li><li>• Minimizing the effect of the human factor</li><li>• Harmonizing technological processes of construction in all areas of presence</li><li>• Harmonizing technological processes of construction in all areas of activity</li></ul>
2	Diversification of the Group’s operations	<ul style="list-style-type: none"><li>• Commercializing IT projects</li><li>• Growing the fee development business</li><li>• Launching and developing franchising</li></ul>



3	<b>Digitalization and automation</b>	<ul style="list-style-type: none"><li>• Investing in the development of IT infrastructure</li><li>• Developing and rolling out innovative IT solutions</li><li>• Automating production activity and other business processes</li><li>• Improving IT tools for planning, accounting, and control</li><li>• Continuously improving the quality of the Group’s properties with the help of information technologies</li></ul>
4	<b>Increase in the supply of high-quality housing</b>	<ul style="list-style-type: none"><li>• Introducing to the market fundamentally new products of industrial and cast-in-place construction with improved consumer and esthetic qualities</li><li>• Developing efficient methods for selling housing using the in-house sales service</li><li>• Shortening the time needed for project development while retaining high quality</li></ul>
5	<b>Creation of a better customer experience</b>	<ul style="list-style-type: none"><li>• Improving of online sales channels</li><li>• Introducing self-service tools</li><li>• Continuously improving the client service system</li><li>• Collecting and analyzing customer feedback, assessing customer satisfaction</li><li>• Creating a comfortable internal living environment in districts with integrated development</li></ul>
6	<b>Achievement of sustainable development goals</b>	<ul style="list-style-type: none"><li>• Complying with the standards of business ethics</li><li>• Anti-corruption measures</li><li>• Promoting the professional and personal growth of Group employees</li><li>• Ensuring safe working conditions</li><li>• Creating an effective and transparent system of stakeholder engagement</li><li>• Assisting in the social and economic development of our areas of presence</li><li>• Minimizing the Group’s environmental impact; efficient and sustainable use of natural resources</li></ul>

## Development of information technologies and digitalization

### Approach to management of digitalization issues

Starting from 2016, after significant expansion, the Group embarked on a course of developing its own digital projects. This led to the successful creation of a unified digital system with no equal among other developers, which brought together all of the projects developed by the Group's IT departments. The implementation of IT solutions in the Group's business processes makes it possible to raise their operating efficiency, optimize costs, and achieve significantly greater transparency in operations.

Today, PIK gives priority attention to issues of the development of information technologies and the digitalization of all business processes, and is an IT leader in the construction and development sector. The Group is implementing a Digitalization Strategy, which is reviewed and updated every six months.

The unique industry experience the Group has built up in digitalization and automation is now an important competitive advantage. Nonetheless, engaged as it is in a constant search for new growth opportunities, the Group has decided to develop a new line of business in future – commercialization of digital projects as a service after separating the products from the Group's internal systems.

The Group's structure includes several departments that are responsible for the development, implementation, and support of IT projects: the Department of Information Technologies, which is a top-level division of the PIK Group, as well as the IT departments of the Sales Department, PIK-Project, and PIK-Industry, which are responsible for carrying out projects in the commercial, design, and industrial construction segments, respectively. Also functioning as part of the Group is PIK-Digital, the main goal of which is the development and consolidation of major IT projects, as well as their subsequent commercialization. At the start of 2020, the transfer of all IT departments under the umbrella of PIK-Digital is being planned.

### The main goals of the Group's IT departments are as follows:

- **design activity** – development of proprietary information products in the field of automating and digitalizing the processes of design, construction, development (project management), commercial activity (sales, marketing), office operations (accounting, reporting, procurement), maintenance of real estate and utility infrastructure, as well as internal processes (HR, etc.). Projects pursued are aimed at reducing the cost of production of the Group's real estate, complying with statutory requirements, increasing the operating efficiency of Group divisions, optimizing and simplifying the monitoring of all business processes, and increasing the appeal and recognizability of the brand (reputation-related projects);
- **services for office, network, and server infrastructure** – technical support for office employees, supporting the reliable work of office equipment and servers.

Meetings are held regularly at various levels to coordinate the activity of all IT areas. The "IT Board" is a monthly meeting of the heads of all areas, aimed at synchronizing operating activity, discussing strategic issues, best practices, specific problems of projects, etc. "Methodology" is a weekly meeting of project heads to discuss current issues. Similar meetings are held for software developers at which the technical aspects of project implementation are discussed.

An important aspect of information technology is the ongoing study of new trends and professional development. Employees of the Group's IT departments attended 23 different training courses in 2019, and also took part in 16 conferences, among them PgConf.Russia 2019, Heisenbug 2019, and many others.

## Key results in 2019

### Digitalization of project reporting

In connection with the changes in escrow legislation, a project was initiated to bring together the data from existing information systems that store project data. This made it possible to optimize consolidation of the reporting and make it easier to provide it to stakeholders; in particular, reporting became available to the bank and the project team in the format of an information portal, while the Ministry of Construction receives information automatically thanks to internal data collection systems.

The project was launched at the end of 2018; in 2019 it was pursued actively and was fully implemented in all relevant divisions of the Group.

### Digitalization of human resources management processes

Digitalization is also being actively used to optimize the Group's human resources management processes. In 2019 we actively developed the employee personal account, which was launched in 2018. This platform has extensive functionality for employees to interact with the HR or accounts departments. For example, the personal account allows the employee to submit vacation requests or order a 2NDFL personal income tax statement, or a copy of his employment record book. Various functionalities are also available for managers: staffing tables, analysis of employee turnover and staffing levels, training statistics, and much else besides. The system functioned in test mode in 2019, and many refinements were made, including in response to employee feedback. A full-scale launch is planned for 2020.

### PIK.Pro

In 2019 the Group launched a new technology platform, PIK.Pro, which links construction tradesmen with contractors. Tradesmen receive assignments through the app, while after performance of the work the contractors only check on the quality. This management system makes it possible to remotely support tradesmen at the worksite and quickly make decisions.

### Electronic interaction agreement

In 2019 the Group signed an agreement with a partner bank on working with letters of credit and escrow accounts. Under this agreement the Group, as a partner of the bank in whose favor an individual opens a letter of credit, gains the ability to create the corresponding application in its own system. The application is then sent to the bank, where the individual must sign it at any office of the bank. Work with escrow accounts proceeds in a similar fashion.

The agreement makes it possible to make the process of buying an apartment as clear, simple, and fast as possible. Signing this agreement was a key event in the digitalization of the process of real estate sales.

### Digital General Contractor

In order to optimize and automate the processes of financial and documentary interaction with the contractor and to reduce the personnel required for these purposes despite the growing number of contractors, the "Digital General Contractor" project was developed and launched in 2019.

The project consists of a set of systems that bring together several components:

- **Price builder.** This component makes it possible to automatically create a cost schedule for a job and agree on it with the contractor;
- **Contract builder.** In this component contracts can be drafted and signed off on;
- **Certificate builder.** This component provides automatic monitoring to ensure that the scope and cost of work performed corresponds to the contract that was concluded;
- **Settlement system.** The system receives work completion certificates and the contractor's payment history, deducts advance payments, and withholds the warranty amount. The remainder is automatically sent to the bank and paid to the contractor.

All contracts concluded in 2019 went through the Digital General Contractor system. Contracts concluded earlier are not yet covered by this system. It is expected that from 2020 this system will provide 100% coverage of all contracts with contractors.

**Automation of relations between contractors and suppliers – the Marketplace project**

The process of purchasing materials from suppliers also began to be automated in 2019 – the Marketplace system was developed. This system is an information platform that consolidates suppliers that have won tenders to supply the necessary materials. The contractor places orders for materials needed to perform work, and the system automatically distributes these orders among suppliers. The system also monitors whether the materials ordered correlate with the cost schedule approved in Digital General Contractor.

Certain categories of materials were purchased in 2019 using this system. The full-scale launch of the system and the transfer to it of all purchasing activity will take place in 2020.

**Integrated real estate servicing system – Dispatcher's Office**

The Dispatcher's Office is an information system intended to optimize the processing of and response to technical service requests from the residents of our properties. This system includes all processes related to the technical servicing of buildings, from processing incoming requests to monitoring their fulfilment.

The Dispatcher's Office consists of a number of blocks:

- **Call Center** – service to receive calls from customers and record requests and consultation of residents;
- **Dispatcher** – a service that distributes requests among service providers and monitors their fulfilment;
- **Mobile App for Service Providers** – a mobile application for Android and iOS, through which service providers receive the requests allocated to them;
- **Service Desk** – a service responsible for routing requests among other services;
- **Elevator Diagnostics** – a service that analyzes the condition of elevator equipment, and which, when necessary, automatically creates service requests on elevator malfunctions.

In 2019 the system was extended to all properties in Moscow and Moscow region, and also to a number of other regions. The total area of the housing serviced by the system is 35 million m<sup>2</sup>. Service level agreements (SLA) have been implemented and are in operation. Further development and technical refinement of the system is planned for 2020, including greater stability and efficiency.

**Digitalization of as-built documentation**

In 2019 the Group went entirely over to electronic as-built documentation. Contractors now submit as-built documentation in electronic form, and in this form it is approved, signed, and sent to the management company. The Group has agreed with the supervisory authorities in two regions to provide this documentation in electronic form. The implementation of this system has made it possible to move significant amounts of paper documentation for each commissioned property to electronic form.

**Online sales of real estate and after-sales service**

For Group customers, digitalization first and foremost means greater convenience in the process of purchasing and using real estate, and minimization or complete elimination of the need to visit the office at the purchasing stage, thus saving time.

In 2019 PIK customers got the chance to minimize time costs on purchasing an apartment – online sales were launched. The ability to pay for the purchase of an apartment online is worthy of separate mention. The Group was able to achieve significant results in 2019, which confirms that the goals that we set for ourselves in the area of online sales are a reality: a resident of Petropavlovsk-Kamchatsky in the Far East purchased an apartment in Moscow without traveling to the capital.

Also being actively developed is the residents personal account system, in which utilities payments can be made and other housing-related issues can be resolved. More than 50% of payments were made online in 2019.



### Integration of information from BIM models

BIM data began to be used on a wide scale in 2019 as content for in-house information systems. Now after design work is complete, information is promptly transferred to other information systems. For example, when a cost schedule is created in Price Builder, the amount of materials necessary for the project is automatically generated from the corresponding BIM model. The use of digital models is planned for the management of housing in future. A BIM model can be updated using the data of measurements made by the Property Inventory and Registration Bureau and comments by work contractors, and can be brought into accord with the real parameters at the time of commissioning. In this case, the management company will then have a digital copy of the building – an electronic model that can be used to plan maintenance, and also record changes during operation.

## Assessment of the effectiveness of IT project implementation

At the end of 2019, work began to create a department that would be responsible for optimizing business processes in the Group's departments and determining the effect of this optimization. The functions of the department will include an analysis of the needs of the client functional division (this stage will determine which specific problems are present, and how much automation is needed to resolve these problems), and also an assessment of the effectiveness of the optimization.

At present a project card is kept for each digital project using the OKR model (Objectives and Key Results), which records the goals, key results, budget, project team, sponsor (functional division of the Group that incurs the expenses) and so on. The new division will assess the change occurring as a result of the optimization, and monitor whether these changes accord with the goals of the project. The department will begin full-scale operation in 2020.

## Development plans

### Strategic development areas:

- disseminating best practices among all factories of the production unit;
- increasing the role of digital management of the construction process;
- optimizing the efficiency of design work when increasing the scope of work;
- development of digitalization of processes of the services of PIK-Comfort;
- commercialization of the Group's digital products.

### In their project activity, the IT departments of the Group plan the following for 2020:

- moving the purchase of all types of materials to Marketplace;
- implementing BIM models in the production, construction, and sales processes;
- complete coverage by the Digital General Contractor of all contracts concluded with contractors;
- technical improvements to existing projects in the area of online sales and customer service (Dispatcher's Office, resident's personal Account, etc.).

# 2. Corporate governance

## Corporate governance practices

The corporate governance of the Group constitutes the system of relationships among the shareholders, the Board of Directors, the executive bodies, and other stakeholders. The goal of the Group's corporate governance system is to use appropriate corporate governance practices that meet both Russian and international standards, are based on compliance with legal requirements and the norms of business ethics, and take the interests of all stakeholders into account.

The main objectives of the corporate governance system include determining the Group's goals, ensuring effective control over financial and economic operations, fulfilling the Group's legal and social obligations, and attracting investors.

The following are the main principles set out in the Group's Corporate Governance Code, which is binding on all officials and bodies of corporate governance:

- adherence to the standards and requirements of the laws of the Russian Federation and the Charter and in-house regulations of the Group, compliance with the Corporate Governance Code of the Bank of Russia, and the Listing Rules and other requirements of the Moscow Exchange on public companies;
- upholding the rights and interests of shareholders, including the right to receive dividends; a fair and equal approach to all shareholders in the exercise of their rights to participate in management;
- exercise of rights and discharge of duties by all shareholders, officers, and management bodies in good faith, prevention of abuse of rights, upholding the norms of corporate business ethics in relations with partners and employees;
- accountability of the Board of Directors, President, and Management Board to the shareholders;
- open, mutually beneficial cooperation with investors, creditors, and other stakeholders for the purpose of increasing the Group's assets and capitalization;
- transparency and openness of information for all stakeholders.

Extensive work was performed in 2019 to update and draft new regulations governing the work of the corporate governance bodies, and the practices and procedures in use by the Group. The updating of regulations was a chance to bring them into accord with legislative requirements, best practices, and the recommendations of the Bank of Russia and the Moscow Exchange. New versions of the following documents were approved:

- Regulations on the General Meeting of Shareholders;
- Regulations on the Compensation of Members of the Board of Directors and the Audit Commission;
- Regulations on the Division of the Corporate Secretary in a new version;
- Sustainability Policy;
- Regulations on Insider Information of PIK-Corporation LLC.

The Group plans to continue work on improving corporate governance in 2020. The course of renewing the documents regulating corporate governance will be continued through the updating and drafting of the following documents by the Division of the Corporate Secretary and the Department of Relations with Investors and Capital Markets:

**New documents:**

- Social and Environmental Policy;
- Regulations on Anti-Corruption Policy;
- Regulations on Insider Information;
- Rules of Internal Control to Prevent, Identify, and Interdict the Unlawful Use of Insider Information and/or Market Manipulation;
- Terms and Conditions for the Performance of Transactions with Financial Instruments by Members of the Board of Directors and the Management Board, the Person Performing the Functions of Chief Executive Officer, Members of the Audit Commission, Individuals with Access to Insider Information on the Basis of Employment and Civil-Law Contracts, as Well as Individuals Related to Them;
- Regulations on Policy on AML/CFT Issues;
- Policy Governing Work with Personal Data;
- Policy on Sanctions and Anti-Monopoly Compliance Issues.

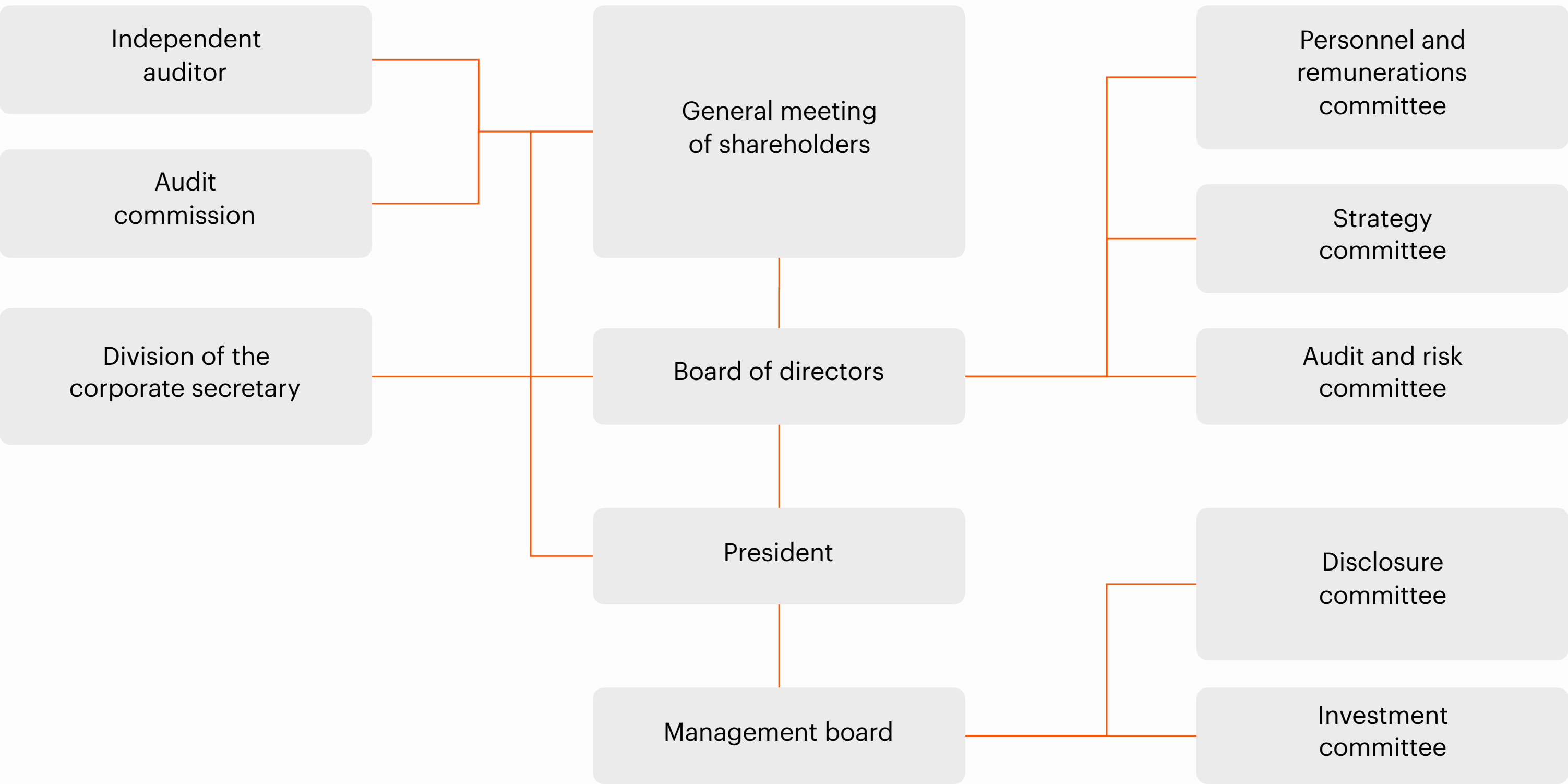
**New (updated) versions of existing documents:**

- Charter of the PIK Group;
- Regulations on the Audit Commission;
- Regulations on the Board of Directors;
- Regulations on the Division of the Corporate Secretary;
- Regulations on the Personnel and Remunerations Committee of the Board of Directors;
- Regulations on the General Meeting of Shareholders;
- Dividend Policy;
- Corporate Governance Code;
- Regulations on the Strategy Committee of the Board of Directors;
- Regulations on the Internal Audit Department;
- Regulations on Information Policy;
- Policy on Internal Control and Risk Management;
- Regulations on the Audit and Risk Committee of the Board of Directors;
- Policy on Managing Conflicts of Interest and Corporate Conflict;
- Policy on Compensation and Reimbursement of Expenses of Members of the Executive Bodies and Other Key Management Employees.



Structure of the corporate governance bodies of the PIK Group

GRI 102-18



General Meeting of Shareholders

The General Meeting of Shareholders of the PIK Group is the supreme management body of the Group, which makes decisions on key issues of its operations. The Group provides all shareholders with the opportunity to exercise their voting rights without hindrance, in a simple and convenient manner. For this reason, the General Meeting of Shareholders can be held in the form of a meeting involving joint attendance of shareholders to discuss the agenda and make decisions on issues put to a vote, or in the form of absentee voting.

The General Meeting of Shareholders was held in the form of a meeting on 21 May 2019. The following decisions were made based on voting at the meeting:

- approval of the annual report and annual financial statements of the Group for 2018;
- distribution of the profits and losses of the Group, including the payment of dividends for 2018;
- election of the Board of Directors;
- election of the Audit Commission;
- approval of the Auditor;
- approval of new versions of the Regulations on the General Meeting of Shareholders and the Regulations on Compensation and Reimbursement of Expenses of the Members of the Board of Directors and Audit Commission.

Board of Directors

GRI 102-22, 102-26

The Board of Directors performs the overall guidance of the activity of the Group, except for matters assigned to the exclusive competence of the General Meeting of Shareholders. The Board of Directors is responsible for the successful development of the Group, determination of the priority lines of business of the Group, approval of the annual budget, short-term and long-term budgets, development strategies and programs of the Group, risk management policies, amendments to these documents, and consideration of their fulfilment.

Meetings of the Board of Directors in 2017–2019

GRI 102-18

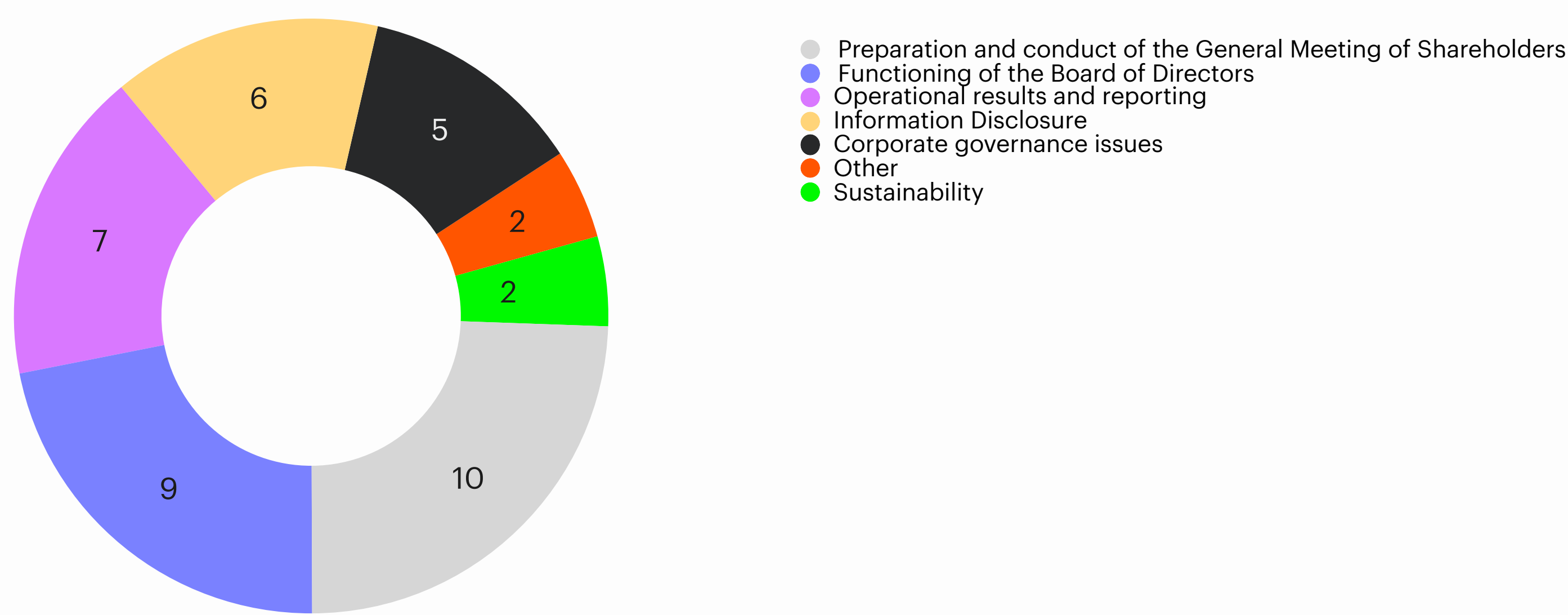
Year	Number of meetings of the Board of Directors
2017	19
2018	14
2019	11

Attendance at meetings of the Board of Directors in 2019

Date of meeting	Number in attendance at the meeting	Formation of the meeting (in person/remote)
1 April	9 of 9	remote
15 April	9 of 9	remote
11 June	9 of 9	remote
4 July	7 of 9	remote
23 July	9 of 9	remote
31 July	8 of 9	remote
23 August	7 of 9	remote
28 August	9 of 9	remote
24 October	9 of 9	in person
19 December	9 of 9	in person
26 December	9 of 9	remote

Meetings of the Board of Directors in 2019 considered issues concerning the functioning of the corporate governance bodies – executive bodies and the General Meeting of Shareholders, operating results and reporting, disclosure of information, sustainability, risk management and internal control, external audit, strategies and budgeting. Decisions were made on a total of 41 issues.

Structure of issues considered by the Board of Directors in 2019



The Chairman of the Board of Directors supports the work of the Board of Directors and calls Board meetings. The Chairman of the Board of Directors is elected by the members from among their own number by a majority of votes, and is a non-executive director.

GRI 102-23

The Group seeks to populate the Board of Directors with the most highly qualified specialists, who possess the necessary knowledge, skills, and experience. To achieve this, the Personnel and Remunerations Committee of the Board of Directors prepares the requirements for members of the Board of Directors. The processing of selecting and assessing candidates for the Board of Directors excludes the use of criteria that are unrelated to the competencies and experience of the candidates and rules out discrimination, including by gender.

GRI 102-24

The Board of Directors in the reporting period

Name of the member of the Board of Directors	Term on the Board of Directors in the reporting period	Number of meetings attended
Maxim Alperin	01.01.2019 – 22.05.2019	2 of 2
Ilya Balandin	01.01.2019 – 31.12.2019	11 of 11
Aleksei Blatin	01.01.2019 – 31.12.2019	9 of 11
Alexander Varennya	01.01.2019 – 31.12.2019	11 of 11
Sergei Gordeev	22.05.2019 – 31.12.2019	9 of 9
Yuri Ilin	22.05.2019 – 31.12.2019	9 of 9
Aleksey Karpenko	01.01.2019 – 31.12.2019	11 of 11
Alexandr Prygunkov	01.01.2019 – 31.12.2019	11 of 11
Zumrud Rustamova	01.01.2019 – 31.12.2019	11 of 11
Vladislav Sviblov	01.01.2019 – 22.05.2019	2 of 2
Dmitriy Timofeev	22.05.2019 – 31.12.2019	8 of 9
Georgy Figin	01.01.2019 – 22.05.2019	2 of 2

The following changes were made in the Board of Directors in 2019: two members left the Board and two new members were elected. In the reporting period the Board of Directors had nine members, eight men and one woman.

In order to ensure that the decisions made by the Board of Directors are objective and well-founded, three directors are independent. No changes were made to the independent members of the Board of Directors in 2019. Independence is determined in accordance with the criteria of the Listing Rules of the Moscow Exchange and the Group’s internal criteria.

The members of the Board of Directors have the competencies and experience in environmental, social, and economic aspects required for effective management of the Group. In 2019 the Board of Directors was joined by Yuri Ilin, who sets the sustainability agenda at the strategic level and ensures its implementation. The Group is entitled to organize and conduct professional development courses, training sessions, and other educational programs for the Board of Directors. The Board of Directors takes decisions on these matters on the basis of the recommendations of the Personnel and Remunerations Committee.

In order to ensure the successful performance of the functions of the Board of Directors, the introduction of a mechanism of efficiency assessment is planned. A self-evaluation of the effectiveness of the work of the Board of Directors and its committees in 2019 is planned for 2020 at an in-person meeting of the Board of Directors. This assessment is planned to be conducted on a quarterly basis thereafter.

GRI 102-28

## Committees of the Board of Directors

To promote its effective work, the Board of Directors has created a standing Audit and Risk Committee, a Personnel and Remunerations Committee, and a Strategy Committee. The committees consist of members of the Board of Directors, but the committee’s work may also involve experts who have the necessary professional knowledge to work on the specific committee.

The independent members of the Board of Directors act as committee members; on the Audit and Risk Committee and the Personnel and Remunerations Committee, the independent directors are in the majority (two independent and one dependent), which is in line with the requirements of the Moscow Exchange.

The Audit and Risk Committee is created to ensure that the Board of Directors monitors the quality and completeness of the financial statements, the qualifications and independence of the auditor, and the activity of the internal auditor. In order to achieve the committee’s objectives, the Audit and Risk Committee works in close cooperation with the independent auditor, the Audit Commission, and the Internal Audit Department. The Committee consists of at least two directors and is chaired by a non-executive director, who ensures objectivity when the Committee makes recommendations to the Board of Directors.

Name of Committee member	Term on the Committee in the reporting period	Number of meetings attended
Aleksei Blatin, Chairman	01.01.2019 – 31.12.2019	3 of 3
Alexander Varennya	01.01.2019 – 31.12.2019	3 of 3
Maxim Alperin	01.01.2019 – 11.06.2019	3 of 3
Yuri Ilin	11.06.2019 – 31.12.2019	3 of 3

The competence of the Strategy Committee covers issues of the priority lines of the Group’s business, prospective plans, strategies and programs for its development, its investment policy, the strategy for working with shareholders and debt capital, the strategy for increasing capitalization, the strategy for key financial indicators, and in the area of certain major transactions. Aspects of sustainability and corporate social responsibility are taken into consideration in the activity of the Strategy Committee, which will be reflected in the new version of the Regulations on the Strategy Committee, to be approved in 2020. No meetings of the Strategy Committee were held in 2019.

Members of the Strategy Committee in 2019

Name of Committee member	Term on the Committee in the reporting period
Aleksei Blatin, Chairman	01.01.2019 – 31.12.2019
Ilya Balandin	01.01.2019 – 31.12.2019
Vladislav Sviblov	01.01.2019 – 11.06.2019
Yuri Ilin	11.06.2019 – 31.12.2019

The Personnel and Remunerations Committee considers issues of the selection of candidates for the management bodies and for management positions, determines amounts of compensation and benefits, and regularly assesses the activity of the Group’s executive bodies.

Members and attendance of the Personnel and Remunerations Committee in 2019

Name of Committee member	Term on the Committee in the reporting period	Number of meetings attended
Alexander Varennya, Chairman	01.01.2019 – 31.12.2019	1 of 1
Zumrud Rustamova	01.01.2019 – 31.12.2019	1 of 1
Aleksey Karpenko	11.06.2019 – 31.12.2019	1 of 1
Alexandr Prygunkov	01.01.2019 – 11.06.2019	1 of 1



## Information on members of the Board of Directors as of 31 December 2019

Name	Aleksei Blatin	Alexander Varennya	Ilya Balandin	Yuri Ilin	Zumrud Rustamova
Date of birth	06.08.1975	30.09.1959	21.08.1984	17.10.1977	21.09.1970
Status	Independent member of the Board of Directors	Independent member of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors	Independent member of the Board of Directors
Term on the Board of Directors in the reporting period	01.01.2019 – 31.12.2019	01.01.2019 – 31.12.2019	01.01.2019 – 31.12.2019	22.05.2019 – 31.12.2019	01.01.2019 – 31.12.2019
Length of service on the Board of Directors as of 31 December 2019	Since 2014	Since 2015	Since 2018	Since 2019	Since 2014
Education	Post-secondary, Moscow Region State Institute of Physical Education, specialization: Physical Education and Sports, qualification: teacher.	Lomonosov Moscow State University (Law)	Lomonosov Moscow State University: Faculty of Mechanics and Mathematics.	Saint Petersburg University, specialization: Finance and Credit.	Moscow Institute of Economics and Statistics, specialization: Statistics.
Experience	From 2009 to the present – General Director of Real Estate Developer Solutions LLC.	Senior Vice-President, Da Vinci Capital LLC.	Director of the Venture Investment Department, PIK Group.	From 2018 to the present – Vice-President for Capital Markets and Corporate Finance, PIK Group; from 2010 through 2018 – Director of Investor Relations, LSR.	Deputy Director General of “Polymetal MC” JSC, Deputy Director General (part-time) of “Polymetal JSC”, Deputy Director General (part-time) of “IST” CJSC, Member of the Board of Directors of “Magnitogorsk Iron and Steel Works” JSC, Member of the Board of Directors of “United Wagon Company” LLC, Member of the Board of the Polytechnic Museum Development Fund, Member of the Board of Non-State Energy Pension Fund (non-profit organization)

## Information on members of the Board of Directors as of 31 December 2019

Name	Sergei Gordeev	Aleksey Karpenko	Alexandr Prygunkov	Dmitriy Timofeev
Date of birth	22.11.1972	04.01.1975	25.05.1982	18.11.1977
Status	Member of the Board of Directors	Chairman of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors
Term on the Board of Directors in the reporting period	22.05.2019 – 31.12.2019	01.01.2019 – 31.12.2019	01.01.2019 – 31.12.2019	22.05.2019 – 31.12.2019
Length of service on the Board of Directors as of 31 December 2019	Since 2019	Since 2018	Since 2019	Since 2019
Education	Togliatti Academy of Management, specialization: finance and credit.	Lomonosov Moscow State University, Faculty of Law, Moscow, Russia Skolkovo Moscow School of Management, Executive MBA, Moscow, Russia	Volgograd State University, specialization: finance and credit.	Lomonosov Moscow State University, Faculty of Law, specialization: jurisprudence.
Experience	Since May 2014 – President of the PIK Group; from December 2013 – majority shareholder of the PIK Group; from 2005 through 2010 — Member of the Federation Council of the Federal Assembly of the Russian Federation	2014 to the present – Forward Legal law firm, Senior Partner; member of the International Tax Specialist Group; Co-chair of the Russian division of the New York State Bar Association; associate member of Outer Temple Chambers.	2017 to the present – First Vice-President–Operating Director of the PIK Group; 2014–2016 – Vice-President for Planning and Coordination of Operating Activity of the PIK Group; 2013–2014 – Director of the Department of Financial Planning and Analysis of the PIK Group.	2014–2018 – Director for Legal Issues, LLC UK Rosvodokanal; since 24 September 2019 holds the position of Vice-President for Work with Public Authorities and Corporate Relations of the PIK Group



## Executive bodies

The Group has a collegial executive body (the Management Board) and a chief executive officer (the President). The Management Board performs the ongoing management of operations, is responsible for promptly taking the most objective decisions possible in the interests of the Group and its shareholders, and also for executing the decisions of the General Meeting of Shareholders and the Board of Directors of the Group quickly, efficiently, and in good faith. The President of the Group is the Chairman of the Management Board; his functions include organization of the fulfillment of the decisions of the General Meeting of Shareholders, the Board of Directors, and the Management Board of the Group, implementation of the Group’s development strategy, and securing the financial results from its operations.

**The Disclosure Committee of the Management Board of the Group** summarizes, analyzes, and distributes information on material facts and circumstances related to the operating, business, and commercial operations of the Group. The Committee develops systems and procedures for controlling the collection, consideration, processing, and publication of insider information.

### Management Board from 1 January 2019 through 11 June 2019

Name of Management Board member	Position
Alexei Almazov	Vice-President for Planning
Vyacheslav Borisenkov	Vice-President for General Issues
Elbrus Gobeev	General Director
Alexey Zolotarev	Vice-President for Land Asset Development
Denis Ivankin	Vice-President – Director of Design Department
Alexei Kozlov	Vice-President – Director of Moscow Region Directorate
Stanislav Kondratiev	Vice-President – Director of Product Department
Alexander Lefel	Vice-President for Regional Development
Ivan Polandov	Vice-President – Director of Moscow Directorate
Alexandr Prygunkov	First Vice-President – Operational Director
Gennady Rosso	Vice-President – Director of Sales Department
Natalya Semikova	Vice-President for Initial Planning Permits and Land-Property Relations
Alexander Titov	Vice-President for Economics and Finance – Financial Director
Ilya Tikhomirov	Director of Information Technology Department
Maxim Yakushechkin	Vice-President – Director of Moscow Directorate

Management Board from 11 June 2019 through 31 December 2019

Name of Management Board member	Position
Sergei Gordeev	President, Chairman of the Management Board
Alexey Zolotarev	Vice-President for Land Asset Development
Ivan Polandov	Vice-President – Director of Moscow Directorate
Alexandr Prygunkov	First Vice-President – Operating Director
Dmitriy Timofeev	Vice-President for Legal Issues
Alexander Titov	Vice-President for Economics and Finance – Financial Director

Information on Management Board members as of 31 December 2019



Name	Sergei Gordeev	Alexandr Prygunkov	Ivan Polandov	Alexey Zolotarev	Alexander Titov	Dmitriy Timofeev
Status	President, Chairman of the Management Board	First Vice-President – Operating Director	Vice-President – Director of Moscow Directorate	Vice-President for Land Asset Development	Vice-President for Economics and Finance – Financial Director	Vice-President for Work with Public Authorities and Corporate Relations
Education	Togliatti Academy of Management, specialization: finance and credit.	Volgograd State University, specialization: finance and credit.	Moscow State University of Civil Engineering, specialization: industrial and civil construction.	Moscow Institute of Physics and Technology, 2013, specialization: applied mathematics and physics.	Vologda Polytechnical Institute, specialization: engineer-economist.	Lomonosov Moscow State University, Faculty of Law, specialization: jurisprudence.
Experience	Since May 2014 – President of the PIK Group; from December 2013 – majority shareholder of the PIK Group; from 2005 through 2010 — Member of the Federation Council of the Federal Assembly of the Russian Federation	From 2017 to the present – First Vice-President– Operating Director of the PIK Group; 2016 – 2017 to the present – Vice-President– Operating Director of the PIK Group; 2014–2016 – Vice-President for Planning and Coordination of Operating Activity of the PIK Group.	From 2018 to the present – Vice-President – Director of Moscow Directorate, PIK Group; 2016–2018 – Head of Regional Division North for Moscow, PIK Group; 2014–2016 – Project Director, Moscow Directorate, PIK Group.	2017–2019 – Vice-President for Land Asset Development, PIK Group; 2014–2017 – held management positions in the Project Development Division, PIK Group; 2013–2014 – worked at PhysTech-Union to Support and Develop MIPT.	At present – Adviser, PIK Group; 2015–2019 – Vice-President for Economics and Finance–Financial Director, PIK Group	Since 24 September 2019 holds the position of Vice-President for Work with Public Authorities and Corporate Relations of the PIK Group; from 2014 to 2018 – Director for Legal Issues, LCC UK Rosvodokanal.

Compensation of management bodies

GRI 102-35

The compensation system for the management bodies underwent some changes in 2019 in connection with the approval of the new Regulations on Compensation and Reimbursement of Expenses of Members of the Board of Directors and Audit Commission, which sets out the Group’s principles of and approaches to the issue of compensation.

Those who are employees or executives of Group companies or who are civil servants do not receive compensation for their performance of the duties of a member of the Board of Directors or Audit Commission.

In accordance with the Regulations, the compensation of members of the Board of Directors includes a base amount and a supplementary amount. A supplementary part is provided for the chairmen of the Board of Directors and its committees. Decisions on whether to pay compensation to members of the Audit Commission, and on the amount of this compensation, are made by the General Meeting of Shareholders.

The Regulations foresee that members of the Board of Directors are repaid (reimbursed) for expenses related to travel to in-person meetings of the Board of Directors or Board committees, to General Meetings of Shareholders, and also to events that they attend as part of the performance of the duties entrusted to members of the Board of Directors. The amount of expenses reimbursed to each member of the Board of Directors may not exceed RUB 1,000,000.

Compensation is paid only to the independent members of the Board of Directors, who receive payments quarterly. The Group does not pay compensation in the form of shares or other derivative instruments.

Compensation of members of the Board of Directors, thousand RUB

	2018	2019
Compensation for participating in the work of the management body	17 121,7	17 113,8
Salary	0	42 807,5
Bonus	0	0
Commission	0	0
Other types of compensation	0	0
TOTAL	17 121,7	59 921,3
Reimbursement	0	0

Compensation of members of the collegial management body, thousand RUB

	2018	2019
Compensation for participating in the work of the management body	140 566,6	0
Salary	1 049 877	127 657,7
Bonus	0	523 850,6
Commission	0	0
Other types of compensation	0	25 312,2
TOTAL	1 190 443,6	676 820,5
Reimbursement	0	0



## Audit Commission

To monitor the financial and business operations of the Group, an Audit Commission has been created consisting of three members, who are elected each year at the annual General Meeting of Shareholders. The competence of the Audit Commission includes reviewing financial and business documentation, reviewing the legality of decisions and actions of the Group’s executive bodies, analyzing the compliance of the financial and statistical accounting with regulatory documents, analyzing the Group’s financial position and the promptness and correctness of its settlements with counterparties, revenue agencies, shareholders, and creditors.

## Corporate Secretary and the Division of the Corporate Secretary

The role of tying the corporate governance system together falls to the Corporate Secretary and the Division of the Corporate Secretary, which ensures that the Group’s bodies and officers comply with the rules and procedures of corporate governance and organizes effective interaction between the Group and shareholders.

The Corporate Secretary reports and is subordinate to the Board of Directors, and is appointed and dismissed by the President of the Group on the basis of a decision of the Board of Directors.

**The functions of the Corporate Secretary and the Division of the Corporate Secretary include:**

- organizing preparations for and conducting the General Meeting of Shareholders, organizing interaction between the Group and its shareholders;
- supporting the work of the Board of Directors and its committees;
- supporting the work of the Group’s management bodies;
- participating in implementing the issuer’s information disclosure policy, and also ensuring the storage of the issuer’s corporate documents;
- implementing procedures that support the respect for the rights and lawful interests of shareholders, and control over their implementation;
- supporting interaction between the Group and its shareholders, and participating in the prevention of corporate conflicts;
- improving the Group’s corporate governance system and practices, including drafting and preparing amendments to the in-house regulations of the Group related to corporate governance;
- supporting the Group’s relations with the regulatory authorities, listing authorities, the registrar, and other professional participants on the securities market;
- immediately informing the Board of Directors of all identified breaches of legislation or the provisions of the Group’s in-house regulations, compliance with which is assigned to the competence of the Corporate Secretary.

### Risk management and internal control system

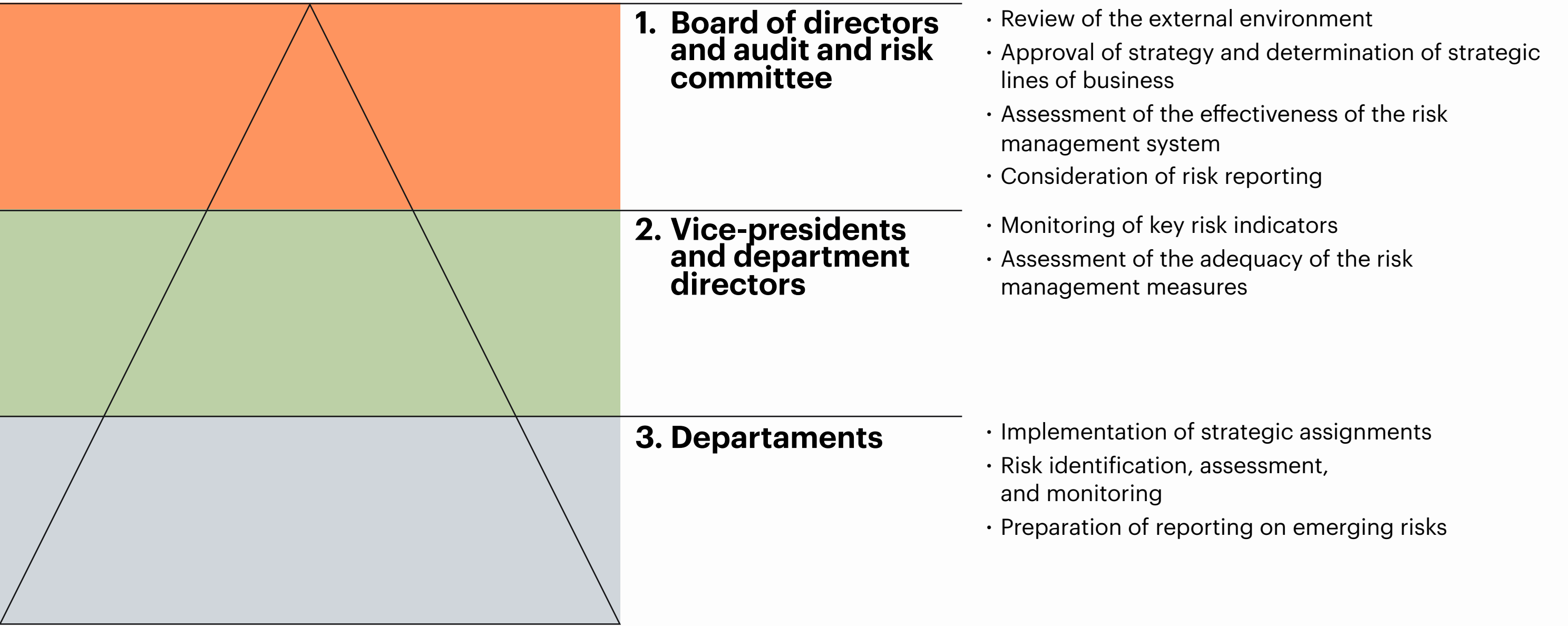
## Approach to internal control and risk management

GRI 102-15

The achievement of the strategic goals of effectively managing operations, operating performance, compliance with legislation and in-house regulation and procedures, timely identification and analysis of risks, control over the creation of the necessary in-house regulatory documents: these are the objectives of the internal control and risk management system, which is governed by the Policy on Internal Control and Risk Management.

One of the key principles of the internal control and risk management system is the creation of the appropriate internal environment, including an appropriate tone that is set by Group management – integration of a risk-oriented approach to the management philosophy, as well as integrated coverage by the system of all business processes and divisions.

Allocation of authorities in the internal control and risk management system

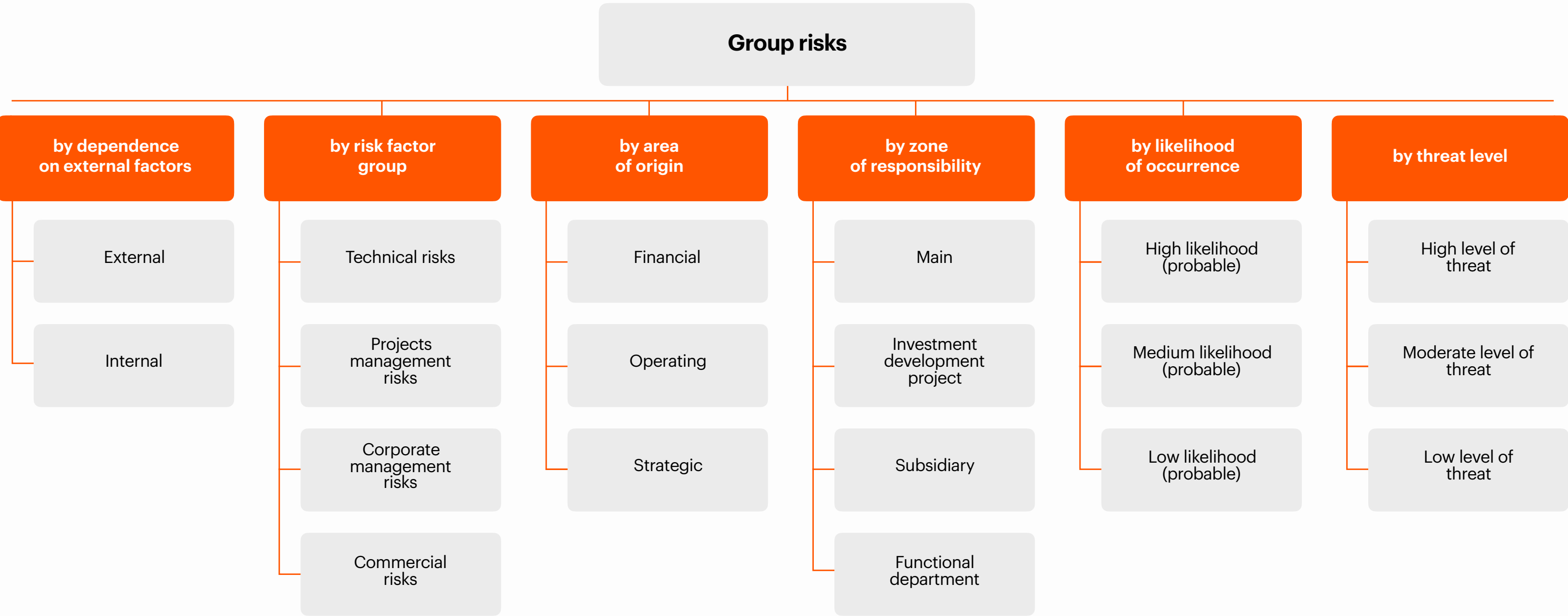


Constantly raising the efficiency of the Group’s operating activity demands that the positive and negative factors affecting the maximization of its value be identified. This process is assured by continuous work to manage risks at every organizational level of the Group. This work is conducted in accordance with the principles and the requirements of applicable Russian law, the Corporate Governance Code recommended by the Bank of Russia, and also the provisions of international risk management standards, including ISO 31000:2018 and COSO ERM:2017.

The foundation of the risk management system is continuous improvement and uninterrupted work to identify risks and improve control and management methods.

In accordance with the Risk Management Concept, risks are classified by a number of parameters, among them dependence on external factors, risk factors, area of origin, zone of responsibility, likeliness of occurrence, and threat level.

Risk classification





Classification of risks by threat level

Type of risk	Effect on strategic development and operations	Financial consequences	Level of concern of senior management and/or Board of Directors
High	Substantial effect	RUB 3 billion and up	High
Moderate	Moderate effect	From RUB 600 million to RUB 3 billion	Medium
Low	Weak effect/none	Less than RUB 600 million	Weak

Internal and external audit

With the aim of achieving the maximum objectivity and reliability of the accounting and financial statements, the Group has created a system of internal and external audit. Internal audit is provided by the Audit Commission, the Internal Audit Department, and the Audit Committee of the Board of Directors.

The Internal Audit Department assists Group management in improving the processes of corporate governance, risk management, and internal control, using a systematic and consistent approach by performing the following functions:

- evaluating corporate governance and providing the associated recommendations on its refinement to promote ethical norms and values within the Group, providing departments with information on risk and control issues, providing support for the exchange of information among management bodies and auditors, reviewing information disclosure procedures;
- evaluating the effectiveness of the internal control system, including identifying shortcomings in the system, determining the adequacy of the criteria for the achievement of the Group’s goals, reviewing compliance with the requirements of legislation, the Charter, and in-house regulations, and reviewing the integrity of assets and the efficiency and prudence of resource use;
- evaluating the effectiveness of the risk management system, including a review of whether risks are completely identified and properly assessed, and of the effectiveness of control procedures, and analyzing information on manifested risks.

The principle of the independence and objectivity of the Internal Audit Department is assured due to its functional and administrative accountability and subordination, the fact that conditions are provided for its independence, the fact that it directly interacts with the Board of Directors, and the fact that the opinions of Department employees in matters of audit are free from the interference of the opinions of others.

A qualified independent auditor is engaged to perform an annual audit and confirmation of the annual financial statements. The decision on selecting an external auditor is confirmed by the General Meeting of Shareholders taking into consideration the candidate proposed by the Board of Directors and recommended by the Board’s Audit Committee. The terms of the contract, including the fee for the auditor’s services, is approved by the Board of Directors. The Board’s Audit Committee makes an annual assessment of the activity of the independent auditor.

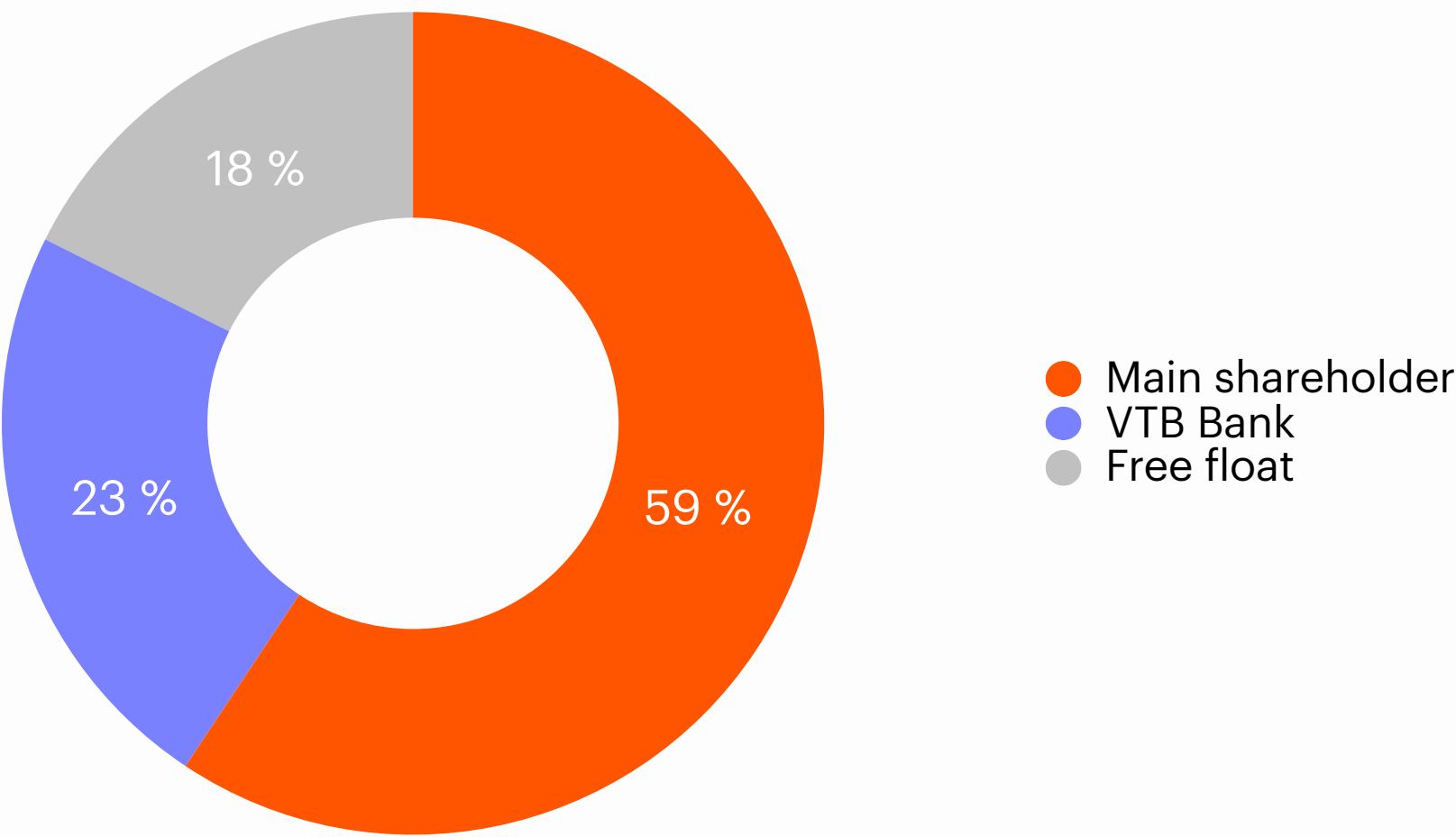
The Group engages independent auditors to audit compliance of financial statements with Russian Accounting Standards (RAS) and consolidated financial statements with International Financial Reporting Standards (IFRS). In 2019, the audit of the consolidated financial statements was performed by JSC “KPMG”, total remuneration stood at RUB 57,715,521.

Shareholder’s equity and securities

The Group’s shareholder’s equity consists of 660,497,344 declared and outstanding ordinary shares with equal voting rights, without a nominal value.

In March 2017 the Board of Directors of the PIK Group made the decision to withdraw the listing of global depositary receipts on the London Stock Exchange in order to consolidate trading of PIK shares on the Moscow Exchange, with the aim of increasing liquidity. The Group gave holders of GDRs the opportunity to sell their GDRs to PIK at a price of USD 5.101 per GDR via a tender offer. A total of 49,990,198 GDRs were bought out. The delisting was completed in June 2017.

Structure of shareholder's equity as of 31 December 2019



Dividend policy and payment of dividends

The main right of shareholders – the right to receive dividends – is secured by the implementation of the Dividend Policy of the Group.

The recommended amount of dividend payments is determined by the Board of Directors based on the financial results from the Group’s operations, taking into consideration the proposal of the Management Board and in accordance with legislation. The final decision to pay dividends and their amount is made at the General Meeting of Shareholders based on the recommendation of the Board of Directors. The Dividend Policy prescribes using as a guideline for the amount of dividends the figure of at least 30% of the net cash flow from operating activity, calculated on the basis of the consolidated IFRS financial statements of the Company.

According to the Dividend Policy, the Group seeks to pay out dividends semi-annually. In 2018 and 2019 dividends were paid out from the retained earnings of previous years.

Dividend payments, RUB

Year	Total dividends, RUB	Dividends per share	Date of payment
2018	14 999 894 628,24	22,71	By 05/07/2019
2017	14 999 894 628,24	22,71	By 09/10/2018

Relations with investors and shareholders

An open dialogue with investors and shareholders is an important factor in the stable development of the PIK Group. The Group works systematically to create mutually beneficial relations with this category of stakeholders. The main goal of this work is to ensure transparency and disclose information through efficient channels of communication.

Specifically, the Group is committed to providing shareholders with all necessary information, including as part of the preparation for and conduct of the General Meeting of Shareholders. In addition, the Division of the Corporate Secretary receives and responds to messages from shareholders by e-mail or by post.

To comply with the information disclosure principle, data on material facts, financial statements, and other information on the Group and its operations are published on the official website of the PIK Group (www.pik.ru) and by the accredited information agency..

Interaction with investors is coordinated by the Department for Relations with Investors and Capital Markets. The main channels for communicating with investors include non-deal roadshows, quarterly conference calls to announce operating and financial results, meetings and presentations, the distribution of press releases, publications in professional media, and also the participation of Group representatives in key investment events.

**The Group took part in the following events in 2019:**

- VTB Russia Calling;
- Future Investment Initiative, Saudi Arabia;
- Global Manufacturing Investment Summit;
- Davos Economic Forum.

Work on non-deal roadshows was more active in 2019: the event was held twice, in spring and autumn. In the autumn non-deal roadshow, the President and largest shareholder of the Group took part, which demonstrated that the Group takes its investors seriously.

In addition, the sections of the corporate website devoted to Russian and foreign investors were updated in order to improve interaction with investors. Work also commenced on updating the Information Policy; the new policy is expected to be finalized in 2020.

At the XII annual competition of annual reports of the Moscow Exchange the PIK Group took second place in the category Most Improved IR activities. This category appeared in the competition in 2019, and the winner was determined on the basis of an Extel Survey.

Investors, analysts, and representatives of other stakeholders use the opportunity to request information on the Group’s operations, the state of the market, aspects of regulation, and development plans by contacting the Department for Work with Investors and Capital Markets. There was an increase in 2019 in the number of requests on the topic of managing ESG issues from European and American investors.

For 2020 the Group plans to continue developing the function of interaction with shareholders, investors, and analysts, organizing meetings and non-deal roadshows, satisfying their needs for information, and participating in themed competitions.

**Credit ratings**

In 2019 the PIK Group was given high credit ratings with a positive or stable outlook.

The stable financial position of the Group was additionally reflected in the assignment of a BB– credit rating by Fitch Ratings – the highest-level international rating assigned to any Russian developer. Fitch Ratings indicated the following grounds for this rating: PIK’s undisputed leadership in the sector, strong financial indicators, and favorable external environment. Fitch Ratings noted the following factors affecting the evaluation of the Group: the introduction of escrow accounts, and its presence primarily in the mass market segment.

Standard and Poor’s raised its outlook for PIK’s credit rating to positive and confirmed its credit rating of PIK at the level of B+. In the agency’s opinion, the diversification of revenue sources, leading market positions, and increasing EBITDA margin could ease PIK’s transition to a new method for financing projects in accordance with the requirements of Russian legislation.

The Analytical Credit Rating Agency (ACRA) raised its rating of the PIK Group to A– (RU) with a stable outlook. The rating of bond issues at present is A– (RU). The agency noted the improvement in the Group’s debt service indicators as a result of the growth in FFO and reduction in the debt load.

The Expert RA agency raised its rating of PIK to ruA, with a stable outlook.

**Credit ratings of the PIK Group in 2019**

Agency	Type of rating	Rating	Outlook	Date
Fitch Ratings	International rating scale	BB-	Stable	8 July 2019
Standard & Poor’s	International rating scale	B+	Positive	28 November 2019
Expert RA	Russian national rating scale	RU A	Stable	18 June 2019
ACRA	Russian national rating scale	A (RU)	Stable	6 August 2019

# 3. Sustainability management

## Priorities and key areas of activity related to sustainability

GRI 102-16

PIK fully recognizes the impact of its operations on society and the environment. As the leader on the Russian residential real estate market, the PIK Group seeks to uphold the best global standards for sustainability and management of the risks inherent in the construction industry.

PIK's approach to sustainability is congruent with the Group's corporate ethical values: respect, trust, honesty, concern for employees, efficiency, and responsibility. The Group's senior management is engaged in managing issues of operational and technological development, and in the creation of a client-focused and socially responsible brand.

The Group's Sustainability Policy was drafted and approved by the Board of Directors in 2019; this was a significant event in the development of the sustainability management system. Other corporate in-house regulations governing aspects of PIK's operations in the area of sustainability include:

- the Corporate Governance Code;
- the Code of Ethics;
- the Policy on Internal Control and Risk Management;
- the Regulations on Personnel Recruitment;
- the Collective Agreement (PIK-Industry);
- the Environmental Program (PIK-Industry);
- the Occupational Health and Safety Program (PIK-Industry).

The Group's subsidiaries and business units also have their own regulations, adapted to take into account the specific aspects of their operations.

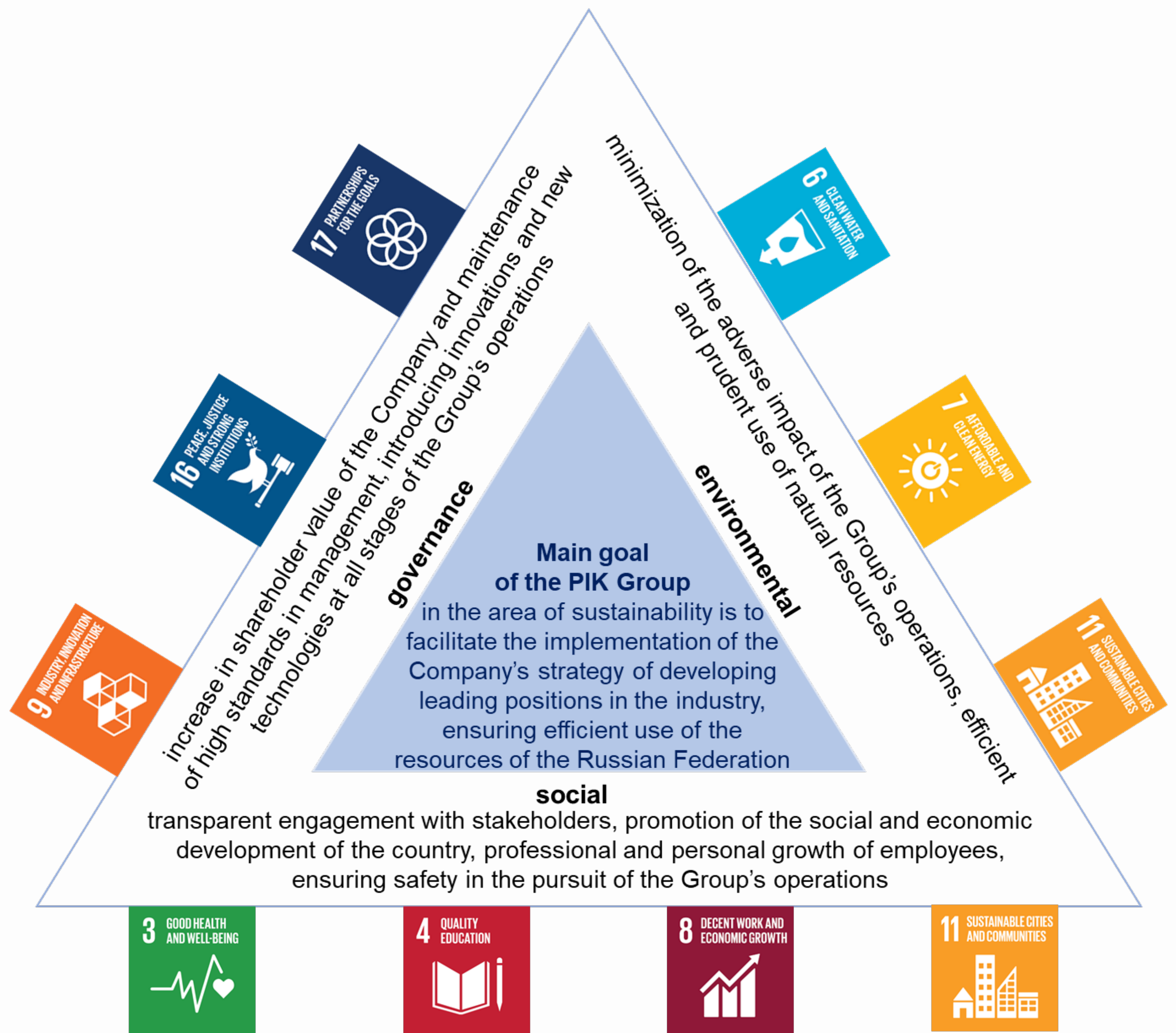
The PIK Group acknowledges the significance of the Sustainable Development Goals adopted by the UN General Assembly in 2015, and recognizes the importance of achieving them to resolve significant economic, social, and environmental problems of global society. The sustainability objectives that the PIK Group has set for itself correlate with the UN Sustainable Development Goals. The Group's contribution to achieving the UN Sustainable Development Goals are ensured thanks to consistent efforts in the following main areas of activity of the Group:

- engagement with personnel;
- engagement with the business community;
- engagement with society;
- occupational health, safety, and the environment;
- preventing and responding to emergencies;
- increasing energy efficiency and saving energy;
- management of scientific and technological progress.

In 2019 the PIK Group joined the UN Global Compact in the Russian Federation and committed to its principles in the area of sustainability.



Sustainability goals and objectives of the PIK Group



Detailed results of the Group’s contribution to achieving the United Nations Sustainable Development Goals are given in the corresponding sections of the Report.

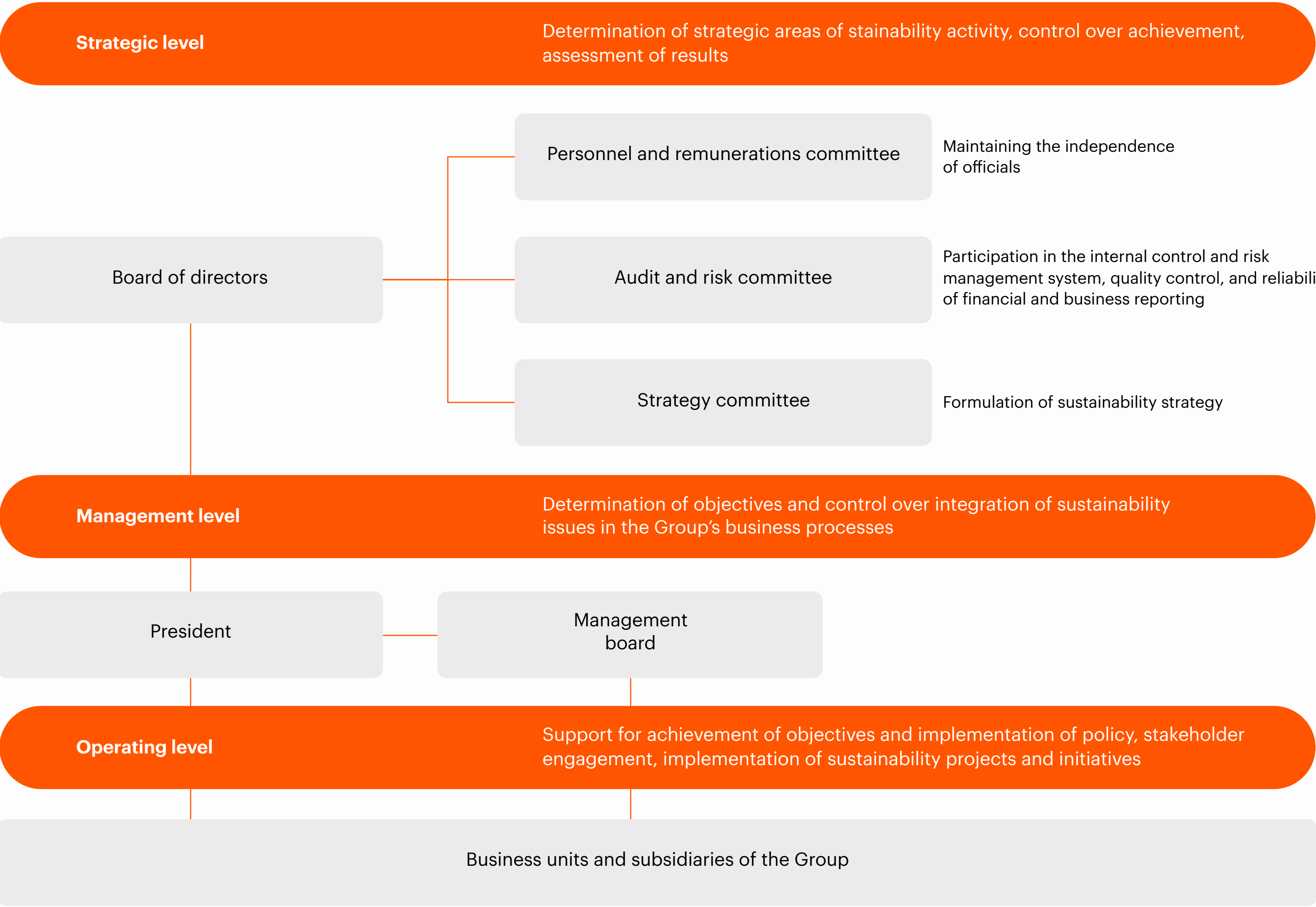
An important component of the goals and objectives of the PIK Group is the annual release of reporting on sustainability, in order to inform a broad range of stakeholders on the results of the Group’s sustainability efforts.

Organizational structure for managing sustainability

The allocation of authorities and consideration of sustainability issues at all levels of management – strategic, executive, and operating – promotes the effective implementation of sustainability principles in the Group. Sustainability objectives are part of the agenda for the bodies of the corporate governance system, officers and directors of the business units and subsidiaries of the Group.



Organizational structure for sustainability management in the PIK Group



The competency of the Board of Directors in the area of sustainability was expanded by bringing Yuri Ilin onto the Board. Mr. Ilin was elected at the General Meeting of Shareholders in 2019. Today the agenda of the Board of Directors includes consideration and approval of in-house regulations on sustainability and social and environmental responsibility, the results of activity in the area of sustainability, and also ensuring the reliability and independence of financial and operating information and reporting.

Special attention is to be given to sustainability in 2020. A meeting of the Board of Directors will examine the results of sustainability activities in 2019, and will set out ESG goals for 2020. This practice is expected to be introduced on an ongoing basis; the results of achieving ESG goals will be analyzed at the end of each year.

Management of risks associated with sustainability

GRI 102-15

The Group pays close attention to risks in the area of the sustainable development of the PIK Group; these risks are covered by the corporate internal control and risk management system (see the section Risk Management and Internal Control System of the chapter Corporate Governance). In accordance with the PIK Risk Management Concept, sustainability risks are classified as company management risks and are considered on both the operating and strategic level within the framework of the following categorization.

Risks associated with sustainability

Environmental risks	<ul style="list-style-type: none"><li>• risks of negative impact on the environment</li><li>• risks of non-compliance with legal requirements and regulations</li></ul>
Occupation healths and safety risks	<ul style="list-style-type: none"><li>• risk of accidents and incidents</li><li>• risks of accidents and deaths</li><li>• risks of occupational diseases</li></ul>
HR management risks	<ul style="list-style-type: none"><li>• risks associated with recruiting, retaining, and motivating</li></ul>
Regulatory risks	<ul style="list-style-type: none"><li>• risks associated with the amendment of legislation</li></ul>
IT and information security risks	<ul style="list-style-type: none"><li>• risks of cyber attacks and data leaks</li><li>• risks of failures in the operation of IT systems</li></ul>
Ethic and corruption risks	<ul style="list-style-type: none"><li>• risks associated with unethical business conduct, violation of anti-corruption policy, fraud, dissemination of insider information</li></ul>
Risks associated with suppliers and contractors	<ul style="list-style-type: none"><li>• risks of breaches of contracts</li><li>• inconsistency in the quality of supplies and works</li></ul>

The Group’s system for managing sustainability risks is governed by the precautionary principle in its operation, assesses the impact on the environment and society, and plans and takes measures to minimize adverse impacts.

GRI 102-11

Development plans

PIK strives to consistently improve the results from its sustainability work. The plan is to focus on further automation, unification of technological processes, and implementation of new digital projects, which will foster an improvement in the Group’s sustainability results.

Among other objectives for 2020 is the development of sustainability goals. We also plan to draft and update documents related to the Group’s activity in the area of sustainability, specifically approval of the Policy in social and environmental responsibility and Anti-Corruption Policy.

The corresponding sections of this Report provide more details on the Group’s plans to develop each area of sustainability activity.

# What we create

HR management

Stakeholder engagement

Customers relations

Social responsibility

# 2

# What we create

The idea underlying the business model of the PIK Group is the development of human potential as a core value:

- customer trust won through years of successful experience in a diversified project portfolio
- proactive communication with residents after they take up residence
- safe, comfortable, modern urban environment with the necessary conditions for the development and recreation of children and adults
- expanding knowledge and skills, social support for employees
- partnerships with stakeholders based on the principles of openness and transparency

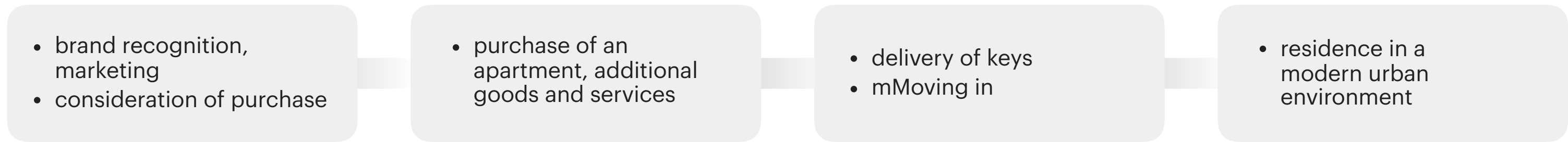
**50,1** million m<sup>2</sup>  
**area of properties  
operated and managed  
by PIK-Comfort**

**16**  
**Social infrastructure  
facilities with a total  
area of approximately**

**4,9/5**  
**customer satisfaction  
index (CSI)**

**132** thousand m<sup>2</sup>  
**commissioned in 2019**

## Customer journey



**Collection and processing of feedback, analysis  
of customer loyalty and satisfaction**

# 4. Human resources management

## Approach to HR management

The PIK Group strives to create a tight-knit, goal-oriented professional team. The HR management system works actively on employee recruitment and adaptation, and on supporting their personal and professional growth. In addition, the Group focuses attention on creating good working conditions, providing social support, and protecting the rights of employees.

The HR management policy of the PIK Group is built on the principles of strict compliance with the requirements of Russian labor legislation and complies with international standards.

### Group goals for HR management

Increasing the efficiency of the Group

Improving the efficiency of each employee

Reducing HR management costs

Increasing employee engagement

Increasing employee loyalty within the Group

To achieve these goals, the PIK Group plans to launch a quarterly efficiency evaluation system, aimed at raising employee engagement and interest.

Human resources management in the Group is decentralized and is performed in each separate line of business. An analysis of the existing HR management system was carried out in 2019, and work was begun to improve it.

### The Group's activity in human resources management includes:

- creation of a compensation and incentive system aimed at improving employees' interest in work results;
- training of personnel, creation and development of a candidate pool at the Group for management positions of various levels;
- working together with the union and ensuring fulfilment of the mutual obligations of employer and employees;
- development of corporate social programs for employees and creation of a social benefits package;
- creation of safe and comfortable conditions for the work and accommodations of production personnel;
- improvement of the corporate culture and ensuring compliance with the principles of business ethics.

### The management of issues of human resources and social policies is governed by the following key in-house regulations:

- the Code of Ethics;
- the Collective Agreement (PIK-Industry);
- the Regulations on Personnel Policy;
- the Regulations on Employee Compensation;
- the Regulations on Recruitment;
- the Rules of Conduct;
- job descriptions, regulations, procedures, orders, and directives.



## Providing for the protection of human rights

According to the Universal Declaration of Human Rights adopted by the United Nations General Assembly in 1948, “everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind”. The PIK Group recognizes the inviolability of human rights. In 2019 the Group joined the UN Global Compact and its principles, which cover among other things human rights and labor relations.

The PIK Group takes all available measures to ensure human rights are observed. The Group does not tolerate discrimination, including by gender, age, race, sexual orientation, nationality, religion, or physical features.

The PIK Group complies with international norms in human rights protection, as well as the provisions of the Code of Ethics. This is one of the underlying principles of the Group’s Sustainability Policy. Issues of protecting employees’ interests and rights are managed by the HR department and the Personnel Evaluation, Training and Development Department, and are also monitored by the trade union organizations.

In relations with employees, the PIK Group adheres to the following ethical principles enshrined in the Code of Ethics:

- compliance with all requirements of labor legislation and the terms of the employment agreement;
- respect for personal freedom and human rights;
- support and respect for the protection of internationally declared human rights;
- provision of equal opportunities to all and inadmissibility of discrimination in labor and hiring;
- standing for the elimination of all forms of forced and compulsory labor;
- creation of conditions for employees’ professional development;
- rejection of child labor in operations;
- preservation of confidentiality and guarantees of the integrity of employees’ personal data.

## Digitalization projects

As part of the corporate Digitalization Strategy, the Group is training employees in the skills of using modern digital technologies and is also implementing digital solutions in human resources management processes. In addition, within the framework of digitalization projects the knowledge bases of key competencies and technologies are being refined, centralized, and moved online.

The following HR-related digital projects were implemented in 2019:

- improvement of the existing functions of the electronic self-service employee personal account and the addition of new functions in conjunction with the Department of Information Technologies and taking employee requests into consideration;
- launch of the PIK-Environment project;
- partnership with the Skyeng school of English with the opportunity for online courses for employees;
- creation of an employee training portal, containing separate blocks with information from departments and selections of professional literature.

### Development of the PIK-Environment project

PIK-Environment is an offline and online platform with broadcasts of themed lessons. Twice per month, on Wednesdays, the experts (including external experts) and project leaders are invited, who prepare lectures on a previously chosen topic and explore complex cases and the means of resolving them. Among others, in 2019 events were held on the topics “We Are Building Art”, “Design”, “Beyond the Apartment”, and “A Month of English”.

The offline site can hold up to 20 people; the online format is attended by an average of 200-250 employees, who also have the opportunity to ask questions. Lectures are recorded and made available on the employee training portal.



In addition, channels of internal communications were launched in 2019 to achieve the following objectives:

- informing employees of events occurring within the organization – making posts on the site with news about the PIK Group, PIK-Industry, PIK-Project, and PIK-Comfort;
- announcement of all future changes, with the ability to leave comments on the information in the news – provision of feedback for further development of the communications system.

The digitalization projects being implemented are expected to increase labor productivity, raise the qualifications of personnel, and improve the quality of work performed. In addition, shifting processes to electronic form makes it possible to eliminate some paper document flow and speed these processes up.

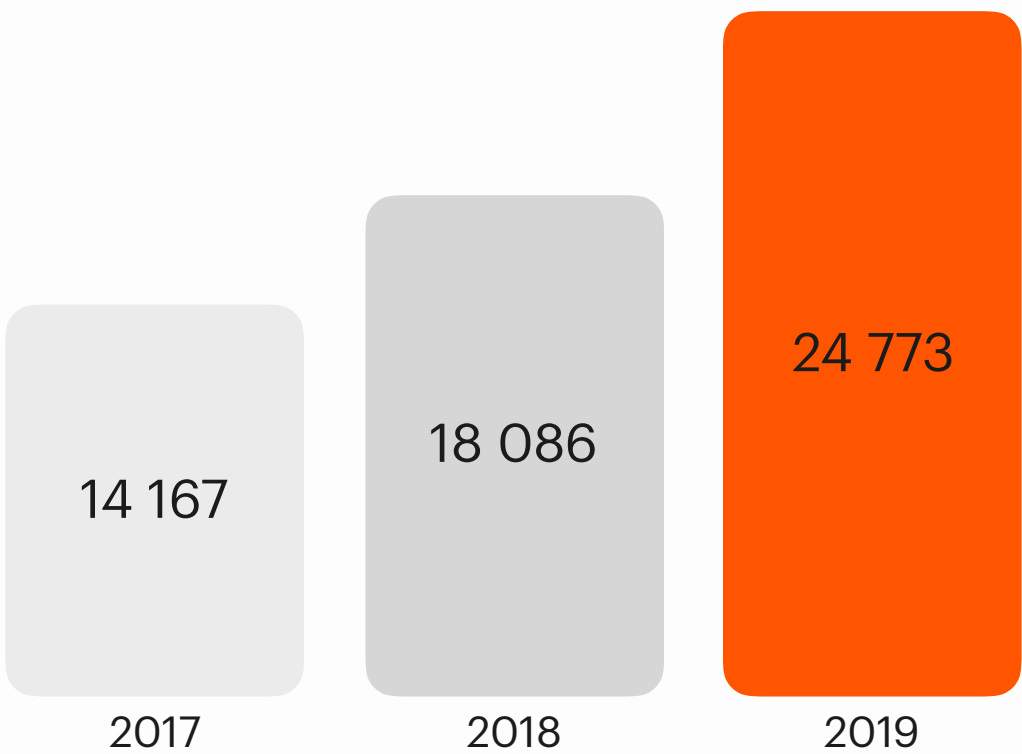
Personnel structure

GRI 102-8, 405-1

PIK makes high demands on the recruitment, hiring, and adaptation of employees, monitoring and optimizing costs on personnel, and also devotes attention to material and intangible employee incentives, continuously refining its staff policies. Work in these areas makes it possible to attract and retain talented and highly professional staff, which ensures high quality and efficiency in the performance of work.

During the reporting period, the number of Group employees rose by 37% compared to 2018, which is due to the merger of PIK-Comfort and the development of the Group’s industrial construction segment.

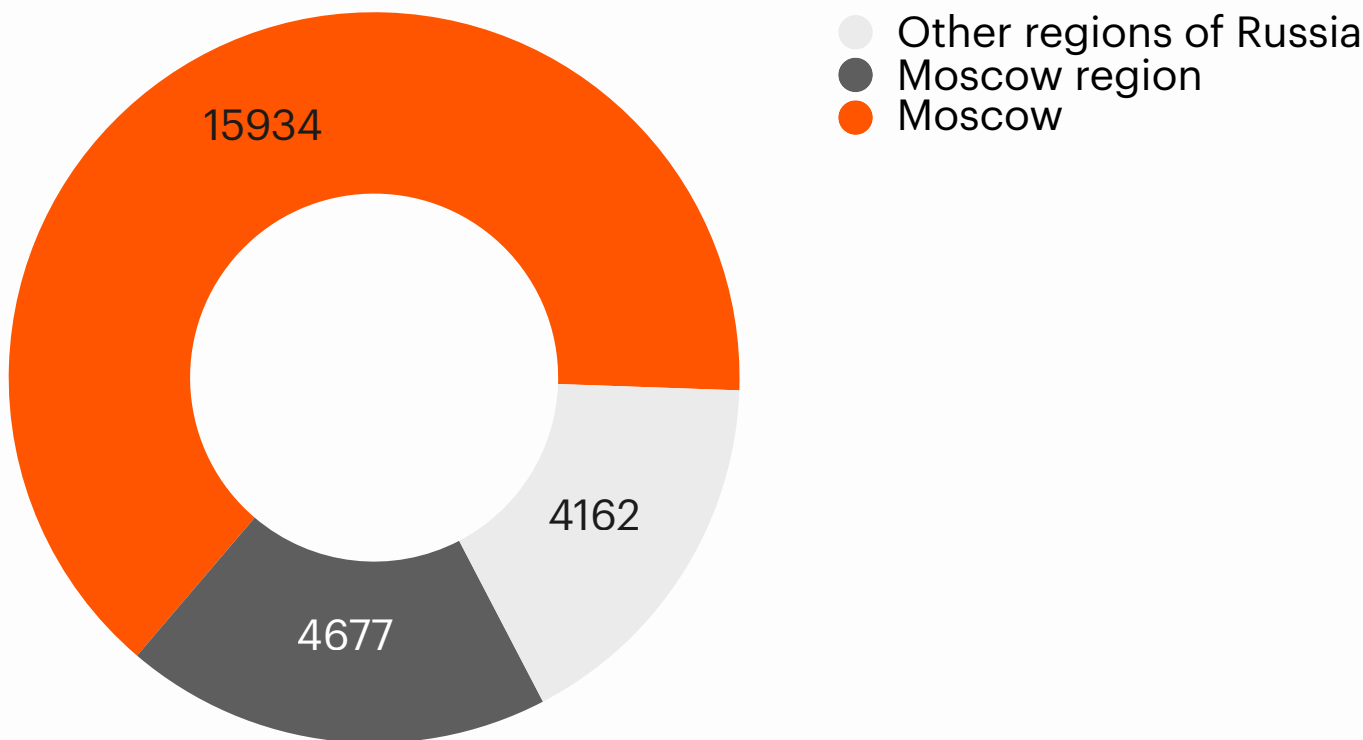
Staff headcount of the Group on 31 December



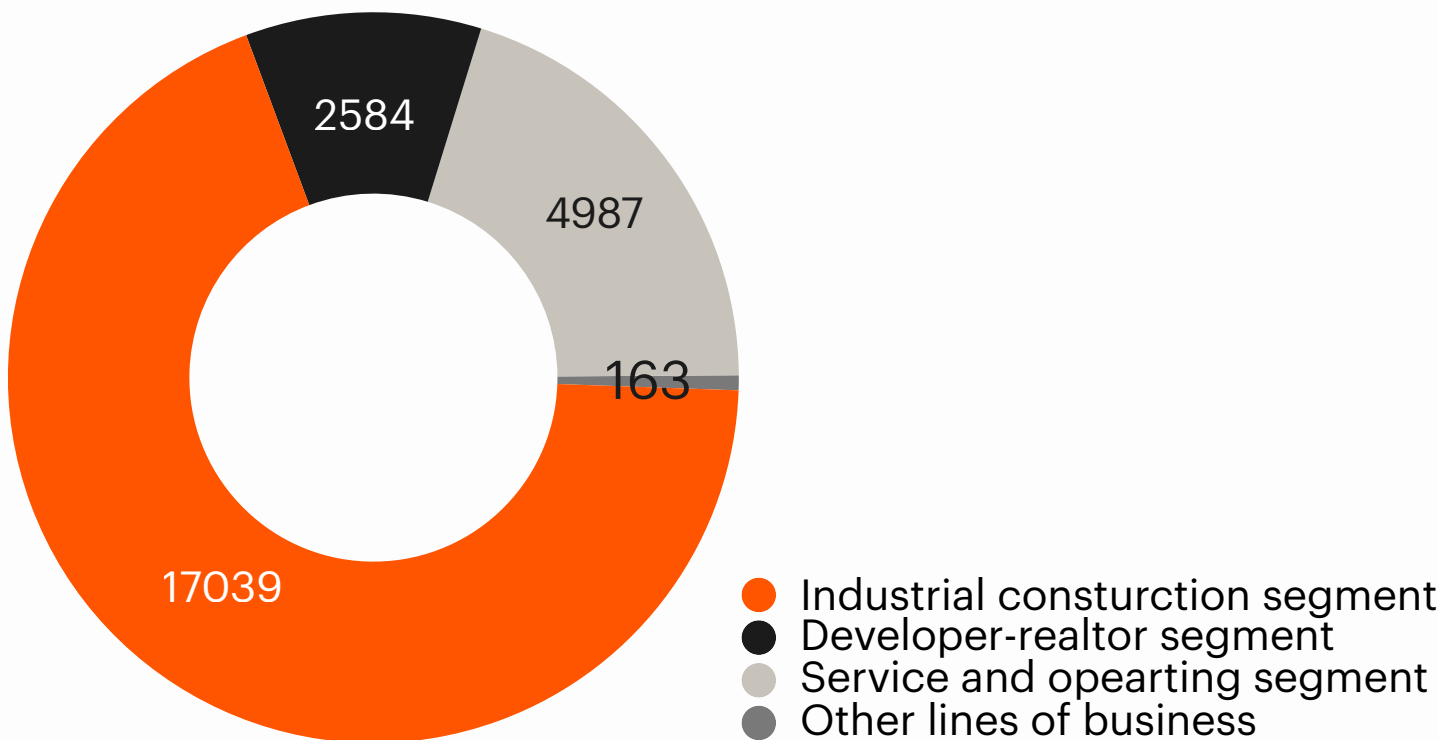
The industrial construction segment accounts for a majority in the personnel structure (69% of the total number of employees). The structure was also augmented in 2019 with the service and operation segment. It accounts for 20% of the total number of employees.

GRI 102-8, 405-1

Group staff headcount on 31 December 2019, broken down by area of presence



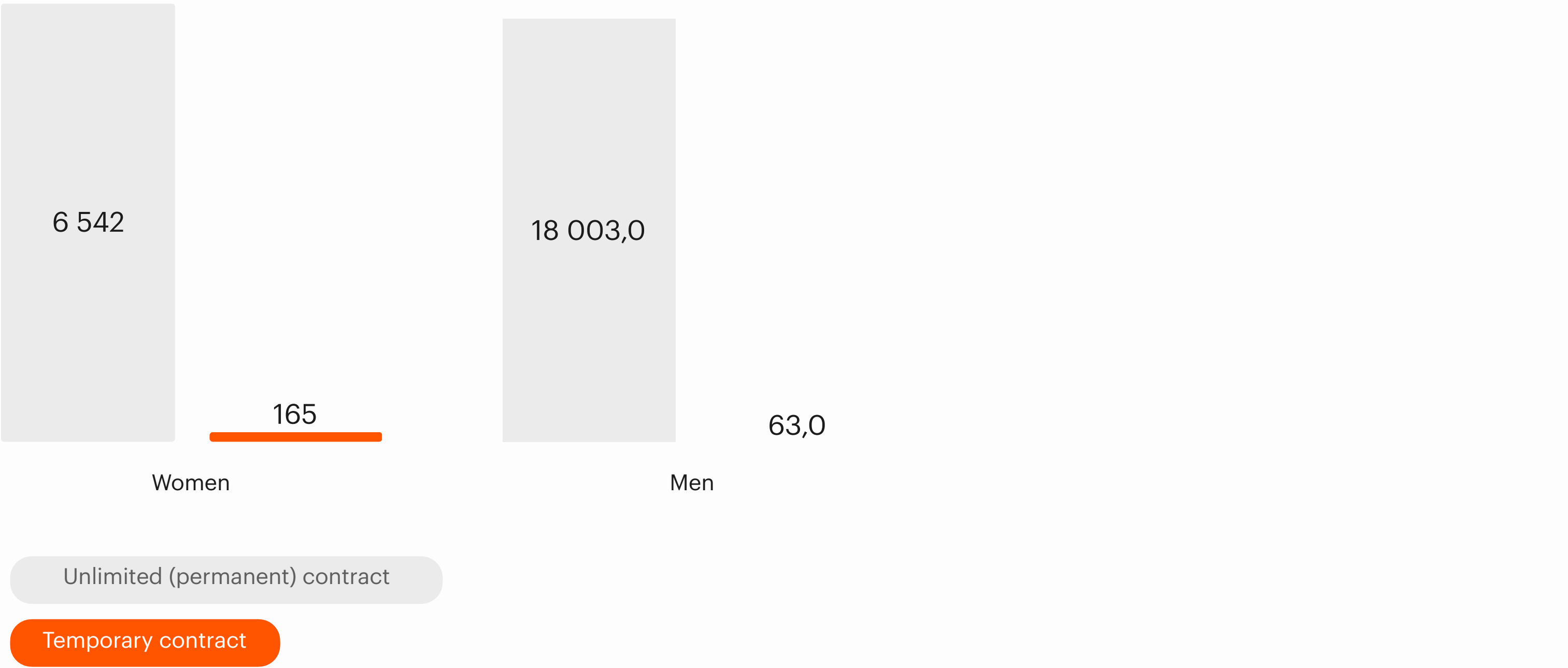
Group staff headcount on 31 December 2019, broken down by lines of business



Men have traditionally made up the majority of employees in the industrial construction segment, due to the specifics of the Group’s production activity.

GRI 102-8, 405-1

Group staff headcount by gender and type of contract for 2019



Group staff headcount broken down by age and gender for 2019



In 2019 the number of men was greater in the structure of workers and managers (89.5% and 75.4% of the number of employees, respectively), whereas women predominated in the positions of specialists and office workers (54.4% and 80.2%, respectively). Office workers under the age of 30 account for 56.5% of the total number of office workers, whereas among managers, specialists, and workers employees in the 30–50 age bracket predominate. Employees older than 50 account for 12.0% of managers and 22.1% of workers.

GRI 102-8, 405-1

Group staff headcount broken down by age and category for 2019

Indicator	2019							
	Managers		Specialists		Office workers		Workers	
	persons	%	persons	%	persons	%	persons	%
Staff numbers of employees, persons	2 286	9,23%	8 146	32,88%	308	1,24%	14 033	56,65%
of which in vulnerable groups:								
people with disabilities	10	0,44%	25	0,31%	0	0,00%	46	0,33%

GRI 102-8, 405-1

Employee hires

GRI 401-1

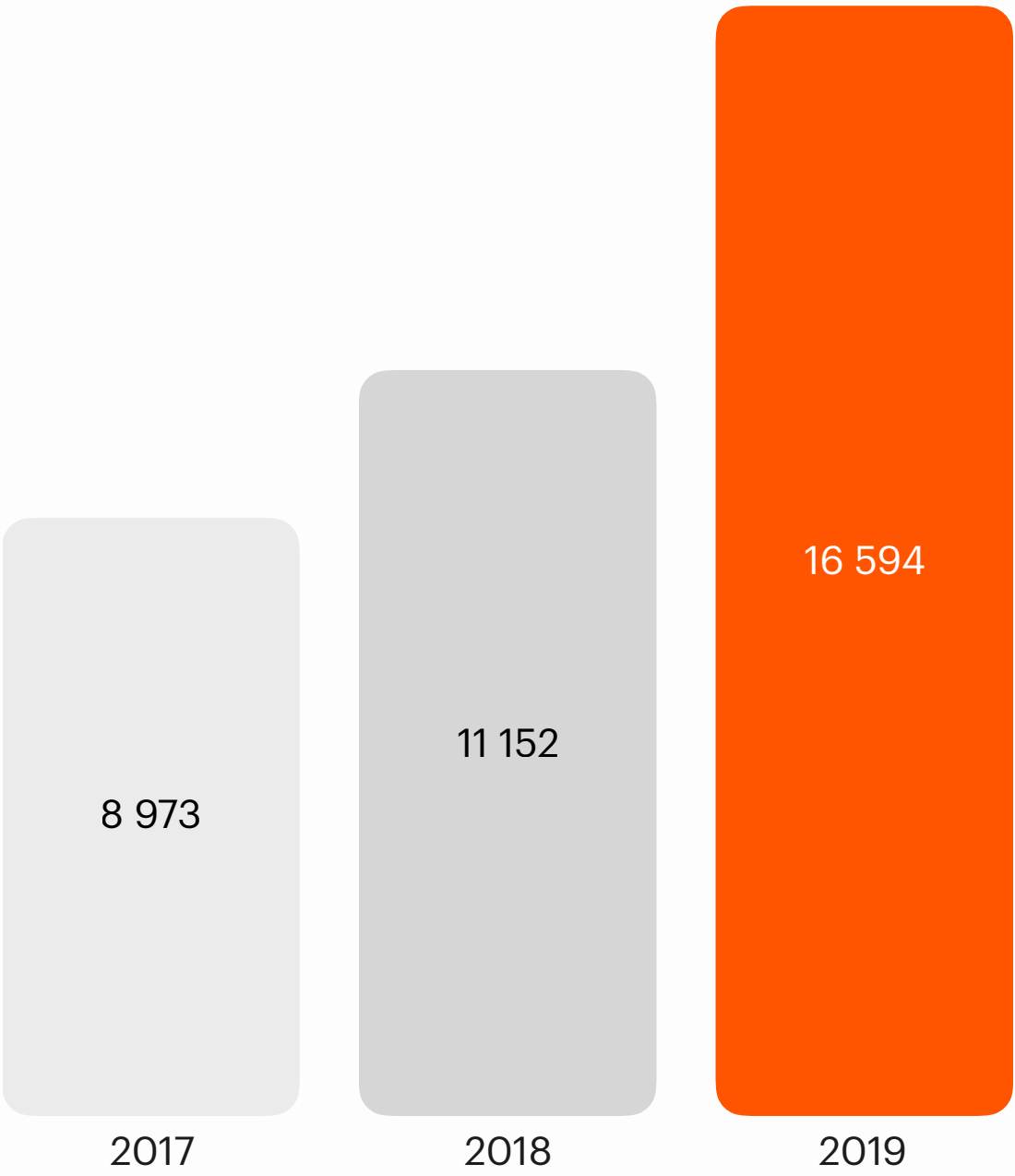
The PIK Group is the largest construction company on the Russian market and the largest employer in the industry, which leads to a number of challenges related to finding and hiring new personnel. An internal audit in 2019 revealed that the PIK Group is fairly well known on the market as an employer. Job seekers wish to be hired by the Group for two main reasons:

- the PIK Group is a rapidly growing company, and applicants want to join the Group to gain unique experience;
- the PIK Group is an industry leader and the trendsetter for development; specialists are prepared to make a contribution of the Group’s activity, to be a part of the creation and implementation of new projects.

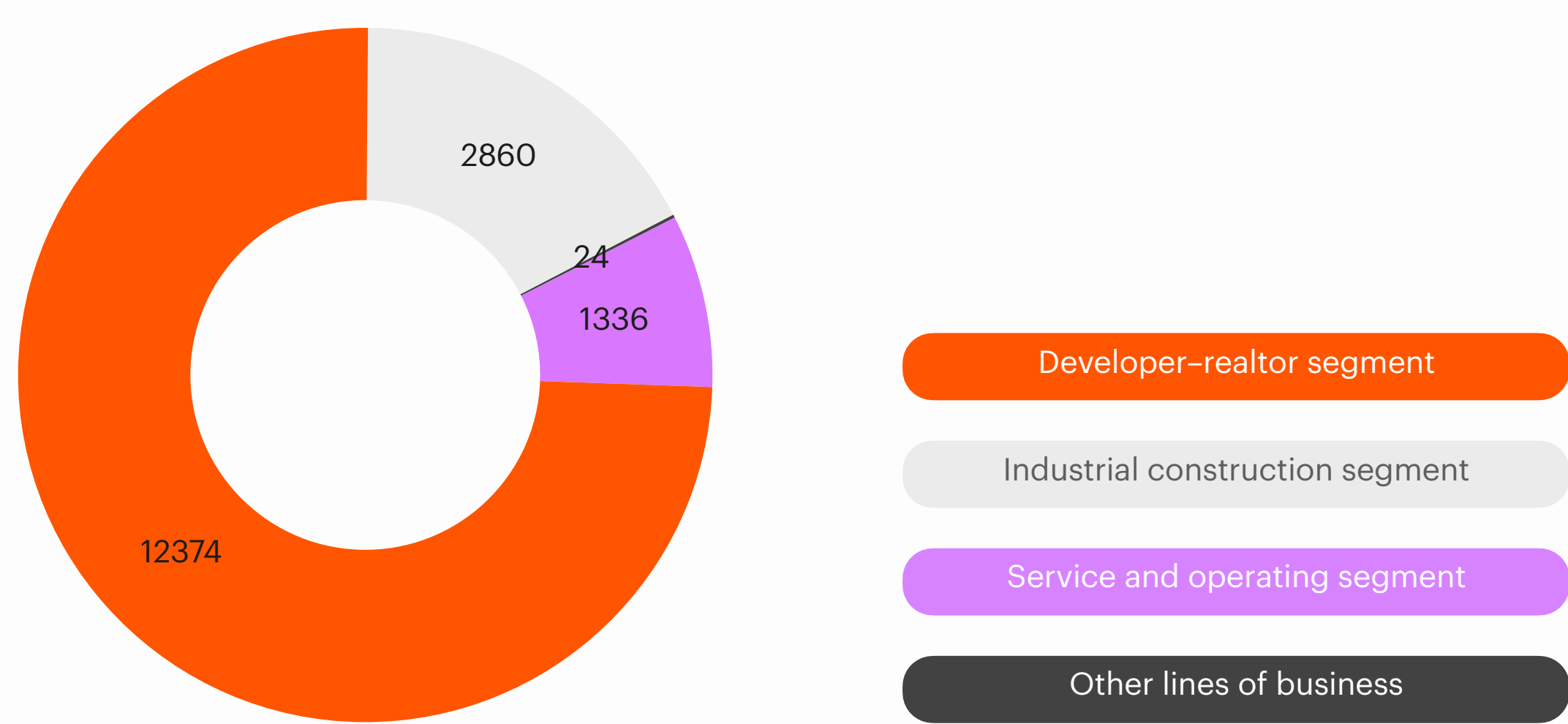
In 2019, 16.6 thousand employees were hired, 49% more than in 2018. Among the new hires in 2019 were 11 persons with disabilities. In the reporting period, the main inflow of new personnel was to the industrial construction segment (75% of the total number of new employees). In the reporting year, 78% of new employees lived in the region where they were hired (versus 81% in 2018).

Number of employees newly hired by the Group

GRI 401-1



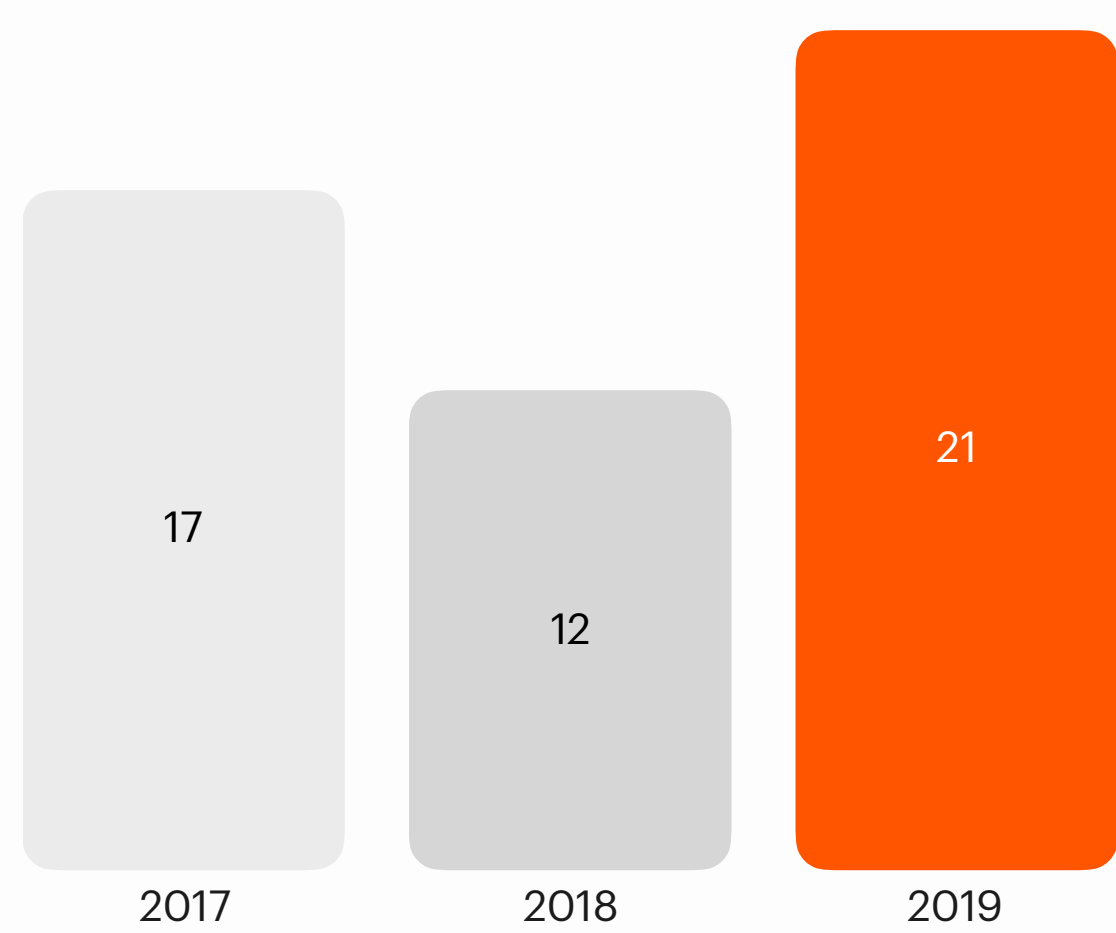
Number of newly hired employees by segments of Group operations in 2019



n 2019 the employee turnover rate increased compared to 2018 and equaled 21% for the Group as a whole. The turnover rate differs by operating segments and business units of the Group. The highest rate is seen in the industrial construction segment, which is due to the specific nature of operations and the large number of seasonal and replacement workers in this segment.

GRI 401-1

Turnover rate at the PIK Group



The Group works continuously to reduce the staff turnover rate; to this end, managers receive training in human resources management.

The Human Resources Department conducted a systemic assessment in 2019 of the Group’s need for employee candidates. A number of measures were taken to attract recruits: among other things, at the start of December 2019 a page was launched on the Group’s website where applicants can learn about PIK as an attractive employer: <https://www.pik.ru/job>. The site makes available a history of the Group, along with opinions and reviews by employees about working at the Group. To make searching easier, vacancies are listed by segments, where you can find key information on the areas and lines of business of the business unit, and on the requirements for candidates, future job duties and working conditions. The site is fully functional, and will grow and be added to in future.

We also carried out integration with Huntflow software. With the help of this software in a single CRM system Group recruiters have the ability in a single database to track incoming information on candidates, the screening stages they have passed through, and the current status of each resume. Working in the system makes the interaction between the employer and candidates much simpler, and ensures fast and convenient selection of personnel. All companies in the Group are expected to be connected to the system in 2020.

Moreover, 2019 saw an increase in the number of responses to open vacancies in the Group thanks to the updating and branding of the Group’s page on the Head Hunter portal. An internal vacancies listing was created in order to facilitate career growth of employees within the Group. Using their personal self-service accounts, employees can apply for vacant positions or recommend another candidate.

### PIK-Academy and remote design work

PIK-Academy organizes an internship for graduates and young design specialists at the Group’s Design Bureau, with the possibility of future employment. After submitting an application, potential participants must undergo preliminary testing to assess their base knowledge of design in the construction industry. For contestants who successfully pass the test, a two-week online educational course called Revit is organized. A selection is made based on the results of the program, and the 30 best students are invited to a paid on-site internship at the Group’s central office. For a period of three weeks interns carry out practical assignments and work on real projects, under the watchful eye of mentors. The Group provides interns with free training and accommodation, conducts excursions to properties, and organizes educational lectures by relevant specialists. Participants who successfully complete the internship are given the opportunity to conclude an employment contract to work remotely for the Group, with a minimum term of one year.

Design is an important area of activity for the Group, and thanks to the digitalization of the operations of PIK-Project it has become possible to develop remote design work. A significant portion of the staff of PIK-Project work remotely, in other cities, which means that the choice of talented employees is not restricted to any one region. Employees located in Moscow are also given the opportunity to work from home.

Measures were taken in 2019 aimed at increasing employee engagement, improving professional knowledge, gaining experience, and generating ideas. Based on the results of these measures, the employees showing the greatest initiative gained advantages for their further career growth.

Also in 2019 the development of a project on the creation of a candidate pool for the PIK Group began. Personnel will be selected based on how they solve specially developed business case studies; these studies are expected to be held regularly. Employees are asked to solve case studies while under observation by experts, and then to present and defend their results. Participants who distinguish themselves above others are assigned a mentor. The practice of mentorship is expected to be instituted in 2020. As part of the practice, an individual development plan will be prepared for employees, goals will be set for further professional growth, and opportunities will be given to acquire additional knowledge.

The Group also assesses the knowledge and potential of its managers, after which they are sent for training to refine their managerial and professional skills. The most active employees of departments are sent by the Group to participate in various projects and undergo additional training, which helps to improve their skills and acquire new professional knowledge.

### Employee salaries, evaluation, and incentives

Material compensation is one of the important components in motivating workers. The Group offers its employees a competitive level of compensation.

GRI 405-2

In order to make the management of human resources more effective, employees’ performance is evaluated to determine their need for training and further career opportunities. The evaluation is conducted once per year, and includes employees’ professional competencies and their personal, business, and managerial qualities.

In the reporting period an analytical review and assessment was made of the existing incentive system to determine how well it tallied with the Group’s overall strategy. Based on the results, it was decided that a new incentive system should be developed, based on the employee’s personal contribution to team performance, which allows employees to use the results of their work to influence the variable part of their salaries, and also to link their personal success with the achievements of the Group. The updating and approval of the new incentive system is planned for 2020. The Group ensures gender equality in terms of employee compensation.



Ratio of base salary of men and women, broken down by categories of employees and by regions of operations in 2019

GRI 405-2

Material region of operations	Base salary, thousand RUB							
	Managers		Workers		Specialists		Office workers	
	Men	Women	Men	Women	Men	Women	Men	Women
Moscow	123,0	123,0	35,9	35,9	72,0	72,0	57,5	57,5
Moscow region	60,5	60,5	28,5	28,5	45,1	45,1	45,0	45,0
Other regions of Russia	52,6	52,6	23,9	23,9	31,3	31,3	25,0	25,0

Ratio of bonuses of men and women, broken down by categories of employees and by regions of operations in 2019

GRI 405-2

Material region of operations	Bonus, thousand RUB							
	Managers		Workers		Specialists		Office workers	
	Men	Women	Men	Women	Men	Women	Men	Women
Moscow	25,2	25,2	21,1	21,1	72,0	72,0	57,5	57,5
Moscow regions	23,1	23,1	20,9	20,9	45,1	45,1	45,0	45,0
Other regions of Russia	16,5	16,5	15,3	15,3	31,3	31,3	25,0	25,0

Training and professional development

GRI 404-1, 404-2

One of the priority areas of the Group’s operations is personnel training and development. Total investments in training employees in the reporting year were RUB 27.2 million.

A total of 22,577 employees underwent training, and the average training time per employee was 45 hours.

Average number of hours of training per employee, broken down by gender and category of employees for 2019

GRI 404-1

Indicator	Number of persons undergoing training	Total number of hours of training	Staff numbers of employees
By gender:			
Men	17 640	948 600	18 079
Women	4 937	167 400	6 707
By categories of employees:			
Managers	2 170	111 600	2 284
Specialists	5 482	217 400	8 193
Office workers	311	5 800	311
Workers	14 614	781 200	13 985

Significant changes took place in the existing personnel training and development system in 2019, including in the area of digitalization. An employee training portal was created on which materials are posted for all Group employees and are constantly updated. Employees have the ability to send their own materials, articles, and selections of related literature to the editors.

GRI 404-1

The PIK Group values initiative, developing a training environment and encouraging employees’ wishes to develop their skills and acquire knowledge. The portal is divided into separate blocks dedicated to the programs of specific departments, which make an active contribution to expanding the information available. For each training section, testing is offered for self-assessment, to see if the trainee has acquired the proper knowledge and understood the material studied. The project PIK-Environment was also launched in 2019 (see “Digitalization Projects” in this section).

The Group has integrated its training with the Skyeng English school, offering employees the opportunity to attend in-person language courses and to listen to online broadcasts.

Employee training at the Skyeng school

Online English language courses from the Skyeng corporate English language school give employees the opportunity to study at any time, without physically attending lessons. Based on the Group’s employee training needs, a program is prepared and instructors are chosen who have experience in teaching Business English.

The personal account of each employee participating in the program shows clearly the progress made, detailed statistics of performance and the efficiency of training costs. In turn, this has an effect on motivation and the desire to achieve a strong result in mastering the program. The platform reviews assignments completed and gives a full report of the trainee’s performance. Lessons can also be accessed through a mobile app. Employees are also offered personalized training conditions so that the knowledge imparted to trainees can help them to effectively achieve specific goals and objectives.

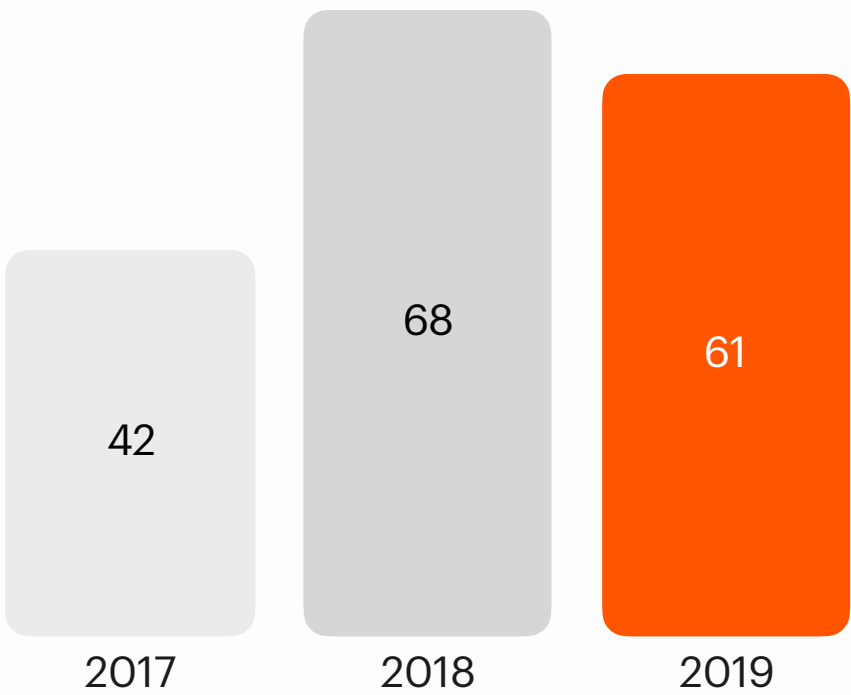
An initiative was made in 2019 in the area of professional training for specialists – the School of Engineering Inspection, thanks to which employees are given the opportunity to establish a career within the Group. The launch of the project is planned for 2020.

PIK-Industry has a training center entitled to issue licenses, where employees with technical specializations are given the opportunity to undergo professional development and training in occupational health and safety and safety techniques. New employees undergo mandatory training pursuant to Group standards and Russian law. About 16 thousand employees were trained at the center in 2019 (for more details see the section Occupational Health and Safety).

Social support

The PIK Group provides social support to its employees. The measures taken are aimed at improving the working conditions and employees’ quality of life; attention is also given to insurance issues and leisure events.

Group employees covered by the collective agreement, %



The collective agreement applies to the industrial construction segment, and specifically covers PIK-Industry. The Moscow Trilateral Commission, which provides social-labor regulation, has recognized the collective agreement of PIK-Industry to be the best collective agreement in the industry for the second year in a row. It includes the following provisions: distribution of the necessary safety equipment (work uniforms, PPE), training and production practices, and social support for workers.

GRI 102-41

In 2019–2020 a program is being carried out to promote employee health called “Family Doctor”. Each Group employee will have the opportunity to arrange voluntary health insurance (VHI) under several types of insurance programs of their choice. The Group will pay 50% of the cost of the policy, and insurance for children is free of charge. More than 60% of employees participate in the program. VHI policies can be taken out throughout the year.

Group employees are offered the following benefits: medical treatment, VHI, treatment and leisure trips at sanatoriums and resorts (in accordance with the Collective Agreement), child-care payments, and material assistance of all kinds. These benefits are available both to full-time employees and to employees working on temporary contracts or part-time.

GRI 401-2

The Group organizes vacations for employees’ children at camps on the shores of the Black Sea and in Moscow region; large families are offered free trips. In addition, the PIK Group congratulates employees’ children on New Year’s, giving presents and organizing visits to holiday events. PIK-Industry workers have the right to receive discounted sanatorium treatment funded by the union, and also to attend cultural events and participate in excursions around Russia offered by the Group.

In 2019 PIK-Industry also founded the Council of Young Specialists. The heads of the Council are workers and engineering and technical personnel from various units of PIK-Industry. The Council works actively with the Urban Planning Policy Department of the city of Moscow, participates in industry conferences, organizes cultural and sports events, and takes part in charitable campaigns.

PIK-Industry also has the largest trade-union organization in Russia, whose members include 95% of the Company’s employees. Additional information on the union’s work is given in the section Occupational Health and Safety.

In addition, an industry Agreement is in place between the Government of Moscow, employers in the Moscow construction industry, and the Regional Organization of the Union of Construction Workers and Workers of the Construction Materials Industry for 2019–2021. This Agreement is aimed at developing the Moscow construction industry, improving labor relations, and protecting the rights of workers.

## Development plans

The Group's plans for 2020 and the medium term include the implementation of the following projects:

- creation of a unified CRM system for HR administration, making it possible to unify HR processes across the Group;
- centralization of personnel recruitment processes;
- connection of all Group companies to the Huntflow system;
- full-scale launch of the self-service personal employee account;
- launch of a project to create the employee value proposition – offers for various categories of candidates;
- launch of the project to create the Group's prospective candidate pool;
- introduction of the institution of mentoring;
- launch of the School of Engineering Inspection;
- implementation of the project to create a unified training center allowing employees to obtain knowledge online;
- renewal of the employee incentive system;
- continuation of the "Family Doctor" program.

# 5. Stakeholder engagement

PIK actively engages with its stakeholders, relying on the principles of openness, respect, and mutual benefit. The Group seeks to construct its engagement with stakeholders on the basis of mutual interest in the results of their interaction, taking into consideration the interests and expectations of all stakeholders. The principles for engaging with stakeholders are enshrined in the Group’s Sustainability Policy.

The list of key groups of stakeholders is determined proceeding from an understanding of the Group’s effect on a specific category of stakeholders and the effect of this category of stakeholders on PIK.

GRI 102-42

The key groups of stakeholders of the PIK Group are: customers, personnel, contractors and suppliers, shareholder and investors, state authorities, the professional and business community, local communities, and the media.

GRI 102-40

The Group cooperates actively with all categories of stakeholders through a broad range of internal and external communications channels and tools, ensuring the bilateral exchange of information and the receipt of feedback. The Group seeks to keep stakeholders better informed of its operations and to ensure that the information it provides to them is accurate, substantial, up-to-date, and relevant. The Group regularly identifies the needs and interests of stakeholders and develops communications channels in order to establish an open dialogue with stakeholders.

GRI 102-43, 102-44



Forms and mechanisms for PIK to interact with stakeholders

Groups of stakeholders	Expectations of stakeholders from PIK	Mechanisms of interaction	Key events in 2019
<p><b>Customers</b></p> <p>Additional information is available in the section</p> <p>Customer Relations</p>	<ul style="list-style-type: none"><li>• Setting fair prices on Group properties</li><li>• High level of quality in housing and social facilities</li><li>• Safety and reliability, comfortable living conditions</li></ul>	<ul style="list-style-type: none"><li>• Publication of customer messages on the Group’s website</li><li>• Interaction with customers through both online and offline channels of communication (customer manager, personal account, hot line of the customer center, service desk, official chats in messenger apps, social media accounts)</li><li>• Introduction of escrow accounts and protection of customer funds</li></ul>	<ul style="list-style-type: none"><li>• Automation of the processing of customer messages with the help of the service desk</li><li>• Launch of the online sales services and first purchase of an apartment online</li><li>• High levels of customer satisfaction (in 2019 the CSI (customer satisfaction index) figure was 4.9 out of 5)</li></ul>
<p><b>Personnel</b></p> <p>Additional information is available in the sections</p> <p>Human Resources Management and Occupational Health and Safety</p>	<ul style="list-style-type: none"><li>• Pleasant working conditions and equal opportunities</li><li>• Safe working conditions</li><li>• Competitive wages</li><li>• Benefits and social support</li><li>• Prospects for career growth</li><li>• Training and professional development programs</li></ul>	<ul style="list-style-type: none"><li>• Communication with employees through managers and executives</li><li>• Internal corporate portal for employees</li><li>• Mailings with current news about the Group by e-mail or message apps</li><li>• Improved corporate culture of safety</li><li>• Educational programs to develop professional skills and competencies</li><li>• Evaluation of employee engagement</li><li>• Ensuring safety in the workplace</li></ul>	<ul style="list-style-type: none"><li>• Launch of the PIK-Environment education portal for employees</li><li>• Creation of an internal employee training portal</li><li>• PIK-Industry’s collective agreement declared best in the industry two years in a row by the Moscow Trilateral Commission</li><li>• Launch of a training center at PIK-Industry, which can provide professional training</li><li>• Special evaluation of working conditions conducted at 100% of job sites</li></ul>
<p><b>Contractors and suppliers</b></p> <p>Additional information is available in the section</p> <p>Logistics Management</p>	<ul style="list-style-type: none"><li>• A transparent contractor selection process</li><li>• Performance of contractual obligations</li><li>• Ensuring quality and stated work deadlines</li><li>• Compliance with business ethics and fighting corruption</li></ul>	<ul style="list-style-type: none"><li>• Competitive procurement</li><li>• Conclusion of agreements and contracts with contractors and suppliers</li><li>• Maintaining long-term relations with suppliers and contractors</li><li>• Corruption hotline and rapid response</li></ul>	<ul style="list-style-type: none"><li>• Launch of the systems complex Digital Agent-Contractor</li><li>• Development of Marketplace, a digital platform for interacting with contractors and suppliers</li><li>• Growth in the volume of purchasing made through the B2B-Center system of electronic trading platforms</li></ul>

Groups of stakeholders	Expectations of stakeholders from PIK	Mechanisms of interaction	Key events in 2019
<b>Shareholders and investors</b>  Additional information in the Corporate governance section	<ul style="list-style-type: none"><li>Increasing the Group’s value</li><li>Stable financial and operating results</li><li>Timely provision of up-to-date information on key performance indicators</li><li>Information sharing through operational reporting</li></ul>	<ul style="list-style-type: none"><li>Annual shareholders’ meeting</li><li>Disclosure of the Group’s relevant financial and non-financial information</li><li>Publication of news on the Group’s official website</li><li>Participation in investment events and conferences</li><li>Organization and holding of regular “Capital markets Days”</li><li>Active cooperation with leading consulting and rating agencies</li></ul>	<ul style="list-style-type: none"><li>Holding of two non-deal roadshows</li><li>Second place in the Annual Report Competition in the category Most Improved IR Activities based on a survey conducted by Extel Survey</li><li>Updating of the Group’s Information Policy</li><li>Updating of the section of the corporate website for investors</li></ul>
<b>State authorities</b>	<ul style="list-style-type: none"><li>Compliance with Russian legislation</li><li>Compliance with regulatory requirements</li><li>Timely payment of taxes</li><li>Social and economic development in its areas of presence</li><li>Stability of the Group as a fundamentally important company of the Russian economy</li></ul>	<ul style="list-style-type: none"><li>Performance of the business plan and obligations on commissioning residential housing</li><li>Construction of social infrastructure facilities and transfer of facilities to the state</li><li>Performance of instructions and heeding the comments of the state authorities</li><li>Ensuring document flow and the receipt of the required permits during the development cycle</li><li>Publication of the Group’s financial and non-financial information</li></ul>	<ul style="list-style-type: none"><li>Commissioning of 2,024 thousand m2 of residential housing</li><li>No material violations were discovered by the state authorities in 2019</li><li>Computerized collection of reporting on project financing (for the Ministry of Construction, Housing and Utilities of the Russian Federation)</li></ul>
<b>Professional and business community</b>  Additional information in the Sustainability management section	<ul style="list-style-type: none"><li>Cooperation and participation in joint initiatives</li><li>Participation in industry events</li><li>Improving information transparency</li></ul>	<ul style="list-style-type: none"><li>Initiation of shared projects</li><li>Active participation in conferences, forums, and industry events</li><li>Development of control regulations and industry performance standards</li><li>Propagation of PIK’s philosophy among franchises</li></ul>	<ul style="list-style-type: none"><li>The Group joined the Local Network of the UN Global Compact</li><li>Commercialization of unique IT products in the construction sector</li></ul>

Groups of stakeholders	Expectations of stakeholders from PIK	Mechanisms of interaction	Key events in 2019
<div>Local communities</div> <div>Additional information in the Social responsibility section</div>	<ul style="list-style-type: none"><li>• Development of social infrastructure</li><li>• Assistance in addressing social, environmental, and economic issues</li><li>• Safe and comfortable living conditions</li><li>• Employment opportunities for the local population</li><li>• Minimization of the adverse impact of the Group's operations</li></ul>	<ul style="list-style-type: none"><li>• Maintain a direct dialogue with residents in PIK buildings</li><li>• Taking the opinions of local communities into account when designing future projects</li><li>• Construction of social infrastructure facilities</li><li>• Performance of environmental and social projects to improve the quality of life of the local population</li></ul>	<ul style="list-style-type: none"><li>• The "In the Words of Residents" advertising campaign made it to the finals of the WOW Awards 2019</li><li>• The "Meshchersky Les" housing complex won the municipal competition "Best Completed Construction Project 2018" in the standard housing category based on public voting on the "Active Citizen" platform</li><li>• Commissioning of a total of 136,424 m2 of social infrastructure facilities</li></ul>
<div>Media</div>	<ul style="list-style-type: none"><li>• Answers to questions that concern all stakeholders</li><li>• Maintenance of a dialogue</li><li>• Openness and transparency</li></ul>	<ul style="list-style-type: none"><li>• Press releases on the Group's high-profile events</li><li>• Preparation of TV segments</li><li>• Briefings</li><li>• Interviews with Group representatives</li></ul>	<ul style="list-style-type: none"><li>• 1st place in the transparency rating of the "Stolitsa" [Capital] Social Research Agency</li><li>• Issue of the film "Games People Play" together with Discovery</li></ul>

## Membership in industry associations and external initiatives

GRI 102-12, 102-13

PIK Group carries out its operations in accordance with the requirements of Russian law, the standards of international law, the international treaties of the Russian Federation, and applicable national laws in other jurisdictions. The Group also performs all the obligations it has assumed, as set forth in its internal documents, and its obligations to stakeholders.

The Group operates in line with the Social Charter of Russian Business, the Universal Declaration of Human Rights, and strives to comply with global best practice in the area of sustainable development and the UN Sustainable Development Goals. Starting from 2019, PIK joined the corporate governance initiative of the UN Global Compact and adheres to its human rights, labor, environmental, and anti-corruption principles.

PIK Group endeavors to contribute to the development of the construction industry by participating in industry associations and societies engaged in improving the level of market self-regulation and the investment climate in Russia.

The Group was a member of the following industry organizations in 2019:

- Self-Regulatory Organization Central Association of Construction Engineering Survey Organizations “Survey Center” (since 2018);
- Russian Builders Association (since 2005);
- Self-Regulatory Organization Moscow Construction Union Non-Profit Partnership (until 2009 – Moscow Construction Union (MCU)) (since 2001);
- Chamber of Commerce and Industry of the Russian Federation (since 2008);
- Developers Association of Moscow region (since 2015).



# 6. Customer relations

## Approach to customer relations

### Customer journey

One of PIK Group's key areas of focus is creating the most comfortable conditions possible for customers to purchase real estate. We pay special attention to improving the customer journey and customer relations at the Group. In its dealings with customers, PIK is guided by the principle of "Customer before Company", which is realized through:

- open communication;
- high speed and quality of services;
- ensuring the highest possible level of service and comfort for the customer.

Customer relations is split into two areas, each of which has its own dedicated structural division. The Sales Department communicates with the customer from the first visit to the website to the handover of the keys, as well as on issues concerning the developer's warranty obligations. After the customer purchases the apartment and takes up residence, work with residents is passed to PIK-Comfort Management Company.

Since 2018, the Group has paid special attention to generating a better customer journey, which means the creation of the best possible conditions for the customer at all stages of relations with the Group, as well as creating high-quality products. The "In the Words of Residents" advertising campaign, which consisted of video clips recorded in 2019 by residents of Group projects, clearly demonstrated the Group's success in this area. All of the Group's advertising projects in the reporting period were created based on user content; in other words, they were all based on real feedback from customers and residents. That being said, most of the material was recorded outside of the apartments, which gave us the idea for the "Beyond the Apartment" advertising campaign, which will be launched in 2020.

The new advertising campaign reflects the Group's unique customer relations philosophy – a philosophical mindset based on master plans instead of square meters, the creation of entire residential districts with a positive social atmosphere that motivates people to spend more time outside of their apartments. Through careful planning of every detail and aspect of their projects, PIK strives to create new opportunities to improve the lives of its customers.

PIK is committed to saving its customers' time by actively searching for ways to improve their visits to our sales offices. An important part of this process is the competence and product knowledge of the Group's managers. PIK holds regular training sessions for employees involved in sales, to inform them about Group products. Sales office employees know all the nuances and details of the products being sold, which allows them to steer customers toward the most appropriate option for their needs in the shortest possible time.

In 2019 we also merged several sales offices that were close to one another into large sales clusters. This decision allows our customers choosing new housing in certain areas to save time, because now they do not need to travel to several different offices. They can get complete information on the Group's projects in the selected area in one place.

### Additional services

PIK endeavors to satisfy any needs that its customers may have during and after the purchase of housing. During the sale of real estate to the customer, the Sales Department is responsible for additional services. After the keys are received, the set of additional services is provided by PIK-Comfort.

The offering of mortgage insurance products was launched at the Group's sales offices in 2019, thereby cutting the time that customers need to spend on finalizing the purchase of apartments. Additional service options, such as the purchase of parking spaces and storage space, are offered during the purchase of housing as well.



PIK can also provide various registration documents (cadastral passport, BTI plan, etc.). The first request for this documentation is free, while all subsequent requests are handled for a fee. The electronic versions of documents are available to clients for free in their personal online account.

As a management company, PIK-Comfort also provides a wide range of services to Group customers. A dedicated website, PIK-Service, was created and is in operation for this purpose. Customers can find various additional services on this website, from installation and repair of plumbing fixtures to legal services and dog walking.

## Furnished apartment

“Furnished apartment” is an integrated product that allows Group customers to purchase an apartment and select from furniture sets carefully curated by designers.

The customer does not have to pick out furniture, have it delivered, and assemble every piece while thinking through the perfect layout. All this work is done by Group employees. The customer gets the keys to an apartment with all the comforts of home already waiting for them. The apartment has a kitchen with all necessary appliances, comfortable quarters for sleep and rest, a home office, and storage space.

The pilot launch of the “Furnished apartment” project took place at the Group’s buildings in Moscow and Moscow region.

Given the positive customer feedback on the project at the pilot launch stage, the Group is considering the possibility of scaling up the “Furnished apartment” project to expand the list of implemented projects, design solutions used, and additional partners.

## Digitalization projects

Digital solutions play a significant role in optimizing customer relations. The collection and analysis of data on the customer journey and customer feedback are performed with the help of digital projects, and projects to introduce online servicing are also being implemented.

### Remote transactions and online sales services

PIK appreciates the value of its customers’ time and tries to provide them with the opportunity to choose when, where, and for how long they communicate with the Group. With this purpose in mind, the Group is working to move the purchase of real estate online.

Remote transactions were the first step in this direction. This is a method for purchasing real estate where customers reserve the asset to be purchased on the website and either receive documents by courier for signature or verify them using their digital signature, after which the documents are sent for registration. This makes the purchasing process more flexible and convenient, reduces the workload of sales offices, and improves the convenience of customer service compared to the traditional way of purchasing real estate.

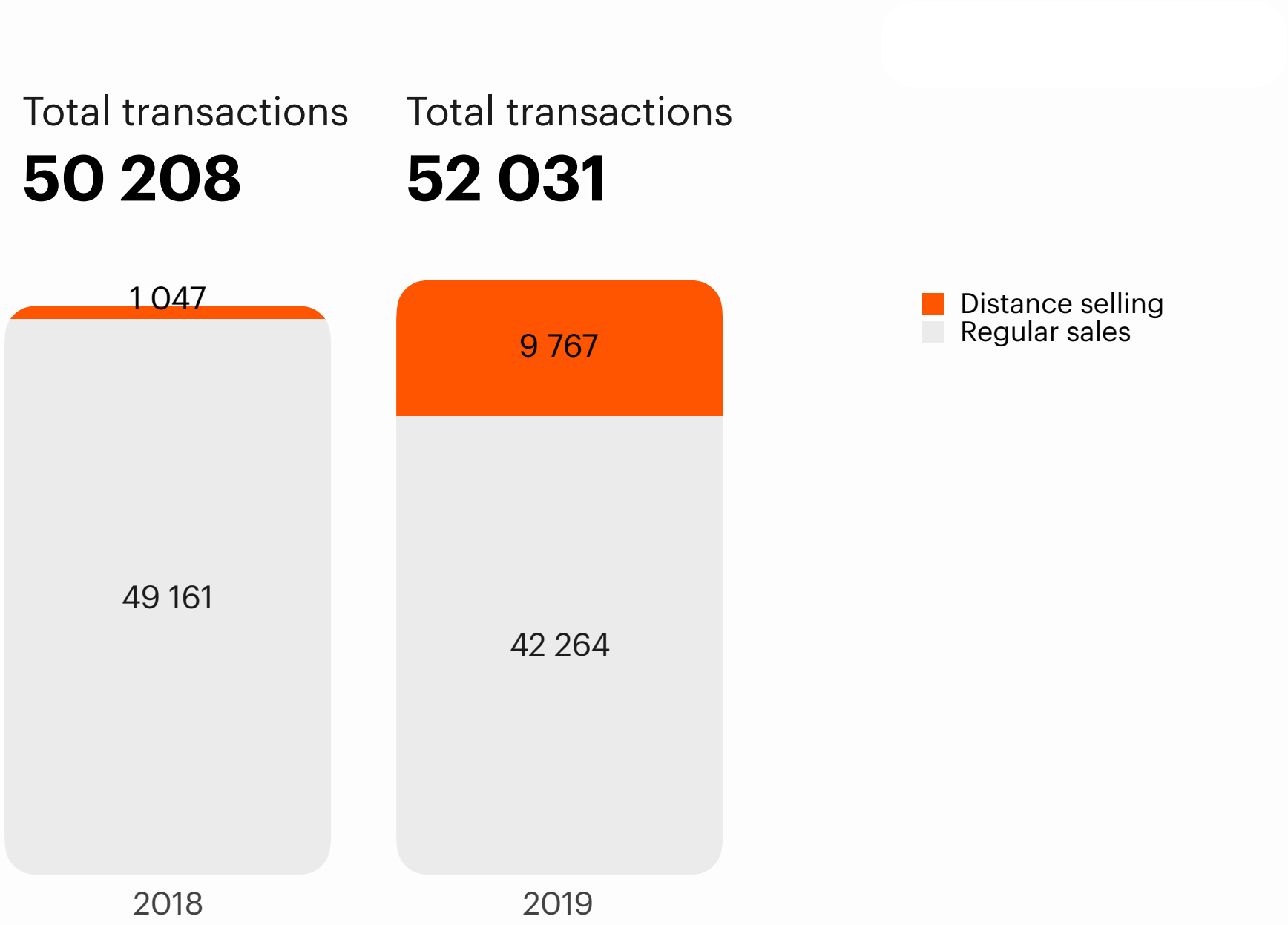
The online sales service was launched in 2019, at first covering parking spaces and storage space, and then apartments. The real estate sales process has been brought online, giving customers the opportunity to purchase real estate without an office visit.

The next step was the introduction of credit card payments for any real estate asset on the website. PIK Group is the first developer in Russia to join the merchant acquiring services system, meaning it accepts non-cash payments. In December 2019, a resident of Petropavlovsk-Kamchatsky purchased an apartment in Moscow without visiting a sales office or a bank.

The ultimate goal of digitalizing the purchase process is to bring all transactions online. However, customers will still have the option of visiting construction projects and showrooms to get a better feel for the product.

In 2019, 9,767 transactions were performed remotely (including through the online sales service), which is nine times more than in 2018. Remote transactions made up 18.8% of total sales (in 2018: 2.1%). Online sales, which were introduced in 2019, accounted for 6.6% of remote sales..

Sales volume with a breakdown into remote sales and traditional sales



PIK Data

The Group focuses a lot of attention on analyzing and assessing the needs of its customers, to ensure that it provides a wide range of services that meet all customer needs. The PIK-Data service was established to consolidate information on the customer journey and assess the quality of services.

PIK-Data is a data warehouse containing all data received from customers, from browsing advertisements to taking up residence, including information on the number of visits to sales offices, calls, messages, communications channels used, etc. Internal procedures for communication with customers are finetuned based on the data stored in PIK-Data. For example, the Advertising and Marketing Department studies the customer journey up to the time of purchase and looks for opportunities to optimize customer relations, improve the efficiency of advertising campaigns, etc. Studies are performed with the help of CSI and NPS surveys, among other things.

Analysis of customer satisfaction

The Group regularly assesses customer satisfaction, to evaluate the effectiveness and relevance of the customer relations measures performed. Special tools are used to do so – CSI (customer satisfaction index) and NPS (net promoter score).

After a number of contacts with the Sales Department, each customer is sent an e-mail with a survey, giving the customer the chance to rate its satisfaction with the Group’s services using a scoring system based on a number of criteria. In 2019, the CSI indicator was 4.9 out of 5 points, and the NPS was 58 in Moscow and 27 in Saint Petersburg (compared to a market average of 6 and 2, respectively).

Feedback

One of the Group’s guiding principles is openness to customers and the general public. For this reason, one of our goals in 2019 was to systematize communications with customers and create many different and convenient ways for them to provide feedback. To date, the following have been created and are operating in the Group:

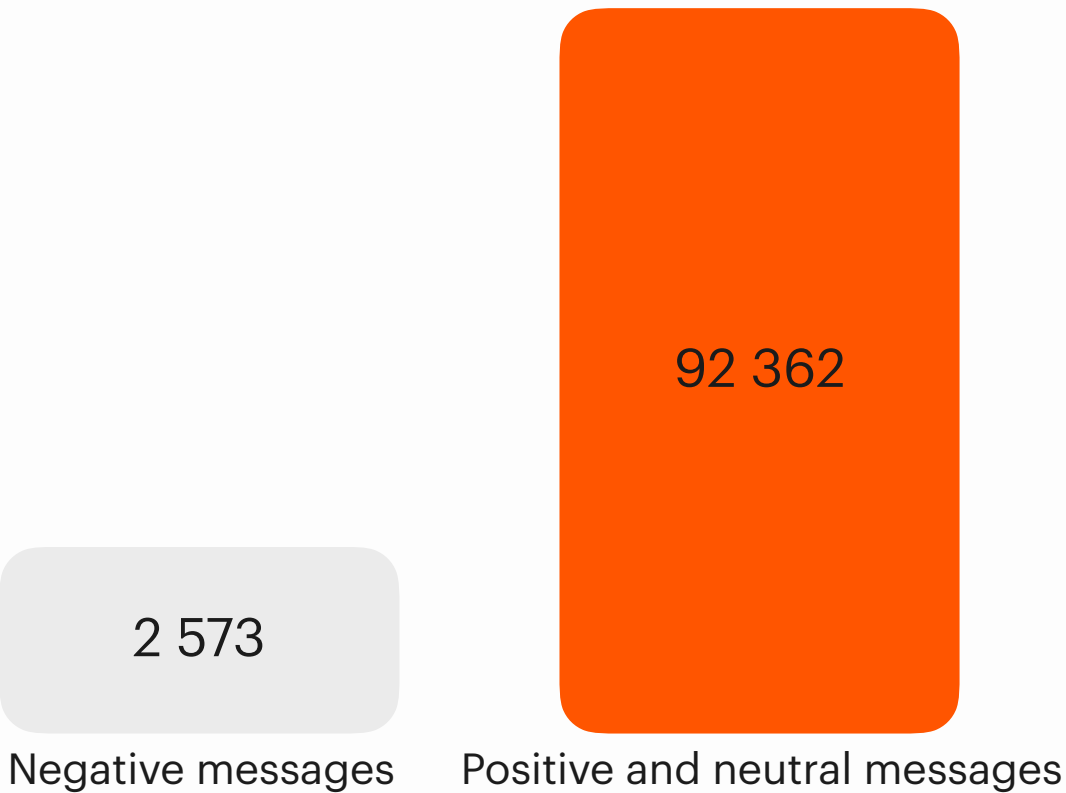
- **an official feedback form on the website.** Nearly 30% of messages are received through the feedback form – gratitude, positive comments on cooperation with the Group;

- **a separate service desk for message processing.** Among other things, when contacting the service desk you can leave a voice message that will be sent to the relevant division by artificial neural networks. Messages received in hard copy are entered in the electronic document management system, forwarded to the service desk, and considered in the same way as messages received through the website form. Hard-copy written responses to hard-copy messages are sent within the period established by law;
- **official chats in instant messaging services.** The Group has chats in all instant messaging services and is the only developer in Russia that has an official account in WhatsApp;
- **social networks.** The Group has accounts in all social networks. Posts are received as messages and publications with hashtags are also analyzed.

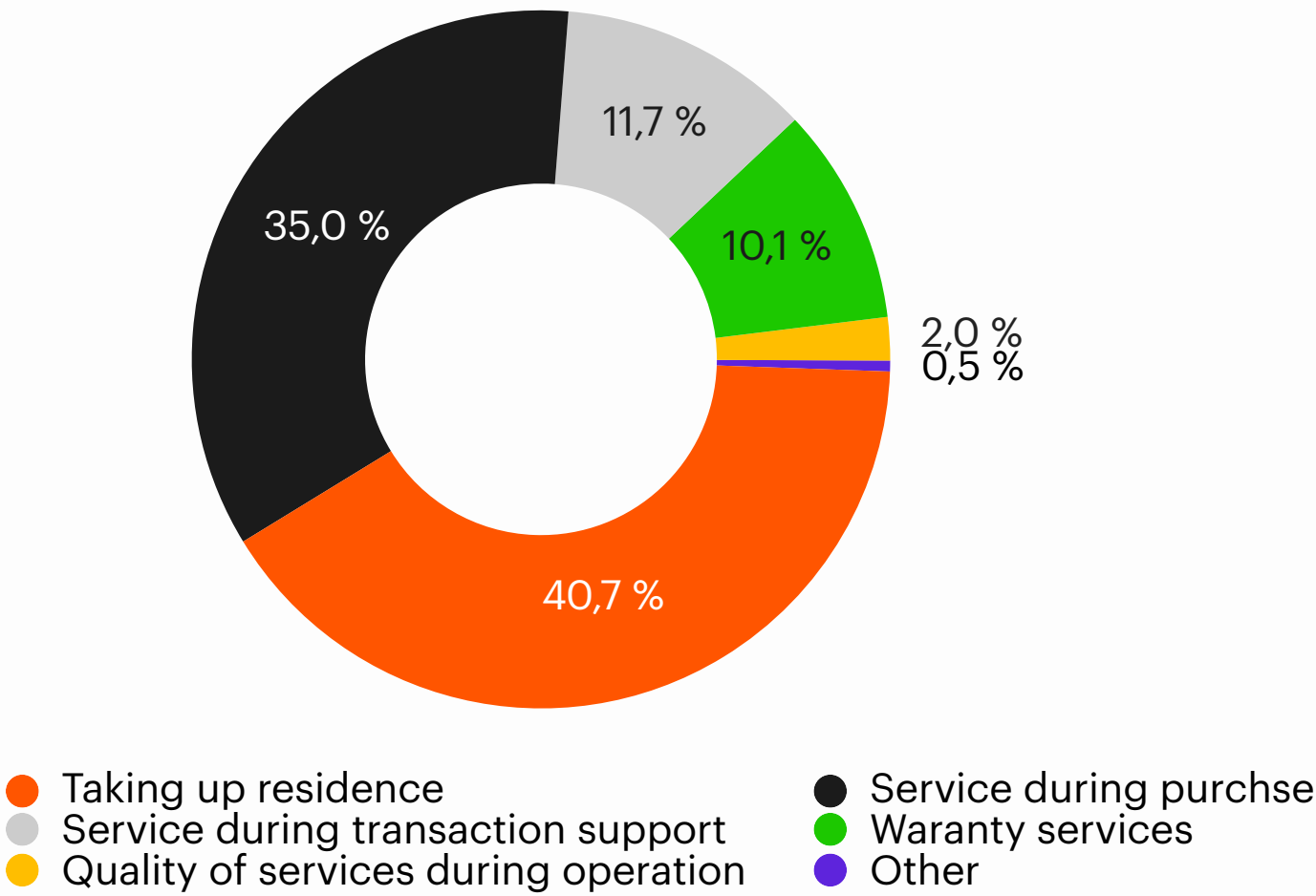
PIK Group tracks all messages received using all communications channels on a mandatory basis and prepares a detailed and reasoned response to each one. A total of 95,035 messages were received on six main topics in 2019:

- warranty services;
- taking up residence;
- quality of services during operation;
- quality of service during purchase;
- quality of service during transaction support;
- other.

Breakdown of positive, neutral, and negative messages



Messages with a breakdown by topic



The Group introduced the criteria of Service Level Agreements (SLA) on feedback to all messages. The main criterion is the timetable for providing a response, which is established depending on the urgency of the message. When a message is received, an SMS is sent to the customer with a request number which can be used to track the status of message. The response time begins to run at this time.

After taking up residence, customers can contact PIK-Comfort Management Company with any operational issues. The approach is the same as that used to handle messages on construction, with the only difference being the database used. In this case, the requests received are run through the billing system, which stores all data on payments, etc. The management company also accepts messages in hard copy. In addition to collecting feedback, PIK also conducts proactive communications with residents, organizes events, and implements partner projects for a wide auditorium.

**Development plans**

The following are planned as part of optimization of customer relations in 2020:

- continued development of the online sales channel and an increase in its share in the overall amount of real estate sold;
- ensuring around-the-clock access to showrooms, to provide customers with a flexible visit schedule;
- holding educational training sessions to allow employees to learn more about the products they are selling to customers. Plans also include acquainting customers with the services of PIK-Comfort and fees for servicing at the sales stage;
- freeing up managers from the processes involved in taking up residence and the assignment of parking spaces and storage space, which can be performed by photographing facilities, uploading documents to the customer's personal account, and independent inspection and acceptance of the facilities by the customer;
- transitioning the sales offices to work by appointment, while retaining the ability to service walk-in customers. This step will allow managers to prepare in advance for a meeting with a customer, reducing the time needed for each customer office visit;
- launch of refinancing and mortgage lending services.



# 7. Social responsibility

## Approach to social responsibility

PIK Group is a leader among construction and development companies in Russia when it comes to social responsibility and assumes voluntary obligations to local communities over and above those established by law and other requirements. By local communities we mean the residents of PIK projects and the neighboring districts, who represent a key group of stakeholders.

PIK Group’s social responsibility has industry-specific aspects, and its contribution is expressed mainly in the ambition to improve the quality of life in PIK residential complexes, create comfortable living conditions, and support health, safety, and personal development.

During its operations, PIK Group supports an open dialogue as equals with local community representatives and focuses on the collection and recording of feedback. The management and employees of PIK Group also support socially vulnerable groups through charitable activity and their own volunteer projects.

## Decision-making at the level of the master plan

PIK’s approach to project development is distinguished by its heightened attention to details at the level of the master plan – the models of a residential complex. Over its many years of work in the industry, the Group has developed numerous successful solutions to ensure safe and comfortable living conditions, including functional zoning of the territory, creation of pedestrian zones, landscape design, traffic load simulation, and a well-organized arrangement of transit zones. Today, these solutions have been included in PIK-Standard and are an integral part of all PIK projects.

GRI 416-1

### Reflecting the priorities of health, safety, and comfort of residents in PIK-Standard

District layout of the master plan

- internal car-free courtyards
- easy navigation due to a clearly defined road network

Multiple elevation of construction

- natural light
- dynamic skyline of residential complexes

Bright facades

- created from durable materials
- thanks for their functional design, engineering equipment does not deter from the buildings’ appearance

Courtyards and parks

- bicycle paths and pedestrian zones
- recreational areas and playgrounds
- abundance of green spaces
- traffic has been removed from courtyards

Walk-through entryway at ground level

- safe, well-lit, and spacious entryways
- accessible environment
- separate exists to the internal courtyard and to the street

Apartment layout

- Various layouts and sizes of apartments
- Windows that ensure good lighting and reduce the need for artificial lighting
- Fully decorated apartments with neutral design from quality materials



PIK Group does everything necessary to ensure that residents do not experience problems getting around either by car or on foot. To do so, a parking guidance and information system was developed together with the Department of Transport of the City of Moscow in 2019 to optimize traffic flow around the buildings and work was begun on a traffic engineering plan.

PIK projects also place schools and preschools in the center of the district, so that the paths leading to them do not cross roads but are located outside the courtyards of residential buildings (so as to not disturb residents, including those with small children). The needs of persons with disabilities and seniors, who use the school premises for exercise after school hours, are also taken into account when creating schools.

The comfortable living conditions created by PIK have resulted in the residents themselves finding some creative ways to use the premises in residential houses: neighborhood evenings where residents gather and read books together have been organized, and a table tennis table was set up in the entryway of one of the PIK complexes by residents.

## Digitalization projects

PIK Group is developing digital products to make the day-to-day routine easier, lower costs, and ensure the safety of residents. A perfect example is the smart home system PIK.Smart, which was developed by PIK Group together with Yandex and Rubetek.

PIK.Smart is an all-in-one solution that includes climate and lighting control, video surveillance, door phone and intercom system, as well as a security system. The smart home system is voice-controlled using the portable Yandex.Station and through a smartphone app which notifies the homeowner if any sensors or transmitters are activated and can show a live picture from the video cameras.

PIK.Smart also offers benefits such as remote control via smartphone, versatility (it is suitable for any apartment and can be customized), and automation of household tasks. PIK specialists install and configure the system and provide technical maintenance services. Moreover, a warranty is provided for the system on purchase, which makes system implementation even more convenient and simple.

As part of its quest for automation, PIK Group is developing solutions for the installation of smart utility meters in the construction of economy-class housing, which will allow readings to be taken and transmitted automatically. The next stage will include the installation of wireless electricity meters. Advancements in smart utility meters are lowering the cost of their installation and increasing the manageability of homes.

For the convenience of customers, PIK-Comfort Management Company has developed the PIK-Service digital marketplace interface where customers can select and order a wide range of services, including:

- installation of radiators and towel warmers;
- installation of plumbing fixtures and electrical appliances;
- installation and testing of water meters;
- connection of the door phone;
- cleaning;
- apartment repair;
- insurance;
- dog walking;
- sale of parking spaces and storage space;
- tailoring and alteration of clothing and shoe repair;
- installation of windows;
- dry cleaning;
- storage;
- air conditioners and ventilation;
- apartment security;
- preparation for and management of the lease of an apartment;
- installation of doors;
- documentation of alterations;
- disinfection of premises;
- delivery of water;
- real estate valuation;
- freight carriage;
- tool rental;
- installation of fire suppression systems;
- repair of household appliances;
- repair of computers;
- provision of legal services.

Thanks to its market experience and strong relationships with partners, PIK-Comfort has a wide range of agency agreements with goods suppliers and contractors providing housing and utilities services and can provide high-quality services quickly and at a reasonable price.

Improving the quality of life

PIK is concerned about the wellbeing of its customers and residents and their impression of the product and the quality of life when choosing housing. In its projects, the Group uses durable natural materials for decorations and beautification, chooses “natural” colors for façades, and ensures that there is natural light. Special attention is also paid to greenery: a unique soft landscaping concept is developed for each project. Courtyards and parks are created through landscape design using mature trees and bushes as natural barriers, with account taken of the seasonality of the plants to ensure year-round greenery.

PIK residential complexes have created all the conditions necessary to support the physical fitness and outdoor activities of all age groups: playgrounds and sports fields, skateparks and workout areas, bicycle paths and running tracks. The Group is implementing the PIK-Sport project, aimed at promoting sport among residents and the formation of sports clubs. Running and weightlifting sessions and yoga lessons for residents of all fitness levels held by professional trainers show residents that an active lifestyle does not necessarily mean big spending and that the conditions for sports activities have been created at PIK projects. PIK-Sport festivals were held at the Green Park, Lyuberetsky, and Meshchersky Les projects in the summer of 2019 and attracted more than 1,000 participants.

The PIK-Katok [Skating Rink], which was opened for residents of the Orange Park project and the city of Kotelniki in 2019, is a popular recreation spot.

### RUNLAB running club at “PIK Space”

In the summer of 2019, training sessions and lectures of the RUNLAB running laboratory were held at “PIK Space” in Muzeon park. During these events, special lifestyle trainers share advice with participants on proper running technique, training for long-distance runs, and sports nutrition.

Safety

Safety is an important component of a comfortable living environment and a high quality of life. PIK Group pays special attention to security at its facilities, which is why all residential houses and complexes are equipped with surveillance, access control, safety features, and security systems: door phones and intercom systems, boom barriers, and video surveillance are used, and each facility has on-site security personnel.

GRI 416-1

The Group’s Product Department and Economic Security Department are working to improve security systems and are constantly searching for and analyzing new engineering features and innovations for implementation at PIK facilities. In particular, plans include expanding the coverage area of video surveillance systems and providing keyless access at the door phone (for example, using face recognition). The possibility of using video surveillance cameras that can recognize asocial behavior is also under consideration.

Safety standards are currently being developed to regulate access control to residential complexes, specifically, the location and configuration of boom barriers, the specifications of cameras, the door phone and intercom face recognition system, connection of door phone cameras to a single system, and alarm buttons to call security patrols to facilities.

## Safe, high-speed elevators

Safety criteria are considered during product enhancement, for example, in 2019 the PIK Group developed its own line of elevator equipment for high-rise buildings that have no equals in Russia. The elevators do not have a machine room, move at a rate of 2.5 m/sec, and have an improved cabin interior. Only reliable, high-quality imported components will be used in the production of the elevators.

In addition to safety solutions in product design, PIK-Comfort Management Company also provides services to residents on the installation of video surveillance, door phone and intercom, and other security technology in apartments, as well as physical security services in residential houses and complexes.

## Beautification and environmental projects

PIK-Comfort emphasizes the beautification of the territory around its houses, including the planting and maintenance of greenery and the installation of benches made of natural materials and sturdy parking bollards manufactured by PIK. Where possible, fences are replaced with hedgerows made of shrubs.

To ensure that the quality of the work of beautification specialists meets PIK's standards, PIK-Comfort has developed a single beautification knowledge database containing detailed instructions on the performance of work and information on the final result for the entire territory under management of PIK-Comfort. When compiling the database, PIK-Comfort studied the needs and tasks of all user groups, gave the database a well-defined structure, and used plain language and descriptive infographics.

PIK-Comfort also works tirelessly to improve the energy efficiency of its buildings. This includes the promotion of energy conservation practices among residents and the installation of the appropriate engineering solutions (including the installation of individual energy meters). The company uses various means of communication to inform residents of the advantages of improved energy efficiency: it includes the relevant measures in the agendas of meetings of property owners, posts information on stands in common areas, on its website, and in customers' personal accounts in the PIK-Comfort portal.

## Patent for sealing of seams between panels

In 2019, PIK-Comfort patented an improved method for external sealing and insulation of the seams between panels of high-rise buildings compared to other existing methods. Seams can be sealed quicker by using prefabricated multilayered panels made by PIK from insulating materials and glues, sealing work can be performed in any weather conditions, and the external appearance of the building façade is not negatively affected due to the trapezoidal shape of the panels. This innovation makes it possible to care for the houses more effectively and is particularly apropos for older buildings made from prefabricated panels.

PIK-Comfort organizes environmental campaigns at the residential complexes it manages, such as the collection of car tires for recycling, planting of trees and shrubs, collection of bottle caps together with the "Dobrye Kryshechki" [Happy Caps] charitable fund, collection of electrical scrap metal together with Ecopolis Corporation, and the collection of used items for recycling and charity.



## Infrastructure for everyday life and children’s amenities

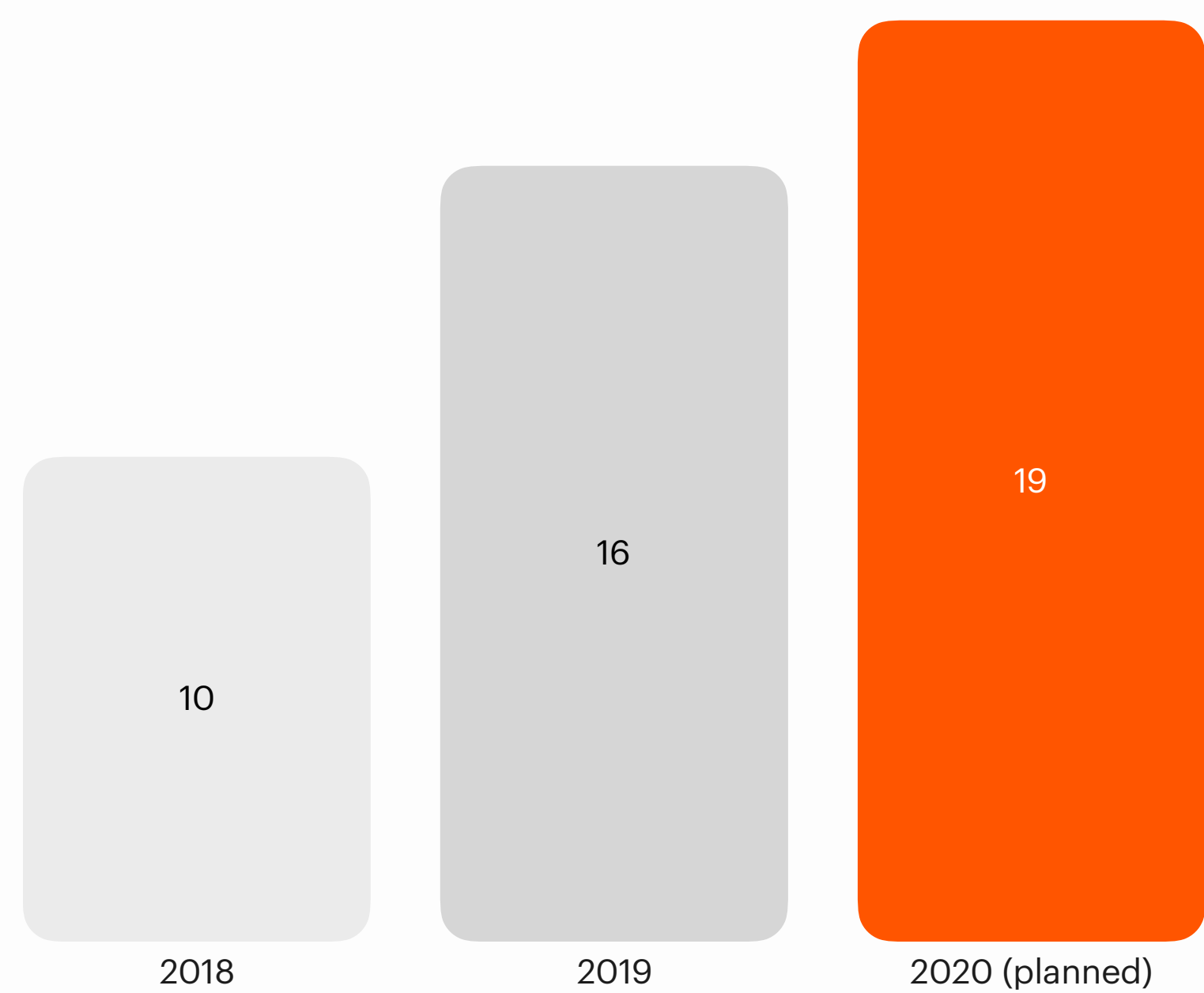
PIK Group goes over and above mandatory legislative requirements and creates cutting-edge social infrastructure facilities by incorporating global best practices and state-of-the-art technologies and environmentally friendly materials in their design and construction.

Sixteen facilities were commissioned in 2019, including nine preschools, one outpatient clinic, and six schools. The amount of commissioned social infrastructure facilities increased by 40% compared to the indicators for 2018.

### Social infrastructure facilities commissioned in 2019

Type of facility	Residential complex	Region	Area, m²	Capacity
Preschool	Salarievo Park	Moscow	3 291	220
Preschool	Green park	Moscow	3 758	225
Preschool	Butovo Park-2	Moscow region	4 114	225
Preschool	Zhemchuzhina Zelenograda	Moscow	4 388	220
Preschool	Buninskie Luga	Moscow	5 697	305
Preschool	Severnyj	Moscow	2 653	125
Preschool	Odintsovo-1	Moscow region	622	60
Preschool	East Butovo	Moscow region	3 285	140
Preschool	Putilkovo	Moscow region	2 624	150
Outpatient clinic	Putilkovo	Moscow region	4 872	600
School	Buninskie Luga	Moscow region	12 791	1 100
School	Borisoglebskij	Russian regions	11 971	1 100
School	East Butovo	Moscow region	18 138	1 375
School	Salarievo Park	Moscow	21 141	1 150
School	Butovo Park-2	Moscow region	11 941	550
School	Buninskie Luga	Moscow	21676	1 100
Total			132 962	8 645

Commissioning of social infrastructure facilities



GRI 203-1

Nearly half of the Group’s customers are families with children. For their needs, PIK projects have created preschools, schools, and playgrounds equipped with everything necessary for the development, education, and recreation of children. PIK Group recognizes its responsibility for the development of the next generation and strives to create an environment conducive to the growth and health of children.

Creating a standard for preschools and schools and the construction of social infrastructure facilities to PIK standards under a contract with the Government of Moscow region play an important role in the Group’s plans for 2020.

PIK consults with child psychologists when designing preschools, schools, and playgrounds, to create a space for play and development of children of all ages. The philosophy behind the creation of playgrounds is based on three underlying elements: mastery, proficiency, and learning through experience. All objects on the playground can be used in different ways, develop creativity and imagination, and take the differing needs of children into account.

PIK preschools are created with due account of child psychology and the differences between children of different ages. Soft tones that facilitate concentration during lessons are used in the design of classrooms, while the corridors are painted in bright colors to make navigation easier. All preschools have a landscaped area for walks, an area for open-air lessons, and are equipped with external and internal video surveillance equipment to ensure safety.

The unique offerings of PIK schools include specialized classes with 3D printers and equipment for robotics classes, special areas for holding open-air lessons, volleyball and tennis courts, soccer fields, tracks, playrooms and sleeping quarters in the grade school block, separate cafeterias where students will find fresh food prepared right in the school, and seats for people with limited mobility in the auditoriums, libraries, and workshops.

Educational and experimental areas have been introduced for growing flowers and vegetables, giving children hands-on experience in crop cultivation techniques. This is best practice in Russia that duplicates successful foreign and domestic practices. The lessons in the school gardens are a type of ecotherapy that has positive effects on psychological and physical fitness.

The PlayHub concept, i.e. the formation of unique play areas for children of different ages, was used when creating the “Pyramids” playground at the “Buninskie Luga” residential complex and the “Origami” playground at the “Salarievo Park” residential complex. The distinguishing feature of PlayHub playgrounds is the formation of an artificial terrain and the use of water for games: at PIK playgrounds you will find waterfalls, dams, and water wheels. The children can control the intensity of the running water themselves. The playgrounds also have surfaces for drawing, sandboxes, swings, and hammocks, to give children of different age groups a suitable place to play.

PIK works together with foreign landscape agencies and firms that specialize in the supply of equipment for children during the design and delivery of equipment.





## The “Origami” playground won the grand prize in an international competition

The “Origami” playground of the “Salarievo Park” project received a golden diploma from the prestigious international competition Build School Project-2019.

The playground, developed together with the well-known landscape bureau AFA, took first place in the category “Best solution for integrated development of the territory and the creation of a favorable environment for children”. Thanks to the main theme of the playground, origami, PIK was able to emphasize its leading idea when constructing playground spaces – “Play and learn”.

The built-in backlighting in the benches and the streetlamps installed on the playground make it possible to create a festive atmosphere on the playground at any time of day.



## The film “Games People Play”

The Group’s approach to creating an urban environment is based on the concept of “Playability”, pursuant to which a modern residential space should be constructed in such a way that people will not get tired of being there. The film “Games People Play”, which came out in 2019, was created by the Discovery channel and PIK Group. The film explains the concept of “Playability”, reveals the role that games play in human development and in adult life. The first film in the series, “A House for Everyone: How It Is Done | PIK” was released in 2018 and touched upon the special features of the design and construction of PIK residential complexes.





PIK for children

The PIK for children focus area is one of the key aspects of PIK Group’s communication campaign. In 2019, 3,000 people attended children’s festivals and celebrations at PIK residential complexes. The celebration “Goldilocks and the Three Bears visit PIK” was held in the summer of 2019 at the “PIK Space” in Muzeon park and attracted more than 10,000 guests, who were treated to a series of cartoons and participated in activities led by activity organizers.



## Local community engagement

GRI 413-1

### Consulting with local communities

When selecting a land plot for the construction of a PIK project, a potential site is considered not only from the standpoint of commercial effectiveness. The results of engagement between the Group and local communities to study the needs and expectations of the latter are also taken into account. As a rule, for local residents the most important aspect of project implementation is whether problems related to the accessibility of transportation and social infrastructure are addressed.

The Group's Department of Land Asset Development organizes engagement with local residents using a number of communications channels:

- Meetings with residents;
- A communication hotline;
- PR teams for work with the media.

After collecting the opinions of local community representatives and analyzing the information using all assessment criteria, a decision is made on whether the land plot is suitable for a PIK project, and recommendations are made concerning the solutions that would have to be implemented to satisfy the needs and demands of local residents.

Pursuant to PIK's philosophy, the Group strives to create projects that not only meet legislative standards and internal PIK-Standards but that also resolve existing problems with the territory, take a comprehensive approach to its development, and create a comfortable urban environment. Lighting, the height of the neighboring buildings, the historical appearance of the territory, the load on transportation and social infrastructure, and the needs of local residents are all taken into account when designing residential complexes.

### Communication with residents

PIK endeavors to continue communications with customers after they purchase apartments and take up residence. In addition to collecting feedback, PIK conducts proactive communications with residents, organizes events, and implements partner projects for the general public.

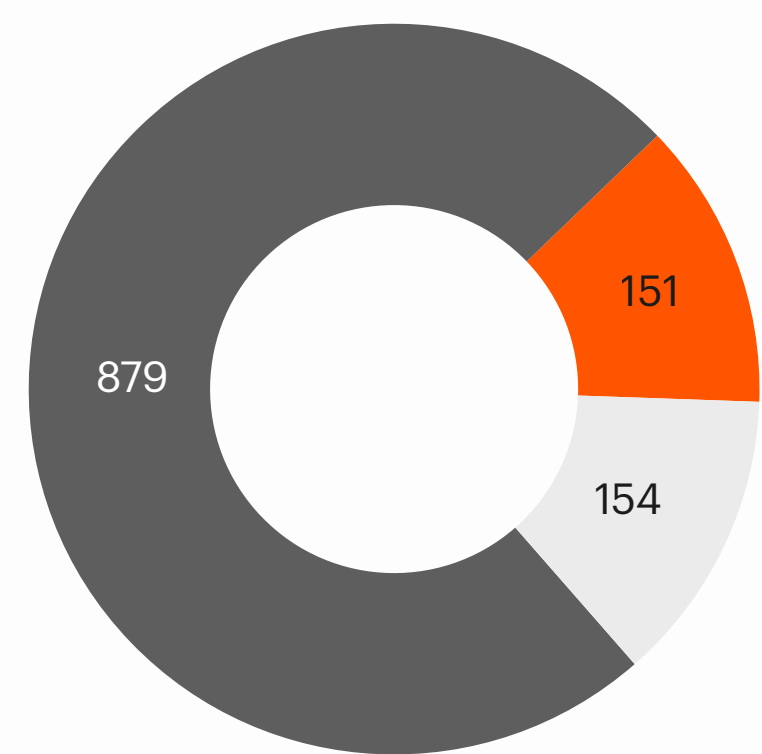
A large-scale project that included educational courses and lectures, master classes for children, and expositions dedicated to architecture, design, and urban planning was implemented in 2019 as part of our strategic partnership with the Multimedia Art Museum in the city of Moscow. Foot traffic at the museum during this period reached more than 330,000 people, the master classes for children were attended by more than 2,500 children, and the educational lectures were heard by more than 500 people.

PIK Group helps to create neighborhood associations and communication channels for residents (for example, Telegram chats) that can be used to resolve organizational issues.

Feedback from residents plays an important role in improving the quality of the management company's services. A round-the-clock contact center, the personal accounts of customers on the website and in the specialized app, and a dispatch office are engaged in the collection and processing of feedback. The system of KPI for customer relations ensures that the company responds quickly to messages and envisages the drafting of reporting. The management company separates customer requests into urgent (emergency) and routine (non-emergency) requests and requests related to the payment of housing and utilities services. More than two million requests were received in 2019.

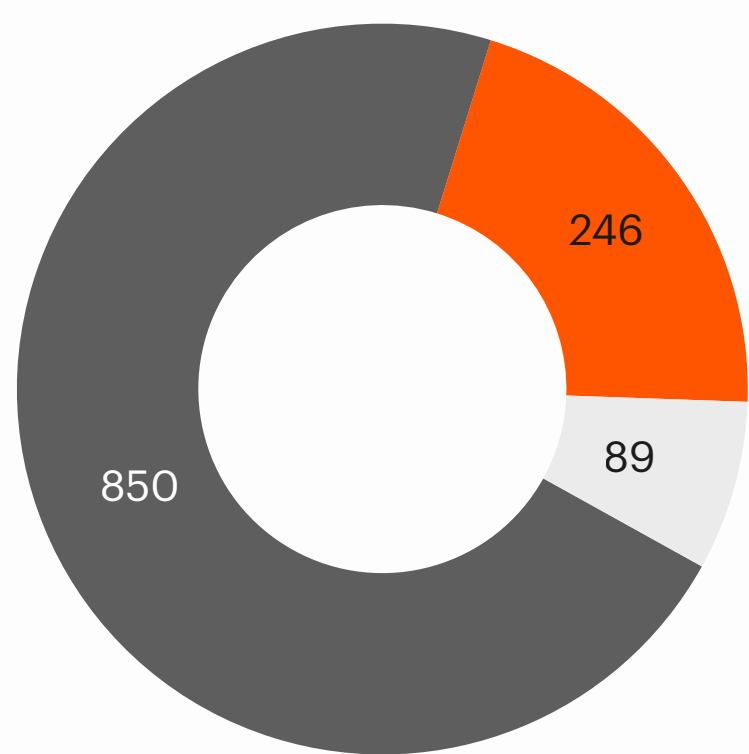
Requests received from residents in 2019 with a breakdown by communication channel, thousand

- Personal accounts of customers
- Contact center
- Dispatch office



Requests received from residents in 2019, with a breakdown by type, thousand

- Requests related to the payment of housing and utilities services
- Routine (non-emergency)
- Urgent (emergency)



The “My office” application is one of the premier applications in the housing and utilities industry and allows customers to submit meter readings, pay invoices without commission fees (including with the use of the online payment system), track changes in tariffs, and make requests. The digitalization of processes saves customers time and money.

In 2019, the IT Department of PIK-Comfort Management Company developed and implemented new software for operators of the Customer Center to improve the efficiency of message processing, to provide information on the customer at the time of the call, and to transition from manual to automatic data entry using a data classification system.

Charity and volunteer activity

Charity and volunteer activity by Group employees and directors is an integral part of the Group’s social responsibility.

Volunteer environmental activity gained traction in 2019. A pilot project on separate collection of waste was implemented at the initiative and through the efforts of employees at the head office of PIK: containers for the separation of recyclables by type were put in place, an advertising campaign was conducted, a group of volunteers was organized to support the project, and a waste removal contract was concluded with contractors. The project was received favorably and supported by the employees, so the proactive group of employees continued to work to expand and propagate this practice, including plans to involve residents in the project and to implement a system of separate collection of wastes at all PIK projects.

Group employees strive to help society and show a desire to participate in charity activity. A volunteer charity project under which employees provide assistance to orphanages and assisted-living facilities for seniors was launched in 2019. The project will be continued in 2020.

“Font of Kindness” charity project

The PIK Group is a partner of the “Font of Kindness” charity project, which aims to draw attention to the problem of children with infantile cerebral palsy and to provide assistance to them and their families. The project organizers, the Gift to an Angel Foundation and its partners, developed a font, each letter of which was written by hand by a child with infantile cerebral palsy. As a partner to the project, PIK used the Font of Kindness over the course of a week on its website and in social networks, as well as in its outdoor advertising and on digital installations.

# How we build

Procurement management  
Occupation health and safety  
Environmental protection  
Quality control  
Economic security

# 3



# How we build

PIK Group is an integrated construction and development company with its own industrial capacity:

- ensuring high quality and timing of projects
- creating and improvement of internal standards
- longstanding mutually beneficial cooperation with reliable contractors and suppliers
- reducing in adverse environmental impact and development of a safety culture
- organization of reliable IT and data protection systems

3,2 billion roubles

expenses on environmental activity

1,4 million m<sup>2</sup>

record amount of installation of concrete goods in Russia

131,6 billion roubles

expenses on occupation health and safety

## Production cycle



Quality control, safety assurance, minimization of negative impact on the environment and compliance with health and safety requirements, the ecosystem of suppliers and contractors

# 8. Procurement management

## Approach to procurement management

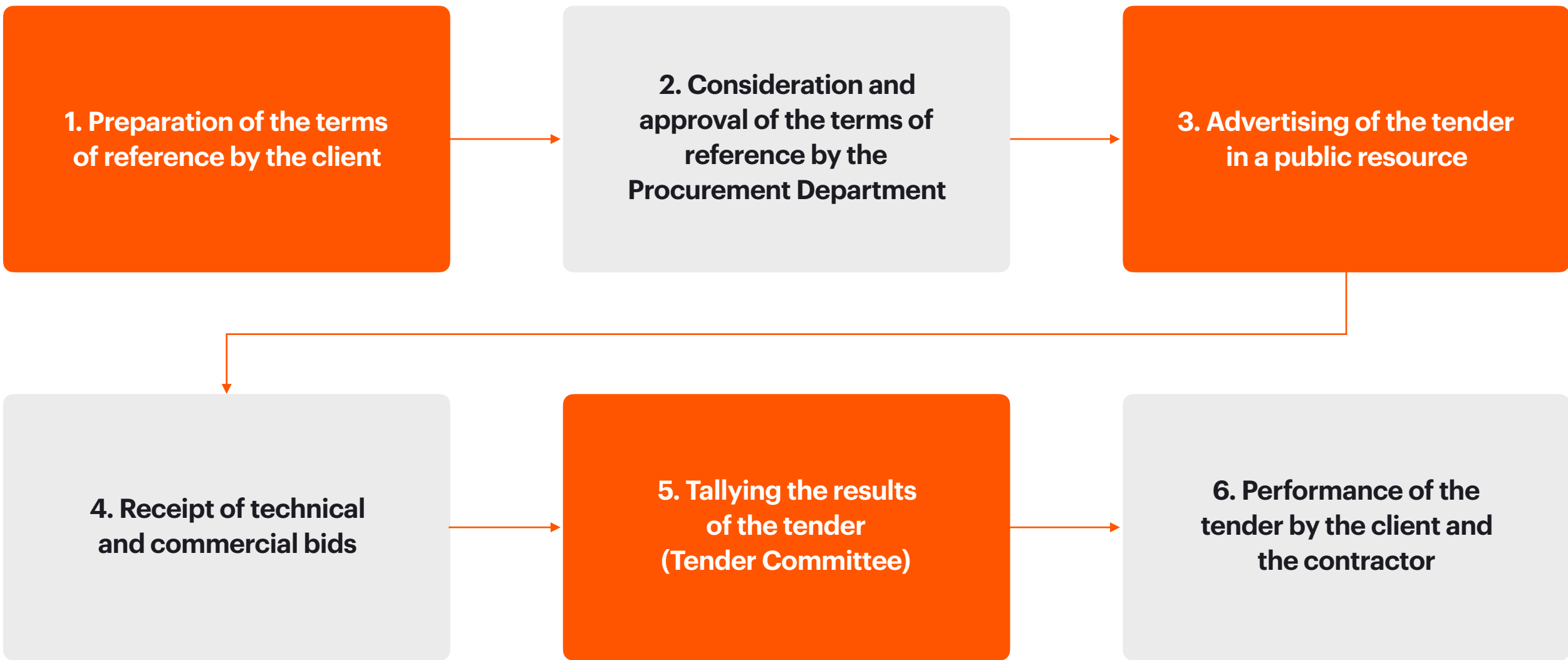
The Group’s procurement activity is focused on the purchase and timely delivery of high-quality materials, goods, and services. That being said, the economic feasibility of procurements and the reliability and good faith of suppliers and contractors are also important aspects of the process.

The Procurement Department of PIK Group is responsible for managing the issues involved in the Group’s procurement activity. Since 2019, the Department’s duties have also included administrative support for the functioning of all Group divisions: the transportation block, office maintenance, etc. Procurement services operate within the Group’s subsidiaries.

The Group’s fundamental procurement principles include: economic and operating efficiency, competitiveness and fairness, as well as the transparency of procurement processes. All procurement activity is regulated by the Group’s in-house documents:

- Procurement regulations;
- Annual procurement plan;
- Individual category management strategies;
- General partnership agreements with counterparties.

## Organization of competitive bidding



Procurement activity at the Group is organized to prevent dependence on specific suppliers and so that cooperation with counterparties is performed without intermediaries. The main and backup suppliers are selected based on a tender, for a situation where the main counterparty does not perform its contractual obligations.

Procurements worth more than one million roubles are performed centrally by the Procurement Department of PIK Group. If there is a need for procurements of less than one million roubles, these are performed by Group divisions independently in accordance with the Procurement regulations. Some categories of goods are only purchased centrally through the Procurement Department, regardless of the total cost of the procurement: low power networks and systems, metering equipment, electrical equipment, isolation valves, district heating substation and pumping equipment, heating, ventilation and air conditioning (HVAC), internal water supply and wastewater disposal systems, doors, ceilings, wallpaper, paint, flooring, tiles and porcelain tiles, electrical products, partitions, plumbing fixtures, outdoor lighting, manholes for outdoor networks, garden furniture, greenery, elevator equipment, ready-mix concrete, insulation materials, wall materials, work clothing, office supplies, high-voltage equipment, rolled metal, dry mixtures, aggregates, concrete goods, bricks, glass and window components, pipes for outdoor engineering networks, industrial plastic goods, HDPE pipes, and POL.

In 2019, the Group began extending the results of Moscow-based tenders to all areas of presence to create a uniform brand list of materials used. Therefore, the materials used in the construction of facilities in Moscow are beginning to be distributed and used at facilities in all other regions.

## Digitalization of procurement activity

The Group's IT departments, together with the Procurements Department, develop and implement innovative IT solutions aimed at digitalizing the procurement process. Computerization improves the operating efficiency and the transparency of procurement processes by performing all stages of procurement in a single system, thereby allowing time costs to be reduced. Information systems also ensure that all relevant information is in one place and easily accessible, thereby significantly improving the transparency of procurement activity.

Several major IT projects related to procurement were performed in 2019:

- the Marketplace project, a digital platform linking contractors and suppliers, was developed. This project consists of an information platform where contractors can order the materials necessary for their work directly from suppliers that have been chosen through tender procedures. The main purpose of this project is to create a system that allows contractors to perform procurements through quick, simple transactions. Purchases of concrete were performed on this platform in 2019. In the near future, plans include adding all categories of materials, the introduction of electronic document exchange (UTD, waybills, etc.), and automatic creation of directive letters on payment of invoices;
- implementation of the new SNAP system for standardization of reference information (SRI) and integration of the SRI with the B2B-Center system of electronic trading platforms. Among other things, this integration will allow data to be automatically transferred to the Group's SRI system.

After the transfer to the B2B-Center system of electronic trading platforms in 2018, the amount of procurements through this system increased significantly in the reporting period. Procurements totaling RUB 41.5 billion were made on this platform during 2019.

### The prize “Leader in competitive procurements”

The Group's activity to digitalize procurement processes was praised highly in 2019. PIK was the winner in the category “Leader in innovative trade and procurement activity” of the annual prize “Leader in competitive procurements” of the B2B-Center platform. PIK's entry in this category was the project to optimize procurement using digital solutions. This project includes:

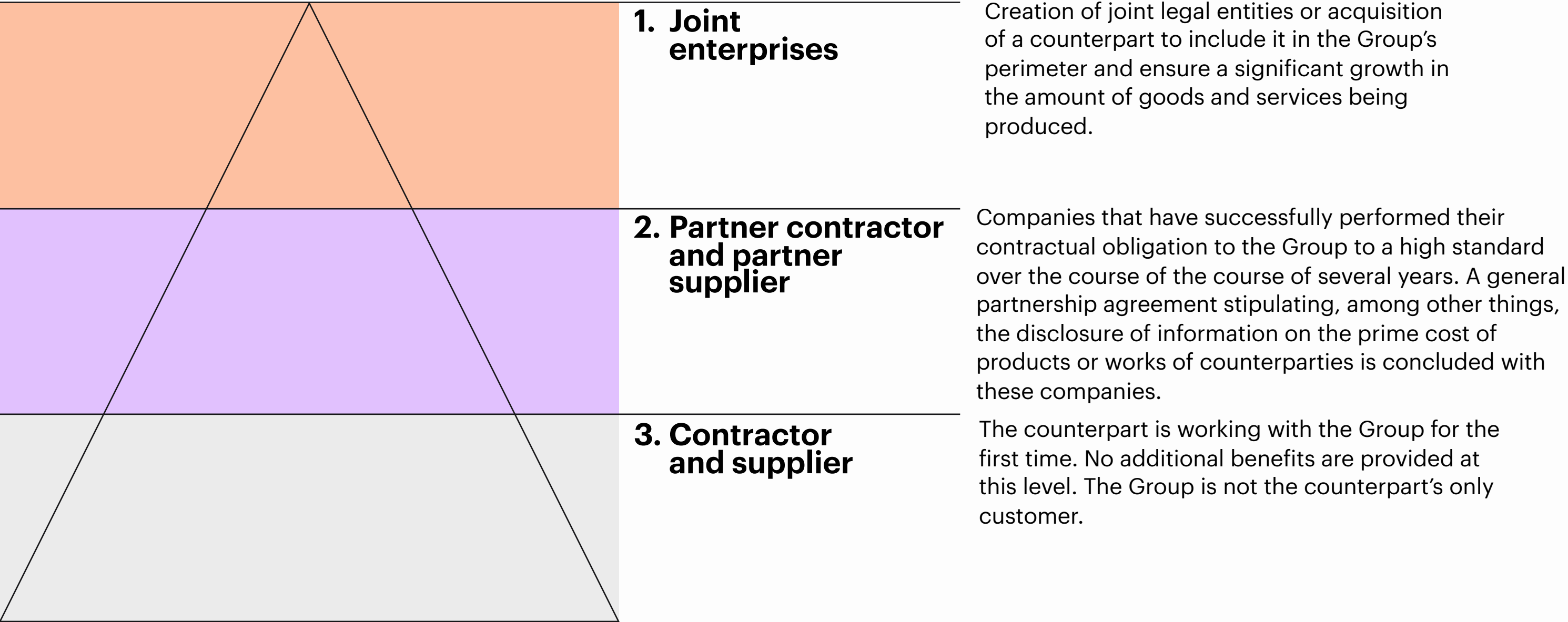
- The integrated SNAP depersonalized nomenclature guide;
- Electronic document management;
- Synchronization with B2B-Center (export and import of data on procedures);
- SNAP Tenders - automatic creation of evaluation tables, procurement documentation (notices), and transfer of results (prices) to the Group's accounting and other systems.

Ecosystem of Group contractors and suppliers

The Group believes it is vitally important to build long-term partnership relations with its contractors and suppliers through mutually beneficial cooperation.

The Group has developed and formalized an approach to relations with suppliers and contractors that stipulates mutually beneficial terms and conditions for the growth and development of the companies acting as counterparties. Under this approach, all suppliers and contractors working with the Group have been split into three levels.

Ecosystem of Group contractors and suppliers



The PIK Group actively cooperates with its partner counterparties, helping them to implement various IT solutions, optimize their cost structure, etc. The Group becomes the main client for the contractors and suppliers that sign a partnership agreement. This enables them to plan their work together: PIK discloses its operating plan to its counterparties, allowing contractors to tailor their resources and budgets to meet the Group's construction plan, while receiving a scope of work that is not limited to one project. This new work is distributed among partner contractors and partner suppliers without a tender, with the relevant decision being made by the core committees operating in the Group. The work and supplies that remain after distribution among partners are distributed through a tender.

General partnership agreements

General agreements constitute a memorandum of cooperation between the Group and a counterparty that stipulates the main requirements on the work and the obligations of both parties. Uniform rates and anti-corruption provisions are established under these agreements. They also contain provisions on good faith that are included as separate provisions in the obligations section of the contracting agreements, which, among other things, set forth the counterparty's obligations to comply with labor and tax legislation.

All general agreements are signed by a First Vice President of the Group.



## Strategic partnership

One counterparty that just recently entered the highest level of the Group's ecosystem is a company engaged in the supply and assembly of suspended ceilings at PIK facilities. This company has been a good faith market participant for 15 years, regularly holds training for its employees, and constantly improves the quality of the products it supplies. The company performs a full production cycle: from the import of components and key materials, to the manufacture of panels and their installation. Its cooperation with PIK makes it possible to receive the expected high level of work deliverables on the installation of suspended ceilings and to ensure customer satisfaction with the finishing work.

## Core committees

A Resource Committee operates as one of the core committees in the area of procurements, a practice that was introduced at the Group in 2019. This committee is a platform for the leaders of project groups to communicate with Group management on customer relations. The key areas of construction and assembly work (CAW), including those concerning new issues with contractors and suppliers, are discussed at the meetings of the committee and potential work is distributed among the Group's partner counterparties.

## Quality control

The Group rigorously monitors the quality of the work performed by counterparties. Before concluding a contract, each counterparty undergoes an accreditation process and an additional review by the legal service. Contractors engaged in construction and assembly work are also accredited by the Group's security service and provide all required permit documents to perform these types of work.

The project team for a facility is responsible for the quality of work performed at a construction site and takes part in the acceptance of each stage of work. Key counterparties are also audited by a commission formed from representatives of the security service, the Procurements Department, and PIK-Product, who travel to the worksite and perform an assessment based on a special checklist. This checklist includes 10 issues that allow the key aspects of a counterparty's work to be assessed: quality of human resource management, professional expert evaluation, production culture, etc.

In situations where the quality of work or the period of its performance does not meet the Group's requirements, the leader of the project team asks the core committee to adopt a decision to replace the contractor performing the work. The process of replacing the contracting organization is initiated after top management confirms the failure to perform the work.

An assessment of the contractor is performed on the completion of contracting work at the facility. The project team, the Procurement Department, the quality control service, and the security service participate in the assessment on behalf of PIK Group. The assessment is performed on a five-point scale, with the main assessed criterion being the actual performance of work by the contractor under the concluded contract. If the overall score is lower than 4, an investigation and analysis of the reasons for the low quality of the contractor's work is performed, based on the results of which the contracting organization may be included in the Group's internal restricted list.

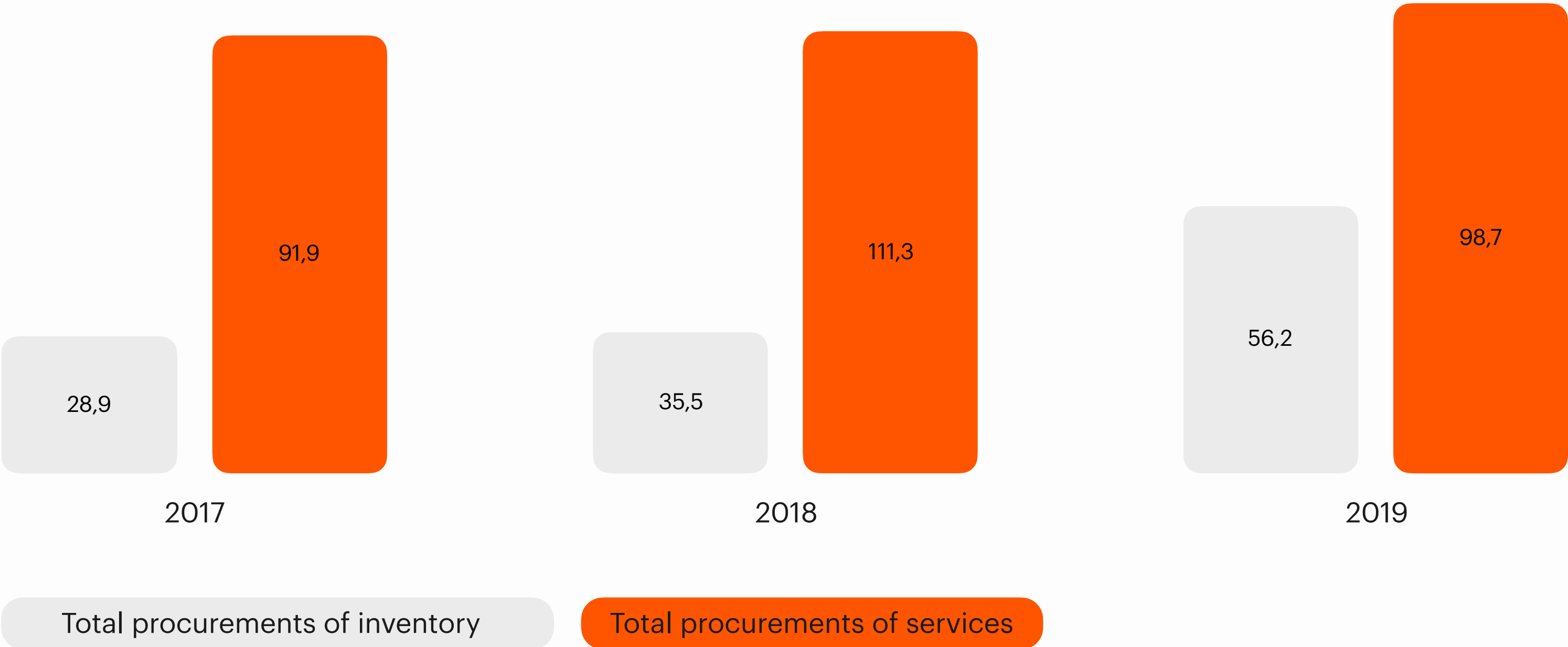


Procurement structure

GRI 102-9, 102-10, 204-1

During the reporting period, the Group concluded contracts with 1,686 contractors and suppliers worth a total of RUB 154.86 billion, which is 5.5% more than the same indicator for 2018. In this regard, the structure of the Group’s procurement activity looked as follows: 63.7% – procurement of services and contracting work, 36.3% – procurement of materials and other inventory.

Group procurements during 2017–2019, RUB billion



Geography of the supply chain in 2019

Location of the counterparty	Total number of suppliers and contractors	Amount of procurements from suppliers and contractors, RUB million
Russia	1 673	154 809,9
Foreign countries	13	54,0
Total:	1 686	154 863,9

The trend toward the centralization of procurements of inventories where the services and work of contracting organizations were purchased locally, continued in the reporting period.

Characteristics of the supply chain and amount of Group procurements in 2019

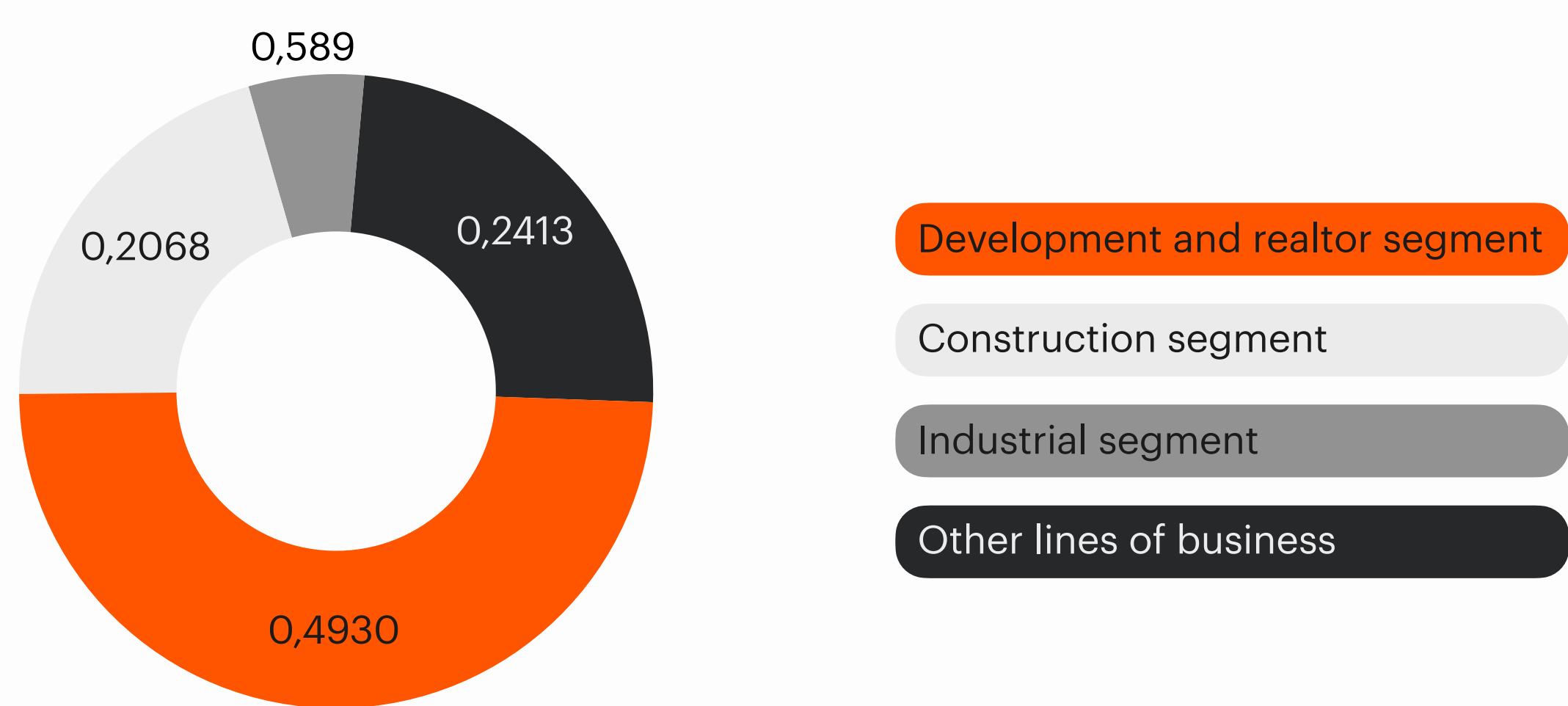
	Procurements from suppliers of inventory, RUB million	Procurements from contracting organizations, RUB million	Total procurements, RUB million
Centralized procurements	47 625,4	15 119,5	62,744.8
Local procurements	8 549,3	83 569,8	92,119.1
Total:	56 174,7	98 689,3	154,863.9

In the reporting period, the most procurements of both inventories and services by business segment of the Group were made by the construction segment – 49.3% of all Group procurements.

Characteristics of the supply chain by business segment of the Group

	Characteristics of the supply chain by business segment of the Group	Procurements from contracting organizations, RUB million	Total procurements, RUB million
Development and realtor segment	1 315,5	36 060,7	37 376,2
Construction segment	28 288,9	48 051,4	76 340,4
Industrial segment	26 083,4	5 946,9	32 030,3
Other lines of business	486,9	8 630,2	9 117,1
Total:	56 174,7	98 689,2	154 863,9

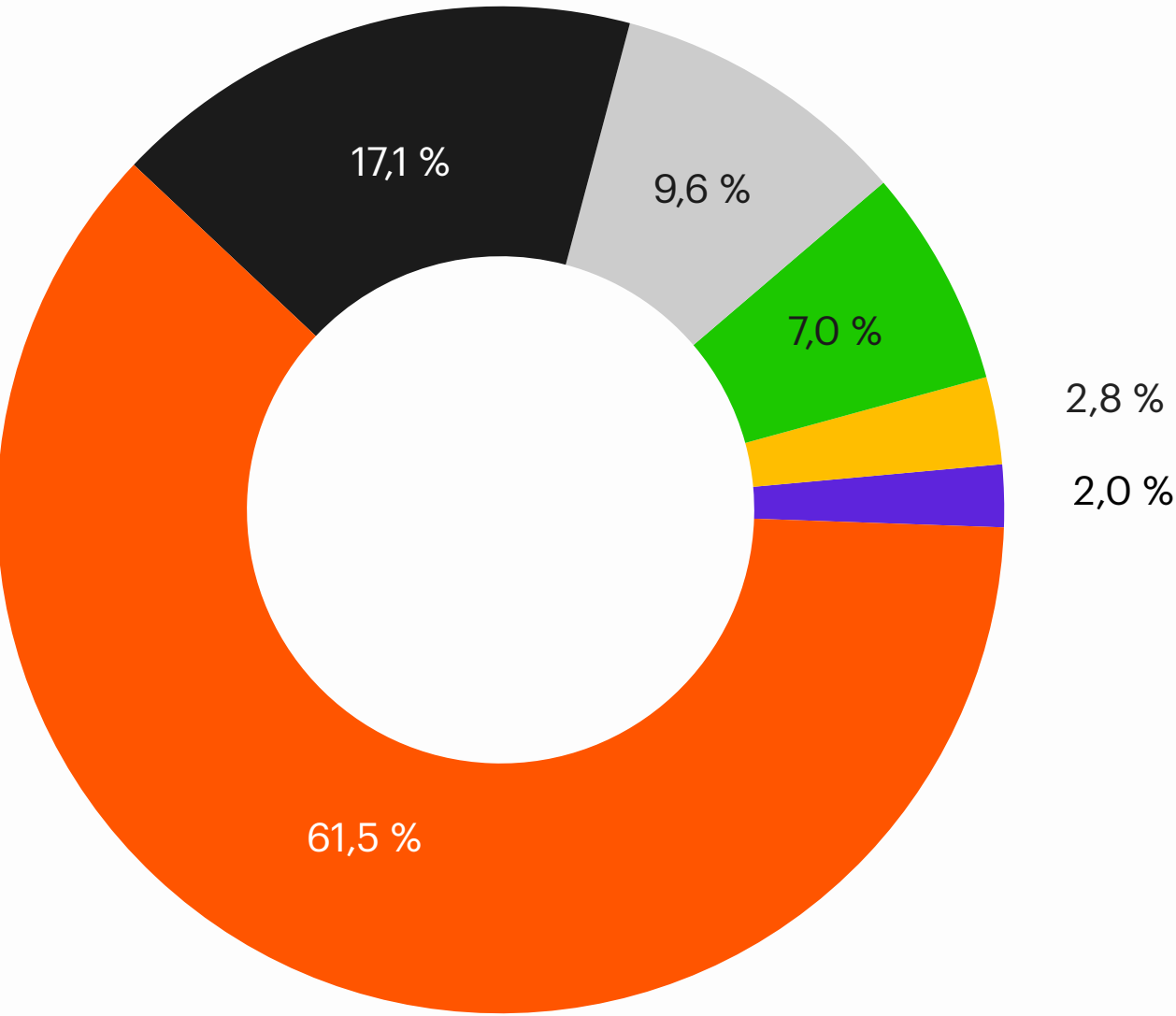
Share of business segments in total procurements of inventory and services in 2019, %



Use of “green” materials

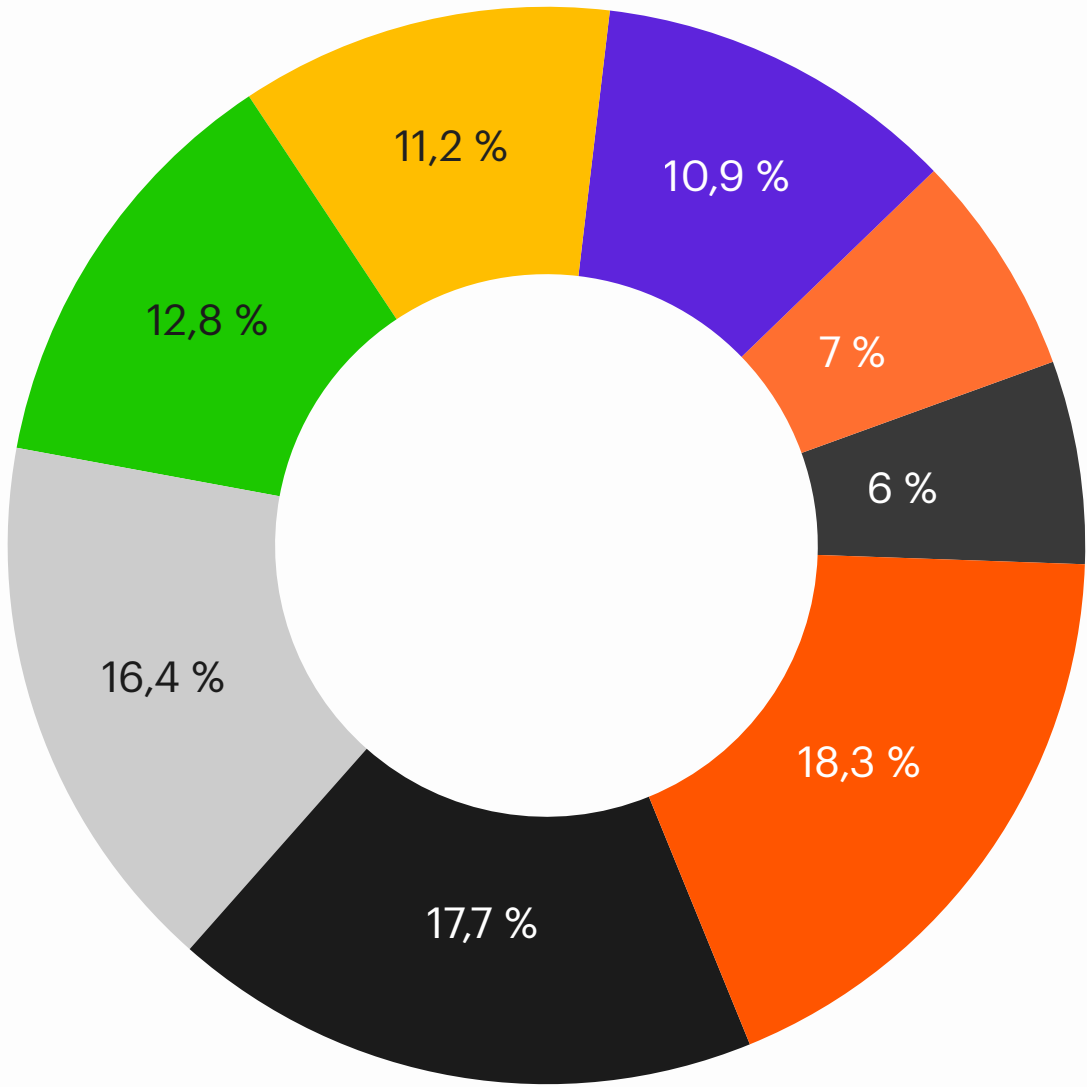
The Group purchases materials from environmentally responsible suppliers. For example, PIK Group purchases and installs at its facilities outlets and switches manufactured by Schneider Electric, which tries to use a minimum of virgin plastic by replacing it with recycled polystyrene. This approach promotes recycling and the use of recycled materials.

Main categories of inventory purchased by the Group in 2019



- Main materials (metal, concrete, aggregates, cable products)
- Finishing materials
- Materials for internal engineering systems
- Other materials (by-product-blanks, etc.)
- Material for windows
- Other (beautification materials, materials for outdoor engineering systems and tools)

Main categories of services purchased by the Group in 2019



- Continuous pour, Pile-driving operations, CAW in bellow-zero temperatures
- Preparatory work, dewatering, beautification
- Finishing works
- CAW in above-zero temperatures
- Other work (related to construction)
- Installation of internal engineering systems
- Installation of outdoor engineering systems
- Other (design, advertising services, elevator equipment and windows)

Since 2017, the Group's Procurement Department has performed procurement activity based on category management strategies. Regulations on category management of procurements were drafted in 2019 and they are expected to be implemented at all Group enterprises in March 2020. Category management of procurements entails the combination of inventory and services into categories. A procurement strategy is developed for each category, which includes:

- the results of research on the market, suppliers, manufacturers, and the Group's market share;
- a determination of procurement arrangements (in-person tender, electronic trading platform, etc.);
- a determination of the key terms and conditions of work (minimum amount of supplies, frequency of tender, etc.).

Category management strategies make it possible to find long-term reliable partners that provide the required inventory regularly, on time, and at the best possible price. This facilitates the mitigation of risks related to the supply of the required inventory and allows the Group to forego storing inventory at its warehouses.

### Development plans

As part of its continued work to optimize and computerize procurement processes, the Group plans the following in 2020:

- implementation at Group subsidiaries of regulations on category management of procurements. The complete transition of procurement activity to a category management basis is planned;
- agreement and implementation of the new Procurement regulations. This document was drafted to replace the existing document approved in 2014;
- launch of lean procurements at PIK-Industry;
- meetings with the directors of the procurement departments of the companies within the Group's perimeter to discuss any problems and to forward and discuss proposals on procurement activity;
- development of strategies for long-term general agreements;
- pilot tenders on construction and assembly work on the B2B-Center platform;
- expansion of the Marketplace platform and inclusion of all categories of procured materials in it, integration of the platform with the B2B-Center portal;
- increase in the number of partner counterparties (attraction of new partners and expansion of relations with existing partners to new levels of procurements and contracts);
- creation of an electronic annual procurement plan.



# 9. Occupational health and safety

Approach to occupational health and safety

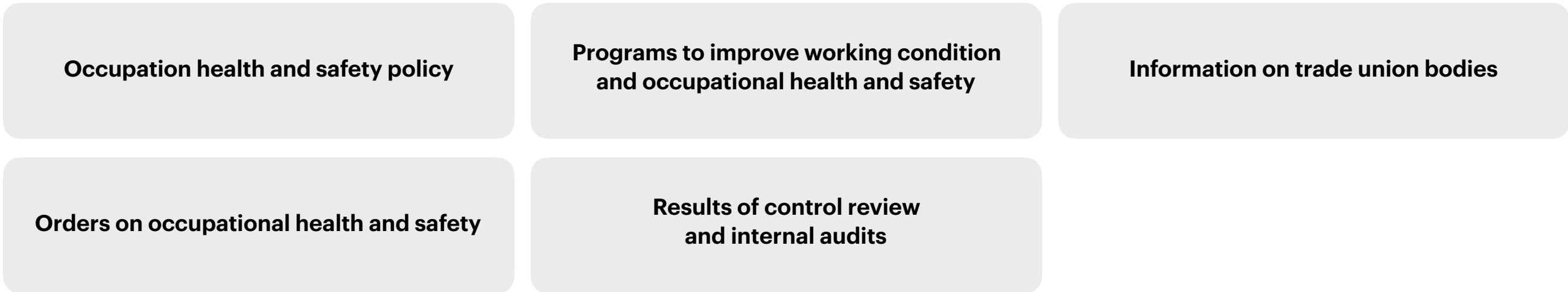
GRI 403-1

In its activity, the Group strives to develop an occupational health and safety management system (hereinafter the OHSMS) based on the requirements of Russian law and international standards. The key risks associated with a violation of safety rules and work-related injuries are concentrated in the Group’s industrial and construction segment, represented by the company PIK-Industry<sup>1</sup> (hereinafter the Company).

PIK-Industry has an integrated management system that meets the requirements of GOST R ISO 9001-2015, GOST R ISO 55048-2012, GOST R ISO 14001-2007, GOST 12.0.230-2007, GOST R 54934-2012/ OHSAS 18001:2007 and combines the processes of occupational health and safety management, environmental protection, quality control, etc. This management system has passed both internal and independent audits and covers 100% of the Company’s workers.

GRI 403-8

### Channels for communicating information on the functioning of the occupational health and safety management system to workers



PIK-Industry ensures safe working conditions based on the requirements of Russian law. The Company has a three-stage occupational health and safety management system. A special order was issued and log books for the first, second, and third stage were introduced. At the first stage, daily monitoring of work is performed by immediate supervisors at production sites, at the second stage monitoring is performed by the directors of divisions at least once a week, and at the third stage – monitoring is performed by the Group’s directors and chief specialists at least once a month. Employees who have received special training have been made responsible for occupational health and safety in each division.

GRI 403-4

The Company has created an Occupational Health and Safety and Workplace Culture Commission as one of the elements of the OHSMS. Commission members include representatives of management and workers. The Commission operates based on the Regulations on the Occupational Health and Safety Commission, developed in accordance with the Model Regulation on the Occupational Health and Safety Committee (Commission) approved by Order No. 412n of the Ministry of Labor and Social Protection of the Russian Federation dated 24 June 2014, Article 218 of the Labor Code of the Russian Federation, and the Charter of PIK-Industry. The Commission investigates the state of occupational health and safety at the Company on a monthly basis, considers the results, and develops recommendations on eliminating the violations discovered.

GRI 403-4

<sup>1</sup> PIK-Industry includes:  
AZ ZhBK — Aleksin Precast Reinforced Concrete Plant (Tula region);  
KZ ZhBK — Kaluga Precast Reinforced Concrete Plant (Kaluga region);  
NZ ZhBK — Naro-Fominsk Precast Reinforced Concrete Plant (Moscow region);  
OZ ZhBK — Ochakovo Precast Reinforced Concrete Plant (Moscow);  
A small goods (SG) production facility in Obninsk;  
Acotec Panel Production Facility in Aleksin (ACOTEC).

The Moscow Trilateral Commission named the collective agreement of PIK-Industry, which covers 100% of the Company’s workers, best in industry for the second year in a row in 2019. This agreement includes the provision of the necessary occupational health and safety equipment to workers (work clothing, work boots, personal protective equipment), training, and subsidized treatment at health resorts for workers.

GRI 102-41

A trade union organization works at PIK-Industry. Company workers submit complaints and proposals through the receiving room of the trade union, after which their feedback is considered at the Company via conference calls on occupational health and safety. The main topic of the comments is the maintenance of living conditions: opening of cafeterias, repair of lavatories, furniture repair.

GRI 403-4

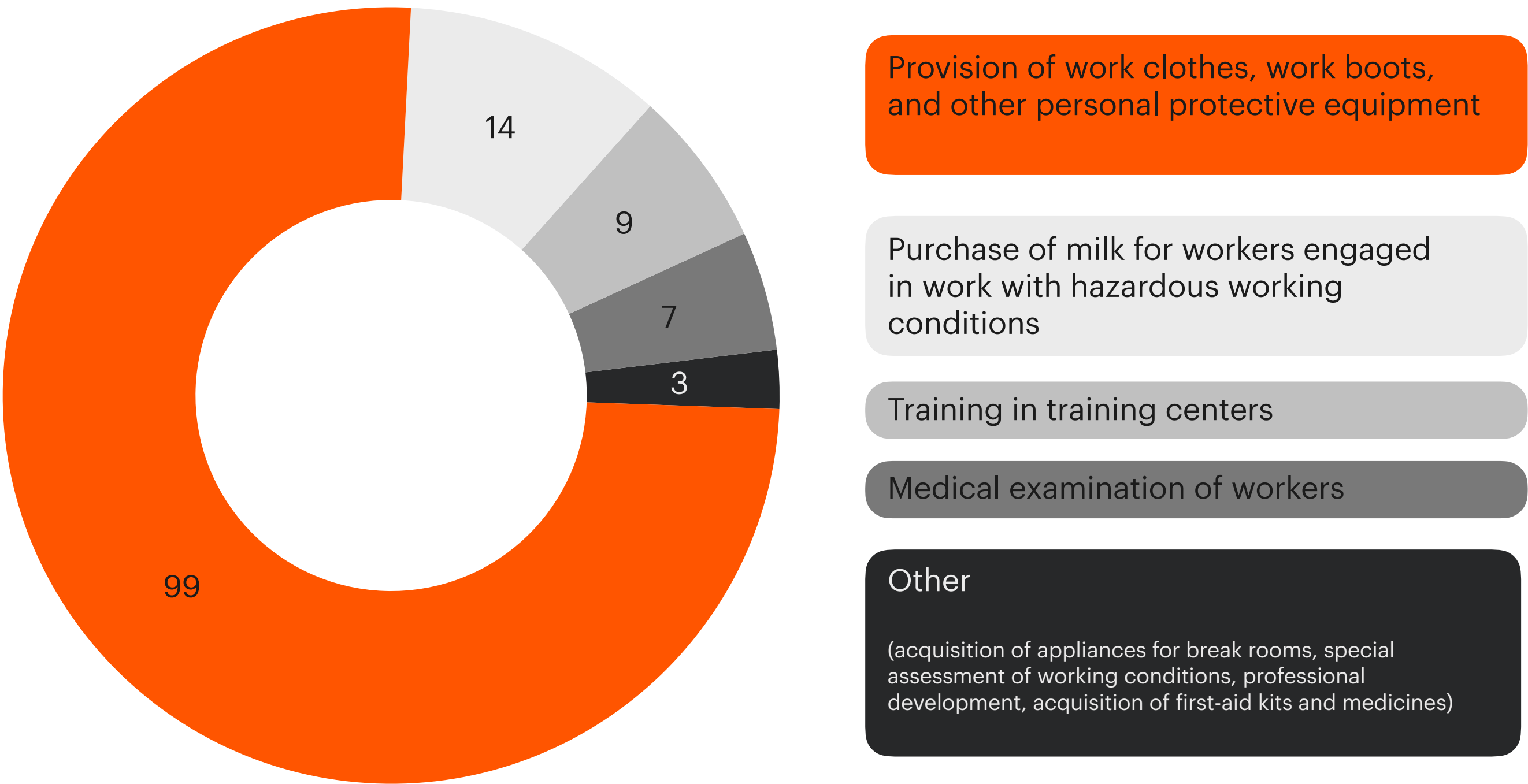
Occupational health and safety issues are also considered at the divisions of the Process Service created in 2019 – the Office of the Chief Process Engineer of plant production facilities and the Office of the Chief Construction Engineer of production facilities. For example, the work of these offices in the reporting year led to the introduction of innovations at construction sites – there was a partial transition from manual power tools to mechanized power tools.

GRI 403-4

## Structure of expenses on occupational health and safety

The Company’s total expenses on occupational health and safety in the reporting period increased by nearly 20% compared to 2018 and equaled RUB 131.6 million (in 2018 expenses on OHS equaled RUB 110 million).

**PIK-Industry’s expenses on measures to ensure occupational health and safety and improve working conditions, RUB million**



## Monitoring of compliance with legislative requirements

The Company ensures the safety of production processes and strictly complies with legislative requirements on occupational health and safety.

The Company monitors compliance with legislative requirements on occupational health and safety at each enterprise on a weekly basis, which constitutes the second stage of the three-stage system for monitoring the state of occupational health and safety: occupational health and safety specialists complete special checklists, on the basis of which brigade ratings are compiled. The results of monitoring are considered on a weekly basis by the top management of the enterprises.

A special assessment of 2,231 work stations at PIK-Industry was performed in 2019. All other work stations were assessed earlier. By the end of 2019, working conditions had been assessed at 100% of work stations. The results of the special assessment showed that 0.5% of work stations had optimal working conditions, 21.8% had acceptable working conditions, and 31.1% and 46.7% had working conditions in the 1st and 2nd hazard class, respectively.

## Developing a safety culture

GRI 403-5

All PIK-Industry employees undergo mandatory occupational health and safety training and annual testing pursuant to the requirements of Russian legislation. During testing, employees are examined by a specially appointed commission to test their knowledge of occupational safety by profession and line of work. The results are documented in testing protocols.

An employee training schedule that includes even the directors of structural divisions is drafted every year. Since 2019, engineering and technical workers and workers in the core professions have been trained in a training center specially created by PIK-Industry.

During the reporting period, 113 people received training in the training center and another 11,801 people were trained under internal training programs. In future, contractors will also be trained at the new training center.

The Company endeavors to standardize technical processes and to minimize the human factor in production, thereby ensuring safer working conditions. Various computerization and digitalization projects are implemented every year. These projects not only facilitate improved occupational health and safety but also greatly improve the quality of products and processes.

The Company is considering the use of virtual reality technologies to train employees in occupational health and safety. These technologies have an effect on human emotions, which in turn contributes to better retention of the training material.

### Preventing work-related injuries and incidents

## Work-related injuries

GRI 403-3, 403-9

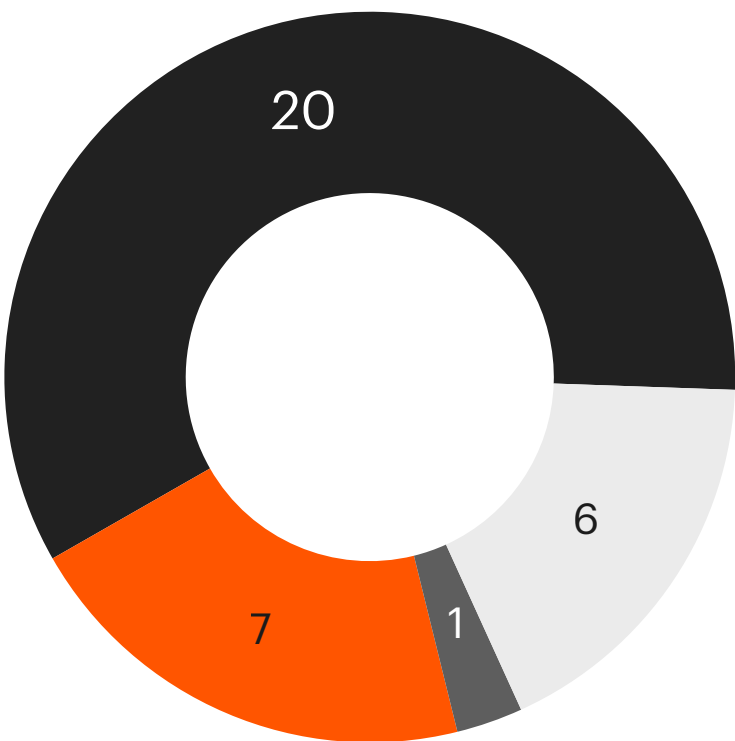
The Company places the highest value on human life and health.

The main reason for injuries in 2019 was the human factor (non-compliance by workers with the requirements of occupational health and safety instructions, failure to use personal protective equipment).

To reduce injuries, the Company has increased the number of engineering and technical workers located directly at the current installation level of all construction sites and responsible for monitoring the setup of safety barriers and the use by workers of collective and personal protective equipment (safety harnesses, enclosure of the current installation level, etc.).

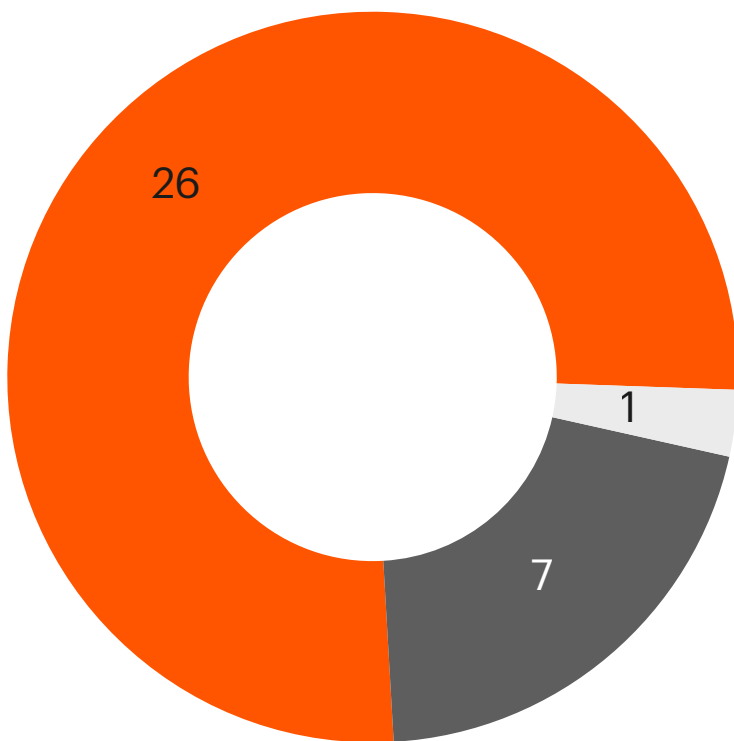
Breakdown of work-related accidents by type, 2019

- Falls from heights
- Electrical shock
- Fall, collapse, ore toppling of items and materials
- Other (non-compliance by a worker with the requirements of occupational health and sefaty insctructions)



Breakdown of work-related accidents by severity, 2019

- Fatalities
- Serious injuries
- Minor injuries

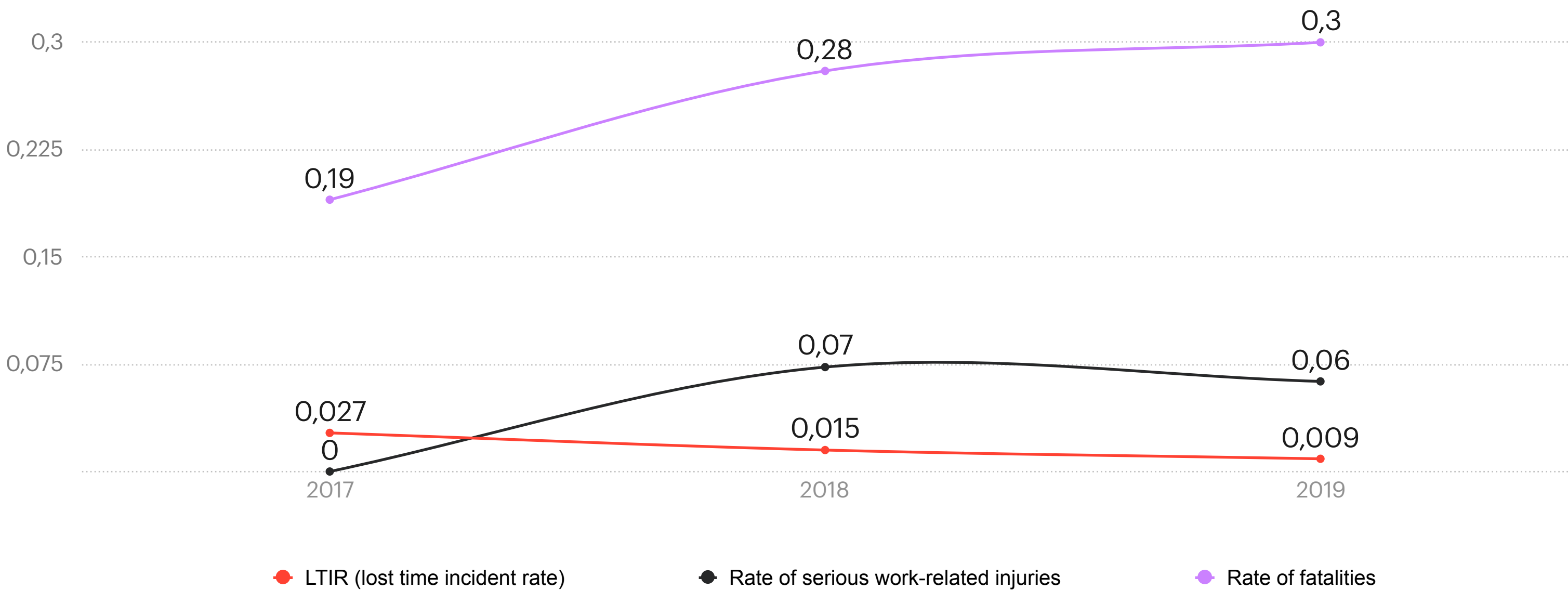


PIK-Industry strives to achieve the goal of “Zero fatalities, zero serious injuries” at work. However, despite the efforts made, there were 34 injuries in 2019, including one fatality. Most injuries (76.5%) were minor injuries (compared to 58.3% in 2018). The rate of fatalities and serious work-related injuries fell compared to 2018 and equaled 0.0089 and 0.063, respectively. The rate of all work-related injuries increased and equaled 0.3.

Accidents are investigated in compliance with the Labor Code of the Russian Federation and the Regulations “On the Special Features of Investigating Work-Related Accidents in Certain Industries and Organizations”, approved by Resolution No. 73 of the Russian Ministry of Labor dated 24 October 2002. In case of an accident, first aid is given immediately and, if necessary, the injured person is taken to a healthcare facility. Each accident is recorded and investigated by a special commission. On the completion of the investigation, an Act is drafted on form H-1 and the relevant organizations are contacted. The Commission then develops measures to prevent accidents in future and holds extra training to explain what happened. If an accident leads to a fatality, the accident is investigated by the state authorities. People injured in work-related accidents are paid compensation by the Company. The amounts paid are governed by the requirements of the regulations of the Russian Builders Union and the Moscow Builders Union, of which PIK-Industry is a member.

GRI 403-2

Rate of work-related accidents at the Company in 2017–2019\*



\* A base amount of 200,000 hours was used to calculate the rate, with the total number of working hours equaling 22,333,550.



Promotion of worker health

The priority in promoting worker health remains precautions to prevent accidents and work-related illnesses.

The informational framework for developing occupational health and safety goals and objectives and programs to improve working conditions is the Register of work-related injuries and illnesses, which covers the past 10 years, and the risk register drafted on an annual basis by the Company based on the reports on work-related injuries.

GRI 403-2

Every year, workers wishing to receive treatment at health resorts are surveyed by the Company together with the trade union commission. The Company pays the majority of the cost of the resort voucher.

GRI 403-6

There were no work-related illnesses or fatalities due to work-related illnesses in the reporting period.

GRI 403-10

The “Family Doctor” Program, which covers around 60% of PIK-Industry workers, is being implemented in 2019-2020. Workers have the opportunity to apply for voluntary health insurance (VHI) under various types of programs. The Company pays 50% of the cost of the VHI, and the workers’ children receive free insurance.

Medical supervision

To minimize the risks to the health of workers, a mandatory medical examination is conducted upon hiring. Mandatory routine medical examinations are also conducted on an annual basis and a medical opinion is issued on their completion.

GRI 403-6

Around-the-clock medical stations manned by trained medical professionals have been organized at the Company’s enterprises.

Motor vehicle operators undergo a daily pre-trip medical examination before being authorized for work.

Emergency response, industrial and fire safety

Company enterprises appoint employees responsible for fire safety and form voluntary fire brigades. Emergency rescue equipment is regularly serviced (refilling of fire extinguishers, servicing of fire alarm, ventilation, and smoke removal systems, etc.). Two staff training sessions and a headquarters staff training session are held every year at PIK-Industry together with representatives of the Main Department of the Emergencies Ministry.

GRI 403-2

There were no fires at Company production enterprises in the reporting period, except for a small wooden pallet fire covering an area of 2 m2 at OZ ZhBK.

Development plans

The Company’s plans for 2020 include the training of contractors at the Company’s training center to ensure they meet the Company’s requirements.

The implementation of the “Family Doctor” Program, aimed at promoting worker health, will continue in 2020.

Plans in the medium term also include the development of occupational health and safety training methods using virtual reality technologies and the use of digital electronic signatures to confirm that workers have read and understood the occupational health and safety standards and requirements.

# 10.Environmental protection

## Approach to environmental protection <sup>2</sup>

The enterprises of the Group’s industrial construction segment, represented by the company PIK-Industry (hereinafter the Company), have the most significant impact on the environment.

ISO 14001:2015 certification of the environmental management system of all PIK-Industry plants was completed in March 2019.

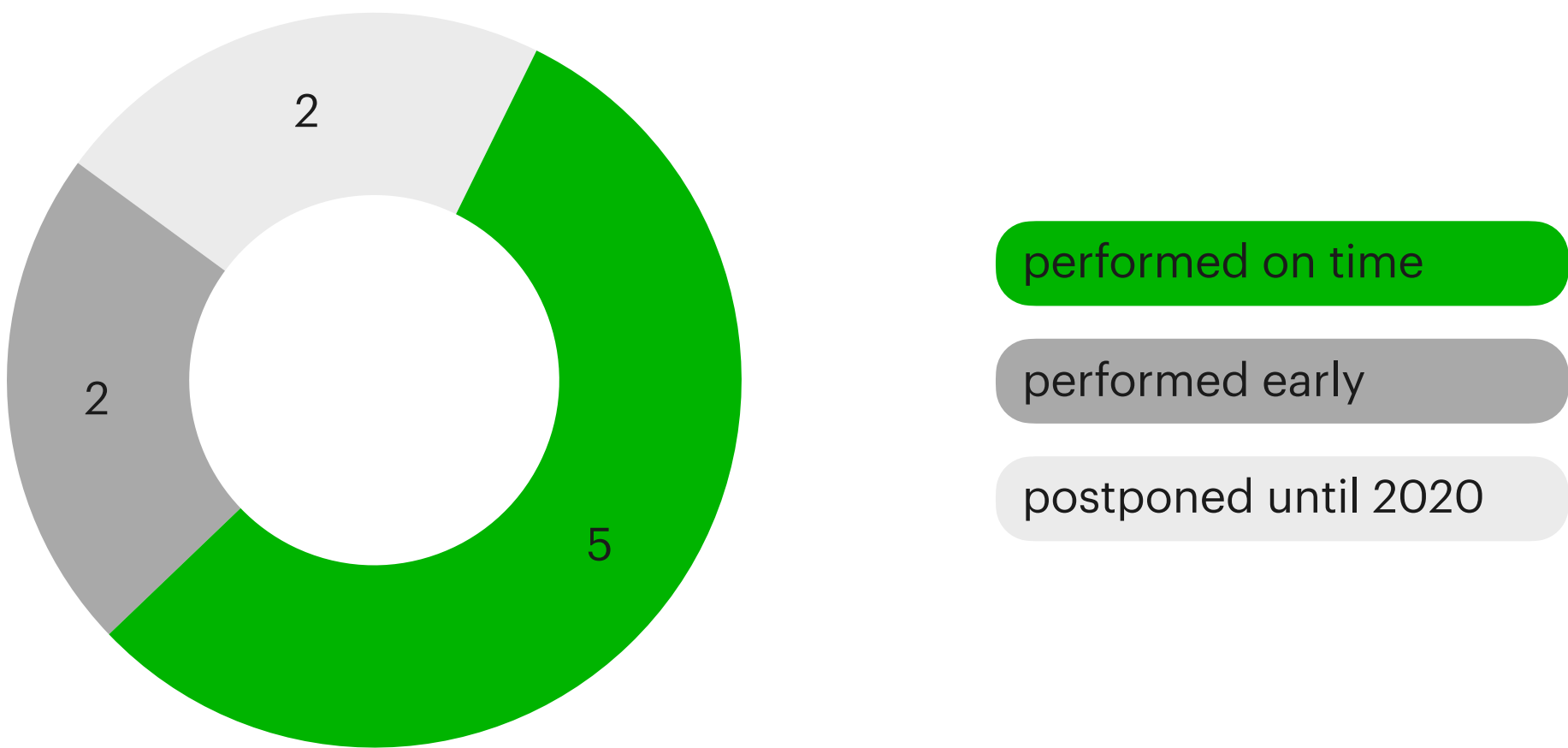
### Environmental program

The main goal of PIK-Industry’s environmental program is to minimize its adverse environmental impact. An Environmental Program is developed and approved on an annual basis. This is the main internal document governing the management of important environmental aspects of the Company’s activity:

- emissions of pollutants into the air;
- formation of production and consumer wastes;
- formation and discharge of effluent.

The Environmental Program reflects the regulatory requirements, key goals, objectives, and measures concerning these aspects, with an indication of their completion deadlines, costs, and the persons responsible. A total of nine measures were planned for 2019 in the Environmental Program.

### Performance results of the Environmental Program during 2019, number of measures



The following projects were performed in 2019:

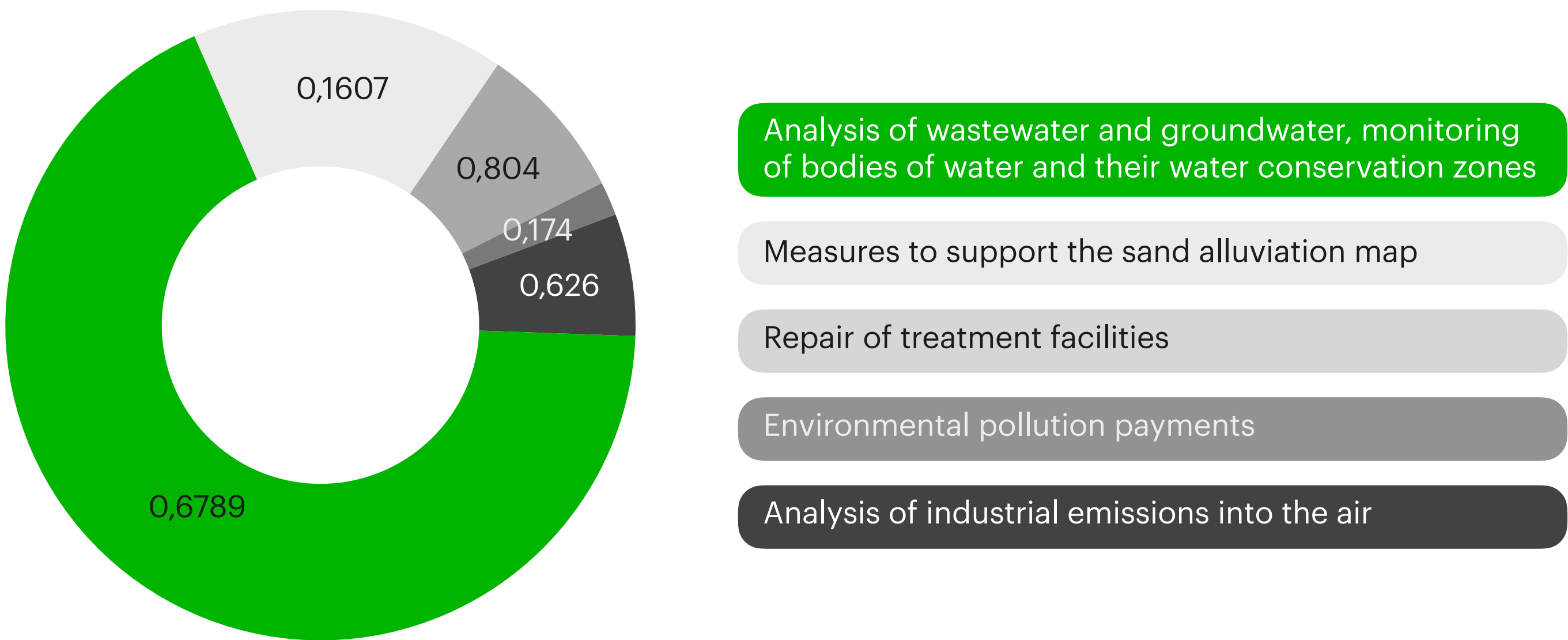
- reducing the boundaries of the sanitary protection zone of OZ ZhBK;
- reducing the use of natural gas and emission of greenhouse gases at OZ ZhBK;
- minimization of waste formation;
- processing of recyclable materials;
- beautification of the site perimeter of OZ ZhBK together with the Municipal Property Department of the City of Moscow.

<sup>2</sup> Here and elsewhere:  
AZ ZhBK — Aleksin Precast Reinforced Concrete Plant (Tula region);  
KZ ZhBK — Kaluga Precast Reinforced Concrete Plant (Kaluga region);  
NZ ZhBK — Naro-Fominsk Precast Reinforced Concrete Plant (Moscow region);  
OZ ZhBK — Ochakovo Precast Reinforced Concrete Plant (Moscow).

## Expenses on environmental protection

Total expenses on environmental protection measures in 2019 increased by RUB 2.7 million compared to 2018 and equaled RUB 3.2 million. The Company also spent RUB 30.9 million in the reporting year on drafting permit documentation, decontamination, recycling, and waste disposal.

Expenses on environmental protection in 2019, %



## Environmental compliance

PIK strives to adhere to global best practices in the areas of environmental protection and sustainability, which is why it assumes voluntary obligations to society for a responsible approach to environmental protection.

GRI 307-1

PIK-Industry operates in accordance with the legislative requirements of the Russian Federation. The Company received two compliance orders on violations of environmental legislation in 2019 for exceeding maximum allowable effluent at OZ ZhBK and air pollution standards at AZ ZhBK.

Monetary fines for breaches of environmental protection legislation totaled RUB 504,000 during the reporting period. No non-monetary environmental protection sanctions were applied to the Company in 2019.

## Digitalization projects

PIK-Industry develops digital solutions to minimize the Company’s environmental impact. The projects implemented in 2019 dealt mainly with improving the quality of manufactured products and enabled the Company to reduce the wastes generated by PIK-Industry’s activity.

## Automatic process improvement system

A process improvement system was implemented in Q4 2019 with the help of the SIGMA-6 project. The factors leading to defects were determined and meters that automatically detect and record these factors (a set of thermometers, electronic positioning detectors, lasers, and radio-tag units) were installed. The data received is digitalized and the likelihood of the appearance of defects is forecast based on their analysis.

This system has cut the number of defective reinforced concrete products in half, which, in turn, reduced the quantity of reinforced concrete waste (5th hazard class) being buried.

For more details on the SIGMA-6 project, see the Quality control section.

The Company is also carrying out a project to transition to an electronic document management system, which will enable it to reduce the quantity of paper used in future.

Environmental impact <sup>3</sup>

## Combating air pollution

Suspension of fine dust particles formed during the handling of concrete and processing of reinforced concrete products is a significant factor in the air pollution created by the Company. PIK-Industry is taking measures to minimize its adverse impact and regularly monitors air pollution within the sanitary protection zone with the help of a certified laboratory.

GRI 305-7

## Reducing the boundaries of the sanitary protection zone of OZ ZhBK

Микропыль, выбрасываемая в атмосферный воздух, образуется главным образом на ОЗ ЖБК, АЗ ЖБК и КЗ ЖБК. Данные заводы были построены в середине XX века, и осуществлять подавление пыли здесь возможно только механическими способами. Компания осуществляет поиск наиболее эффективных способов пылеподавления (материалы для шторок, способы статической обработки поверхностей) и внедряет их на заводах.

Мероприятия по уменьшению выбросов микропыли успешно реализовывались на ОЗ ЖБК: ежемесячные замеры, проводимые специалистами сертифицированной лаборатории, подтвердили отсутствие превышений нормативов в пределах санитарно-защитной зоны в течение нескольких лет. В результате в 2019 году, в соответствии с Экологической программой, размеры санитарно-защитной зоны были уменьшены.

Company enterprises performed a stocktake in 2018, during which the sources of emissions were reduced by modernizing workshops and eliminating moving sources of emissions. Due to these measures, the amount of pollutants emitted into the air by Company enterprises was reduced during the reporting period to 163.9 metric tons, 73.7 metric tons (31%) less than in 2018.

GRI 305-7

The Company’s production process does not release ozone-depleting substances.

GRI 305-6

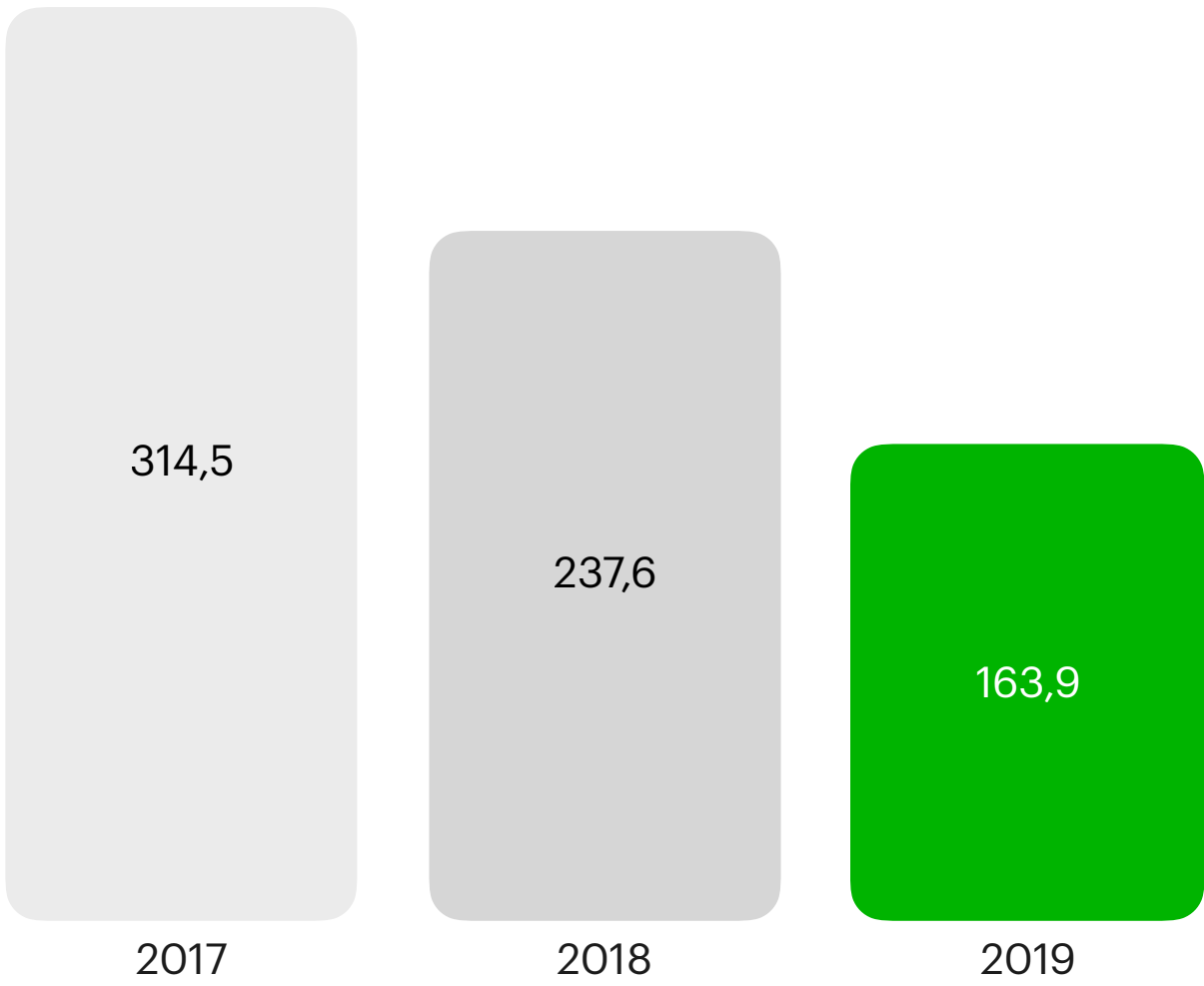
<sup>3</sup> The indicators in this Report were disclosed within the following limits:

- for 2017 – the precast reinforced concrete plants in Ochakovo (Moscow) and Aleksin (Tula region);
- for 2018-2019 – the precast reinforced concrete plants in Ochakovo (Moscow), Aleksin (Tula region), Kotovo village, Naro-Fominsk District (Moscow region), and Obninsk (Kaluga region).

Environmental indicators are given for three years (2017-2019). For illustration purposes, the data indicated is for all plants.

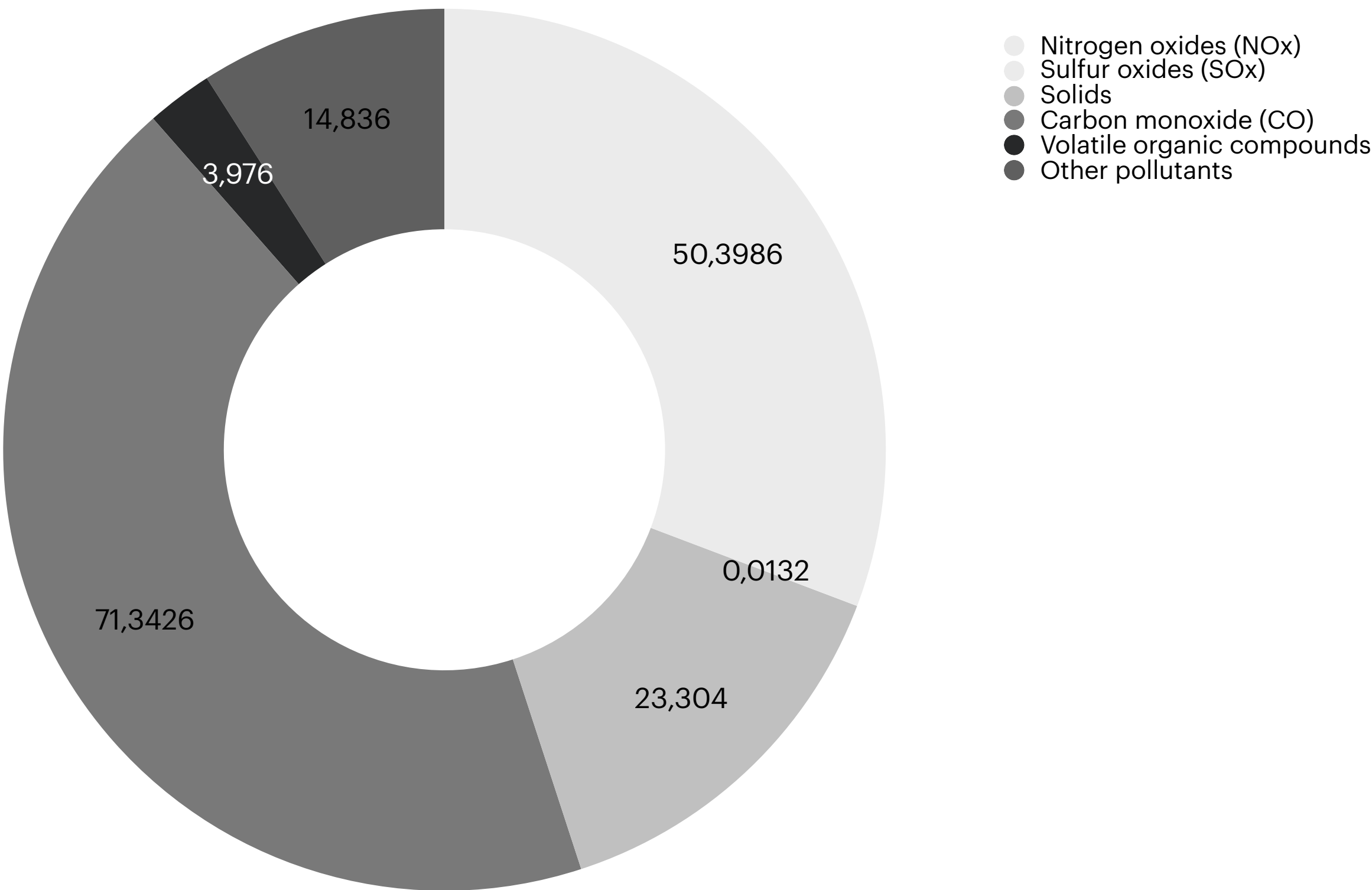


Emissions of atmospheric pollutants,  
2017–2019, metric tons



Data given for four precast plants: AZ ZhBK, KZ ZhBK, NZ ZhBK, and OZ ZhBK.

Breakdown of emissions of pollutants  
in 2019 by substance, metric tons



The data were calculated based on the current emissions permit and Order No. 661 of the Russian Statistics Committee dated 8 November 2018 “On Approving the Statistical Tools for Organization of Statistical Monitoring of Measures to Combat Air Pollution by the Federal Service for Supervision over Natural Resource Management”.

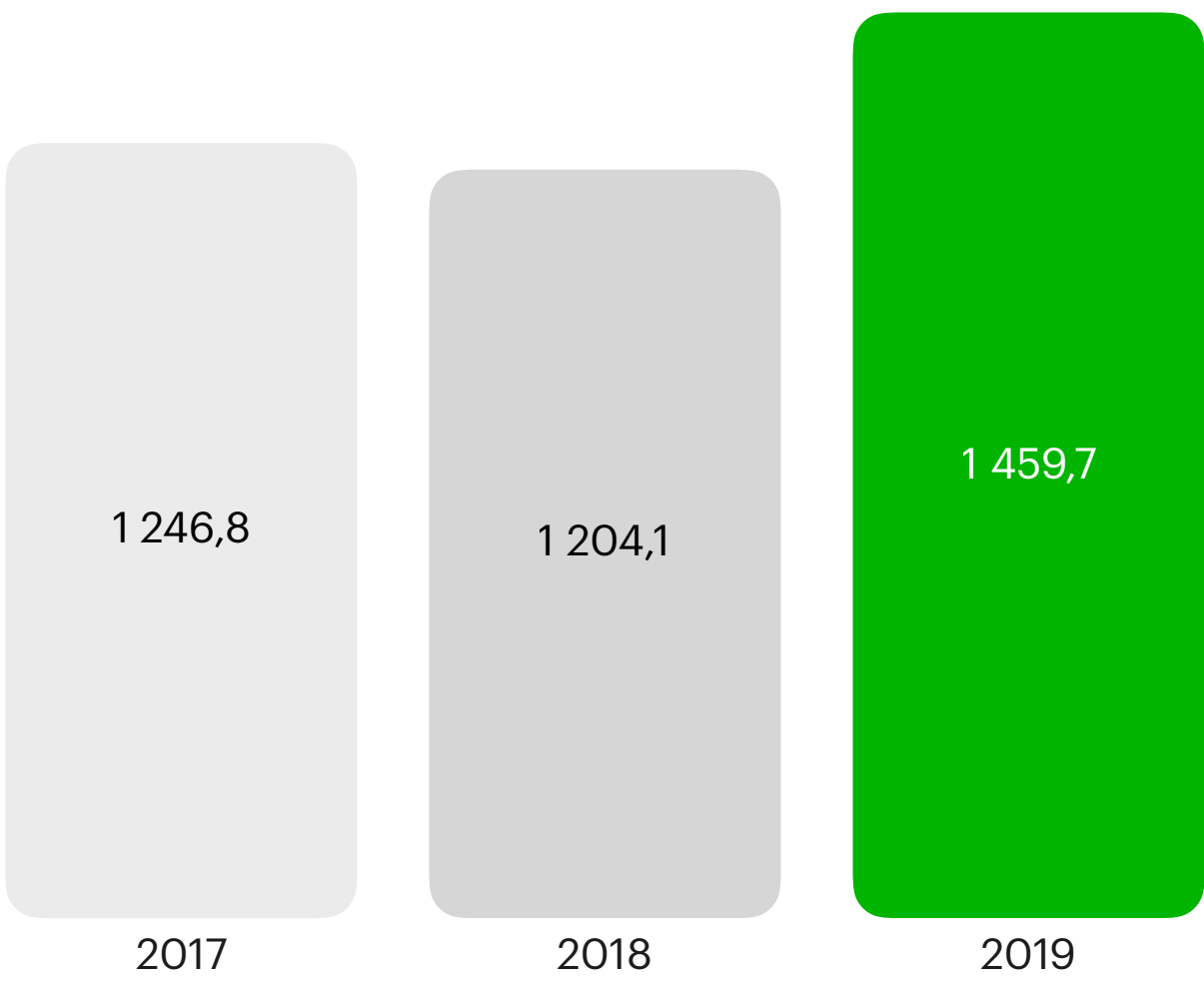
Water conservation

The Company takes good care of the water resources to be used and carefully controls the amount and quality of water to be discharged. PIK-Industry’s water withdrawal in the reporting period equaled 1,460 thousand m³ of water, which is 21% more than in 2018. The increase in water withdrawal was caused by an increase in production volume during the reporting period. The largest source of water<sup>4</sup> is third-party water (68.7%), with the rest coming from underground artesian wells. The Company does not perform water withdrawal in areas with a water shortage.

GRI 303-1

GRI 303-3

Water withdrawal, 2017–2019, thousandsm³



Data is given for four precast plants: AZ ZhBK, KZ ZhBK, NZ ZhBK, and OZ ZhBK.

The data on water withdrawal for 2017-2018 differs from that previous published in the Sustainability Report for 2018, as withdrawal of third-party water has been included.

The method for calculating the total amount of water withdrawal changed in 2019: water withdrawal now includes third-party water and groundwater.

Water is discharged within the established allowable limits of discharge of substances and microorganisms into bodies of water. Water is discharged through the treatment facilities that have been installed at PIK-Industry plants. The Company performs regular technical servicing of the treatment facilities, which has a direct effect on the quality of the water to be discharged. The Company discharged 1,097 thousand m³ of water in the reporting period. The increase in water discharge by 466 thousand m³ was due to an increase in production.

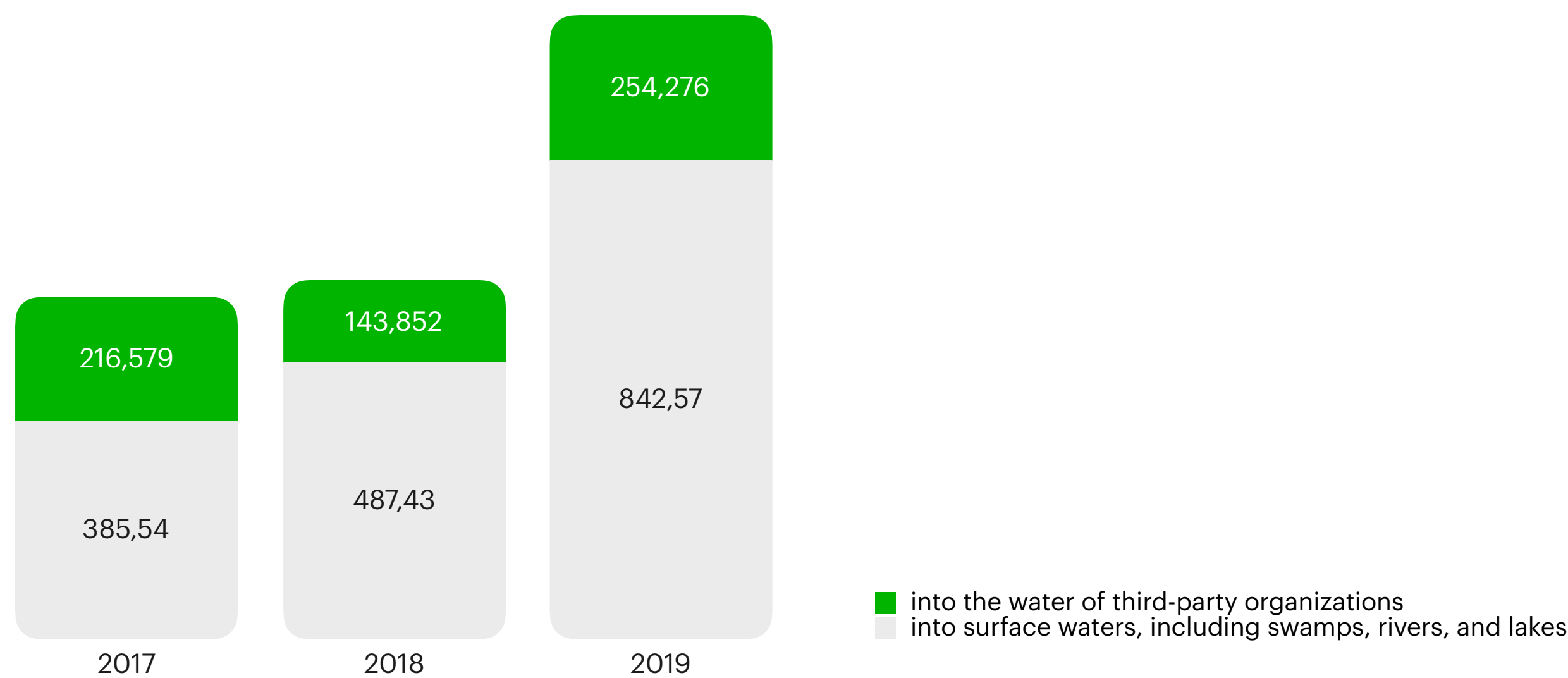
GRI 303-2, 303-4

The plants’ own treatment facilities handled 842.57 thousand m³ of wastewater, most of which (91.1%) is categorized as treated effluent.

GRI 303-4, 306-1

<sup>4</sup> Third-party water – municipal and other water supply systems, public and private utilities and other organizations involved in the provision process, transportation, treatment, sewerage and / or use of water and discharges.

**Total discharge with a breakdown by destination,  
2017-2019, thousand m<sup>3</sup>**



Data is given for four precast plants: AZ ZhBK, KZ ZhBK, NZ ZhBK, and OZ ZhBK. If there are no discharge meters, the amount of discharge is taken as equal to amount of water withdrawal. Plans for future reporting periods include work to install meters at the plants.

**Management of production and consumer wastes**

Due to an increase in the scale of production, the amount of wastes formed increased significantly in 2019. However, the Company is taking measures to reduce the impact on the environment. In particular, the following were achieved in the reporting period:

- a reduction in reinforced concrete waste by implementing an automatic process improvement system and increasing the quality of products;
- modernization of the concrete mixing plants under the Environmental Program, making it possible to minimize concrete waste;
- a change in production technology, which enabled the Company to reduce the amount of wastes and to launch recycling of wastes (for example, the replacement of single-use attachments with permanent metal products);
- the planned replacement of lamps containing mercury with LED lamps at core production facilities and for outdoor lighting under the Environmental Program. This allowed a 36% reduction in 1st hazard class wastes compared to 2018. The replacement of all lamps containing mercury is expected to be completed in 2020-2021;
- the development and implementation of a project for processing and recycling of materials.

### Processing and recycling of materials (1/2)

PIK-Industry is trying to increase the share of materials that are processed and recycled. To do so, the Company created a Waste Management Department that has organized centralized collection of all wastes to be sent for processing.

Wastes are separated into the following categories at the construction sites of PIK-Industry:

- wood;
- plastics and plastic films;
- Styrofoam (polystyrene foam);
- porcelain tiles (mineral wool).

## Processing and recycling of materials (2/2)

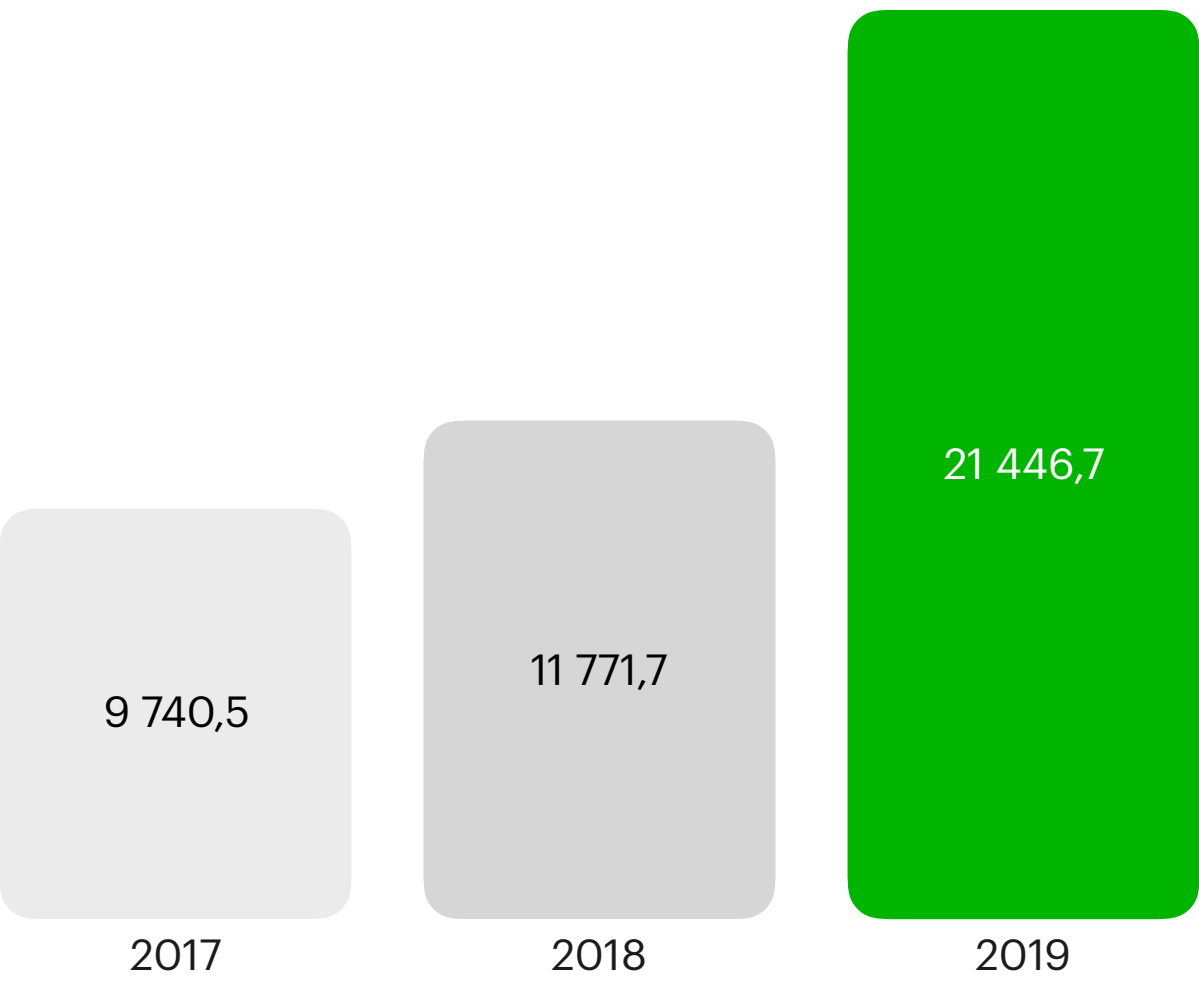
The wastes are then sent to OZ ZhBK, where they are processed: cardboard and polyethylene are pressed, porcelain tiles are cleaned of cement residue, pallets are gathered into complete sets, and styrofoam is broken down into granules. The prepared recyclable materials are sent to contractors, where they undergo further processing. For example, waste wood is sent to sawmills, where new wood containers are made and the remainder is turned into wood shavings that are then used in agriculture.

Most of the recycled materials are used by PIK-Industry. For example, the polystyrene foam granules are used in the manufacture of self-supporting wall panels, which are then supplied to the Company.

As a result, these categories of wastes are processed and recycled and are no longer sent to the landfill. This project will continue in 2020.

The Company produced 21,447 metric tons of waste in 2019, which is 9,674 metric tons more than in 2018. The increase in wastes was due to an increase in the volume of products manufactured by the Company.

Generation of wastes, 2017-2019, metric tons



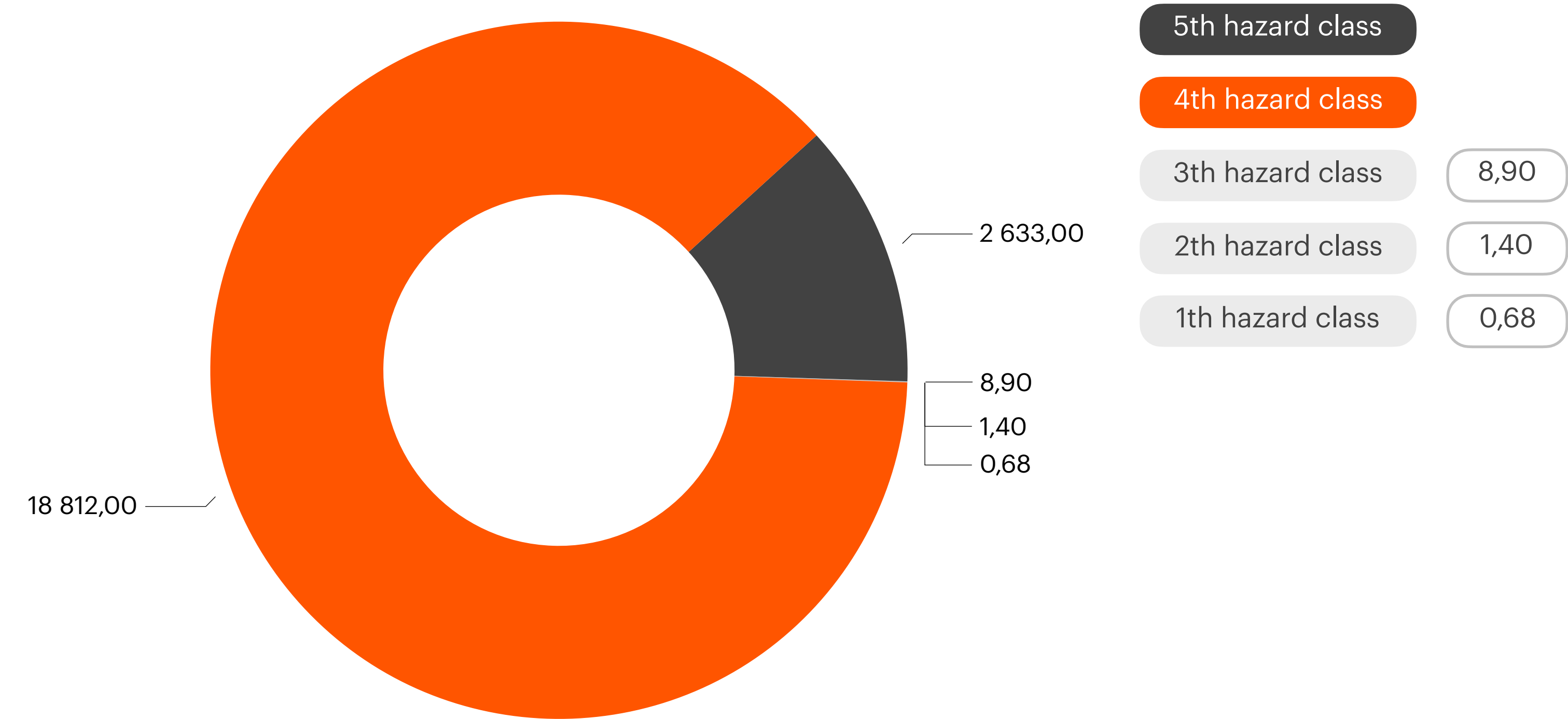
Pursuant to Russian legislation, wastes are split into five classes according to their adverse impact on the environment. In this regard, the hazard classes 1-3 are considered hazardous, and the hazard classes 4-5 are considered non-hazardous.

Most of the wastes generated by the Company in the reporting period consisted of debris from reinforced concrete and concrete products, which are included in the 5th hazard class and have the lowest adverse impact on the environment. Wastes of the 5th hazard class made up 87.7% of all wastes during the reporting period.

Hazardous wastes made up 0.05% of all wastes. The hazardous wastes produced by the Company include, among other things: lamps containing mercury and thermometers; uninterruptible power sources; used batteries; used motor and other oils; used automobile filters; painting and varnishing tools; sludge from treatment of effluent; antifreeze waste; tools, containers and cleaning cloths contaminated with paints and varnishes; sludge from treatment of objects containing petroleum products in aeration tanks; synthetic sorbents, sawdust and wood shavings, sand, cleaning cloths contaminated with petroleum products; sludge from the treatment of tanks for petroleum products; filters for cleaning fuel pumps; cotton filtration fabric contaminated with concrete dust.

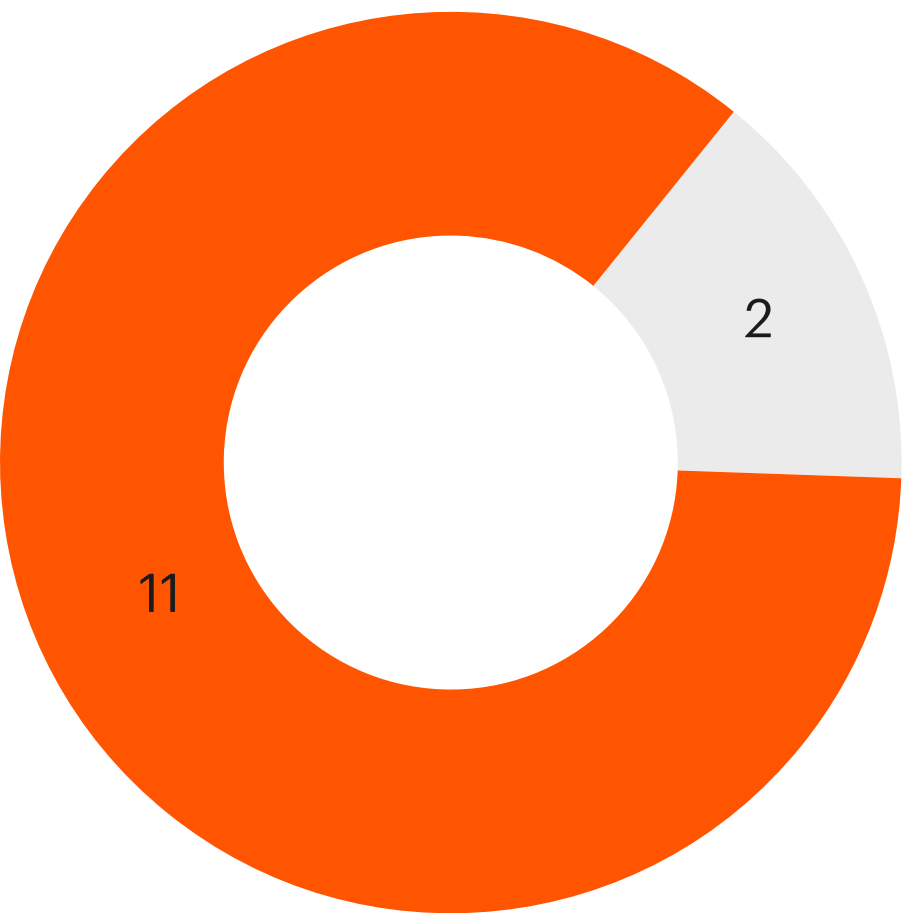


Breakdown of wastes by hazard class in 2019, metric tons



Disposal of hazardous wastes (hazard classes 1-3) by type, metric tons

GRI 306-2

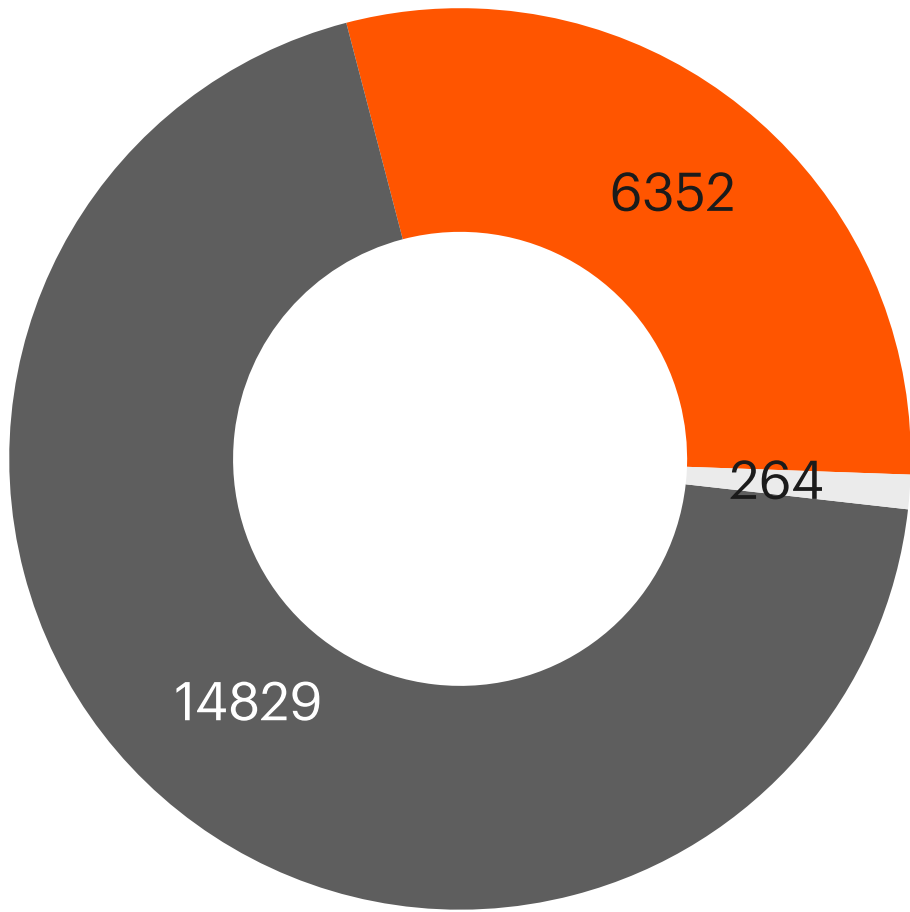


Sent to third-party organizations for decontamination

Sent to third-party organizations for recycling (reuse)

Disposal of non-hazardous wastes (hazard classes 4-5) by type, metric tons

GRI 306-2



Sent to third-party organizations for recycling (reuse)

Sent to third-parties for disposal in third-party landfills

Sent to third-party organizations for decontamination

## Energy conservation and energy efficiency

Energy consumption grew in the reporting period due to the increase in production and the consolidation of KZ ZhBK within PIK-Industry in September 2018. The main energy resource used by the Company as a whole is natural gas. In the reporting period the Company’s precast plants consumed 732,369 GJ of it, which is 7.2% more than in 2018.

The Company also consumes electricity, water, steam, compressed air, and heat.

### Consumption of energy resources, 2017–2019

Type of energy	Unit of measure	2017	2018	2019
Natural gas*	m³	19 976 182	20 194 575	21 652 356
	GJ	478 528	683 061	732 369
Electricity*	kWh	35 849 435	37 596 197	42 323 965
	GJ	72 046	135 346	152 366
Water*	m³	835 736	868 225	865 753
Steam**	t	178 106	152 291	204 021
	GJ	401 807	343 568	460 271
Compressed air***	m³	39 244 780	45 464 331	68 311 308
Heat****	Gcal	47 690	41 629	46 041
	GJ	199 667	174 290	192 764

\* Data given for four precast plants: AZ ZhBK, KZ ZhBK, NZ ZhBK, and OZ ZhBK.  
\*\* Data given for OZ ZhBK.  
\*\*\* Data for 2017-2018 given for three precast plants: KZ ZhBK, NZ ZhBK, OZ ZhBK, data for 2019 given for OZ ZhBK.  
\*\*\*\*Data for 2017-2018 given for four precast plants: AZ ZhBK, KZ ZhBK, NZ ZhBK, and OZ ZhBK, data for 2019 given for OZ ZhBK and AZ ZhBK.

Energy intensity differs by enterprise, with electricity and natural gas showing the highest figures. The energy intensity indicator fell in the reporting period compared to 2018. In 2019, 39.9 kWh of electricity and 22.1 m<sup>3</sup> of natural gas were used per 1 m<sup>3</sup> of reinforced concrete, while in 2018 this indicator was 48.7 kWh of electricity and 35.2 m<sup>3</sup> of natural gas per 1 m<sup>3</sup> of reinforced concrete<sup>5</sup>.

### Energy-efficient technology and minimizing the impact on the climate

In 2018, PIK-Industry began a project to reduce the consumption of natural gas by commissioning steam generators to partially replace the existing boilers.

Implementation of the project began in late 2019 at OZ ZhBK, as this plant uses the most energy in PIK-Industry. The plant was able to nearly halve the amount of natural gas burned during December 2019. Thanks to this project, the quantity of carbon dioxide released will be reduced proportionally (boilers are the only source of this gas), thereby increasing the energy efficiency of production and reducing the level of thermal pollution.

A similar project is planned in 2020-2022 at AZ ZhBK, where energy consumption is one-third lower than at OZ ZhBK, as well as at KZ ZhBK and NZ ZhBK.

Development plans

The Company’s plans for 2020 and the medium term include:

- a reduction in production of solid wastes;
- a reduction in the consumption of natural gas and, correspondingly, the amount of greenhouse gases released, by commissioning steam generators;
- a complete transition from lamps containing mercury to LED lamps;
- the continued realization of the materials reuse and recycling project;
- the introduction of separate collection of wastes at all facilities under construction.

<sup>5</sup> Energy intensity indicators were calculated as the average figure for OZ ZhBK and NZ ZhBK.

# 11. Quality control

## Approach to quality control at the Group level

The Group strives to ensure the highest possible quality of operations for its customers, works tirelessly to improve processes and technologies, and selects its suppliers with great care to ensure the high quality of construction materials.

The Group has mandatory quality standards for manufactured products, has adopted a quality control policy, and has an ISO 9001 certified quality management system in place.

More information on the Group's approach to quality assurance in areas such as customer relations, procurements, and social responsibility are given in the relevant sections of the Report.

## PIK-Standard

PIK Group works constantly to ensure that high quality standards are met in all aspects of its operations – from design to servicing of completed facilities.

The PIK-Standard knowledge database that was launched in 2018 gives all Group enterprises the ability to quickly access information on current standards and the standard technical solutions adopted in the PIK Group. An important element of the knowledge database is the system of verifying standards as they are added.

The standards included in the knowledge database are continuously being updated. For example, a new standard for reinforced concrete parking lots was created in 2019, and the latest series of standards containing new technical solutions was developed and prepared for implementation in 2020.

## Quality assurance in the production segment

Direct quality control in the industrial construction segment is performed at the level of PIK-Industry. The Company has a Quality Service, an Office of the Chief Process Engineer, and an Office of the Chief Construction Engineer.

PIK-Industry ensures the high quality of performance of production and construction work. The quality of the manufactured construction materials and structures is an overriding priority of the Company. Quality control occurs at each stage of the technological process. All errors and defects that are discovered are recorded, the causes are analyzed, and corrective measures are developed.

The Company has an Incoming Inspection Service, subordinate to the Quality Management Directorate, that inspects all incoming products provided by business partners (construction and finishing materials, personal protective equipment, etc.). The incoming inspection includes a check of the shipping documents certifying the quality of the products being supplied (availability of certificates of conformity, public health and safety certificates, fire safety certificates (if necessary), and quality certificates). The inspection is performed based on the requirements of BAT and the results of the incoming inspection are registered in the Logbook of materials received at the warehouse.

GRI 403-7

The quality of construction of all PIK buildings is inspected by a state commission in accordance with applicable legislation. To confirm that the facility is ready for the inspection, the internal technical supervision service performs a similar acceptance of work. Thanks to this double check, internal and external, compliance with all housing construction norms and safety criteria is ensured, as is the absence of threats to the health of residents.

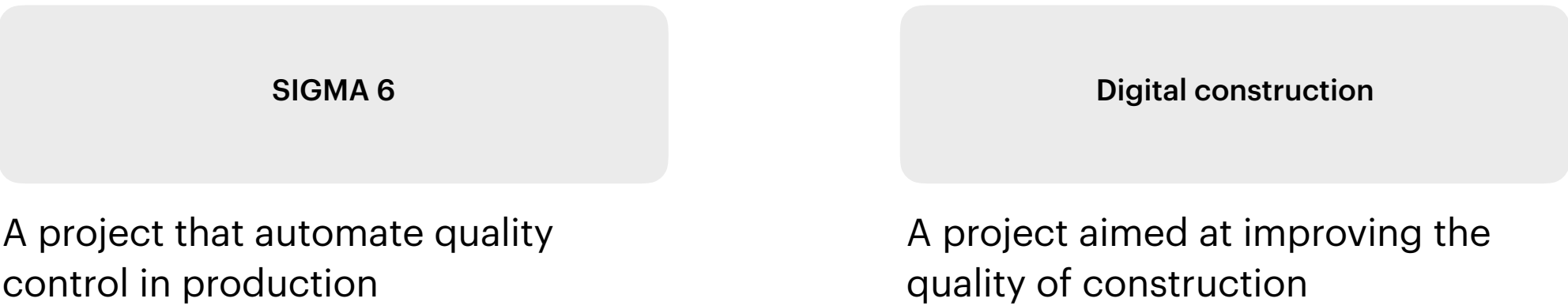
GRI 416-1



## Digitalization projects

In 2019, PIK-Industry actively developed projects to computerize quality control and developed and implemented new information systems that make it easy to prevent defects at the early stages of production.

### Digitalization projects implemented by the Company in 2019



The SIGMA 6 project was launched in 2019 and was designed to improve labor productivity and the quality of products.

Under this project, indicators were determined for each production process, making it possible to forecast the appearance of defects or a delay in production prior to the start of the process using mathematical modeling. For example, for the casting of reinforced concrete products the indicators are the temperature in the chamber, speed of the carts, etc. Meters and sensors (thermometers, electronic positioning detectors, lasers, etc.) that automatically record readings are being installed to monitor these parameters at production facilities. The readings from the meters and sensors are digitalized and used to forecast defects. Therefore, processes with a high probability of defects are not launched, allowing the number of defects in manufactured products to be reduced.

The “Digital construction” project was realized in 2019 and is aimed at ensuring the quality of construction.

Under this project, an electronic passport (EPF) is created for each facility under construction to record information on the processes taking place at the facility. Data is collected on a daily basis using meters, sensors, photographs, and the results of instrumental controls. In this way, the database of the electronic passports of facilities is used to confirm the reliability and quality of the products being manufactured.

There is also a system of signals that is organized using a special mobile application. The app records all deviations that occur at the facilities during all types of construction work. When there is a deviation in quality, a message to immediately suspend work is automatically sent. Each such case is then investigated individually by a working group of technicians to determine the admissibility of the deviation.

## Ensuring welding reliability

Under the “Digital construction” project, all welded seams (around 4-5 thousand a day) are photographed to ensure and monitor welding reliability. A separate group of employees who check whether the seams meet the established standards using a specified method was created in the Quality Control Service to work with the database of photographs received.

In addition, 3-5% of seams are subjected to random instrumental control using ultrasound testing. The testing results are stored in the electronic passports of facilities (EPF). This gives us the ability to check the characteristics of each individual welding seam at any time.

## Use of artificial intelligence

In 2019, the Group company PIK-Digital developed a project for the use of artificial intelligence in construction.

At present, when casting external façade panels, colored tiles are placed in special devices (loading cases) which then lay the tiles semi-automatically. It is important to place the tiles in the loading cases in a specific order, to maintain the intended pattern. Right now this work is generally performed manually by workers using color charts.

The project automates this process using a robot that has been programmed to recognize the color characteristics of tiles; this robot independently loads the loading cases for the subsequent decoration of panels. This ensures a higher quality of casting, as the robot uses artificial intelligence to identify deviations in the color or size of the tiles. A robot began experimental work in Naro-Fominsk in late 2019.

### Development plans

Ensuring a high level of quality at all stages of the development cycle will continue to be one of the Group’s priorities, with the Group planning to further improve the technologies developed in this area in 2020.

For example, new standards, including standards on the construction and decoration of preschools and schools and safety standards regulating access control to housing complexes, will be drafted and implemented (for more detailed information, see the Social responsibility section).

Also, an analysis of the properties of the products of other participants in the construction sector will be performed in 2020, to identify their relative advantages, disadvantages, and possible areas for development for the PIK Group.

# 12. Economic security

## Approach to security

Security is an essential component of sustainability that ensures the stable functioning of the PIK Group. A wide range of issues are involved in ensuring security, including anti-corruption activity, information security, and the physical security of construction sites and housing complexes.

The following regulatory documents have been drafted and approved to ensure all aspects of security:

- Instructions on access control and site security;
- Regulations on organization of access control and site security at construction sites;
- Regulations on information policy;
- Regulations on access control to information resources;
- Regulations on the work of users with information resources and services;
- Regulations on trade secrets;
- Information security policy;
- Regulations on information security;
- Basic training program for employees in information security;
- Rules on the use of computers when working in the corporate network.

The Group has an Economic Security Department, the structure of which reflects the main areas of security work:

- combating corruption, monitoring of compliance with the norms of business ethics and legislative requirements;
- protection of the Group's IT structure from external and internal threats, protection of confidential data;
- ensuring physical security at all the Group's real estate objects, technical security, security of top management;
- due diligence background check of all potential counterparties and potential hires.

## Anti-corruption and corporate business ethics

Compliance with the norms of business ethics and the principle of intolerance to all forms of corruption lie at the heart of PIK's corporate culture. Employees and management at all levels are required to adhere to legal requirements and maintain the high standards of business ethics set forth in the internal corporate Code of Ethics. This Code has been posted to the Group's website to ensure that everyone has the chance to familiarize themselves with it. The Group's Anti-Corruption Policy is also in the development stages and will be approved in 2020.

GRI 102-17

PIK's guiding principles in the fight against corruption and fraud are the separation of decision-making processes and their execution, transparency, and end-to-end reporting and control, which are facilitated by computerization and digitalization. Preventing violations is at the top of the hierarchy of methods for combating corruption used at the Group. PIK takes a proactive position on this issue and endeavors to create conditions in which illegal activity is impossible. Training events and sessions and preventive meetings with employees are organized with this goal in mind. The Economic Security Department works together with the Human Resources Department to run background checks on all potential hires and potential counterparties, to identify and manage risks at an early stage. Work is also performed to improve the system of incentives based on KPI.

Anti-corruption activity is performed at the systemic level, through regular detection of incidents of corruption, the collection and verification of messages, and reaction to confirmed incidents through the adoption of corrective measures and provision of feedback. There are many means of communication that can be used to send a message on a violation: an around-the-clock hotline, a form on the website, the e-mail address [security@pik.ru](mailto:security@pik.ru), and regular mail. Each employee must notify the ethics officer (the Corporate Secretary of the Group) or their immediate supervisor of any violations of the requirements of the Code of Ethics and illegal actions known thereto and on the appearance of signs of corrupt activity.

The work to prevent corruption covers all business processes and functional divisions of the Group, with special attention being paid to areas that are especially vulnerable to corruption risks. One such area in the construction industry is work with contractors. To prevent corruption in this area, the relevant clause is included in contracts with counterparties and selective work is performed at all stages of performance of contractual obligations. The employees of the Economic Security Department have the necessary knowledge and experience in the construction and development sector to exercise effective control over the process of performing background checks and hiring of employees for the technical supervision services.

When a violation is detected, the Economic Security Department organizes an investigation. In some cases, lawyers from the Legal Department also join the investigation. In case of serious violations, reporting documents are sent to the law enforcement authorities to open criminal cases, while more local cases are resolved inside the Group based on labor legislation.

## Information security

Information security receives careful attention from Group management and is regulated by a system of interrelated in-house documents covering all handling of information and work with IT systems. The Information Security Office of the Economic Security Department and the Group's Information Technology Department work together to provide reliable security for corporate IT systems and restricted data.

The Group strives to maintain a reasonable balance between information disclosure and ensuring the security of the Group's commercial interests. Information on the Group is disclosed through its publication on the official corporate website [www.pik.ru](http://www.pik.ru), on the Group's webpage in the portal of accredited information agencies, and in the media. The Group also performs its obligations to provide information to shareholders, investors, and other stakeholders according to the procedure established by legislation and the Group's internal documents.

The Group has implemented integrated measures to protect confidential information, including information that constitutes a trade secret. The procedures for the collection, processing, and storage of personal data are performed in accordance with legislative requirements. Access to personal data has been restricted, to prevent their illegal use.

The Russian regulatory agency Roskomnadzor did not have any comments based on its review of the security of personal data in 2019.

The Group's information security system is based on a risk-oriented approach. Risks to data and information systems are countered by measures taken to prevent their realization.



Information security risk management

Risks	Measures
<b>Risks of unauthorized access to confidential information, data leaks, data theft or destruction, cyber attacks</b>	Control over physical access to IT infrastructure Use of a computerized corporate information network Ensuring cybersecurity (security of notebooks, servers, active networking equipment) Data classification and differentiated access thereto Organization of remote access through secure network connections Regulation of access of third-party organizations to PIK resources
<b>Risk of large-scale infection of work computer networks and services with viruses, ransomware, and other malware</b>	Protection against viruses and malware
<b>Risk of information loss</b>	Data backup and data recovery
<b>Risk of unfavorable consequences when using unlicensed software</b>	Maintaining the licensing of software

Regulations on regular, continuous monitoring and investigation of incidents were drafted and introduced for quick response to information security incidents. Reports are drafted on the completion of the investigations. Group officials of various levels, depending on the nature and scale of the incident, take decisions based on these reports. After the completion of an investigation into serious incidents, an analysis of the situation must be performed and proposals developed to improve the security policy and the security measures used in the Group.

An interactive remote training course for Group employees dedicated to the fundamentals of information security is held at least once a year. Training is also mandatory for all new employees. Unscheduled training will be held if significant changes are made to the Group’s internal acts regulating the information security system due to the implementation of new systems and software or changes in information security requirements, as well as in case of a serious violation of information security rules.

The training course covers the following topics

- general information security concepts;
- information stored and processed in automated systems;
- threats;
- confidentiality of information;
- information integrity;
- information accessibility;
- organizational and legal aspects.

Information security and analysis

Information security and analysis is ensured through the careful review of all potential hires and potential Group counterparties, allowing risks to be identified and managed at the early stages.

The dependability of contractors is analyzed at the time of their accreditation for participation in a tender, based on documents (including documents of the tax service), public information, the recommendations of business partners, etc. A background check assesses the ability of potential contractors to perform the assigned scope of work by the established deadlines and to the required quality standards, as well as their ability to meet legislative requirements.

The background check of candidates during the hiring of employees includes an analysis of the authenticity of the documents and data provided and a check of their previous place of employment. The Economic Security Department provides recommendations to the Human Resources Department based on the results of these procedures.

Physical security

Physical security is an integral part of the Group’s security system and includes protection of real estate assets, offices, and construction sites by competent security companies with which the Group has longstanding partnerships.

Construction sites are a difficult object to protect, as they are in a constant state of flux: the perimeter of the construction site and the location of the guard posts change as construction progresses. To optimize the security of construction sites and finished real estate properties, the Economic Security Department and Product Department analyze available engineering and technical security measures together with the security companies and work consistently to computerize and digitalize the corresponding processes and procedures to minimize the human factor.

The general meeting of apartment owners in PIK projects can vote to purchase physical security services from the PIK-Comfort Management Company. Regardless of the management company in charge, all PIK facilities are equipped with access control and management systems, security measures and safety features. (For more on the security of PIK house and complexes, see the Social responsibility section.)

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## Results for 2019

Security work in 2019 was performed in two priority areas:

- increasing the quality of background checks of contractors as part of their accreditation to participate in tenders in order to increase the share of embedded contractors;
- improving the protection of IT systems from outside threats, including through the adoption of the Rules on the use of computers when working in the corporate network.

Scheduled work was performed with the Group's functional divisions during the reporting period to implement anti-corruption measures, including educational and preventive measures, meetings, and the presence of employees of the Economic Security Department during processes where there is a high risk of corruption.

In 2019, representatives of the Economic Security Department took part in exhibitions dedicated to innovations in engineering and technical security tools:

- the International Forum "Safety Technology" from 12-14 February 2019 (Moscow, Crocus Expo International Exposition Center);
- "INTERPOLITEX – 2019: security, shaping the future" from 22-25 October 2019 (Moscow, VDNH).

## Development plans

The Economic Security Department will continue to analyze available technologies together with PIK-Product to ensure security.

The best possible technological solutions will be introduced in the master plans of PIK projects, thereby enabling the company to improve the level of comfort and security of residents and streamline the process of providing security using a set of engineering and technical tools.

Plans also include performing background checks of contractors in 2020 to verify the availability of new documents and their compliance with the requirements of the regulatory authorities, including the tax service.

Work is planned to integrate the Group's information resources and databases, in order to optimize the information security and analysis work of the Economic Security Department.

# Appendices

Events after the reporting period

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# Events after the reporting period

The period of preparation of this Sustainability Report (the end of 2019 and first half of 2020) was characterized by a crisis in the world and in Russia caused by the COVID-19 virus pandemic.

PIK Group is a fundamentally important company for the Russian economy, has existed for more than 25 years, and has proven its reliability and stability by successfully overcoming crises in 1998, 2008, and 2014. When faced with this new challenge, PIK Group took measures to mitigate the risk of infection for its customers and employees and ensured the full and timely performance of obligations to its customers and business partners, with due account of external factors.

Recognizing the importance of meeting construction deadlines, PIK Group did not suspend its production activity, first taking the necessary onsite precautionary measures, until the start of April, when new resolutions of the regional authorities were issued on suspending all construction work. Since the PIK Group has its own production complex, its work does not depend on third-party contractors and suppliers and can be quickly resumed within eight hours after the restrictions are lifted. Its stocks of finished products are sufficient for a quick return to the previous pace of construction. Moreover, many projects are ahead of schedule, so for them the suspension of work will not be grounds for changing completion deadlines.

To make the construction process even more transparent and clear for customers and other stakeholders during this difficult period for everyone, PIK Group is highlighting the progress being made in the construction of PIK residential districts by publishing materials on all PIK projects on its website and in social networks. Clients can contact Group representatives with any issues through chats, the telephone hotline, or using the other available means of communication that continue to function nonstop.

Being governed by our top priority of protecting the health of customers and employees, PIK Group has closed its sales offices and transitioned completely to remote work and online servicing. The focus on digitalization that began in 2016 has made it possible for PIK to provide its customers with a full range of online services on the website [www.pik.ru](http://www.pik.ru) without compromising the speed and quality of servicing. PIK's website is a unique tool for the Russian market for the online selection, comparison, reservation, and purchase of real estate, where customers can perform a transaction to purchase an apartment, parking spaces, or storage space from start to finish regardless of the form of ownership and the type of payment.

The coronavirus pandemic has created new economic conditions for the purchase of an apartment on the most favorable terms but has also had a negative impact on the ability of many people to purchase an apartment. In its efforts to resolve this problem, PIK Group has launched the mortgage program "We'll Take Care of the Interest" together with its exclusive partner VTB Bank to ensure favorable mortgage terms. Customers that purchase an apartment while this program is in effect will pay no interest on their mortgage until the end of 2020. The entire transaction can be finalized digitally with the help of the safe "online mortgage" service, which also makes it possible to take advantage of state support measures to take out a mortgage at a rate of 6.5%.

Daily disinfection using safe substances is performed in common areas and playgrounds at the housing complexes under the management of PIK-Comfort. Every day when they receive access to work, the workers of the management company are given a company-issued badge with the inscription "We are following recommendations". All employees undergo an initial medical exam before receiving the badge. The work on beautification and maintaining cleanliness, as well as repair work on the operating facilities of PIK-Comfort, are being performed without interruption.

The Group is also in active communication through social networks with certain housing complexes where the hashtag #WithintheQuarantine was launched at the initiative of residents at the beginning of the self-isolation orders. This is an ironic rethinking of the concept of the PIK Group's creative advertising campaign in 2020 "Beyond the Apartment". #WithintheQuarantine is a virtual flash mob during which residents share photos and videos of how their self-isolation is going in PIK projects. This example shows that a well-thought-out urban environment can become a platform for the formation of neighborhood associations that bring people together to provide one another with the necessary psychological support in unfamiliar and difficult situations.

PIK Group will continue to maintain all precautionary measures until the situation has completely normalized and will make every effort to ensure that the consequences of the pandemic do not have a serious negative impact on the Group's performance and the trust of our stakeholders.

# Glossary

Events after the reporting period

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<b>The Group, PIK Group, PIK</b>	PIK Group Public Joint Stock Company
<b>The Company</b>	PIK-Industry JSC
<b>The Management Company</b>	PIK-Comfort LLC
<b>PIK-Standard</b>	Internal system of standardization of the design and construction work of PIK Group
<b>AZ ZhBK</b>	Aleksin Precast Reinforced Concrete Plant (Tula region)
<b>KZ ZhBK</b>	Kaluga Precast Reinforced Concrete Plant (Kaluga region)
<b>NZ ZhBK</b>	Naro-Fominsk Precast Reinforced Concrete Plant (Moscow region)
<b>OZ ZhBK</b>	Ochakovo Precast Reinforced Concrete Plant (Moscow)
<b>The Report</b>	The 2019 Sustainability Report of PIK Group
<b>The Product</b>	The deliverables of the Group’s operations, both material and digital, used in the implementation of Group projects
<b>Project</b>	A development project of the Group, housing complex, residential district, or residential block. The aggregate of residential buildings united by a single idea and created in accordance with PIK-Standard.
<b>Service desk</b>	Message processing line
<b>BIM</b>	Building Information Model
<b>CSI</b>	Customer Satisfaction Index
<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation and Amortization
<b>ESG</b>	Environmental, Social, and Governance
<b>FFO</b>	Funds from operations
<b>GRI</b>	Global Reporting Initiative
<b>HR</b>	Human resources
<b>LTIFR</b>	Lost Time Injury Frequency Rate
<b>NPS</b>	Net promoter score
<b>SLA</b>	Service Level Agreements
<b>BTI</b>	Bureaux of technical inventory (property inventory and registration authority)
<b>GDR</b>	Global depositary receipts
<b>POL</b>	Petroleum, oil, and lubricants
<b>VHI</b>	Voluntary health insurance
<b>IT</b>	Information technologies
<b>KPI</b>	Key performance indicators
<b>IFRS</b>	International Financial Reporting Standards
<b>UN</b>	United Nations
<b>OHS</b>	Occupational health and safety
<b>HSE</b>	Health, safety, and the environment
<b>HDPE</b>	High-density polyethylene
<b>RAS</b>	Russian Accounting Standards
<b>PPE</b>	Personal protective equipment
<b>OHSMS</b>	Occupational health and safety management system
<b>SDG</b>	Sustainable development goals adopted by the United Nations in 2015
<b>EPF</b>	Electronic passport of a facility
<b>CAW</b>	Construction and assembly work

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GRI 102-2 Activities, brands, products, and services	About the Group	A portrait of the Group Operating segments	
GRI 102-3 Location of headquarters	About this Report	Contact information	
GRI 102-4 Location of operations	About the Group	A portrait of the Group Geography of operations	
GRI 102-5 Ownership and legal form	About this Report	Contact information	
GRI 102-6 Markets served	About the Group	A portrait of the Group Operating segments	
GRI 102-7 Scale of the organization	About the Group	A portrait of the Group Key operating indicators of the Group for 2019 Key financial indicators of the Group for 2019 Key sustainability indicators of the Group	
GRI 102-8 Information on employees and other workers	Human resources management	Personnel structure	
GRI 102-9 Supply chain	Procurement management	Personnel structure	
GRI 102-10 Significant changes to the organization and its supply chain	Procurement management	Personnel structure	
GRI 102-11 Precautionary principle	Procurement management	Management of risks associated with sustainability	
GRI 102-12 External initiatives	Stakeholder engagement	Management of risks associated with sustainability	
GRI 102-13 Membership of associations	Stakeholder engagement	Management of risks associated with sustainability	
STRATEGY			
GRI 102-14 Statement from senior decision-maker	Message from the President of the PIK Group		
GRI 102-15 Key impacts, risks, and opportunities	Corporate governance	Risk management and internal control system	
	Sustainability management	Management of risks associated with sustainability	
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204 Procurement practices			
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GRI 204-1 Proportion of spending on local suppliers	Procurement management	Procurement structure	
205 Anti-corruption			
GRI 103 Management approach	Economic security	Security approach	
GRI 205-1 Operations assessed for risks related to corruption	Economic security	Anti-corruption and corporate business ethics	
GRI 205-2 Communications and training about anti-corruption policies and procedures	Economic security	Anti-corruption and corporate business ethics	
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303 Water and effluents			
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GRI 303-1 Interactions with water as a shared resource	Environmental protection	Environmental impact Water conservation	
GRI 303-2 Management of water discharge-related impacts	Environmental protection	Environmental impact Water conservation	
GRI 303-3 Water withdrawal	Environmental protection	Environmental impact Water conservation	
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307 Environmental compliance			
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GRI 103 Management approach	Occupational health and safety	Approach to occupational health and safety	
GRI 403-1 Occupational health and safety management system	Occupational health and safety	Approach to occupational health and safety	
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GRI 403-3 Occupational health services	Occupational health and safety	Preventing work-related injuries and incidents Work-related injuries	
GRI 403-4 Worker participation, consultation, and communication on occupational health and safety	Occupational health and safety	Approach to occupational health and safety	
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GRI 403-6 Promotion of worker health	Occupational health and safety	Preventing work-related injuries and incidents Promotion of worker health Medical supervision	
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GRI 403-8 Workers covered by an occupational health and safety management system	Occupational health and safety	Approach to occupational health and safety	
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413 Local communities			
GRI 103 Management approach	Social responsibility	Approach to social responsibility	
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Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Human resources management	
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