

2020

# Annual and Sustainability Report

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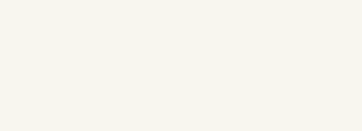
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# Messages

GRI 102-14

## Message from the Chairman of the Board of Directors

Dear colleagues and partners!

I am pleased to present to you the 2020 Sustainability Report of Public Joint-Stock Company «PIK-specialized homebuilder». Transparency and openness are important to us, so we present the third Sustainability Report in the Company's history. This year, we have held the Capital Markets Day in an online format for the first time, and now such events will be held on a regular basis.

During the reporting period the Company's sustainability management underwent a number of changes. Two new independent directors were added and two new committees were established in the Board of Directors: Sustainability Committee and Investor Relations and Corporate Communications Committee. We are considering the possibility of increasing the share of independent directors on the Board of Directors by 2022.

In 2020, in accordance with the Company's Strategy, we continued to reduce the share of development in revenues by giving preference to the enhancement of other business areas. Our target for the next five years is to ensure that other areas provide at least 50% of the Company's total revenue. These changes have affected the Company's logo. In 2020, we launched the design of individually tailored projects and are working to increase the scope of business in this area. The COVID-19 pandemic has influenced the demand for suburban housing, and we decided to develop the segment of such housing, but with the appropriate infrastructure. We see the demand for our brand, and this has affected one of our strategic areas: we strive to enter as many regional markets as possible.

In 2020, the Company continued the strategic process of digitalization initiated in 2018 and the conversion of processes into the online format, and we can say that today we are an e-commerce business. Since the transition to the remote working format was not a trend but the Company's strategic goal for 2020, we were better prepared for the reporting year challenges caused by the COVID-19 pandemic. We managed to successfully ensure the business process continuity.

After a period of intensive work with the Central Bank, the Presidential Administration and the Government, during a session with the President a decision was made to introduce support measures for the industry, and a crucial decision was also taken to subsidize a special preferential mortgage program with a rate of 6.5% for purchasing newly-build housing for loans up to RUB 8 million in Moscow and St. Petersburg. This made it possible to motivate people to purchase housing and support our customers in solving the housing issue at this difficult time.

After transferring sales to the online format on 15 April 2020, we executed the first online mortgage transaction in the history of Russia, when a customer got a mortgage without meeting either side in person. This is a breakthrough for the Russian real estate market, which became possible due to the teamwork of the Company's employees.

In the midst of the COVID-19 pandemic, the need to halt construction in Moscow and the Moscow region was the hardest administrative decision we had to make: in a matter of one weekend we managed to remove all workers from the Company's industrial and construction sites (about 50 thousand of our construction workers had to leave construction sites and enterprises), provide them with accommodation and ensure the essential living conditions, food and access to the Internet. This decision dictated by the Company's responsible approach to its personnel helped reduce loss of personnel during the pandemic. When the restrictions were lifted we managed to return employees to work in eight hours.

We redirected a significant share of our resources to the construction of medical facilities to combat the consequences of COVID-19. We actively participated in the construction of hospitals that, thanks to our participation, were built in an extremely short timeframe. In total, we spent about RUB 700 million to combat COVID-19.

Occupational health and safety remain an undeniable priority for the Company. In 2020 the rate of work-related injuries fell to 0.28, we also achieved the occupational safety goal of "Zero Fatalities". We are grateful to all those who contribute to the Company's success and believe in PIK's future. Together with you, the Company continues to follow a strategic course aimed at business expansion, digitalization and innovation, as well as improving business sustainability through the development of social and environmental practices and improving corporate governance.

Chairman of the Board of Directors  
Public Joint-Stock Company «PIK-specialized homebuilder»

Alexey Karpenko



# Messages

GRI 102-14

## Message from the CEO

Dear readers,

We are pleased to present for your consideration the third Sustainability Report of Public Joint-Stock Company «PIK-specialized homebuilder» highlighting the key projects and results of the Company's sustainable development activities in 2020.

In early 2021, the Company changed its name to Public Joint-Stock Company «PIK-specialized homebuilder».<sup>1</sup>

2020 was a challenging year for all of us due to the pandemic of the new coronavirus infection COVID-19. For PIK, the situation was aggravated by the introduction of restrictions on construction (renovation) activities in Moscow and the Moscow region in April. However, despite the serious consequences for the economy and society, the Company managed to maintain the key financial indicators at a decent level: the total revenue in 2020 amounted to approximately RUB 380 billion. At the beginning of 2020, our projection was RUB 400 billion, but taking into account the market environment in 2020, the goal can be considered successfully completed. The net profit rose by 68% compared to 2019 and reached RUB 86.5 billion. And today the Company's credit ratings are the highest in the industry.

Real estate sales in meters in 2020 grew by 20%, which is higher than the industry average indicator, and reached 2.355 million square meters. Sales growth in roubles in 2020 looks even more impressive: +42% reaching RUB 340.5 billion. Despite the fact that the construction sites were suspended in our key region (Moscow and the Moscow region), the commissioning volume increased by 20% to 2.4 million square meters. The fact that we were able not only to maintain the same level, but also to increase the volume of commissioning, shows the sustainability of our business model.

For the third year in a row, as part of fulfilling our obligations to shareholders, a decision was made to pay dividends amounting to RUB 15 billion. The total amount of dividends for 2020 reached RUB 22.71 per share.

The Company continues large-scale digitalization of business processes, which allows for enhancing operational efficiency and optimizing costs, as well as achieving transparency and control of processes. Since 2018, we have been preparing to move our business online, and, of course, the pandemic contributed to this transition, but the technologies and software were ready long before that. The pilot PIK-Project was launched in 2018, and in 2020 all PIK-Project employees were transferred to remote work – 3,000 people across Russia. The Company's employees welcomed the transition to the remote format: a survey conducted at the end of 2020 showed that more than 50% of employees are not going to return to the office, and about 35% of respondents would like to visit the office only occasionally.

Successful customer experience is at the heart of our philosophy and we are making considerable efforts to improve our customer experience. At the beginning of 2020, we closed all sales offices, and all sales moved from offline to online: the current share of online transactions is 98%. Based on the structure of customers' calls it was clear that many tried to transfer sales to the offline mode they were accustomed to, so we actively trained our customers. We care about feedback and customer satisfaction. In 2020, the CSI (customer satisfaction index) was 4.7 on a scale of 5.

Thanks to the possibilities of the remote work format, we improved the effectiveness of selecting candidates by attracting employees from the regions of Russia. Thus, the Company also helps to develop regions by creating jobs that are not tied to a specific location. Remote work and online sales have yielded incredible results: we have developed our R&D technologies, and the 2020 financial performance has exceeded our expectations. During the pandemic, we prepared for various scenarios, including the most pessimistic ones, but as soon as operations recovered and gained momentum, sales responded accordingly and began to recover.

In 2020, the Company successfully completed the pilot project PIK-12: the construction of a fully finished 25-storey building in 12 months from the moment of obtaining a construction permit to commissioning. The keys were handed over in 2021. This was possible due to the synchronization of construction processes through digital tools.

Despite the pandemic, the Company remained committed to its principles of social and corporate responsibility and environmental protection. In 2020, the Company took measures to develop a system of separate collection and sorting of waste, as well as its primary processing. Among other things, the Company's efforts were aimed at reducing the generation of hazardous waste that is not subject to further disposal. Thus, the volume of hazardous waste is significantly less than 1%. Water consumption in the reporting period decreased significantly compared to the preceding year: by 41%. The cost of environmental protection measures amounted to RUB 5.94 million, which is RUB 3.20 million more than in 2019.

We care for our employees: we create development opportunities and provide competitive remuneration, and the level of salaries in the Company remains higher than the average salary in the industry.

PIK was the first company in the industry to be awarded the ESG rating by RA Expert, the rating assesses the responsible business conduct in the environmental, social and economic spheres. The Company's ESG-II rating shows a very high degree of commitment to sustainable development in key decision-making.

I would like to express my gratitude to our employees and stakeholders, thanks to whom PIK is a brand known in the market. It is thanks to our team uniting talented specialists with unique skills that we have an opportunity to implement our strategy and move ahead with confidence.

CEO  
Public Joint-Stock Company «PIK-specialized homebuilder»

Sergei Gordeev

<sup>1</sup> The corresponding changes were introduced on 17 March 2021 and are available in the Unified State Register of Legal Entities database.



# who we are

About the Company  
Sustainability management  
Corporate governance

1

# PIK in 2020

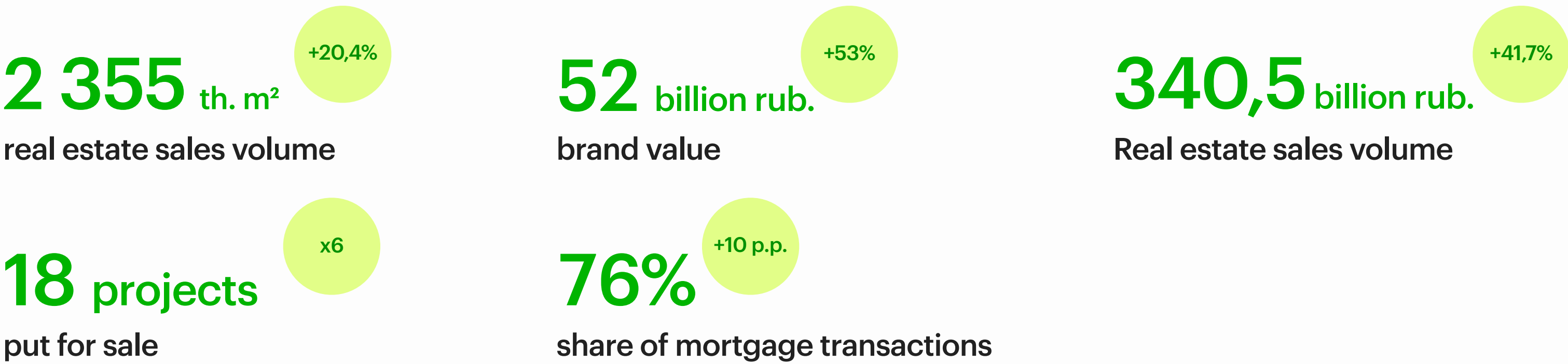
PJSC «PIK-specialized homebuilder» is a public company, a leader in the Russian development market, specializing in the construction of modern affordable housing and social and commercial infrastructure.

- one of systemically important companies of the Russian economy
- a company with a unique philosophy and a recognizable brand
- a leading company in the digital transformation of development
- a team of professionals who are ready to deal with the most ambitious and non-routine tasks

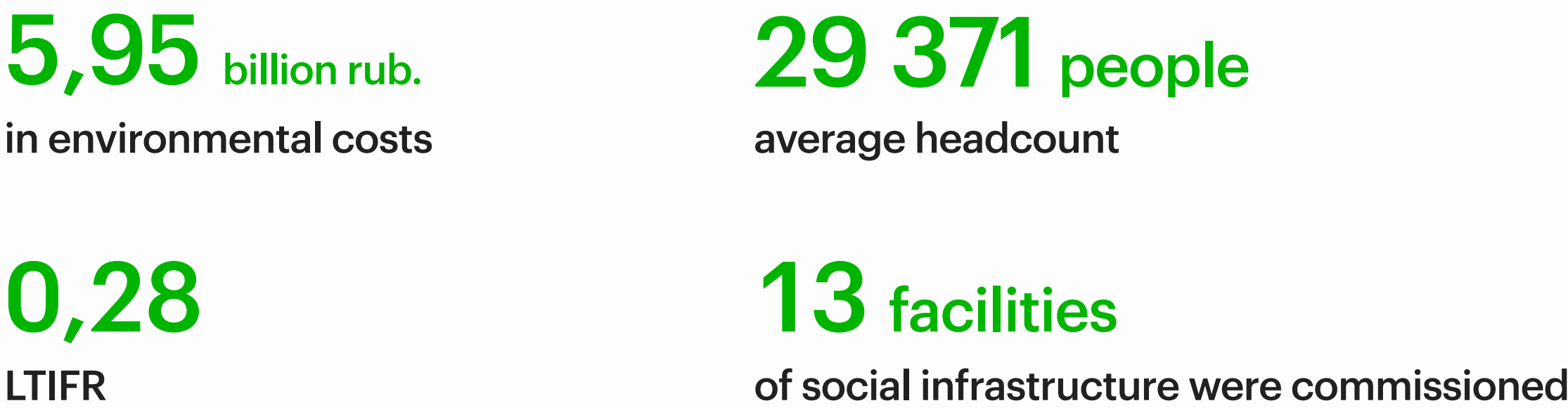
## Financial indicators



## Operating indicators



## Sustainability indicators



GRI 102-1, 102-5, 102-7, 201-1

 change compared to the previous reporting period

<sup>2</sup> For more information on the Company's key performance indicators for 2020 see Appendix 2.

# 1. About the Company

## Company profile

### Operating segments

GRI 102-2

Public Joint-Stock Company «PIK-specialized homebuilder» has been operating in the real estate, development and construction market since 1994, currently being the largest Russian development company. The Company has built over 27 million square meters of residential real estate during its 27 years of existence on the market. By decision of the Government of the Russian Federation, PIK is included in the list of systemically important companies of the Russian economy.

The main product of the Company is comfort-class housing and additional infrastructure. PIK operates in the segments of residential real estate construction, real estate rent, transactions in the secondary real estate market, real estate management.

GRI 102-6

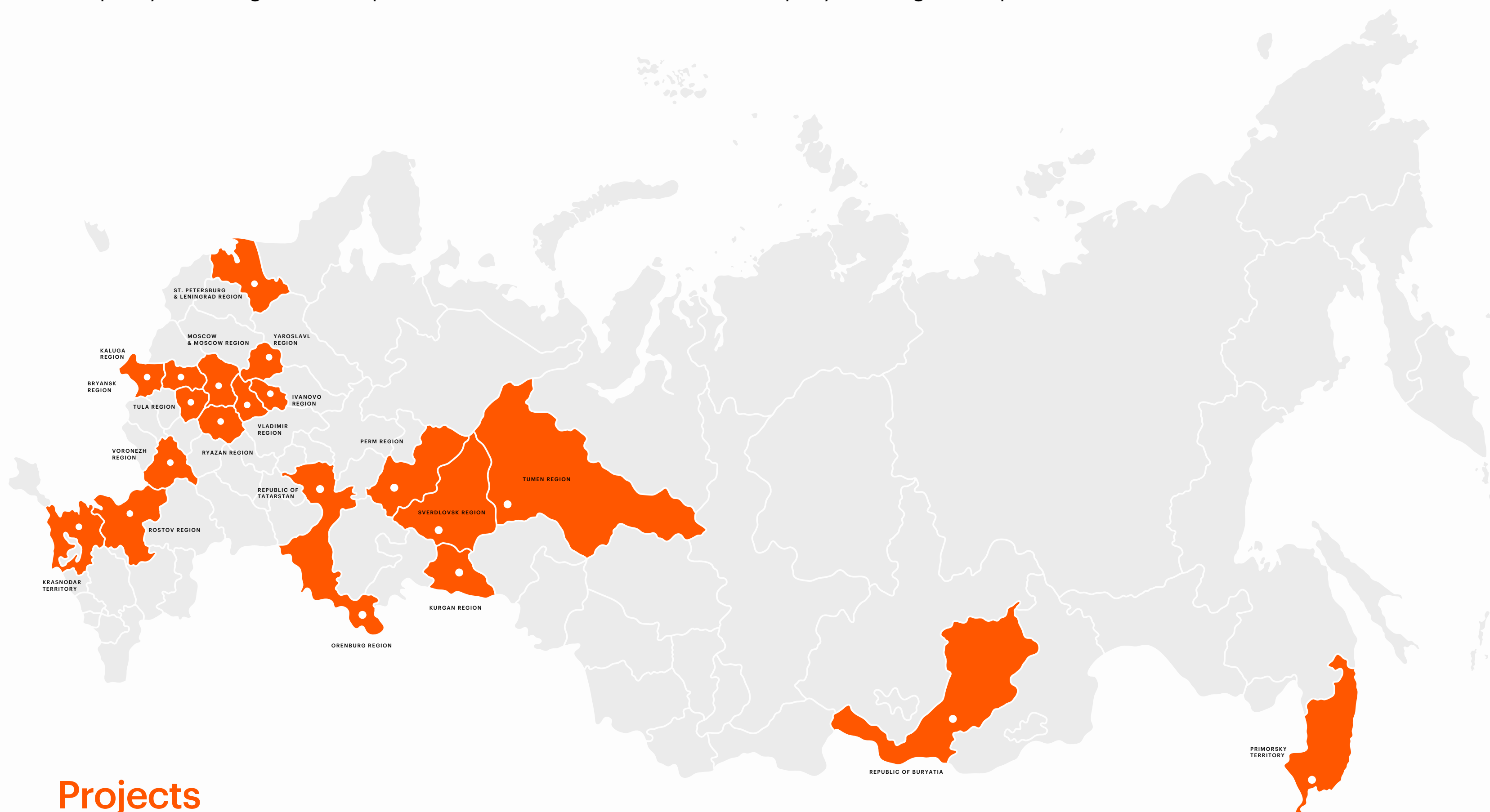
The Company is actively developing the area of franchising in project management and construction production. PIK also develops, implements and promotes advanced IT solutions in the market to automate and optimize business processes.

### Geography of operations

GRI 102-3, 102-4

The Company carries out development activities in 14 regions of its presence. Moscow and the Moscow region remain the Company's key regions accounting for 88% in total sales in 2020. In addition, the management company PIK-Comfort manages real estate in 40 cities of 20 Russian regions. The Company is headquartered in Moscow.

The applied standards set a high bar and a single unified approach that allows for achieving a high level of quality at all stages of work performance in each division of the Company in all regions of presence.



**Projects**  
in 14 regions

**Housing management**  
20 regions

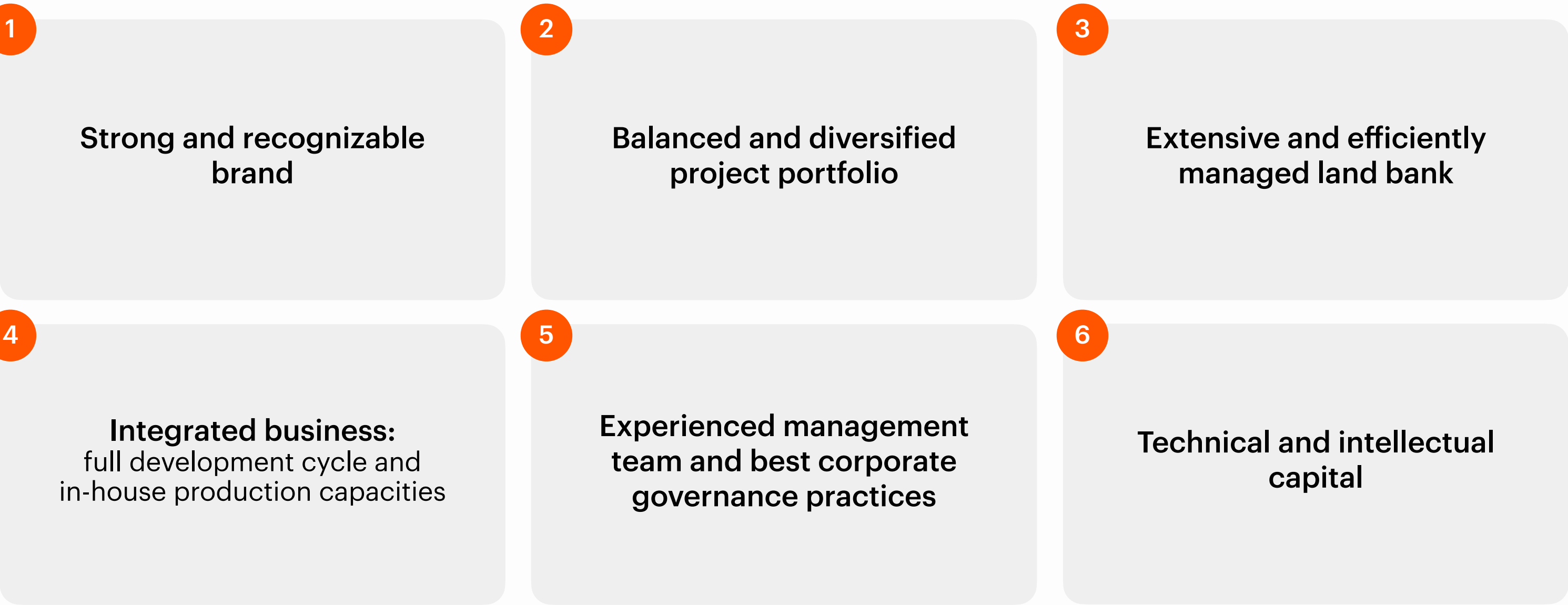


## Business model

The PIK business model has a number of competitive advantages that allow for sustainable financial and operational development.

### Competitive advantages

The fundamental factors that determine the financial and operational success of PIK are a number of competitive advantages associated primarily with a recognizable brand and leadership positions in the residential real estate markets of Moscow and the Moscow Region.



## 1. Strong and recognizable brand

The fundamental difference between PIK and its competitors is the focus on the development of the Company's brand that implies a philosophy of housing comfortable for everyone's life, high standards and quality assurance, achieved in particular through the use of modern innovative technologies.

### PIK brand

The Company took 30th place in the rating of the most valuable brands in Russia compiled by the British consulting company Brand Finance, rising ten positions over the year.

PIK is recognized as the fastest growing Russian brand according to the Brand Finance Russia 50 rating. According to the latest Brand Finance report, the value of the PIK brand amounted to RUB 52 billion, which is 53% higher than in 2019. PIK is the only Russian developer included in the rating.

### New PIK logo

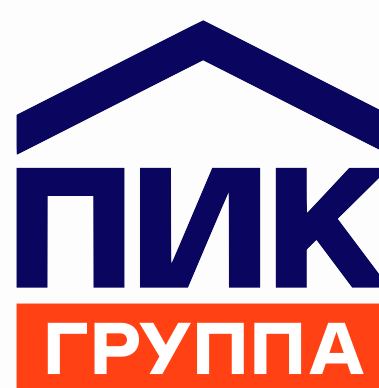
In 2020 the Company presented its revised logo. The main feature of the revised logo is conciseness: the "roof" and the word "group" have been removed, and the usual colors now include only orange. The changes in the logo are explained by the fact that the Company is changing, expanding the range of services provided: the brand covers proptech services of the sector, as well as financial and other services. The new logo will allow for building a visual system of brands in a more flexible way.



1994



2016



2017



2020

## 2. Balanced and diversified project portfolio

The projects implemented by the Company are diverse, which provides buyers with a wide choice of options that vary in prices and class of housing, location of real estate, layouts and even individual architecture of buildings. Thus, the Company offers a product that is adapted to customer needs to the greatest possible extent. In addition, the PIK portfolio is balanced in terms of the time of sale and types of products and services, as well as sectors of activity, which ensures long-term stability and sustainability of the business.

## 3. Extensive land bank

The Company's own land bank is the foundation of the Company's financial and operational stability. The availability and implementation of effective land asset management is one of the key indicators of PIK's success.

As of 31 December 2020, the Company's land bank increased by 49% compared to the preceding year and reached about 16.5 million square meters. At the same time, the valuation of the land bank went up by 60% compared to 2019 and reached RUB 689 billion.



#### 4. Experienced management team and best corporate governance practices

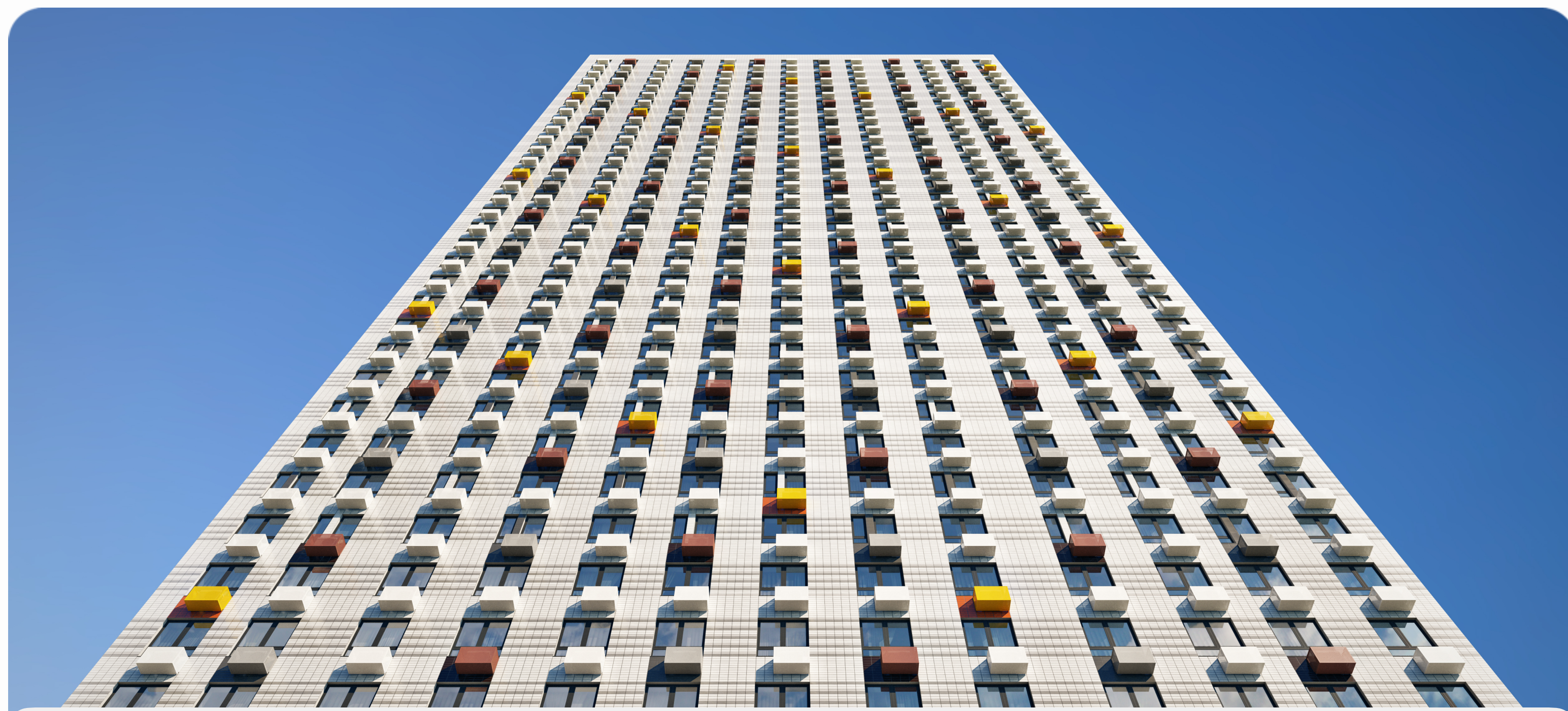
The Company is managed by experienced professionals who are ready for unconventional solutions. Activities are focused on global best practices, combined with a creative approach and ambitious plans.

#### 5. Technical and intellectual capital

Innovative developments and unique solutions used by PIK have proven to be effective under the uncertain conditions of 2020. Many years of experience, technical and intellectual capital of the Company not only allow for optimizing internal business processes, but also for developing the industry by providing products and services, transferring experience in automation and digitalization to construction and development companies.

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

The Company implements the entire development cycle of a site, including land acquisition, design preparation, construction, and the management of commissioned property. It is important to note that some construction materials are produced by PIK, which guarantees timely delivery of materials during the construction process. This approach ensures high quality of work performed, prompt adaptation to changing operating conditions and reduces the project implementation period. (For more details see the Company's 2019 Sustainability Report, subsection «Business model», page 20, and subsection «Development cycle», page 21).



#### PIK-12: reduced commissioning period

In 2020, the Company set an ambitious goal to reduce the construction period from the moment of obtaining a permit to handing over keys to a customer. The average period of delivering properties in the industry is from 28 to 40 months. PIK-12 was the first project completed in 12 months. In such record times, a fully ready-to-move-in residential building in finished condition with utility systems was built. The first building under the PIK-12 project is a 25-storey building with 312 apartments.

The structural features of the building made it possible to accelerate the pace of construction. Spacious elevator shafts were installed, and the first floor was built using the prefabricated technology, and not the usual one – monolithic.

The panels were prefabricated at a factory, which made it possible to exclude the influence of weather and other factors on production. Finishing work performed in parallel with the construction of the building also influenced the construction period. Under such an approach costs are reduced due to lower project funding, which means lower interest on the loan.

The experience gained made it possible to use the developed technological solutions and to optimize the construction process, which will lead to a further reduction of the period for transferring the finished property to the buyer. In 2021, PIK will build a 25-storey building in 9 months, and also for the first time in the history of Russia – a 33-storey prefabricated building PIK-33.



## Strategy

PIK continues to follow a strategic course aimed at geographical and sector expansion of the business, digitalization and innovation, as well as improving business sustainability through the development of social and environmental practices and improving corporate governance.

### Expansion

One of PIK's strategic objectives is to expand the number of regions where the Company is represented. The growing demand for PIK's housing philosophy and quality products meeting the PIK Standard contribute to this goal. PIK anticipates buyers' wishes: the plans include the launch of a new business line to create tailored projects in order to diversify the architecture. In 2020, **18 new projects (including 7 fee-development projects)** were launched in the Moscow region with a total area of 2,042 thousand square meters. According to PIK's strategy, in 2021 53 new projects with a total area of 9,205,000 square meters will be launched on the market, including projects in 6 new regions of presence.

Responding to the growing trend of not only living, but also efficiently working in a remote format in comfortable suburban housing, the Company saw the possibility of developing the relevant infrastructure. At the moment, suburban housing estates with recreation areas, playgrounds, medical and educational institutions within walking distance are not represented on the market.

An important area of PIK's business is Light Industry, i.e. the construction of large industrial parks where small high-tech businesses are located. In the future, this area will make it possible to create a large number of highly-paid jobs.

Another growth point of the Company is fee-development, i.e. the management of the land bank through the creation of development scenarios, concepts, as well as the design, management, construction and sale of housing under the PIK brand. The goal for 2021 in this area of activity is the launch of 9 new projects with an approximate EBITDA margin of 15-20%.

PIK's general contractor business is growing from year to year. The benchmark for the next 3-4 years is the achievement of revenue in this area of about RUB 200 billion with a targeted margin for net profit of approximately 10%.

In the medium term (for 2023-2024), the main strategic goals are to boost sales in the field of development outside Moscow and the Moscow region to 50%, as well as achieve a balance in revenue from non-development business (share of 50%).

### Innovation

PIK is an architectural technology company. Due to the introduced innovative technologies, it is planned to increase the design capacity from 5 to 10 million square meters in 3 years, as well as reduce the cost of designing the area sold: in 2021 to RUB 1,092/month (including VAT), and in 2022 to RUB 1,000/month.

In 2021, it is planned to launch a new product – PIK-Furniture. This is furniture of own design and production with account for the modern lifestyle and current trends. The cost of furniture can be included in the mortgage, which will allow buyers to gain access to a comfortable living space at no additional cost.

The Company is building an ecosystem for the sale, purchase and rent of housing by launching new services. The goal in this segment is to increase the number of transactions: in 2021 – 20,000 transactions compared to 5,315 in 2020. The goal for the next three years is to receive revenue from the ecosystem of services amounting to RUB 100 billion.

The Company's competitive advantages are high product quality and construction speed. PIK's objective is to reduce the period for delivering real estate, which will improve the current practice: most of our buildings are already being built using the prefabricated technology.

The Company's plans include the development of a bathroom pod plant that supplies ready-made units to construction sites for their subsequent connection to the utilities systems. At present, the bathroom pod production capacity is 50,000 per year. In 2021, it is planned to double the volume of production, since there is significant demand on the part of other developers for such a product.

The main strategic task in the field of innovation is construction of a building in two weeks, including time for the finishing work. Modular construction technology can make it possible. This technology will also help to make the construction process greener by:

- reducing the volume of construction debris to almost zero;
- cutting CO2 emissions;
- reducing the number of injuries and deaths of employees working at construction sites (modular construction involves production in safe and comfortable conditions of a plant).

PIK aims to be one of the companies that will lead the technological breakthrough and the process of creating the modular housing industry.

## Development of IT and digitalization

### Approach to IT management

Since digitalization and automation provide important competitive advantages and are integrated into the PIK business model, the management system is constantly improving with the development of digital tools. In 2020, most of the Company's IT departments became part of the PIK Digital structure, which allowed for centralizing processes and creating a single management system where each of the departments is responsible for automation and services of a certain independent business area of the Company. In addition, a financial function was created in 2020 to manage the combined IT budget.

PIK focuses on the dissemination of digitalization knowledge and skills among its employees. To raise awareness of the Company's employees about IT systems and ensure the exchange of experience among IT specialists of different business areas, an internal PIK IT Online Conference was launched (29 releases in 2020). Local meetings (meet-ups) on the applied technologies for developers, analysts, testers were also held. Regular meetings on the methodology were held for project and product managers, and architectural committee meetings – for analysts and testers.

In 2020, automation and digitalization processes were carried out in all business segments:

- automation of the back office and the shared services center;
- development of customer products;
- automation of the industrial unit;
- automation of the operating unit;
- automation of the commercial unit;
- automation of the construction unit.

### Online transformation

In 2020, the processes of transformation and transition of business processes to the online format accelerated in connection with the pandemic of the coronavirus infection COVID-19. The main achievements of the reporting year include:

- **Transition to remote work.** It is important to note that remote work for PIK is not a trend of 2020, the Company has been consistently preparing for this format of work since 2018. The infrastructure was quickly and efficiently prepared and all office employees of the Company were transferred to remote work, including technical support staff, call center operators and sales managers. Remote work technologies have made it possible to enter regional labor markets. To improve the quality of products being developed and integrations being implemented, architectural committees were established, regulations for supporting, analyzing and developing software solutions were introduced, and new online documentation tools were applied.
- **A completely online transaction on the sale of real estate.** Buying housing has become even easier, more convenient and faster. After the introduction of online sales, the average timeline for concluding a transaction from booking an apartment to transferring documents to the Federal Service for State Registration, Cadastre and Cartography (Rosreestr) is 6-8 days. The share of online transactions at the end of 2020 year amounted to 98%, the remaining 2% of customers are served remotely. Such indicators were achieved by the ecosystem of online sales, the main principle of which is convenience for the customer achieved through a user-friendly interface and improvement of the customer journey.



## Using artificial intelligence

In 2020, the Company continued to develop the artificial intelligence technology and implement it to solve practical issues of construction and development. Artificial intelligence is used in urban planning analysis, as well as to supervise construction workers' performance under two pilot projects:

1. model of motion recognition and productivity schedule overlay;
2. a digital twin and line load assessment.

In addition, artificial intelligence is used to categorize requests received from customers. The category and accuracy factor are determined: if the accuracy factor is high enough, then the case is automatically categorized and routed, and if the factor is not high enough, then the category is filled out as recommended and the case is transferred to an employee for manual processing.

## Innovative BIM technology

The Company created one of the largest VDI (Virtual Desktop Interface) platforms with 3D support so that a significant number of designers can work comfortably. BIM technology digital building modeling software is used in the process. Creating "digital twins" of the project allows employees to work remotely in a distributed team, synchronizing their actions while they are in different time zones.

The main product of BIM technology is data sets, i.e. sets of data necessary to solve certain issues. This approach to using data eliminates errors before they reach construction sites, which helps to avoid unnecessary costs.

In 2020, this technology contributed to the prompt and efficient transition to remote working. An important result is also a lower number of employees involved in the design process, which has reduced its cost.

## Development plans

In early 2021, an IT strategy was developed based on the Company's goals, its main areas are:

1. increasing the speed of business change and manageability in all existing areas with the necessary level of centralization;
2. optimizing quality control processes to complete the full process cycle and enhance product and data safety measures;
3. standardization aimed at reducing operating costs, improving the quality and speed of new projects implementation;
4. development of the internal and external IT brand, introduction of innovative technologies;
5. creating the R&D area.

The Company continues to follow the goal of transferring all processes related to the acquisition of real estate to the online mode, while maintaining the priority of convenience for customers. In 2021, a global optimization of the productivity of information exchange with customers will be carried out through the introduction of new technologies and protocols. Reducing risks of information security threats and analyzing potential vulnerabilities in the business application and key IT infrastructure components are important aspects of online sales development.

Combating COVID-19

The COVID-19 pandemic has become a challenge for the society, the state and the business community. PJSC «PIK SHb» had to act decisively in the conditions of uncertainty and crisis, but the chosen strategy showed its effectiveness: the Company was able to maintain a stable position in the real estate market. The Company supported its employees and customers and took a set of anti-crisis measures to maintain a balance in the construction sector.



Support  
for employees

- 1. Closure of representative offices on each project and creation of an online office
- 2. Creation of the Manager Personal Account with an option to monitor the number of employees with COVID-19 and their condition at the moment
- 3. Creation of Employee Personal Accounts with an option to make an appointment for PCR testing and vaccination
- 4. Provision of accommodation for employees who did not have time to go home before the quarantine began; regular disinfection and services in the accommodation facilities
- 5. Online training sessions on stress management, adaptation to new conditions and time management; provision of office furniture and equipment for home use



Helping  
the society

- 1. Construction of recreation facilities for medical staff of hospital No. 52 in Moscow in a short timeframe (15 days): 100 places for sleeping and recreation, a dining room for 120 seats
- 2. Participation in the construction of A5-A7 buildings of an infectious disease hospital near the village of Golokhvastovo. The total area of the building for 60 treatment blocks constructed by the PIK is 5,200 square meters.



Business  
solutions

- 1. Daily disinfection of public areas and small architectural forms on all projects in Russia with daily temperature control of employees performing disinfection
- 2. Forwarding utilities requests of residential complexes residents through a Personal Account directly to responsible parties
- 3. Transferring operations to the contactless mode

The Company took actions to help the society during the pandemic. For example, the Company participated in the construction of hospitals in many regions: both in the construction from scratch and in re-equipping existing premises for combating COVID-19 in a record period of time. In total, PJSC «PIK SHb» » allocated about RUB 700 million for measures to combat the spread of the COVID-19 pandemic and minimize its consequences.

# 2. Sustainability management

## Priorities and key areas of sustainability activities

PIK is a leader in the development market and is included in the list of systemically important entities of the Russian economy. The Company is aware that construction involves certain risks and inevitably makes an impact on the society and the environment. Therefore, PIK seeks to minimize possible negative effects of its activities and use the opportunities of a company of this scale to create long-term value for all stakeholders. To this end, the Company integrates the sustainability principles at the strategic and operational levels.

In order to unlock its sustainable development potential and reduce associated ESG risks, the Company is improving its approach to managing sustainability aspects, developing and updating internal regulatory documents in this area and increasing the transparency of its activities through public disclosure of information. The main document governing PIK's sustainable development is the Sustainability Policy

PIK's main sustainability goal is to contribute to the implementation of the Company's strategy aimed at enhancing its leadership positions in the industry, ensuring the effective use of resources, making a positive contribution to social and economic development and following high standards of environmental and industrial safety, corporate governance and social responsibility, requirements to protection against threats of natural and man-made nature.

PIK's approach to sustainable development is consistent with the Company's corporate ethical values, including: respect, trust, honesty, care for employees, efficiency, responsibility. The Company follows the best international practices and joins global sustainability initiatives.

### Participation in the UN Global Compact

Since 2019, PIK has been a party to the UN Global Compact, thus reaffirming its commitment to ten principles of the international initiative in four key areas of corporate responsibility: human rights, labor relations, the environment and anti-corruption.

PIK identifies all these areas as significant for its activities and continues to improve relevant approaches and practices, applying the highest standards of sustainability.

In 2020, the labor relations principles came to the fore for PIK – the Company made every effort to fulfill its obligations to employees in full, despite the difficulties caused by the COVID-19 pandemic.

For details on PIK's compliance with the Ten Principles of the UN Global Compact see Appendix 5.

PIK recognizes the importance of the Sustainable Development Goals adopted by the UN General Assembly in 2015 (hereinafter referred to as the SDGs) and seeks to contribute to their achievement in order to address the significant economic, social and environmental problems of the global community. The Company's contribution to the achievement of the UN SDGs is reflected in PIK's sustainability objectives contained in the Sustainability Policy.



PIK’s sustainability priorities and contribution to achieving SDGs

Environmental

PIK’s objectives

- minimizing the adverse impact of the Company's activities on the environment, human habitat and production environment;
- efficient and prudent use of natural resources.

Regulatory documents

Environmental program (JSC PIK-Industry).

UN SDGs



Section of the Report

Environmental protection

Social

PIK’s objectives

- promotion of professional and personal growth of the Company's employees;
- ensuring the safety of the Company's employees, counterparties’ employees and the population in the process of the Company's operations;
- promoting the social and economic development of the Company's regions of presence and the country as a whole.

Regulatory documents

- Code of Ethics
- Collective Agreement (JSC PIK-Industry);
- Occupational Health and Safety Policy (JSC PIK-Industry);
- Regulations on Recruitment.

UN SDGs



Section of the Report

HR Management  
Stakeholder engagement  
Customer relations  
Social responsibility  
Occupational health and safety  
Economic security

Governance

PIK’s objectives

- Increasing the shareholder value of the Company and maintaining high standards in management;
- establishing an effective and transparent system of stakeholder engagement;
- introducing innovations and new technologies at all stages of the Company's operations.

Regulatory documents

- Corporate Governance Code;
- Code of Ethics;
- Internal control and risk management policy.

UN SDGs



Section of the Report

Corporate governance  
Stakeholder engagement  
Quality control  
Procurement management  
Economic security

Organizational structure  
of sustainability management

PIK addresses sustainability issues at all management levels, which creates the conditions for efficient implementation of the sustainability principles in the Company. PIK’s senior management is engaged in managing issues of operational and technological development, and in the creation of a customer-focused and socially responsible brand. The Company’s subsidiaries and business units also have their own regulations, adapted with account for the specific aspects of their operations.

Sustainability objectives are included in the agenda of corporate governance bodies, officials and heads of PIK’s structural divisions and subsidiaries.

1. strategic level

Board of Directors

The Board of Directors performs strategic management, determines strategic areas of sustainable development, monitors their implementation and assesses performance

Audit and Risks Committee

Participation in the system of internal control and risks management, control of the quality and accuracy of economic and financial reporting

Strategy Committee

Formulation of the sustainability strategy

Investor Relations and Corporate Communications Committee

Organization and improvement of efficiency of stakeholder engagement

Personnel and Remunerations Committee

Maintaining officials’ independence

Sustainability Committee

Management of sustainability issues, supervision of the sustainability strategy implementation

2. management level

Executive bodies

The Management Board and the CEO determine objectives and supervise the integration of sustainability principles into PIK’s business processes and decision-making

CEO

Management Board

3. operational level

Structural subdivisions  
and subsidiaries

Responsibility for implementation of tasks and policies, stakeholder engagement, execution of sustainability projects and initiatives at the level of subdivisions

The list of the Board of Directors' objectives includes the consideration and approval of internal documents on sustainability, social and environmental responsibility, the results of activities related to sustainability, as well as ensuring the reliability and independence of financial and operational information and reporting.

In 2020, the Sustainability Committee under the Company's Board of Directors was established as part of improving the sustainability management system. The Chairman of the Committee is an independent member of the Board of Directors, Alexei Alexandrovich Blatin.

The main objectives of the Sustainability Committee include promoting PIK's effective work related to sustainability, addressing the most important issues and aspects in this area and informing the Board of Directors about them.

### Functions of the Sustainability Committee

- 1 defining strategic sustainability goals and monitoring the implementation of the strategy
- 2 consideration of key risks and opportunities associated with sustainability
- 3 monitoring compliance with legislative requirements and compliance with internal documents on sustainability and ESG
- 4 monitoring the performance of obligations on compliance with the UN Global Compact principles
- 5 monitoring the effectiveness of stakeholder engagement on sustainability and ESG issues, including the engagement of investors and shareholders
- 6 preliminary consideration of sustainability reports and other public documents covering sustainability and ESG issues

Yury Yuryevich Ilin, Chairman of the Investor Relations and Corporate Communications Committee and member of the Sustainability Committee and the Strategy Committee of the Board of Directors, is responsible for sustainability management at the strategic level.

## Stakeholder engagement

PIK seeks to increase the openness and transparency of its operations and to engage in an open dialog with all stakeholders, taking into account and maintaining a balance of interests of different stakeholder groups through effective interaction mechanisms.

PIK identifies key stakeholder groups based on what influence the Company may have on a particular stakeholder category and what influence the stakeholder may have on PIK. The principles of interaction with stakeholders are enshrined in the Sustainability Policy. **GRI 102-42**

The Company 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. PIK uses various interaction tools and mechanisms to establish transparent long-term relationships and obtain feedback. A call center, hotline, e-mail address ([info@pik.ru](mailto:info@pik.ru)) and other communication channels are available for an open dialog with stakeholders and for receiving feedback/suggestions from them.

PIK creates the most convenient services for customers and other stakeholders in order to increase the effectiveness of interaction on requests and messages. PIK websites are a universal means of communication with stakeholders, they are regularly updated in accordance with changing needs and requests and taking into account best practices.

In 2020, PIK continued to actively engage with stakeholders, despite restrictions associated with the spread of COVID-19. The Company focused on the development of online communications. The PIK corporate website has been updated according to best practices. PIK also actively uses various social networks, including Facebook, YouTube, VKontakte, Odnoklassniki and Instagram. **GRI 102-43, 102-44**

For more information on the mechanisms and results of stakeholder engagement see Appendix 2.

## Participation in industry associations and external initiatives

PIK carries out its operations in accordance with the requirements of Russian laws, the standards of international law, the international treaties of the Russian Federation, and applicable national laws in other jurisdictions. The Company also performs all the obligations it has assumed, as set forth in its internal documents, and its obligations to stakeholders. **GRI 102-12, 102-13**

The Company 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 taking into account the UN Sustainable Development Goals and the principles of the UN Global Compact. (For more details see the section «Sustainability management»).

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

In 2020, the Company was a member of the following industry organizations:

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



Sustainability risk management

The Company's risk management activities are aimed at continuous monitoring, identification and assessment of risks, implementation of a set of regular risk management activities and identification of their interconnection with management processes, as well as raising awareness about risks among both internal and external stakeholders.

GRI 102-15

Sustainability risk management is integrated into the overall PIK risk management system (for more details see «Risk management and internal control system» in the section «Corporate governance»). In accordance with the PIK risk management concept, risks associated with sustainability are considered as company management risks and are addressed at both the operational and strategic levels.



Environmental risks

- risks of a negative impact on the environment
- risks of non-compliance with legal requirements and regulations



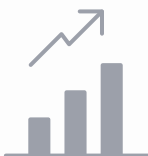
Occupational health and safety risks

- risks of emergencies and incidents
- risks of accidents and fatalities
- risks of occupational diseases



HR management risks

risks associated with recruiting, retaining, and motivating qualified personnel



Risks associated with maintaining financial stability

risks of non-fulfillment of financial obligations due to the growth of project financing



Regulatory risks

risks associated with changes in legislation, obtaining permits, licenses, compliance with the requirements of government authorities



IT and information security risks

- risks of cyber attacks and data leaks
- risk of IT system failures



Ethics and corruption risks

risks associated with unethical business conduct, violation of anti-corruption policy, fraud, dissemination of insider information



Risks associated with suppliers and contractors

- risks of breaches of contracts
- risks of non-conformity of the quality of deliveries and works

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

GRI 102-11

Development plans

In 2021 and the medium term, PIK will continue to improve its sustainability management through regular meetings of the Sustainability Committee.

More details of the plans for the development of the Company's sustainability management system for each line of business are provided in the relevant sections of the Report.

# 3. Corporate governance

## Corporate governance practices

PIK's system of corporate governance is a system of relations between shareholders, the Board of Directors, executive bodies and other stakeholders. The Company's current corporate governance practices facilitate the integration of sustainable development principles, ensure effective control over the Company's financial and economic activity, and compliance with social and legal obligations. In its activities, PIK is governed by both Russian and international corporate governance standards.

The main internal document establishing the Company's governance standards is the Corporate Governance Code. The key principles set out in the Code are:

- ensuring compliance with the standards and requirements of the laws of the Russian Federation;
- observance of shareholders' rights and interests;
- accountability of the Board of Directors, the CEO and the Management Committee to shareholders;
- ensuring transparency and openness of management and financial information for all stakeholders;
- ensuring an effective system of internal control and audit; creating and maintaining trust between corporate governance participants and mutually beneficial cooperation with all stakeholders.

In 2020, the Company continued to improve its corporate governance practices and internal regulatory documents. For example, the Regulation on Compensation and Reimbursement of Expenses of Members of the Board of Directors and Audit Commission of PJSC «PIK SHb» was developed. In addition, the following documents were approved in 2020: Regulations on the Investor Relations and Corporate Communications Committee of the Board of Directors of PJSC «PIK SHb» and Regulations on the Sustainability Committee of the Board of Directors of PJSC «PIK SHb».

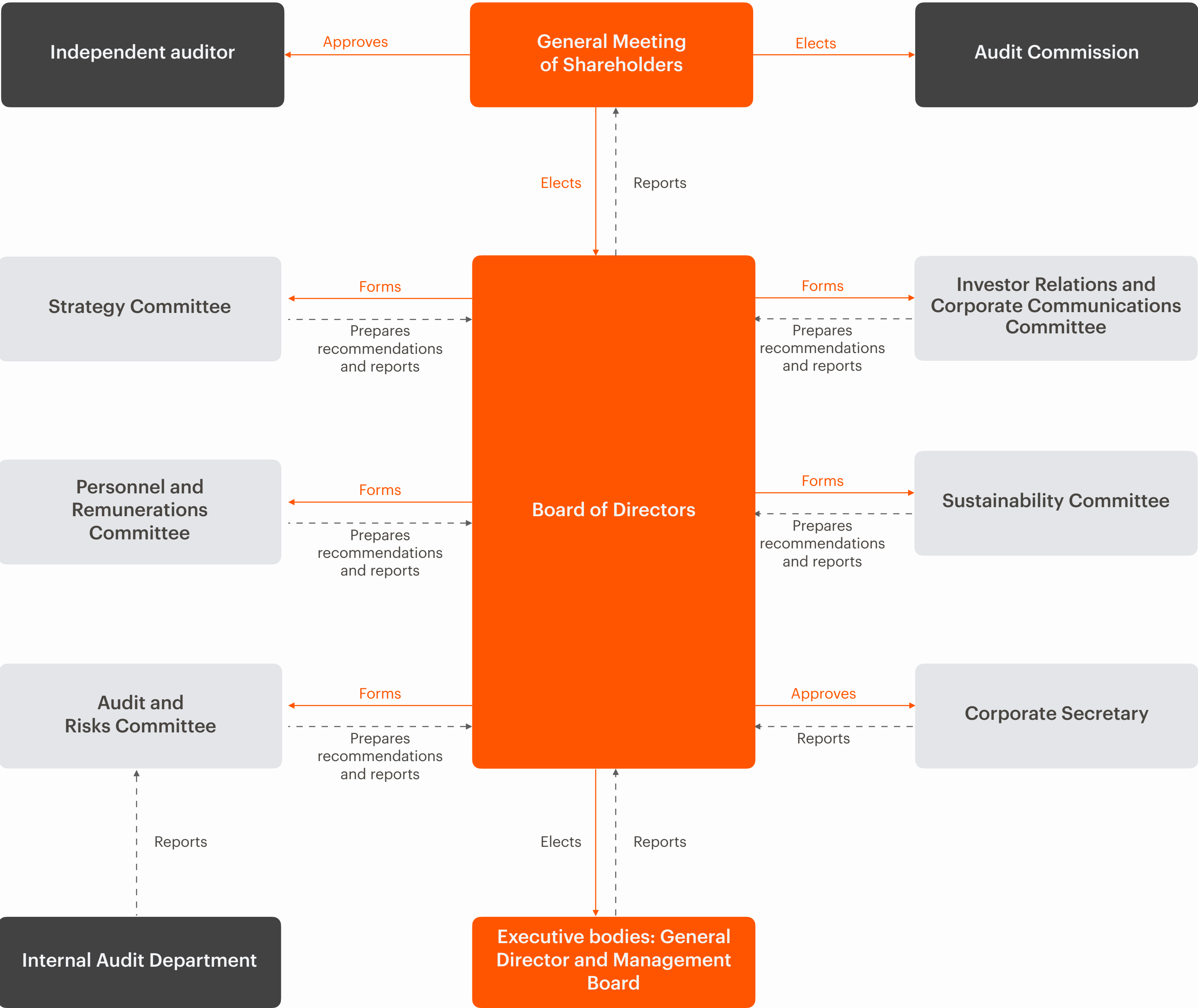
You can familiarize yourself with these documents on the PIK official website in the [«Regulatory Documents»](#) section.

## Structure of corporate governance bodies

The key participants in the corporate governance system are the General Meeting of Shareholders, the Board of Directors and the Executive Bodies. In addition, Committees of the Board of Directors are actively functioning. This corporate governance structure of the Company ensures proper control over PIK's operations and facilitates the protection of shareholders' rights.

In 2020, PIK's corporate governance structure underwent the following changes:

- based on the decision of the Board of Directors of 6 October 2020, the Company has formed two new Committees of the Board of Directors: Sustainable Development Committee and Investor Relations and Corporate Communications Committee;
- based on the decision of the annual General Meeting of Shareholders of 30 September 2020, a new Board of Directors consisting of nine persons was approved. Two members of the Board of Directors left and two new members were elected. The following persons have joined the Board of Directors as new independent members: Julian M. Simmonds and Gregor William Mowat.



## General Meeting of Shareholders

The General Meeting of Shareholders is the supreme management body. At annual General Meetings shareholders take decisions on the most important issues of the Company's activity.

In 2020, due to the Covid-19 pandemic, the annual General Meeting of Shareholders was held through absentee voting on 30 September 2020 when the following decisions were made:

- approval of PIK's annual report and annual financial statements for 2019;
- distribution of PIK's profits and losses, including payment of dividends based on 2019 results;
- election of the Board of Directors;
- election of the Audit Commission;
- approval of the Auditor;
- approval of the Regulation on Compensation and Reimbursement of Expenses of Members of the Board of Directors and Audit Commission in the new edition.



## Board of Directors

The Board of Directors performs the overall management of PIK’s operations, except for issues assigned by the Federal Law and the Company’s Articles of Association to the competence of the General Meeting of Shareholders. The objectives of the Board of Directors are to ensure maximum efficiency and profit, to protect the rights and interests of shareholders, and to ensure the completeness, reliability and objectivity of PIK’s public information. Within the framework of its competencies, the Board of Directors determines the Company’s priority areas and strategy, approaches to the organization of the risk management and internal control system, and also monitors the management’s performance.

GRI 102-22,  
102-26

PIK achieves an optimal balance between the expertise and skills of members of the Board of Directors, as well as executive, non-executive and independent directors. Members of the Board of Directors differ in age, gender and nationality. During the reporting period, the Board of Directors included nine people: eight were men and one woman. At present, four of the nine members of the Board of Directors are independent directors. The high share of independent directors (about 50%) facilitates the decision-making of the Board of Directors in the interests of shareholders and serves as an indicator of the high level of maturity of PIK’s corporate governance.

In order to create an efficient and qualified Board of Directors, the Personnel and Remunerations Committee assesses the independence and skills of candidates, develops requirements to members of the Board of Directors. The independence of directors is determined in accordance with the criteria specified in the Listing Rules of PJSC "Moscow Exchange" and the Company's internal regulatory documents.

GRI 102-24

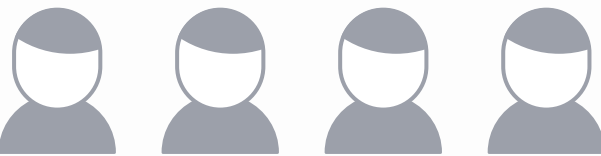
The Chairman of the Board of Directors is elected by and from among its members by majority vote. The Chairman’s powers include organizing the work of the Board of Directors, convening a meeting and ensuring the efficient work of the Board of Directors’ committee.

GRI 102-23

### Members of the Board of Directors by type and gender as of 31 December 2020

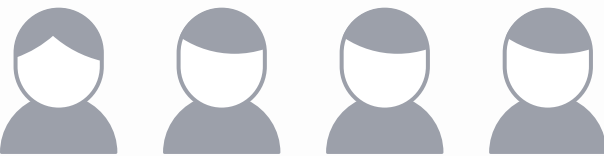
4

Executive directors



4

Independent directors



1

Non-executive director



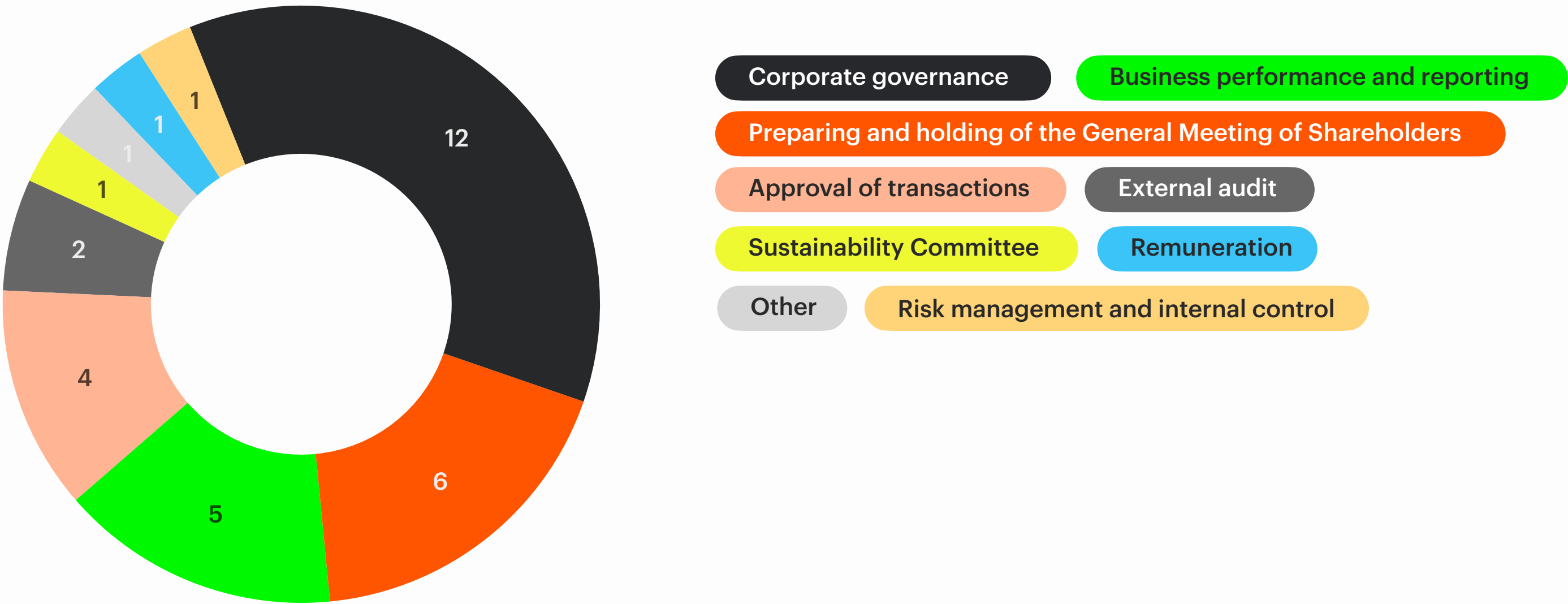
Directors and attendance in 2020

Full names of the members of the Board of Directors	Term on the Board of Directors	Status	Number of meetings attended
Karpenko, Alexey Alexandrovich	01.01.2020–31.12.2020	Chairman, non-executive director	10 of 10
Blanin, Alexei Alexandrovich	01.01.2020–31.12.2020	Independent Director	8 of 10
Varennya, Alexander Ivanovich	01.01.2020–30.09.2020	Independent Director	8 of 10
Prygunkov, Alexander Sergeevich	01.01.2020–30.09.2020	Executive Director	8 of 10
Simmonds, Julian	30.09.2020–31.12.2020	Independent Director	3 of 10
Rustamova, Zumrud Khandadashevna	01.01.2020–31.12.2020	Independent Director	9 of 10
Balandin, Ilya Mikhailovich	01.01.2020–31.12.2020	Executive Director	10 of 10
Gordeev, Sergei Eduardovich	01.01.2020–31.12.2020	Executive Director	10 of 10
Ilin, Yury Yuryevich	01.01.2020–31.12.2020	Executive Director	10 of 10
Mowat, William Gregor	30.09.2020–31.12.2020	Independent Director	3 of 10
Timofeev, Dmitriy Alexandrovich	01.01.2020–31.12.2020	Executive Director	10 of 10

Meetings of the Board of Directors are held regularly and are characterized by high attendance by members of the Board of Directors. (For information on meetings and attendance by members of the Board of Directors see Appendix 2). In 2020, 10 meetings of the Board of Directors were held, 2 of which were held in person (ZOOM conference) and 8 – in absentee format (in written form).

Issues related to corporate governance, formation and assessment of executive bodies, performance and reporting, risk management and internal control, external audit, approval of transactions, preparing and holding the General Meeting of Shareholders were considered at the meetings. Decisions were taken on 32 issues.

Structure of issues considered by the Board of Directors in 2020



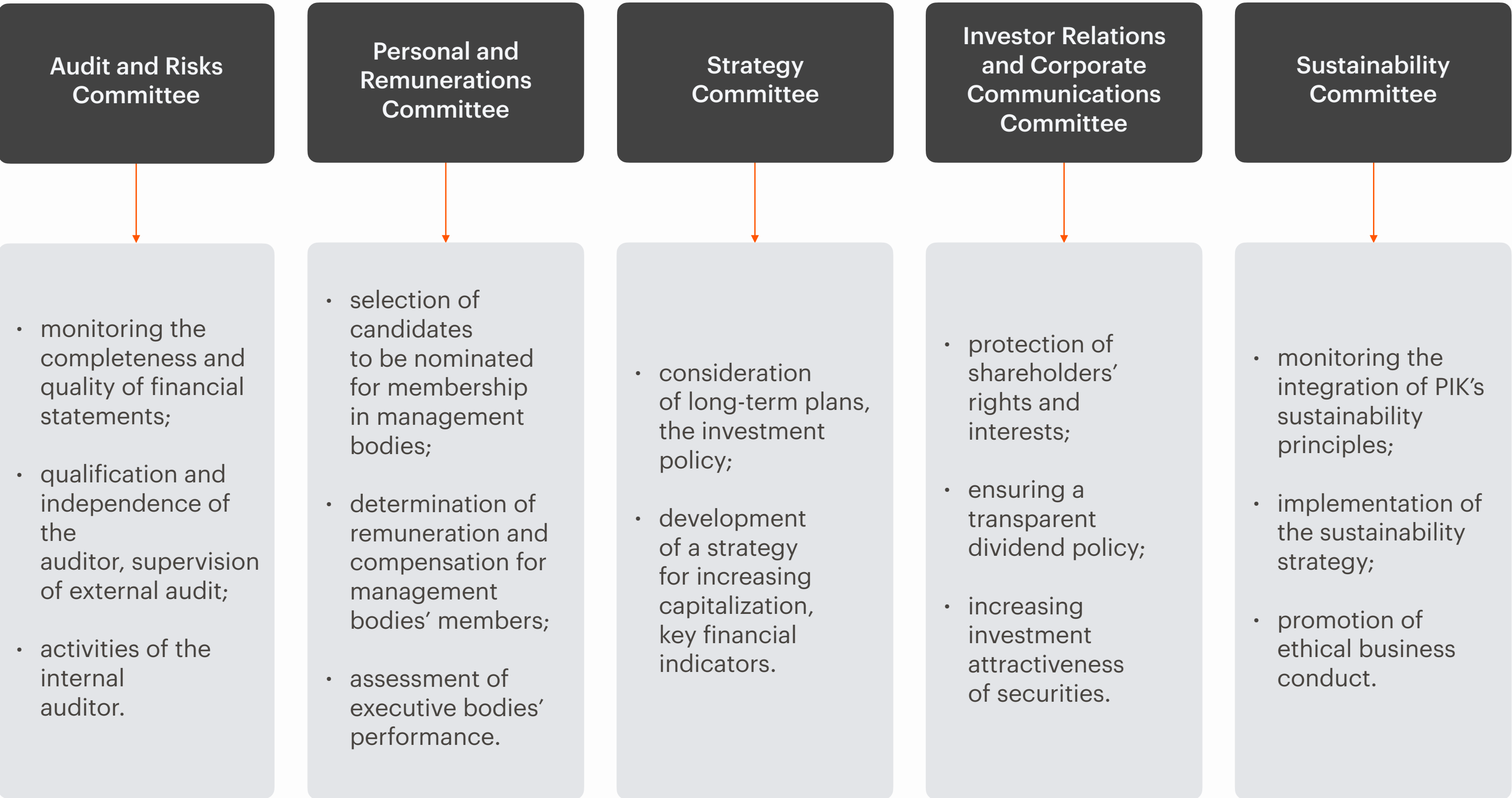
## Committees of the Board of Directors

Standing Committees have been established to prepare recommendations and provisionally consider the most important issues within the competence of the Board of Directors:

- Audit and Risks Committee;
- Personnel and Remunerations Committee;
- Strategy Committee;
- Investor Relations and Corporate Communications Committee (established in 2020);
- Sustainability Committee (established in 2020).

The committees report to the Board of Directors.

### Competence of the Committees of the Board of Directors



Most of the Committees members are independent directors. Independent directors prevail in the Audit and Risk Committee, the Personnel and Remunerations Committee and the Sustainability Committee. The Chairmen of four of the five Committees are independent directors.

Members of the Audit and Risk Committee of the Board of Directors in 2020

Full names of the members of the Board of Directors	Term on the Committee in the reporting period	Number of meetings attended
Blanin, Alexei Alexandrovich Chairman until 08.10.2020	01.01.2020–31.12.2020	3 of 3
Mowat, William Gregor Chairman since 08.10.2020 (Finance Expert)	08.10.2020–31.12.2020	0 of 3
Varennya, Alexander Ivanovich	01.01.2020–30.09.2020	3 of 3
Ilin, Yury Yuryevich (Finance Expert)	01.01.2020–31.12.2020	3 of 3

Members of the Strategy Committee of the Board of Directors in 2020

Full names of the members of the Board of Directors	Term on the Committee in the reporting period
Blanin, Alexei Alexandrovich, Chairman	01.01.2020–31.12.2020
Gordeev, Sergei Eduardovich	08.10.2020–31.12.2020
Balandin, Ilya Mikhailovich	01.01.2020–31.12.2020
Ilin, Yury Yuryevich	01.01.2020–31.12.2020

Members of the Personnel and Remunerations Committee of the Board of Directors in 2020

Full names of the members of the Board of Directors	Term on the Committee in the reporting period	Number of meetings attended
Varennya, Alexander Ivanovich Chairman until 30.09.2020	01.01.2020–30.09.2020	1 of 1
Rustamova, Zumrud Khandadashevna	01.01.2020–31.12.2020	1 of 1
Simmonds, Julian Chairman since 08.10.2020	08.10.2020–31.12.2020	0 of 1
Karpenko, Alexey Alexandrovich	01.01.2020–31.12.2020	1 of 1



Members of the Investor Relations and Corporate Communications Committee of the Board of Directors in 2020

Full names of the members of the Board of Directors	Term on the Committee in the reporting period
Ilin, Yury Yuryevich Chairman	06.10.2020–31.12.2020
Litovskaya, Stanislava Olegovna	06.10.2020–31.12.2020
Mowat, William Gregor	06.10.2020–31.12.2020

Members of the Sustainability Committee of the Board of Directors in 2020

Full names of the members of the Board of Directors	Term on the Committee in the reporting period
Blanin, Alexei Alexandrovich Chairman	06.10.2020–31.12.2020
Ilin, Yury Yuryevich	06.10.2020–31.12.2020
Rustamova, Zumrud Khandadashevna	06.10.2020–31.12.2020

The Strategy Committee, the Investor Relations and Corporate Communications Committee and the Sustainability Committee held no meetings in 2020.

## Information on the members of the Board of Directors as of 31 December 2020

Full names of the members of the Board of Directors	Karpenko, Alexey Alexandrovich	Blanin, Alexei Alexandrovich	Simmonds, Julian	Rustamova, Zumrud Khandadashevna	Balandin, Ilya Mikhailovich
Date of birth	04.01.1975	06.08.1975	13.04.1951	21.09.1970	21.08.1984
Status	Chairman of the Board of Directors	Independent member of the Board of Directors	Independent member of the Board of Directors	Independent member of the Board of Directors	Member of the Board of Directors
Term on the Board of Directors in the reporting period	01.01.2020–31.12.2020	01.01.2020–31.12.2020	30.09.2020–31.12.2020	01.01.2020–31.12.2020	01.01.2020–31.12.2020
Term on the Board of Directors as of 31.12.2020	Since 2018	Since 2014	Since 2020	Since 2014	Since 2018
Education	Lomonosov Moscow State University, Law, Moscow, Russia; Skolkovo Moscow School of Management, Executive MBA, Moscow, Russia	Higher, Moscow Region State Institute of Physical Education, major: Physical Education and Sports, qualification: teacher.	University of Surrey BSc (Hons) Russian and Economics 2:1	Moscow Institute of Economics and Statistics, major: Statistics	Lomonosov Moscow State University, Mechanics and Mathematics Department
Опыт работы	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.	2009 to the present – General Director, LLC Real Estate Development Solutions.	2002–2012 – Manresa Developments Ltd; 2006–2010 Saxo Bank, Independent Non-Executive Director; 2007 to the present – VTB Capital, Independent Non-Executive Director; Chairman of the Remunerations Committee. Member of the Advisory Council of the London Philharmonic Orchestra. Governor of Chelsea Academy.	Deputy General Director of JSC “Polymetall MC”; Deputy General Director (part-time) of JSC “Polymetall”; Deputy General Director (part-time) of CJSC “IST”; Member of the Board of Directors of JSC “Magnitogorsk Iron and Steel Works”; Member of the Board of Directors of LLC “United Wagon Company”; Member of the Board of the Polytechnic Museum Development Fund; Member of the Board of Non-State Energy Pension Fund (non-profit organization).	2017 to present -Director of the Venture Investment Department, Public Joint-Stock Company «PIK-specialized homebuilder».

## Information on the members of the Board of Directors as of 31 December 2020 (continued)

Full names of the members of the Board of Directors	Gordeev, Sergei Eduardovich	Ilin, Yury Yuryevich	Mowat, William Gregor	Timofeev, Dmitriy Alexandrovich
Date of birth	22.11.1972	17.10.1977	20.04.1972	18.11.1977
Status	Member of the Board of Directors	Member of the Board of Directors	Independent member of the Board of Directors	Member of the Board of Directors
Term on the Board of Directors in the reporting period	01.01.2020–31.12.2020	01.01.2020–31.12.2020	30.09.2020–31.12.2020	01.01.2020–31.12.2020
Term on the Board of Directors as of 31.12.2020	Since 2019	Since 2019	Since 2020	Since 2019
Education	Togliatti Academy of Management, major: Finance and Credit	Saint Petersburg University, major: Finance and Credit	Member of the Institute of Chartered Accountants of Scotland (certified accountant). Bachelor of Arts in English Literature and Language, Durham University, UK	Lomonosov Moscow State University, Department of Law, major: Law
Experience	May 2014 to the present – CEO of Public Joint-Stock Company «PIK-specialized homebuilder»; since December 2013 – majority shareholder of PJSC «PIK-specialized homebuilder»; 2005–2010 – Member of the Federation Council of the Federal Assembly of the Russian Federation.	2018 to the present – Vice-President for Capital Markets and Corporate Finance, Public Joint-Stock Company «PIK-specialized homebuilder»; 2010–2018 – Director for Investor Relations, LSR.	2011–2015 – Partner, CFO, member of the KPMG CIS Executive Committee; 2013–2015 – Managing Partner, KPMG in Kazakhstan and Central Asia; 2014–2015 – Member of KPMG Partners’ Board in the Commonwealth of Independent States (CIS); 2014–2016 – Founder and Chairman of the British Chamber of Commerce in Kazakhstan; 2016 to the present – co-founder and CFO, nooli group, including LOQBOX Savings Ltd; 2017 to the present – Non-Executive Director, Chairman of the Audit Committee, Nordgold SE; 2018 to the present – Non-Executive Director, Chairman of the Audit Committee, Member of the Strategy Committee of PJSC AKB AK BARS, Non-Executive Director, Chairman of the Audit Committee, PJSC “Magnit”.	2014–2018 – Director for Legal Issues, LLC “MC Rosvodokanal”; September 2019 to the present - Vice-President for Government and Corporate Relations of Public Joint-Stock Company «PIK-specialized homebuilder»



## Executive bodies

The Company's day-to-day operations are managed by the collegial and single-person executive bodies — the Management Board and the CEO. The Management Board is responsible for the efficient, transparent and good faith execution of the decisions of the General Meeting of Shareholders and the Board of Directors of the Company. The CEO, who is the Chairman of PIK’s Management Board, acts on behalf of the Company and represents its interests.

The Management Board includes professionals of the highest level, experts in finance, risk, economics and construction. Members of the Management Board are Vice-Presidents, they oversee various lines of the Company’s business.

### Members of the Management Board in 2020

Full name of the Management Board member	Position	Term on the Management Board
Titov, Alexander Valentinovich	Vice-President for Economics and Finance – Financial Director	01.01.2020–22.07.2020
Prygunkov, Alexander Sergeevich	First Vice-President – Operational Director	01.01.2020–22.07.2020
Timofeev, Dmitriy Alexandrovich	Vice President for Government Relations and Corporate communications	01.01.2020–22.07.2020
Zolotarev, Alexey Alexandrovich	Vice-President for Land Asset Development	01.01.2020–22.07.2020
Gordeev, Sergei Eduardovich	CEO, Chairman of the Management Board	23.07.2020–31.12.2020
Almazov, Aleksey Andreasovich	Vice President for Regional Development	23.07.2020–31.12.2020
Kondratiev, Stanislav Vladimirovich	Senior Vice-President, Head of ConTech	23.07.2020–31.12.2020
Polandov, Ivan Nikolaevich	Senior Vice-President, Head of Development	23.07.2020–31.12.2020
Rosso, Gennady Genrievich	Senior Vice-President, Head of Sales and PropTech	23.07.2020–31.12.2020
Smakovskaya, Elena Sergeevna	Vice-President for Economics and Finance, Financial Director	23.07.2020–31.12.2020
Shevchenko, Maria Timofeevna	Vice-President for Coordination of Operating Activity	23.07.2020–31.12.2020
Yakushechkin, Maxim Evgenievich	Senior Vice-President, Head of General Contracting	23.07.2020–31.12.2020

## Information on the members of the Management Board as of 31 December 2020

Full name of the Management Board member	Gordeev, Sergei Eduardovich	Almazov, Aleksey Andreasovich	Kondratiev, Stanislav Vladimirovich	Polandov, Ivan Nikolaevich
Status	CEO, Chairman of the Management Board	Vice-President for Regional Development	Senior Vice-President, Head of ConTech	Senior Vice-President, Head of Development
Education	Togliatti Academy of Management, major: Finance and Credit	Higher, Moscow State Construction University, Engineer majoring in Hydrotechnical Construction	Higher, Moscow Institute of Economics, Politics and Law, Bachelor of Economics	Higher, Moscow State Construction University, Engineer majoring in Industrial and Civil Construction
Experience	May 2014 to the present – CEO of Public Joint-Stock Company «PIK-specialized homebuilder»; since December 2013 – majority shareholder of Public Joint-Stock Company «PIK-specialized homebuilder»; 2005–2010 – Member of the Federation Council of the Federal Assembly of the Russian Federation	September 2019–June 2020 – Vice-President for Planning and Franchise Development; July 2020 to the present – Vice-President for Regional Development.	February 2015–July 2020 – Vice-President, Director of the Product Department; July 2020 to the present – Senior Vice-President, Head of ConTech.	January 2018–July 2020 – Vice-President, Director of Moscow Directorate; July 2020 to the present – Senior Vice-President, Head of Development.
Full name of the Management Board member	Rosso, Gennady Genrievich	Shevchenko, Maria Timofeevna	Yakushechkin, Maxim Evgenievich	Smakovskaya, Elena Sergeevna
Status	Senior Vice-President, Head of Sales and PropTech	Vice-President for Coordination of Operating Activity	Senior Vice-President, Head of General Contracting	Vice-President for Economics and Finance, Financial Director
Education	Higher, Moscow State University of Economics, Statistics and Informatics, Economist majoring in Finance and Credit;  Moscow International Institute of Econometrics, Informatics of Finance and Law, Lawyer majoring in Law	Higher, Bauman Moscow State Technical University, Engineer majoring in Design and Technology of Electronic Computing	Higher, Moscow State Construction University, Civil Engineer majoring in Industrial and Civil Construction	Higher, Moscow State University of Economics, Statistics and Informatics, Economist majoring in Finance and Credit
Experience	February 2015–July 2020 – Vice-President, Director of the Sales Department; July 2020 to the present – Senior Vice-President, Head of Sales and PropTech.	May 2018–July 2020 – Director of the Operational Planning Department; July 2020 to the present – Senior Vice-President for Coordination of Operating Activity	January 2018–July 2020 – Vice-President for Renovation, Director of the Renovation Directorate; July 2020 to the present – Senior Vice-President, Head of General Contracting.	July 2020 to the present – Vice-President for Economics and Finance, Financial Director.

## Remuneration practices

The main document governing the remuneration of members of the management and control bodies is the Regulations on the Compensation of Members of the Board of Directors and the Audit Commission.

GRI 102-35,  
102-36

Pursuant to the Regulations, remuneration for the performance of obligations is not paid to members of the Board of Directors and the Audit Commission who are employees or directors of PIK companies or public officials. Remuneration is paid only to independent members of the Board of Directors who receive payments on a quarterly basis. PIK does not follow the practice of paying remuneration in shares or other instruments. The amount and decision on the payment of remuneration are determined by the General Meeting of Shareholders.

The remuneration of members of the Board of Directors consists of a base amount and a supplementary amount. According to the Regulations, the base amount<sup>3</sup> of remuneration is RUB 1.2 million. If a member of the Board of Directors performs the functions of the Chairman on more than one Committee of the Board of Directors, he/she receives an additional remuneration. The supplementary amount of remuneration is RUB 600 thousand for the Chairman of the Board of Directors and RUB 240 thousand for the Chairman of a Committee of the Board of Directors.

Members of the Board of Directors are compensated for expenses related to travel to face-to-face meetings of the Board of Directors or its committees, General Meetings of Shareholders. In addition, the members of the Board of Directors are compensated for expenses related to events in which they participate as part of performing duties assigned to the members of the Board of Directors. The total amount of compensation of expenses for each member of the Board of Directors may not exceed RUB 1 million for the corporate year.

### Compensation of members of the Board of Directors, thousand RUB

	2018	2019	2020
Compensation for participating in the work of the management body	17 121,7	17 113,8	18 667,8
Salary	0	42 807,5	54 286,4
Bonus	0	0	0
Commission	0	0	0
Other types of compensation	0	0	0
TOTAL	17 121,7	59 921,3	72 954,2

The remuneration of the members of the collegial executive body consists of two parts – the monthly salary established by the employment contract, and the year-end bonus. PIK is developing a draft document that will regulate the Company's approach to the Management Board remuneration and the application of key performance indicators (KPIs) in the area of sustainable development. The draft is expected to be approved in 2021-2022.



Compensation of members of the management board, thousand RUB

	2018	2019	2020
Compensation for participating in the work of the management board	140 566,6	0	0
Salary	1 049 877	127 657,7	115 071
Bonus	0	523 850,6	349 000
Commission	0	0	0
Other types of compensation	0	25 312,2	78 608
TOTAL	1 190 443,6	676 820,5	542 679

Audit Commission

In order to exercise control over the financial and business operations, PIK has established an Audit Commission consisting of three people. Members of the Audit Commission are elected annually at the General Meeting of Shareholders.

The key powers of the Audit Commission are to verify the reliability of financial documents, analyze the financial and economic position of the Company, ensure the legality of decisions and actions of PIK’s executive bodies; and the timeliness and correctness of settlements with counterparties, shareholders and creditors.

The Corporate Secretary and the Office of the Corporate Secretary

In order to comply with the requirements of laws and PIK’s internal documents that guarantee the exercise of shareholders’ rights and the development of corporate governance practices, the Board of Directors appoints the Corporate Secretary and members of the Office of the Corporate Secretary. The Corporate Secretary supports the work of the Board of Directors, coordinates work with shareholders and ensures the protection of shareholders’ rights.

For more information on the functions of the Corporate Secretary and the Office of the Corporate Secretary, see the [Regulations on the Corporate Secretary and the Office of the Corporate Secretary](#).

Risk management and internal control system

Approach to internal control and risk management

The key goal of PIK’s risk management and internal control system is to ensure the achievement of the Company's strategic goals, compliance with laws, internal regulatory documents and procedures. The main regulatory document is the Internal Control and Risk Management Policy.

GRI 102-15,  
102-29

The risk management system makes it possible to timely identify, document and assess risks that may negatively affect PIK’s operations. Risk management is performed in accordance with the principles and requirements of applicable Russian laws, the Corporate Governance Code recommended for application by the Bank of Russia, and the provisions of international risk management standards, including ISO 31000:2018 and COSO ERM: 2017.

The main areas of the internal control and risk management system are compliance with internal regulatory documents and procedures, financial and operational efficiency, assessment of the effectiveness and adequacy of risk management, and implementation of strategic goals of effective business management.

The Company's risk management system is based on the principle of clear allocation of functional responsibilities, which makes it possible to perform continuous risk management work at all organizational levels.

Allocation of powers within the internal control and risk management system

Level 1

Board of Directors and Audit and Risk Committee

- Overview of the external environment
- Approval of strategy and determination of strategic lines of business
- Assessment of the effectiveness of the risk management system
- Consideration of risk reporting

Level 2

Vice-Presidents and department directors

- Monitoring of key risk indicators
- Assessment of the adequacy of the risk management measures

Level 3

Departments

- Implementation of strategic objectives
- Risk identification, assessment, and monitoring
- Preparation of reporting on emerging risks

PIK identifies 6 key risk classifications: by dependence on external factors, by groups of risk factors, by source of risk, by area of responsibility, by probability of the occurrence of an event, by level of threat. (For more information on risk classification see [the Company's Sustainability Report for 2019, page 41](#)).

In 2020, the Company identified the following major risks:

- a reduction in the consumer purchasing power (the significance increased compared to 2019);
- forced reduction in the price for implemented projects (the significance decreased compared to 2019);
- failure to obtain the urban planning plan of the land plot according to the plan (the significance increased compared to 2019);
- failure to meet the deadlines for the start of construction and the start of sales (the significance of the risk remained unchanged);
- difficulties with the fulfillment of financial obligations due to the growing project financing (a new risk).

## Internal and external audit

Internal and external audit of the Company is intended to assist management bodies in achieving their goals and ensuring the objectivity and reliability of financial statements.

Internal audit is delivered by the Audit Commission, the Internal Audit Department and the Audit and Risk Committee of the Board of Directors.

The Internal Audit Department reports functionally to the Audit and Risk Committee of the Board of Directors, and administratively – to PIK CEO. In active cooperation with the Board of Directors, the Internal Audit Department participates in improving risk management, control and corporate governance systems.

GRI 102-29

The main objectives of the Internal Audit Department are to improve corporate governance processes, assess the effectiveness of internal control and risk management systems, and identify their deficiencies using a systematic and consistent approach. For information on the functions of internal audit see the [Regulations on the Internal Audit Department](#).

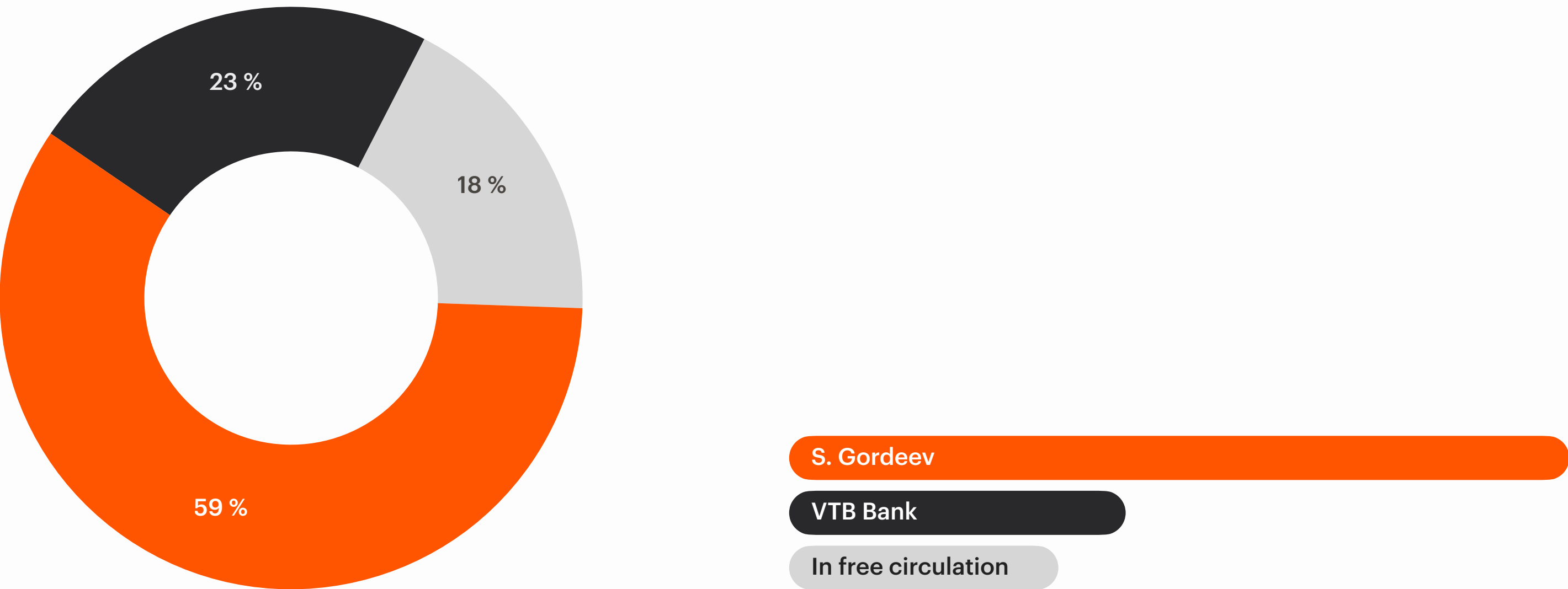
In 2020, the auditor of the consolidated financial statements was KPMG JSC; remuneration of the external auditor for the audit of the consolidated financial statements and the review of the consolidated interim condensed financial statements of PIK SHb and its subsidiaries as of and for the reporting period ending December 31, 2020 and June 30, 2020, prepared in accordance with International Financial Reporting Standards, amounted to 48,676 thousand rubles.



Shareholder equity and securities

As of 31 December 2020 the shareholder equity of the Company consisted of 660,497,344 declared and outstanding ordinary shares with equal voting rights, without a nominal value.

Structure of shareholder’s equity



Dividend policy and payment of dividends

One of the main rights of shareholders is to receive dividends. The approach to determining and paying dividends is established by the Company's Dividend Policy. PIK seeks to pay dividends on a semi-annual basis according to the amount of dividends of at least 30% of the net cash flow.

The recommended amount of dividends is determined at a meeting of the Board of Directors, depending on the Company’s financial performance. Based on the Board of Directors’ recommendation, the final decision on the amount and payment of dividends is taken at the General Meeting of Shareholders.

Dividend payments, RUB

Year	Total dividends, RUB	Dividends per share	Date of payment
2019	14 999 894 682,24	22,71	By 16.11.2020
2018	14 999 894 628,24	22,71	By 05.07.2019
2017	14 999 894 628,24	22,71	By 09.10.2018

## Investor and shareholder relations

One of the most important factors affecting PIK's stable development is the maintenance of mutually beneficial relations with investors. To this end, the Company performs systematic activities in order to ensure transparency and access to information about PIK through efficient communication channels.

The Investor Relations and Capital Markets Department interacts with investors on an ongoing basis. Interaction is ensured through non-deal roadshows, quarterly conference calls to discuss operational and financial results, meetings and presentations, distribution of press releases, publications in professional media. In addition, the Company's representatives participate in key investment events. In 2020, PIK took part in VTB forums "Russia Calling!" and "Russia: The Inside Track." In addition, a non-deal roadshow was conducted in the online format.

The transition of investor relations to the online format in 2020 simplified communication and resulted in a broader coverage of the investment base. The Company increased the scope and format of interaction in such a way as to cover not only institutional but also individual investors. In particular, events were held with key brokers working with individual investors (individuals) in Russia.

In order to comply with the principle of disclosure, data on material facts, financial statements and other information about PIK and its operations are published on PIK's official website ([www.pik.ru](http://www.pik.ru)). In the reporting year, the Company restructured its corporate website in accordance with best practices in order to improve its convenience of use, including use by investors, and a large-scale update of the entire website is planned for 2021.

## Development plans

PIK seeks to comply with international principles of corporate governance and improves the system of corporate governance on an annual basis. The following activities are planned for 2021 and the medium term:

- introduction of the practice of presenting the position of the Board of Directors on each item on the agenda during General Meetings of Shareholders;
- approval of the developed Conflict of Interest and Corporate Conflict Management Policy;
- inclusion in the 2021 Board of Directors' work plan of the reports prepared by the single-person Executive Body and members of the collegial Executive Body on the implementation of the Company's strategy;
- approval of the developed Regulation on Compensation and Reimbursement of Expenses of Members of the Executive Bodies and Other Key Management Employees;
- publication of the Controlling Person's Memorandum<sup>4</sup> reflecting the Controlling Person's plans and intentions in respect of the Company;
- development and approval of a document regulating the control over transactions with parties related to significant shareholders.

<sup>4</sup> In accordance with corporate legislation, a controlling person means a person who has the right to directly or indirectly dispose of more than 50% of the votes at the General Meeting of Shareholders of the Company or to appoint a single-person executive body and/or more than 50% of the members of the collegial management body of the Company by holding shares or rights stipulated by the contract.

# what we create

HR management  
Customer relations  
Social responsibility

2

# what we create

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

- customer trust won through years of successful experience of implementing 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

**2 355** thousand m<sup>2</sup>

the volume of sales

**By 10 pp**

the share of mortgage sales increased compared to 2019

**4,7/5**

customer  
satisfaction  
index (CSI)

## Customer journey

1

- brand recognition, marketing
- consideration of purchase

2

purchase of an apartment, additional goods and services

3

- receiving keys
- taking up property

4

living in a modern urban environment



# 4. HR management

## Approach to HR management

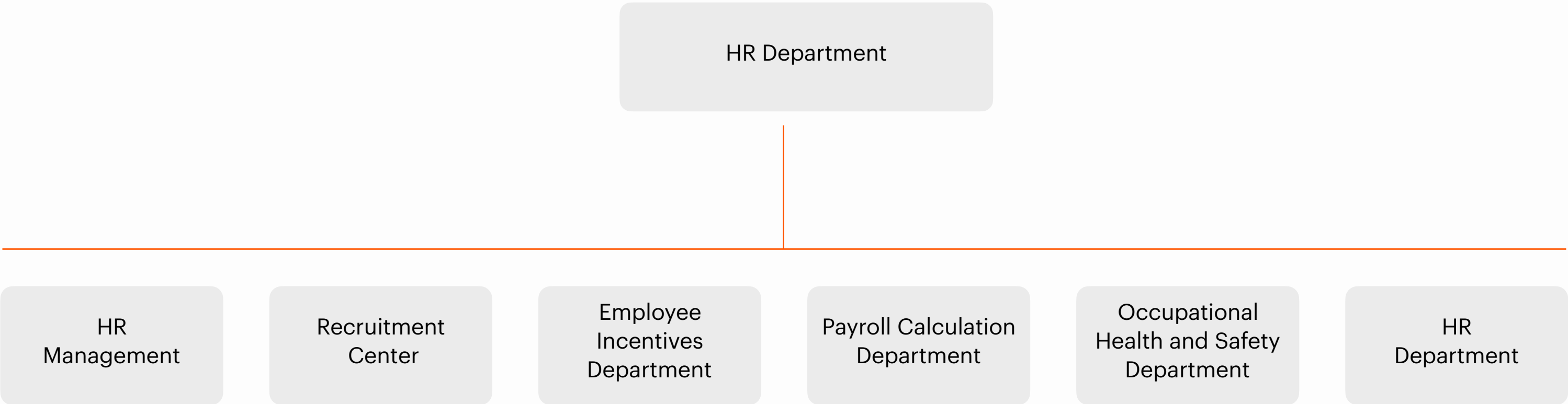
One of PIK’s top priorities is to create and retain a team of highly qualified and motivated employees. The Company’s efficient HR management system guarantees favorable working conditions, social security and protection of employees’ rights. The Company focuses on ensuring fair treatment and equal opportunities for all employees and their non-discrimination.

PIK’s HR management is in strict compliance with the requirements of the Russian labor legislation and is also aimed at complying with the requirements of international standards.

### HR management goals of the Company



### Organizational structure of HR management



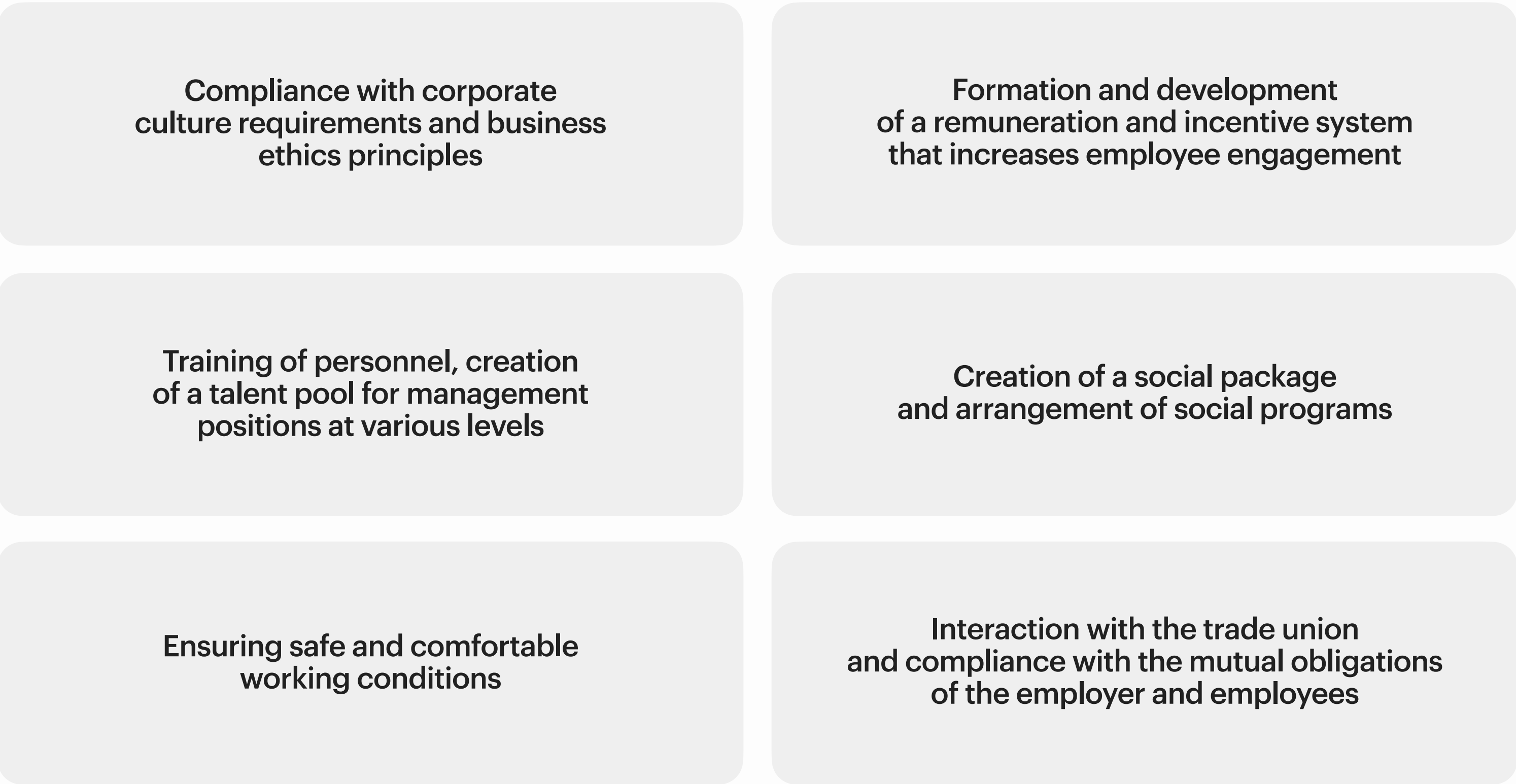
In 2020, the HR function was centralized to improve HR processes, especially in the context of changes caused by the COVID-19 pandemic. Based on the HR management system analysis conducted in 2019, HR management, recruitment and payroll functions were centralized; the relevant departments became part of the HR Department.

Centralization has made it possible to collect information more quickly and efficiently, which has also led to the creation of a unified records base, more transparent management processes, and an opportunity to control and optimize the workload of employees and meet requirements for workforce through the reallocation of personnel.

To support employees in the new conditions of remote work, a human resources unit was created that implements corporate programs, including programs of psychological support and prevention of professional burnout.

The transformation of the HR management system makes it possible to perform the main HR functions more effectively and to ensure care for employees.

**Main functions of PIK’s HR management system**



In the reporting year, the list of key internal documents governing human and social policy issues was supplemented with a number of orders on measures to reduce the risks of disease and the spread of the coronavirus infection COVID-19. (The list of documents governing HR management is available in [the Company's Sustainability Report](#) for 2019, page 51.)

## Combating COVID-19. Remote work

Due to the growing number of COVID-19 cases in early 2020, the Company's focus shifted: the main objective of HR management was to optimize HR processes, fulfill obligations to personnel, prevent the spread of the coronavirus infection COVID-19 and promptly transfer as many employees as possible to the remote format.

It is important to note that the pandemic accelerated the processes of digitalization and flexible approaches to work that had been underway in previous years in accordance with the Company's long-term development priorities. As a result of these measures 97% of office staff were working remotely in 2020. In addition, the following changes took place in connection with the transition to remote work at the Company:

- unified rules of remote work were approved;
- remote workplaces were organized (laptops for work from home were provided, access to working documents was granted using cloud services, ergonomic furniture was provided to set up a convenient working place at home, local coworking mini-offices were opened after the isolation measures were lifted);
- policies and standards were developed and approved to mitigate the risk of the coronavirus infection spread;
- awareness-raising events on the format, rules, policies and tools of remote work for employees were arranged;
- employees were retrained.

A positive result of the transition to the remote mode was an increase in employees' efficiency. This was determined using improved performance measurement mechanisms that take into account the specifics of various groups of employees.

## Digitalization projects

In 2020, the Company continued to introduce digital technologies and automation mechanisms into the HR management system. In order to successfully implement the digitalization strategy, PIK also conducts regular training of employees in digital skills, which has become a prerequisite for transition to remote work.

In 2020, the Company implemented the following key digitalization projects:

- **Employee Personal Account.** The project launched in 2019 was significantly improved during the reporting period. In particular, an information section on the coronavirus infection was added, including information on vaccination and testing. In addition, some functions that made HR procedures more accessible to employees were simplified. In 2021, the Company plans to launch a Manager Personal Account with a wide range of functions. Using this tool, managers will be able to monitor staff schedules, vacations and performance.
- **Implementation of a single CRM system to automate** recruitment processes. As part of the recruitment function systematization, a classifier was created, and a tool for analyzing the Company's needs for employees was developed and implemented.
- **Transition to Centralized 1C Module: payroll and HR management.** Management accounting of personnel was automated due to the transition to centralized software. A single system allows for combining many disparate personnel accounting bases into a single base and using a single centralized platform to plan the budget, introduce targets for employees based on the performance assessment system, and plan the headcount.

## Ensuring the protection of human rights

PIK takes all available measures to ensure the protection of the rights of its employees and stakeholders enshrined in the Constitution of the Russian Federation. Since 2019, the Company is the UN Global Compact, member, which implies additional obligations of the Company in respect of human rights. Accession to the UN Global Compact on Corporate Social Responsibility and Sustainable Development requires compliance with the Ten Principles of the UN Global Compact on Responsible Business, six of which are related to human rights.

The Company also strives to ensure diversity and equal opportunities for all employees. PIK does not allow discrimination on the basis of race, sex, age, religion, nationality, social status, physical or other individual characteristics unrelated to the professional qualities of employees.

The HR Department and the Personnel Evaluation, Training and Development Department are responsible for managing the protection of the interests and rights of employees. In addition, the observance of employees' rights is strictly controlled by trade unions.

In relations with employees, PIK complies with the following ethical principles set forth in the Code of Ethics:

- complies with all the requirements of labor legislation and the terms of the employment contract;
- respects personal freedom and human rights;
- supports and respects the protection of internationally declared human rights;
- provides everyone with equal opportunities and does not discriminate in the area of work and employment;
- upholds the elimination of all forms of forced and compulsory labor;
- creates the conditions for employees' professional development;
- does not use child labor in its operations;
- maintains confidentiality and ensures the protection of employees' personal data.

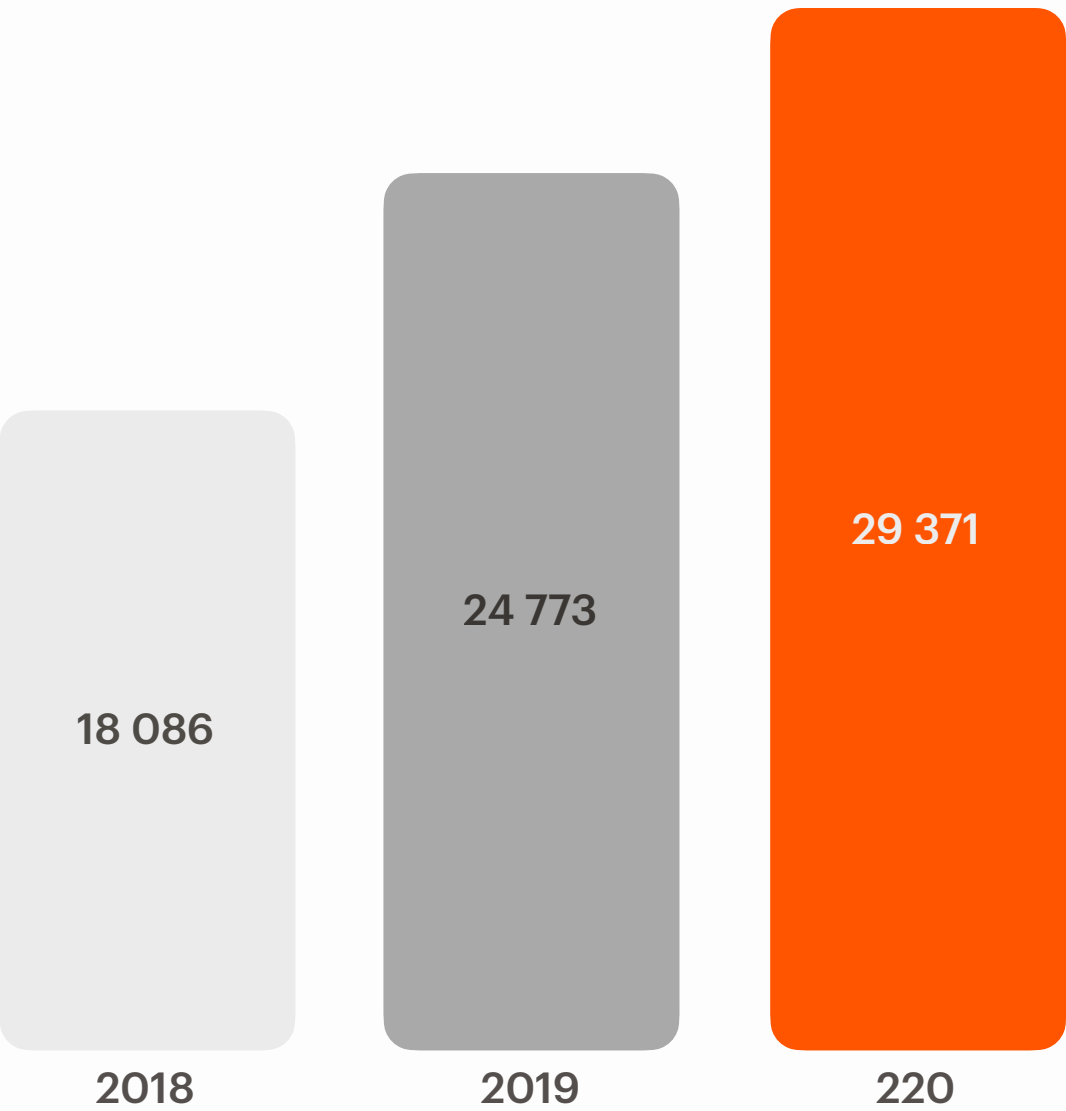
The Company requires mandatory familiarization of all new employees with the Code of Ethics. In addition, in order to raise awareness, employees are regularly reminded about the Code of Ethics, the rules of communication and the Company's values.



Personnel structure

In 2020, PIK's headcount was 29,371 employees. In the reporting year, the turnover rate slightly fell compared to 2019 data and amounted to 20.24% GRI 102-8, 405-1

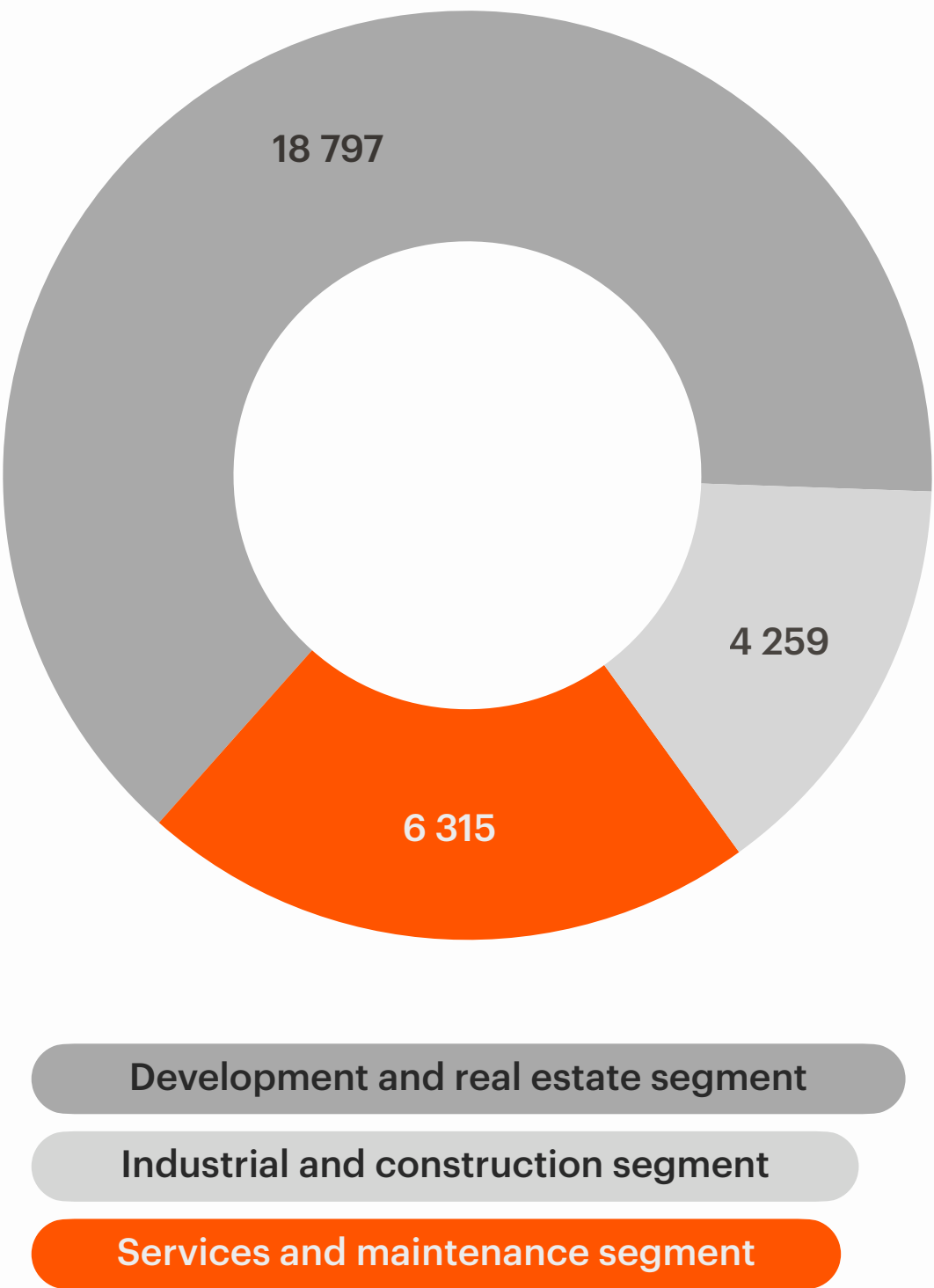
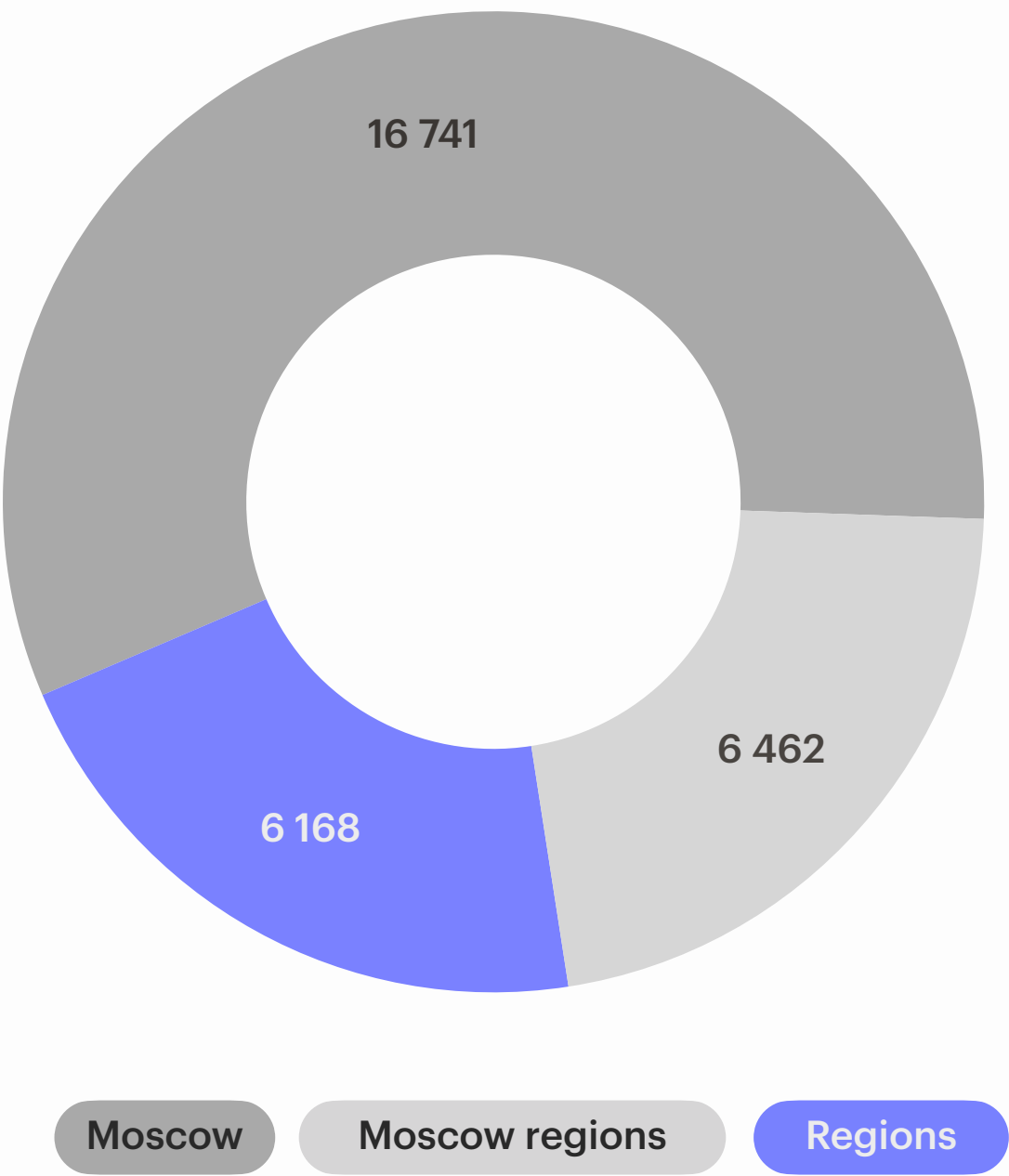
Headcount as of 31 December 2020



57% of the Company's employees work in Moscow, 22% in the Moscow region and 21% in other regions of Russia. The industrial and construction segment accounts for most of the Company's personnel structure (64%). GRI 102-8, 405-1

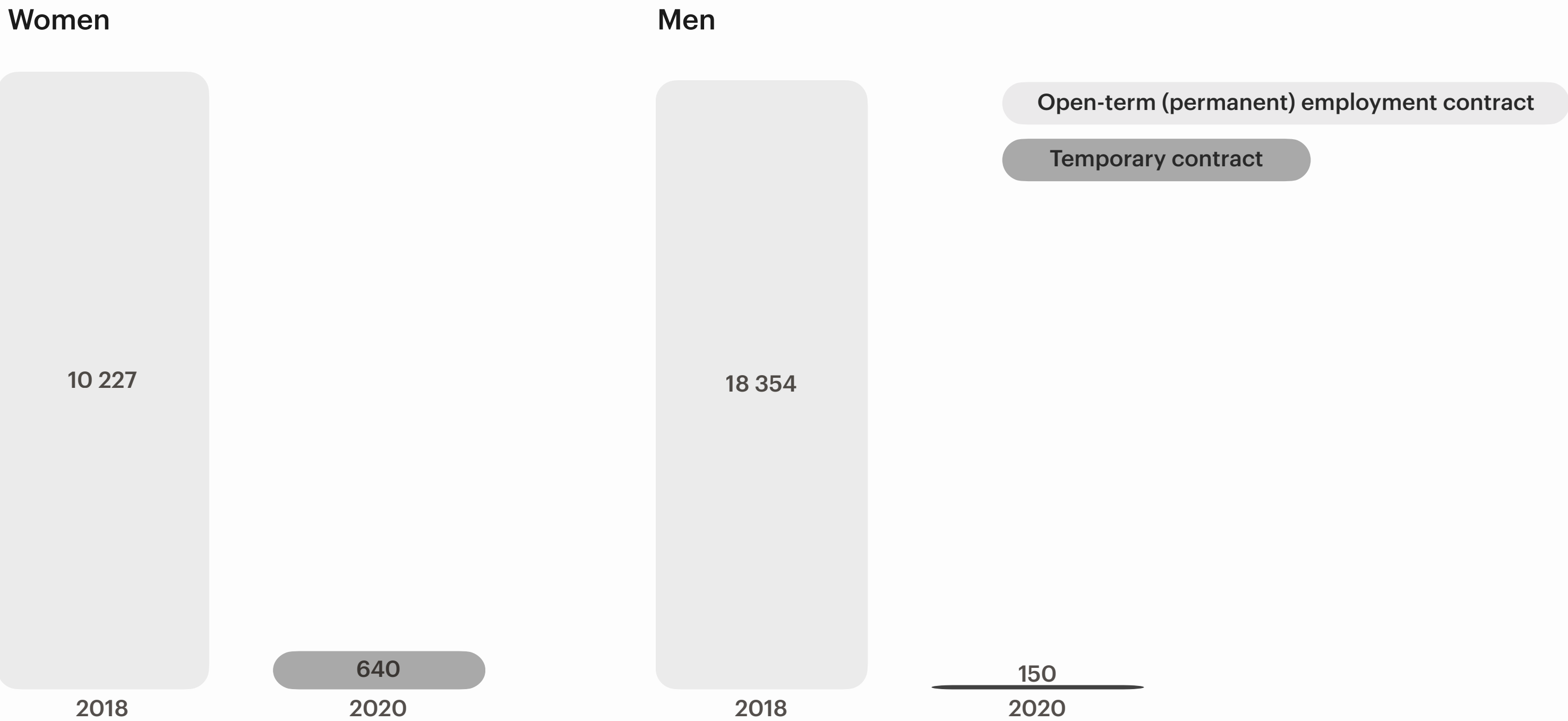
Headcount as of 31 December 2020 by regions of presence

Headcount as of 31 December 2020 by lines of business



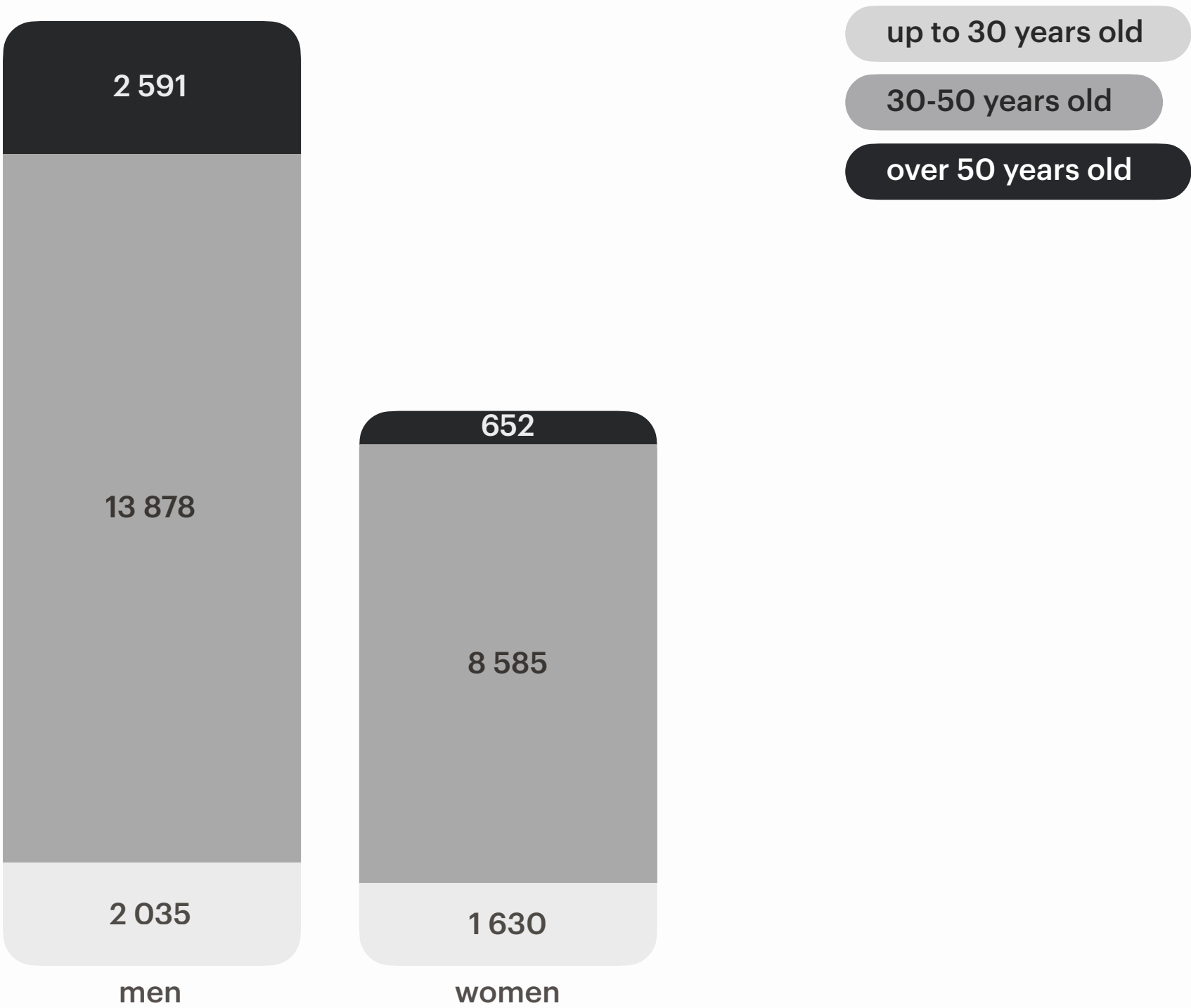
The majority of PIK employees (97%) work under an open-term employment contract and on a full-time basis. In 2020, 640 women and 150 men employed by the Company worked under a temporary contract. In addition, employees have the opportunity to work part-time. In the reporting year, 3% of employees worked part-time based on their personal preferences.

Headcount broken down by gender and type of contract for 2020



Due to the effective requirements of Russian legislation that do not allow women to perform hazardous industrial work, and also due to the operational specifics of the Company's activity, the share of women in the Company is 37%. At the same time, women predominate in the positions of specialists (68%). In the reporting year, the share of men among managers and workers was 71% and 80%, respectively. The majority of employees (77%) are aged 30-50 years.

Headcount broken down by age and gender for 2020



Headcount broken down  
by age and category for 2020

Indicator	2020							
	Managers		Specialists		Office workers		Workers	
	persons	%	persons	%	persons	%	persons	%
Headcount, persons	2,611	8,88 %	10,917	37,16 %	587	1,99 %	15,256	51,94 %
including by vulnerable groups:								
people with disabilities	0	0,00 %	167	1,53 %	7	1 %	4	0,03 %

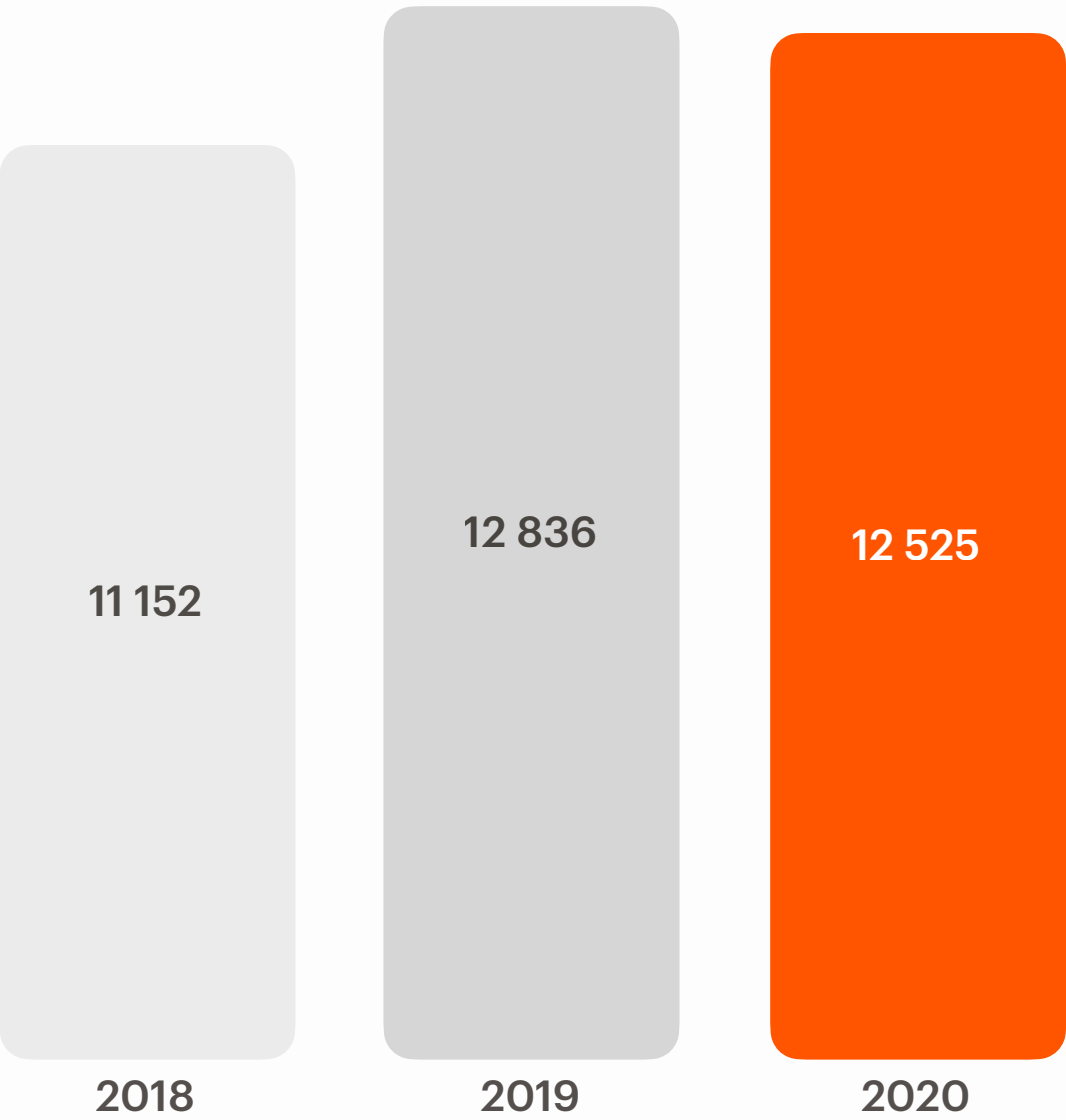
Recruitment

To achieve high performance indicators, PIK strives to recruit highly qualified and experienced employees.

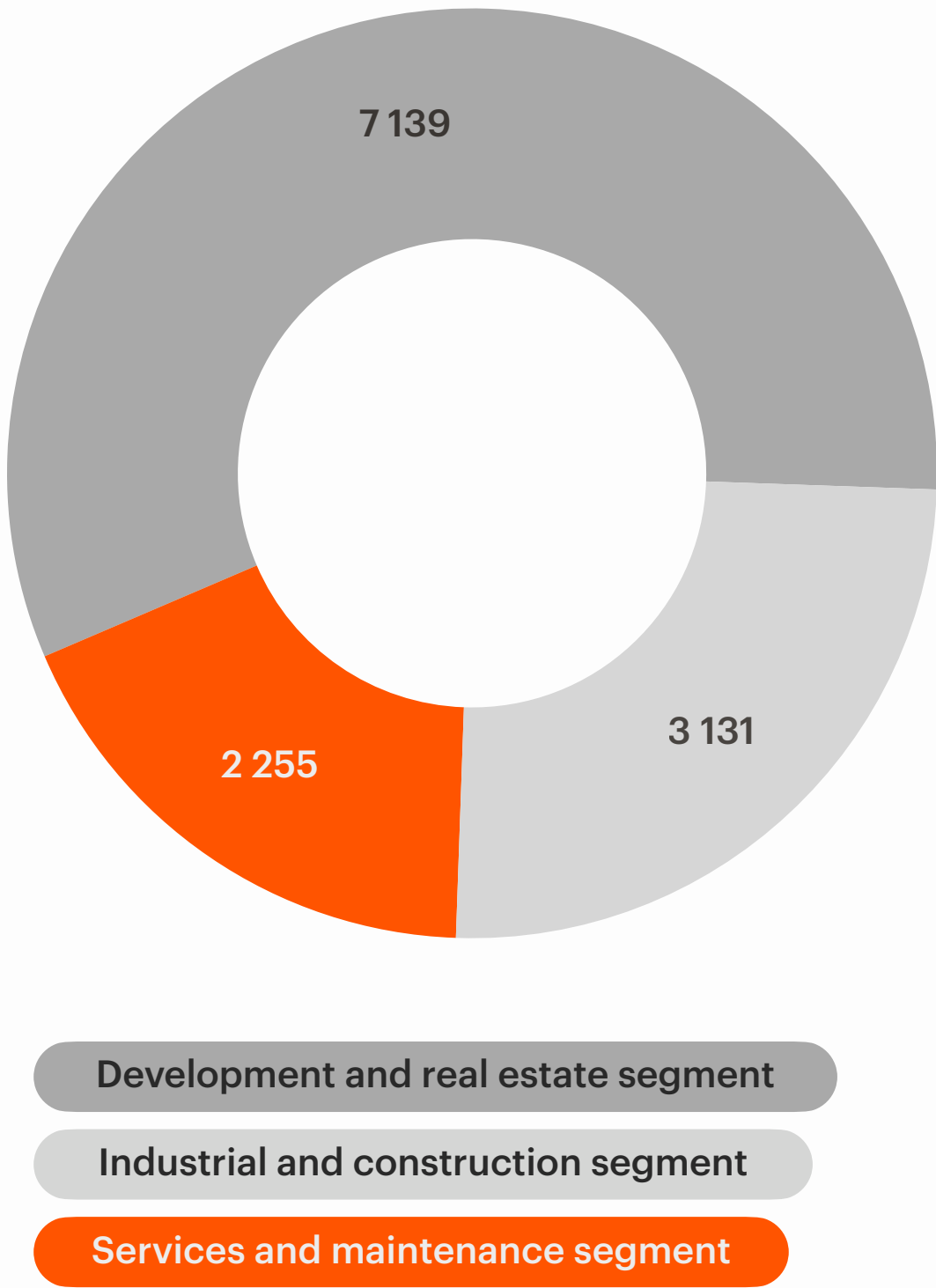
GRI 401-1

In 2020, 12,525 employees were provided with jobs at the Company. In addition, 10 people with disabilities were hired. The main inflow of new hires was in the industrial and construction segment – 57% of the total number of new hires.

Number of newly hired employees  
in 2020

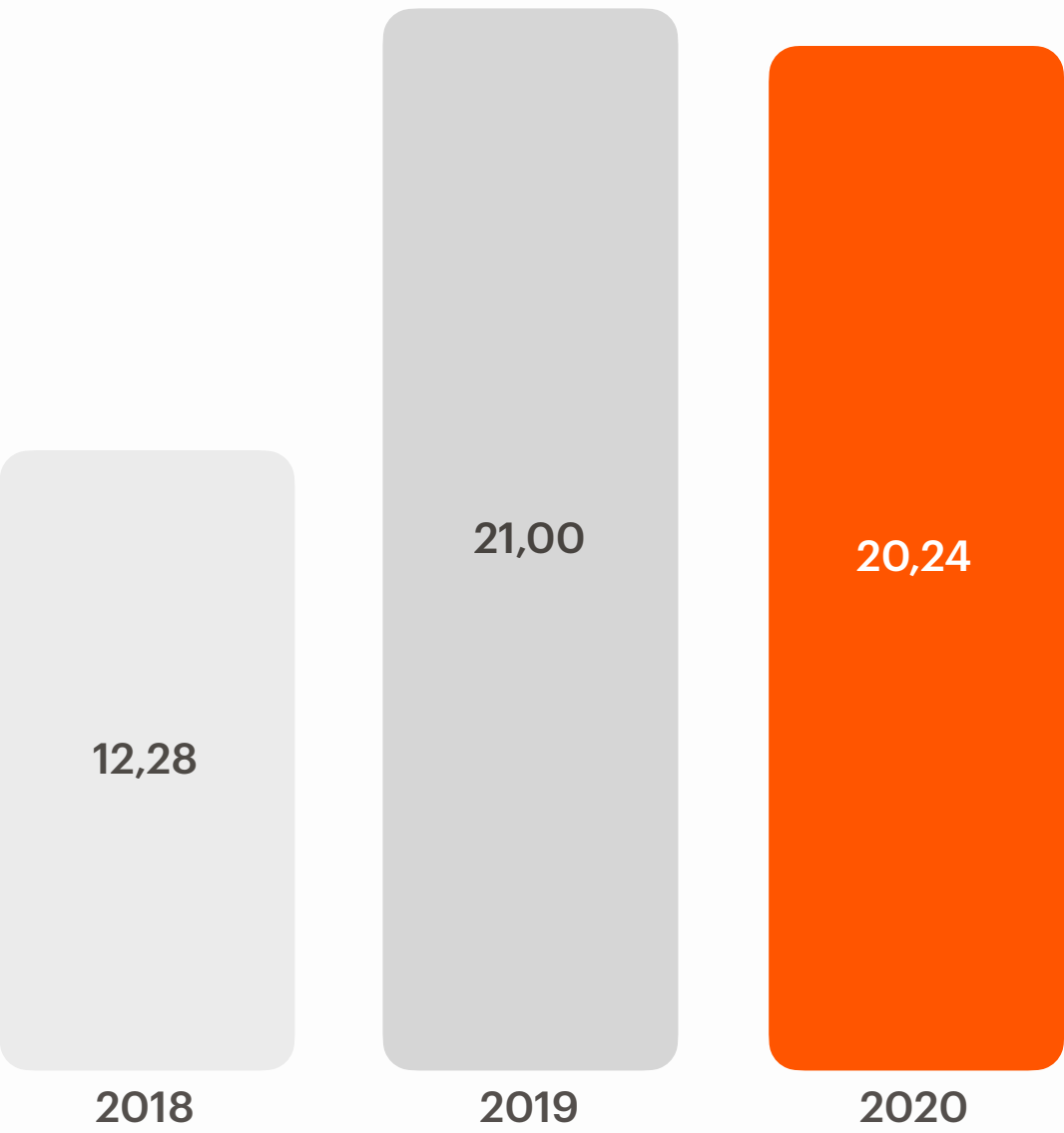


Number of newly hired employees by segments  
of the Company's operations in 2020



In 2020 the turnover rate slightly fell compared to 2019 data and amounted to 20.24%. Due to the layoff ban during the COVID-19 pandemic, the Company performed methodological work to analyze the reasons for dismissal and revised its approach to dismissal. The Company adopted predictive technologies and restructured the relevant procedures, which enabled it to take into account the reasons for the dismissal, increased the flexibility of HR processes and made it possible to transfer employees to other PIK companies.

Turnover rate in 2020, %



PIK-Academy

The Company has a separate organization, PIK-Academy, which provides graduates and young specialists (engineers, designers, architects) with internships at the Company's Design Bureau with the possibility of subsequent employment. After completing the application, a candidate is invited to undergo preliminary testing to assess their base knowledge in the field of design and construction.

In case participants successfully pass the test, they will take the online course Revit to learn about information modeling of buildings and methods of working with buildings. Based on the results of the course, the Company selects the top 30 students who are invited to a distance internship provided by remote design experts.

Interns are offered 105 hours of practical assignments and work under the supervision of the best experts and mentors, without any travel or accommodation expenses. Due to the difficult epidemiological situation, internships were resumed by the end of 2020. Thus, in the reporting year 75 interns underwent training at PIK-Academy and 26 of them were transferred to other positions. Participants who have successfully completed all modules of PIK-Academy have the opportunity to enter into an employment contract for a minimum term of 12 months.

Strengthening the employer's brand

In order to increase its competitiveness in 2020 the Company focused on the development of the employer's brand. To strengthen the brand, the Company worked with negative reviews about PIK on the Internet, actively participated in discussions and published answers to frequently asked questions. Thus, the number of positive reviews about the Company has increased in the top 10 pages of Google and Yandex. In addition, focus groups of employees (up to 27 years, 27 to 35 years old and over 35 years old) were held to detect problems arising during the performance of job duties and identify strengths and weaknesses in terms of HR management. Based on the results of the focus groups, the Company plans to develop in areas where weaknesses have been identified.



Remuneration, assessment and incentives

In terms of employee remuneration and incentives, the Company adheres to the principles of high social responsibility and ensuring a decent lifestyle. For this purpose, PIK strives to maintain employees’ salaries at a level exceeding the average salary in the regions of presence.

GRI 404-3,  
405-2

The Company is actively working to create and maintain comfortable working conditions for employees. The Company's remuneration system is designed to reward employees for achieving high performance indicators. The Company ensures gender equality, including equality in the area of remuneration.

Despite the current unstable situation caused by the COVID-19 pandemic, the level of salaries in the reporting year was maintained for all Company employees.

In order to improve the efficiency of HR management, the Company assesses employees’ performance on an annual basis. The assessment covers professional, personal, business and management competencies and makes it possible to identify career opportunities and training needs. In 2020, 85% of employees underwent performance assessment (9,421 women and 15,544 men). It is important to note that in 2020 after transition to remote work performance improved without an increase in overtime work.

GRI 404-3

Ratio of base salary of men and women, broken down by categories of employees and by regions of operations in 2020

GRI 405-2

Significant region of operations	Base salary, thousand RUB							
	Managers		Workers		Specialists		Office workers	
	Men	Women	Men	Women	Men	Women	Men	Women
Moscow	40	40	50	50	70	70	80	80
Moscow Region	40	40	50	50	70	70	80	80
Other regions of Russia	40	40	50	50	70	70	80	80

Ratio of bonuses for men and women, broken down by categories of employees and by regions of operations in 2020

Significant region of operations	Bonus, thousand RUB							
	Managers		Workers		Specialists		Office workers	
	Men	Women	Men	Women	Men	Women	Men	Women
Moscow	60	60	50	50	30	30	20	20
Moscow Region	60	60	50	50	30	30	20	20
Other regions of Russia	60	60	50	50	30	30	20	20

Training and professional development

One of the most important factors of the Company's success is the professionalism of its employees. In order to create conditions for efficient teamwork, the Company annually invests in professional development and training of employees. In 2020, total investments in training amounted to RUB 29.5 million. The number of employees trained was 26,833 and the average number of training hours per employee was 40.1.

GRI 404-1,  
404-2

Despite the forced measures to ensure social distancing, the Company continued to actively train personnel in the following areas:

- English;
- additional communication skills;
- personal efficiency;
- hard skills in certain lines of business of the Company.

Due to the transition to distance learning, the training was transferred to the online format. In the reporting year, the Company focused on training employees of the Sales Department and delivered 48 training programs. The program included onboarding training, which implied the acquisition of skills in such areas as PIK's sales technologies and sales standards. The Company also organized a program of developing hard and soft skills of managers and sales leaders based on the iSpring platform. The program was delivered in the form of webinars, courses, tests, business cases, etc. 2,650 employees received sales training in 2020.

As part of a large-scale transition to the remote format of work, the Company delivered a training course on remote work for 7,500 employees.

Average number of hours of training per employee, broken down by gender and category of employees for 2020

Indicator	Number of people who have received training	Total number of training hours	Headcount
Total	26 833	1 176 395	29 371
By gender:			
men	16 905	741 138	18 504
women	9 928	435 257	10 867
By categories of employees:			
managers	2 579	132 634	2 611
specialists	6 515	258 366	10 917
office workers	370	6 900	587
workers	17 369	928 470	15 256

GRI 404-1

### Corporate program to combat employee burnout

The transition to remote work was a challenge not only for the Company forced to quickly transfer well-established production processes to the remote format, but also for employees. In order to maintain the level of employee engagement and performance, a corporate program to combat burnout was created.

As part of this program, remote stress management activities were carried out. In addition, articles were posted on the Company's intranet to help employees cope with unusual conditions of work in self-isolation and provide support during the pandemic, for example: «While everyone is at home: how to organize your work in remote conditions», «5 tips for remote working», «How to cope with burnout: 6 tips from a psychologist», etc.

### PIK-Environment

PIK-Environment is a project aimed at exchanging knowledge, expertise and experience by the Company's employees. As part of the project, experts are invited to give a speech on the selected topic, discuss complicated cases and ways to address them. In 2019, PIK-Environment was launched as an offline project with live broadcasting and recording for those who could not take part in it.

In 2020, the project was completely transferred to the online format, without losing either its relevance or audience. Since the launch of PIK-Environment, 20 episodes have been released with more than 30,000 views; 10 external speakers have been invited, as well as 30 PIK employees who spoke about their projects.

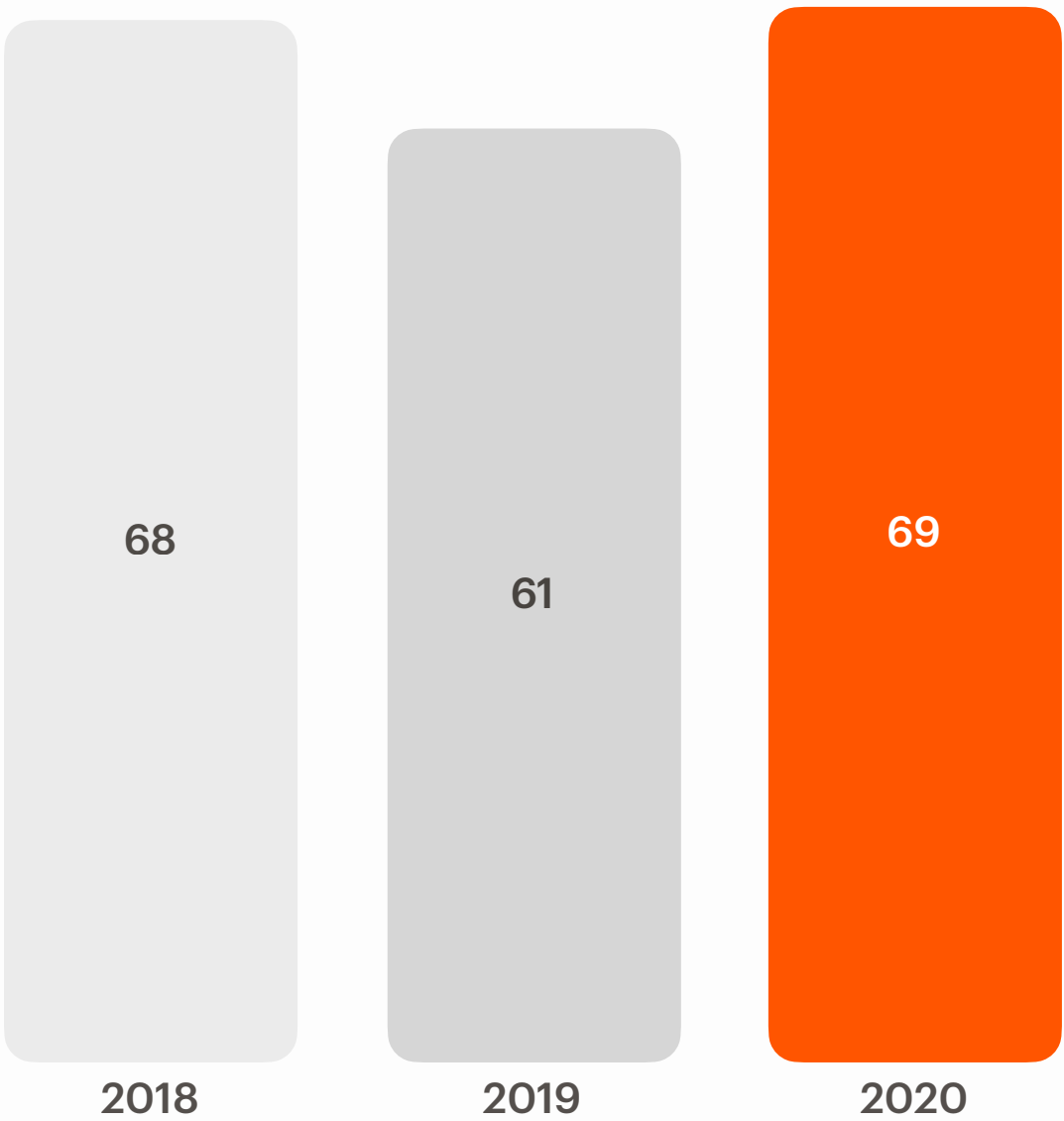
### Social support

GRI 102-41

In order to improve employees’ working conditions and living standards PIK provides social support and focuses on employee insurance issues.

The effective collective agreement in the industrial and construction segment of the Company covers PIK-Industry and is one of the best in the industry. It includes numerous services for employees: training and the production culture, organization of cultural events, subsidized health resort treatment, provision of the necessary safety equipment. In 2020 69% of the Company's employees were covered by the collective agreement.

Employees covered by the collective agreement in 2020, %



In addition, PIK employees are provided with the following types of social support: medical care, voluntary health insurance (VHI), financial support, child-care payments. In 2020, 1,759 employees took maternity/paternity leave (11 men and 1,748 women).

GRI 401-3

The benefits are available to all Company employees: working both full-time and part-time.

GRI 401-2

PIK has an additional employee health care program «Family Doctor». It applies to those categories of employees covered by trade unions that are not covered by the collective agreement. Under the program, each employee has the opportunity to obtain VHI. VHI includes 50% payment for treatment, insurance for children is free of charge. In 2020, 1,850 employees (3% of the total headcount or 15% of the sample headcount) participated in the additional VHI program.

GRI 401-2

PIK-Industry actively cooperates with the trade union, which is the main and largest body in Russia responsible for interaction with personnel and representing its interests. 64% of PIK employees are members of the trade union.

GRI 102-41

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 Workers of the Construction and Construction Materials Industry for 2019-2021, which is aimed at developing the construction industry of the city of Moscow, improving labor relations and ensuring the protection of employees' rights.

## Development plans

PIK will continue to develop HR practices, including the following projects:

- introduction of training for employees on laws and changes in the market;
- implementation of a system for calculating the required headcount according to business needs;
- launch of the project Manager Personal Account;
- automation of the Employee Personal Account, adding tasks set by the manager;
- further development of PIK-Academy;
- implementation of a project to create a single online training center.



# 5. Customer relations

## Approach to customer relations

### PIK's philosophy and values

The Company uses advanced construction technologies to quickly and efficiently build affordable, attractive and convenient housing and infrastructure.

PIK's philosophy is based on safety, tranquility and support – the feeling of «home» in your area, court or apartment, which is important in a modern urban environment. In order to ensure that the Company's product meets high customer expectations, research is regularly conducted to identify the preferences and values of the target customer audience. Its results form the basis of PIK's approach to creating a residential environment and infrastructure that is convenient and accessible to everyone.

In developing projects, the Company uses a master plan, which involves a special approach to the design of areas, unlike the general plan with standard requirements prescribed by law. Projects are designed in accordance with the principles of inclusiveness and barrier-free environment in order to provide equal opportunities for all; a developed social infrastructure is created, including recreation areas, playgrounds (PlayHub), educational institutions. The Company's values are reflected in all projects and ensure the conditions for customers' comfortable and active life. For more information on PIK's master plan and its high-level values, see the chapter «Social responsibility».

### Customer journey

PIK's interaction with customers is based on the principle «Customer before Company». A responsible attitude towards the customer in accordance with the Company's values is reflected in the fundamental principles of creating the customer journey: the high speed of services provided and the quality of the product, open and active communications, efficient services and comfortable purchasing conditions.

Customer support is provided throughout the entire interaction cycle, each stage of which is assigned to a responsible structural division. From the decision on the purchase of real estate and the first visit to the PIK website until the signing of the sale and purchase agreement and the handover of keys, the Sales Department communicates with customers, in particular on issues of the developer's warranty obligations.

PIK aims to create new opportunities to improve the life of its customers by optimizing the time of visiting the sales office and by introducing new services. Managers' competence and awareness of the Company's products is an integral part of the improvement process. PIK regularly arranges training for employees to improve the quality of customer service and reduce the period of time required to complete requests.

PIK-Data service (marketing data warehouse) was established to consolidate information on the customer journey and assess the quality of services. Using PIK-Data the Company aggregates data from advertising and analytical systems, puts together the customer's journey from visiting the website to making a purchase, and performs end-to-end analytics. These reports help to reduce advertising costs and improve investment efficiency and internal processes of communication with customers.

### Digital future

PIK uses state-of-the-art technologies and digital tools to work with customers – most transactions are executed using an electronic digital signature, and all demonstration materials are converted into electronic format. Restrictions associated with the COVID-19 pandemic and the self-isolation regime contributed to the development of online services. The work was carried out in two areas: the development of intuitive application interfaces and the development of online sales.

## Safety and comfort

PIK focuses on the health and safety of customers, and the COVID-19 pandemic prompted the Company to give this aspect of service provision even more priority.

By the time the offices ceased to work with customers, the website had already completely and successfully duplicated all their functions. Communication with managers was transferred to chats and online meetings, while bookings, a Personal Account with the possibility of comparing the selected options, transaction processing and payments were already available on the Company's website.

- The Company understands the importance of showrooms for some groups of customers: in 2020, showrooms became available online 24/7 in the 360 degree format.
- For the convenience of selecting apartments, the Vidobot project was launched on the website – a special robot that determines what the view from the windows in a specific apartment will be like.
- A 3D tour is also available: a customer can view the 3D layout solution, visit the showroom, assess the quality of materials.

Today, communication with the manager takes place online: in chats and video meetings that completely replaced visits to the office. As a result, customers can talk to the manager at any time, anywhere.

The Company has revised the concept of offline showrooms in favor of arranging project excursions for customers, including visits to apartments. Thus, customers have the opportunity to assess the project from all angles, get acquainted and talk with residents of apartment buildings, learn from the Company's representative about approaches to construction, infrastructure, design of playgrounds and recreation areas. This communication tool allows customers not only to see the future apartment, but also to immerse themselves into the atmosphere of the project, assess the Company's approach to beautification and planning, and make a final decision on the purchase. Currently, excursions take place on 14 PIK projects located in Moscow and the Moscow region, by appointment and in compliance with all anti-COVID-19 measures.

### Anti-COVID-19 measures in PIK-Comfort

PIK-Comfort complied with all instructions to prevent the spread of COVID-19 and introduced a number of mandatory measures into its procedures. In particular, daily disinfection of public places is carried out on PIK projects (entrance units, first-floor halls, railings and elevator booths) and playgrounds. In addition, every day employees are admitted to work through a medical examination.

Sales

The Company's goals for 2020 were achieved. The Company was fully ready for transition to the online format: the already developed platform became the basis for transformation, which made it possible to prevent a fall in sales. Sales increased additionally as customers could choose an apartment, book a suitable one and make transactions online at any convenient time.

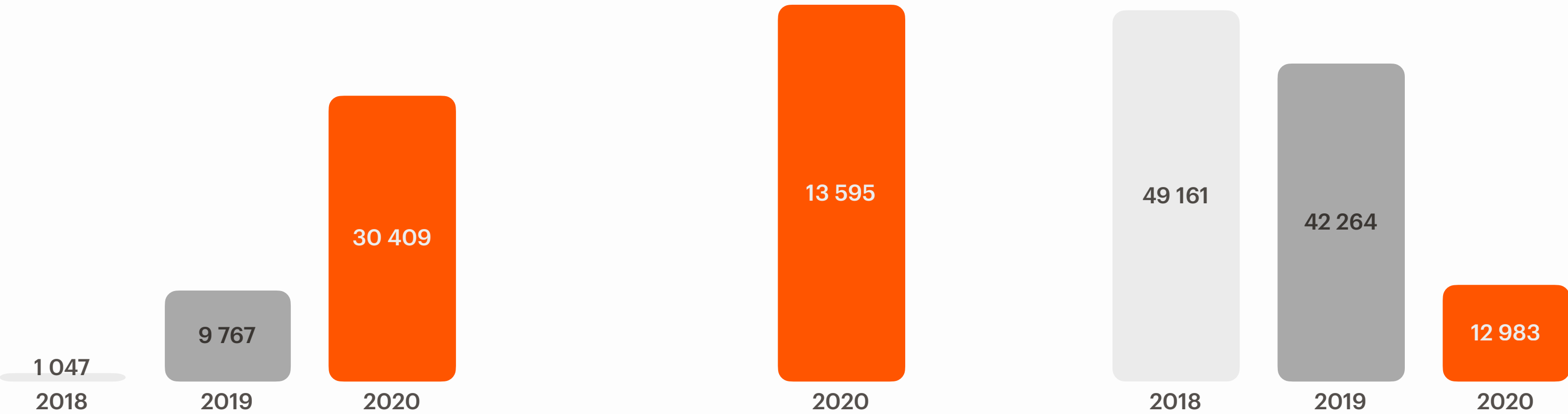
Company’s performance for 2020 <sup>5</sup>



The sales target for 2020 – 2 335 thousand m², the actual sales volume was 2,355 thousand m².

Total number of sales transactions or 2020 reached 56,987, which is 9.5% more than in 2019 and 13.5% more than in 2018.

Number of transactions for 2018–2020, pcs.



Distance sales

Online sales

Traditional sales

<sup>5</sup> Remote transaction – booking real estate items by a customer on the website, receipt of documents for signature by courier or confirmation with an electronic signature with subsequent registration. Conducting an online transaction – using a Personal Account a customer can choose, book and buy an apartment at any time, make a payment and submit it for registration.

## Training of employees during transition to the online format

The new format of customer service required certain skills, so an online training system was developed. New employees undergo initial training, testing and certification in the online format. Sales employees' awareness about all the nuances and details of the products being sold makes it possible to advise the customer on the most appropriate option in a short time.

The first stage is the onboarding training for employees – a basic two-week program for new employees to provide them with the necessary knowledge and skills. The training format includes online training sessions and mentor workshops in combination with self-study of e-courses, memos and standards. The final stage is an attestation and a week-long practical course with a mentor to consolidate the knowledge obtained.

The second stage is independent distance learning aimed at developing managers' hard and soft skills. The iSpring platform includes tests, business cases and speech simulators. Online training sessions, webinars and courses are also held for employees. Here managers can find all the necessary information broken down into lessons and available for study depending on the employee's experience. All employees undergo training, including certification to confirm their competencies.

In 2020, training was focused on front teams due to changes in business processes in connection with moving to the online format, 583 people were trained (48% of the total number of employees). The number of trained employees from back teams was 67 (6% of the total number of employees).

## Going online

PIK continues to follow its main goal – to transfer all processes related to purchasing an apartment to the online format, making them as comfortable and convenient as possible. To this end, all processes have been transferred to the online format, and the Company's front office now performs a support function. A set of projects was implemented to improve operational efficiency, including complete abandonment of hard copy documents. Now 100% of electronic registrations is performed through the Company's own platform.

Today, the website pik.ru is a unique tool for the Russian market to select, compare and purchase real estate online, where it is possible to complete any transaction in full, regardless of the form of ownership and type of payment, while at home.

Innovations in the sales process in 2020:

### A new method of communication

The Company introduced a new tool for the construction and development market to communicate with customers – video meetings with sales managers. Managers see the entire interaction process in the CRM system, regardless of who conducted and conducts the communication. This makes it possible to have complete service information, to enhance the quality of communication without referring customers to different managers and to improve customer experience. In addition, the Company has launched an intelligent speech analytics project using machine intelligence that will help PIK improve customer experience.

### Mortgage product

Mortgage has become not only a method of social support, but also a method of removing barriers associated with the need for a customer to go to the bank and sign documents. In 2020, the Central Bank issued a temporary permit to sign loan decisions not only with the EQES issued by the bank side <sup>6</sup>, but also by others. Customers have been given the opportunity to issue EDS <sup>7</sup> through the Company and perform all transactions online through their account. Thus, an account is opened and banking transactions are performed without the customer's personal presence, as a result the product «online signing of loan agreements» has been developed.

### Transactions by blocks

PIK faced an important task of transferring as many customers online as possible. All transactions were divided into blocks: an equity participation agreement, installment payment, mortgage. The Company made it possible to purchase an apartment in installments online. It became possible to perform transactions under sales and purchase agreements after an apartment building is commissioned.

### Online payment service

PIK was integrated with Sber partner bank and an online payment service was launched to pay for apartments, storage rooms and parking spaces with bank cards. This type of payment is available in case the full amount is paid.

<sup>6</sup> Enhanced Qualified Electronic Signature

<sup>7</sup> Electronic Digital Signature



## Simplified EDS issue

In 2020, the EDS issue was simplified, which reduced the time for obtaining a signature to five minutes. Two new certification centers have been established in the PIK portfolio in order to mitigate risks and improve the convenience of EDS issue:

The company ATM made the EDS issue completely paperless. Identification takes place through an authorized courier service, all a customer has to do is click a button in an application.

ID-point made it possible to issue an EDS using a biometric foreign passport with a chip.

## Projects for residence

In the context of a difficult economic situation and large-scale restrictions due to the COVID-19 pandemic, PIK and VTB partner bank developed and launched a special program for apartment buyers in April 2020. It was intended to support customers in a period of uncertainty. A customer could buy an apartment and not pay interest on the mortgage for 12 months. PIK committed to paying mortgage interest for the year, which allowed thousands of families not to refrain from buying an apartment due to the crisis. During the stabilization of the overall economic situation, the program was transformed into the program «0% Mortgage» and lasted until the end of December 2020. The representative result of the program is 6,300 owners of new apartments (worth RUB 48 billion for 320 thousand square meters).

In August 2020, the Company together with a partner bank of DOM.RF, made a favorable offer with a mortgage rate of 4.6% for the entire loan term. PIK was the first Russian developer to launch a full-fledged online mortgage program, as well as special mortgage programs at subsidized rates that allowed customers to buy apartments on the most favorable terms. In 2020 the program resulted in 1,100 new transactions (worth RUB 10 billion for 61 thousand square meters).

## Zakvartiria project

At the end of 2019 PIK launched the advertising campaign Zakvartiria reflecting PIK's unique philosophy of working with customers in creating residential areas with a favorable social environment. This concept expands the concept of «home» from an apartment to the overall space of the district.

In March, with the introduction of restrictions due to COVID-19, a flash mob #карантиния was launched when PIK invited residents to share books, recipes, ideas and examples of spending time during the self-isolation period. Such communication quickly gained popularity, which demonstrates the customers' loyalty and their willingness to be part of the community. This was particularly evident during filming and after releasing the video for the song «Crying for Techno» that PIK created together with the YouTube channel «Chicken Curry» under the project «Meshchersky Les». The video was PIK's response to the quarantine: we did not close ourselves from the world but showed an alternative way to respond positively to the situation. The residents supported the Company: at the filming stage, they willingly responded to the request to film the video on their balconies, and after the video was released they launched a dance flash mob on other PIK projects

The process of taking up residence is now remote. A customer receives an SMS notification on the start of taking up residence and can make an appointment in his/her Personal Account to view the apartment at a convenient time. While the customer views the apartment the personal manager is in contact and answers any questions that may arise. This approach not only simplified the process of taking up residence, but also made it more convenient, since the service is available 7 days a week and does not require additional interaction with the Company representatives.

## Analysis of customer satisfaction

In order to determine how the Company can improve the quality of its products and services at all stages of the customer journey, customer satisfaction is assessed on a regular basis. A survey provides insights into potential problems from a customer perspective and their reasons. The research results in a plan of measures to improve interaction, increase retention and buyout rates, and willingness to recommend the Company to friends and acquaintances.

At the moment, there are several CSI surveys that differ in the number and the wording of question. Surveys are conducted in three channels: in the contact center in the form of a voice bot, in chat via Typeform — an online survey platform, and in the Personal Account in the form of a survey on the assessment of the work of managers.

In the reporting year, PIK changed its approach to increase the frequency of feedback provision by customers. Customers are offered to take a post-transaction survey on the quality, convenience and speed of service. This approach increased the rate of feedback by 30% compared to 2019.

In 2020, the customer satisfaction index (CSI) was 4.7 on a scale of five. It shows a slight decrease compared to the preceding year's level of 4.9. This is due to a large number of requests for the usual offline format of work in the market, however, this indicator was aligned during the reporting year. The share of buyers who rated the service at 4 and 5 in 2020 was more than 85%.

## Communication with customers

The Company creates a communication system that provides many feedback opportunities and allows for sharing news with the audience. Feedback from customers is accepted through all communication channels. The following channels are currently functioning efficiently:

- incoming and outgoing lines, communication via e-mail;
- the official feedback form on the Company's website;
- official chats in messengers (Telegram, WhatsApp);
- social networks (Instagram, VKontakte, Facebook);
- dedicated line for processing messages (Service Desk).

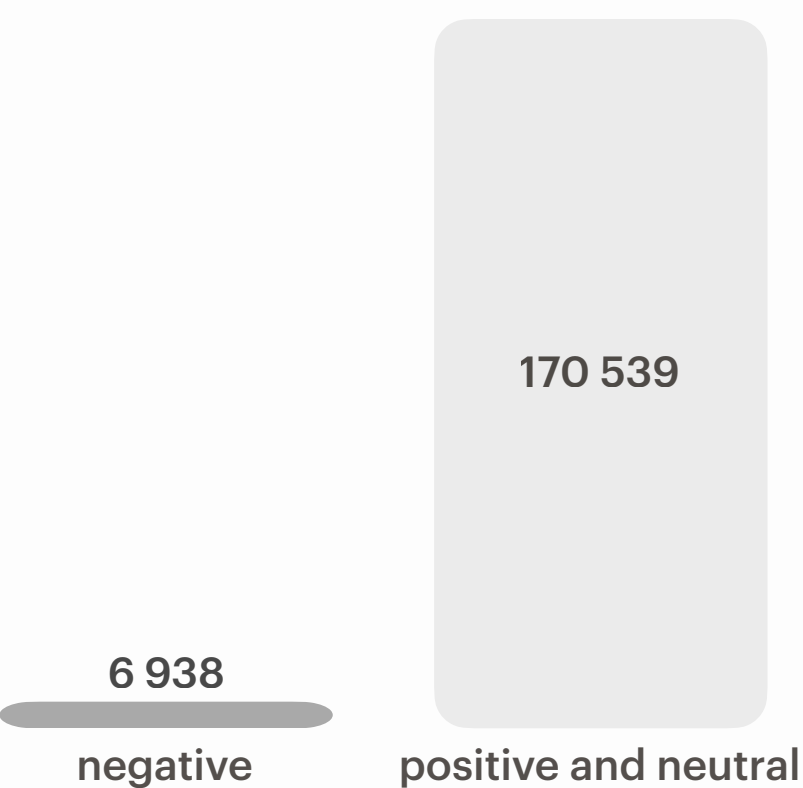
Social networks are the main platform for communication among project residents in terms of promoting their initiatives. The Company always supports the best ideas, promoting them and providing non-financial support. In addition, PIK runs a blog on Yandex.Zen, where it posts information on projects, favorable offers and programs, useful tips on real estate renovation and purchase.

In connection with the transition to the online mode, all customer requests previously considered in offices were transferred to the general channels of the existing Service Desk system. In order for the service to become a full-fledged tool for interaction with customers, the platform was improved: new topics and routes were added for even faster processing and tracking of requests.

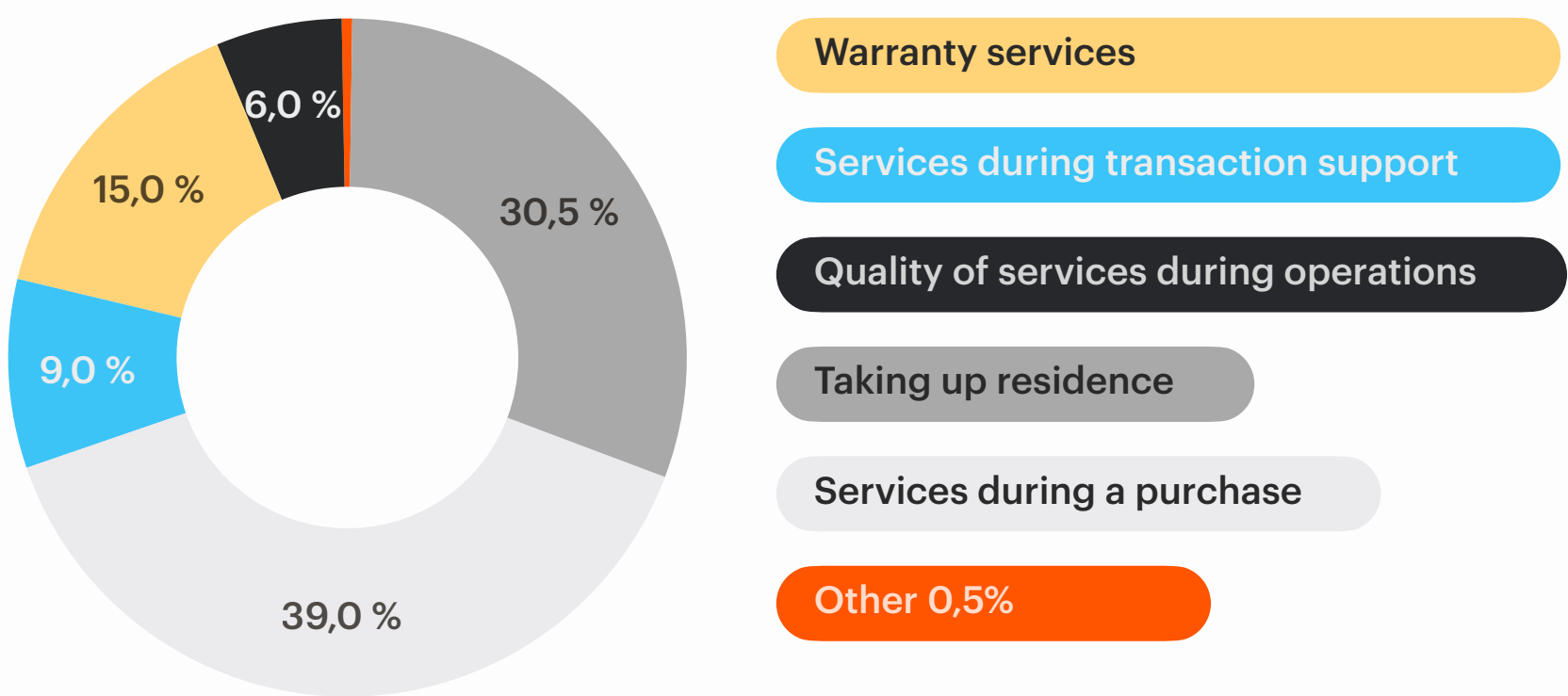
Customer profiles in accounts were supplemented with additional identifiers for comfortable work from any device, which helps to ensure accurate analytics.

More than 170,000 messages were registered in the reporting period. Data for 2020 reflect the specifics of the messages structure caused by restrictions associated with the COVID-19 pandemic.

Ratio of positive to negative messages, number of messages



Messages with a breakdown by topic, %



PIK regulates recommendations for processing customers’ complaints, including procedures and protocols for resolving emerging issues. The Company strives to promptly respond to all incoming messages.

High-quality service

The Company strives to meet various needs of customers both at the time of purchasing housing and afterwards. In order to improve the efficiency of maintenance and quality control after buildings are commissioned, further interaction with residents is transferred to the management company PIK-Comfort and other companies of the PIK ecosystem providing additional services.

Every year PIK-Comfort expands its service area, and in 2020 the management company entered a new region – Ekaterinburg. In addition, during the reporting period PIK-Comfort underwent a major structural transformation. Five new departments were established: Buildings Commissioning Department, Assets Preservation and Development Department, Marketing and Corporate Communications Department, Technological Development Unit, Product Assets Department.

PIK-Comfort buildings with a breakdown into PIK developer’s buildings and third-party buildings in 2020

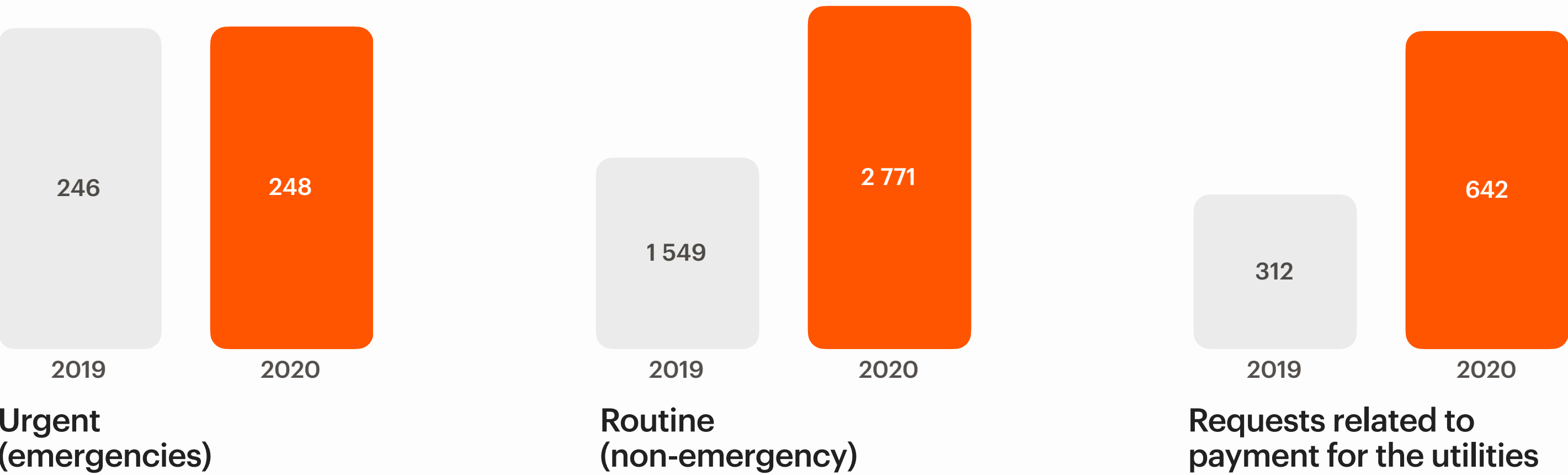
	Number of buildings	Number of apartments	Number of square meters
PIK buildings	423	157 029	9 188 594
Third-party buildings	10 442	750 081	40 413 602
Total	10 865	907 110	49 602 195

PIK-Comfort by region, city of presence and housing stock

	2019	2020	2021 (plan)
Number of regions	16	17	18
Number of cities	40	40	41
Housing stock, mln m²	50,1	49,6	52,5

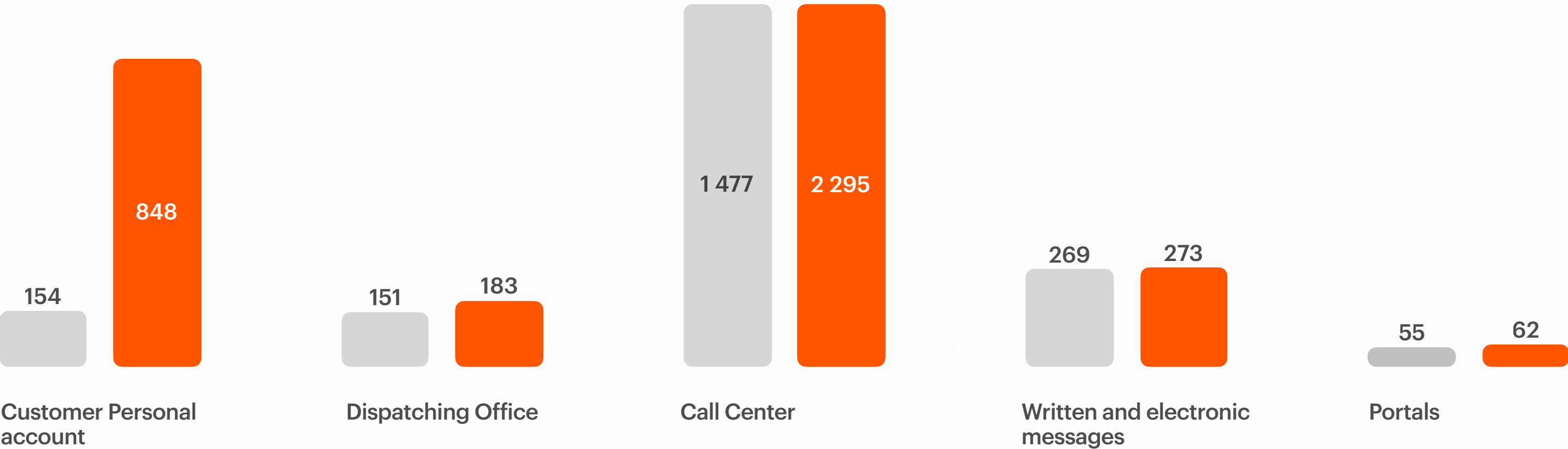
The process of communication with customers has been improved, communication channels have been expanded and the request procedures have been simplified, in total 3 661 thousand requests were received by PIK-Comfort in 2020. Residents’ requests are sent through the Personal Account in the mobile application directly to the executors.

Requests by category, thousands



According to statistics, during the pandemic, the number of citizens who submitted requests through various channels of communication with any initiatives (consultations, messages, complaints) increased fourfold. In particular, complaints were related to the quality of work, which is due to the specifics of the housing and utilities sector. The Company develops mechanisms to independently detect faults and take preventive measures; it is planned to develop systems for monitoring the services provision.

Requests by communication channels, thousands



PIK-Comfort quality of service

According to the results of the Moscow Quality 2020 competition, PIK-Comfort took first place in the category «Best Comfort Class Housing Management Company», as well as third place in the category «Best Business Class and Premium (Elite) Class Housing Management Company», which is a sign of public recognition, honest and objective choice, as well as a guarantee of high product quality. Due to the epidemiological situation, the award ceremony was held in a remote format.

As part of customer care PIK expands the range of services to improve the quality of housing and customer satisfaction. PIK-Service provides a range of additional services: from renovation and legal services to dog walking. PIK-Renovation specialists are engaged in the full cycle of home improvement, including the preparation of a design project, the purchase of materials and the disposal of construction waste.

The Company creates a full ecosystem for those who want to buy, sell, rent or lease out apartments. A service has been launched to search for tenants – PIK-Lease, where the system selects residents in accordance with customers’ requirements. PIK-Broker service was created to improve living conditions: sale, purchase or exchange of real estate. It ensures safe and quick sale of apartments and convenient search by customer’s criteria.



PIK-Insurance provides a housing insurance service at any stage of the transaction prior to signing an online sale and purchase agreement. Specialists of the PIK-Valuation service will help to determine the market value of an apartment to prepare a mortgage when concluding a mortgage transaction.

Thus, customers do not need to contact the employees of a bank, insurance or valuation company directly to obtain insurance or get an appraisal of the apartment being purchased. PIK takes care of all the communications, calculations and preparation of documents, the customer only pays for the service.

## Development plans

In 2021, PIK will continue to work on online real estate services: expanding the range of tasks that can be solved as part of the services and through the Company's official website.

In the reporting period, the process of taking up residence became remote, in 2021 PIK is launching a large-scale project «online taking up of residence». The Company plans to scale the process to cover all residential projects. The launch of «online taking up of residence» is an important task since this product is innovative for the construction and development sector and will significantly increase the convenience for customers and accelerate the process of taking up residence.

PIK strives to conduct transactions with customers regardless of their territorial location, including the country. Thus, the online sales channel becomes a growth point for the business, it is planned to develop it and increase the volume of real estate sold in the future. The Company will continue to improve the quality and optimize digital relations with customers, develop processes for providing additional services to residents of apartments.

# 6. Social responsibility

## Approach to social responsibility

In doing business, PIK implements its social responsibility through the constant improvement of its main product – residential complexes, as well as through social and charity projects. PIK's goal is to create conditions for comfortable living, safety, personal development, health care activities and improving the quality of life of local communities.<sup>8</sup>

GRI 102-12,  
102-13

The basis for achieving this goal is an open and constructive dialog with representatives of local communities: PIK focuses on collecting and considering feedback from residents. In addition, the Company supports socially vulnerable groups through charitable activities and its own volunteer projects.

## Master plan solutions

Increased attention to details at the master plan level<sup>9</sup> and exceeding the prescribed minimums are key elements of PIK's approach to project development. Every year, the Company develops and improves solutions to ensure safety and comfort of living, including through functional zoning of the territory, creation of pedestrian zones, landscape design, traffic load simulation, and a well-organized arrangement of transit zones.

GRI 416-1

In 2020, PIK team conducted serious analytical work in order to identify typical design errors and improve living conditions in residential complexes. As part of the analysis, the Company used the best foreign experience, collected and reviewed feedback from residents and analyzed projects starting from 2016. PIK gave priority to the factors forming the daily scenario of each resident's life:

- mobility – movement of residents;
- perception – the feelings and emotions of residents regarding the environment created in the area;
- activity – the actions of a resident in the area.

With respect to each factor, the Company analyzed the values that correspond to the expectations and desires of residents. The result of the work performed is the standard «Qualities and Values of PIK's Master Plan», which includes 77 values. Planners will be the primary users of the standard. For the practical implementation of the standard, it is planned to develop a set of checklists to check the observance of values in future projects.

<sup>8</sup> Local communities – in a narrow sense – residents of PIK projects and neighboring districts, in a broad sense – residents of the Company's regions of presence.

<sup>9</sup> Master plan is an urban planning solution for a district, block or plot of land where various buildings and complexes are planned. This design includes rendered views with three-dimensional solutions.



High-level values of PIK’s master plan



A district as a «small town»

Convenient infrastructure and a full range of functions

Well-organized environment with diverse areas and architecture

A balance between uniqueness of each region and effective standardization of solutions



Pedestrian environment

Comfortable and safe pedestrian routes

Convenient public transport

Walking routes through green areas and public spaces



Clear road travel system

Unimpeded movement in the area

Connected transport framework with competent connection to the city



Developed infrastructure for personal mobility devices and sharing systems

Possibility to use rental vehicles instead of owning personal vehicles (bicycle, scooter, electric vehicles)



Programmed activities in the area

Sports areas

Areas for district-wide events and communication



Systemic commerce that meets the needs of residents

Convenient location of commercial facilities in the required quantity

Walking distance to whatever is required



Key solutions to ensure the safety and comfort of residents in residential complexes are included in PIK-Standard. For more information on the components of PIK-Standard see the Sustainability [Report for 2019](#), page 72. The Company is actively developing PIK-Standard approaches to the organization of space and the urban environment.

The products developed by the Company meet the needs of residents as much as possible and enable them to be independent of the circumstances. In order to adapt to current needs, the Company has developed a new product – a landscape park. A key feature of a landscape park distinguishing it from a closed courtyard-park is its unlimited territory with a large number of routes and constantly changing scenarios of thematic areas.

## Digitalization projects

In order to facilitate everyday life PIK develops and implements various digitalization projects. A striking example is the «smart home» system of PIK.Smart. The system was developed by the Company together with Yandex and Rubetek. PIK.Smart offers a wide range of devices for automating everyday tasks, such as managing climate, lighting, electrical appliances. The most important characteristic of a «smart home» is the safety system and prompt notification of the occurrence of fires and water leaks. The smart home system is controlled by voice using Yandex.Station and a smartphone application. Also, the application makes it possible to arrange 24-hour surveillance with video cameras.

To improve the quality of customers' life, PIK-Comfort has developed a digital marketplace for PIK-Service home services. With the help of the marketplace, one can order more than 100 home services in 30 different categories. Since 2020, customers can order PIK-Service home services not only in Moscow, but also in the Moscow region. For more information on the range of services offered by PIK-Service visit the website: <https://market.pik-comfort.ru/>

## Improving the quality of life and ensuring safety

PIK strives to ensure that residents and customers of the Company live in comfortable and favorable conditions. To this end, internal finishing in the Company's projects is carried out using natural materials that are environmentally friendly and safe. In addition, a unique landscaping concept is developed for each project with a focus on green areas. Each PIK's «courtyard-park» is a full-fledged green area created using landscape design with lawns, shrubs and adult plants.

PIK residential complexes provide all conditions for maintaining physical health and an active lifestyle, namely: playgrounds and sports grounds, skate parks, workout areas, bike paths and jogging tracks. PIK-Sport projects are developed according to individual design projects of specialized companies.

During warm months, PIK organizes free sports events for residents with invited trainers.

GRI 416-1

Every year the Company takes measures to improve the security system of residential complexes. The Product Department and the Economic Security Department search and analyze the latest engineering and technical solutions for implementation at PIK's residential buildings. All residential complexes and buildings are equipped with control systems, access management and security measures.

The rapid growth of the PIK housing stock caused the need for an Integrated Dispatching Center. As a result, in 2020, the Single Multifunctional Center «Safe Home» was created in Salarievo, which is the first such center in private commercial companies. The key function of the center is to process incoming signals from smoke capturing systems, alarms, elevators, video cameras and door phones. The multifunctional center serves the entire housing stock managed by PIK-Comfort, i.e. more than 50 million square meters in 16 regions of Russia. The Company plans to connect additional 26 million square meters in various regions of Russia by the end of 2021.



## Beautification and environmental projects

Beautification of residential complexes, conservation and environmental protection are strategically important objectives for PIK. In order to ensure the improvement and compliance of the quality of the improvement specialists' work with PIK's standards a single knowledge base was created throughout PIK-Comfort that contains instructions on the performance of the improvement work and information on the final result.

One of the Company's environmental initiatives is to improve the energy efficiency of buildings. The initiative includes:

- promoting sustainable use of energy;
- implementation of engineering solutions and upgrade of engineering systems in apartment buildings;
- installation of individual energy meters;
- promotion of innovative «smart home» solutions.

As part of raising awareness of the advantages of energy efficiency, the Company uses various means of communication, holds events included in the agenda of meetings of owners, places information on stands, on the website and in the Customer Personal Account on PIK-Comfort portal.

In order to take care of the environment, the Company has abandoned paper document flow and has switched to electronic media and cloud storage systems. As part of its work with customers, the Company strives to execute most transactions using an electronic digital signature, and to convert all materials into the electronic format.

### Environmentally friendly office

The Company is actively engaged in developing the environmental thinking of employees. To this end, separate waste collection and the use of special waste paper containers were initiated at PIK offices. As a result, in a little less than a month, more than 300 kg of waste paper was collected and sent for processing, which is equivalent to preserving three trees.

### Environmental campaign in cooperation with Duracell Russia

In order to protect and preserve the environment, PIK-Comfort joined a campaign that Duracell Russia has been running for several years. The environmental campaign is a large-scale project to collect and dispose of used batteries, which helps to create a comprehensive infrastructure for collecting and processing domestic batteries. Cooperation with PIK-Comfort expanded the scale of the campaign that now covers the housing and utilities sector.

PIK-Comfort has installed special containers in underground parking lots and in entrance halls of 18 apartment complexes. In addition, containers have appeared in the Company's offices to raise employees' awareness of the campaign.

### Agreement with Ecopolis Corporation

To further contribute to environmental wellbeing, in 2020 PIK-Comfort entered into an agreement with Ecopolis Corporation, under which residents of residential complexes now have access to such services as the removal and disposal of household appliances and electronics through the digital marketplace of PIK-Service home services. All equipment is sent for processing and becomes recycled material – metals and plastics.

Currently, the service is available only to residents of residential complexes in Moscow and a number of cities near Moscow, but Ecopolis Corporation plans to expand its area of operations to cover the entire European part of Russia.

## Social infrastructure

PIK actively uses advanced technologies, best global experience and environmentally friendly materials in the design and construction of social infrastructure facilities.

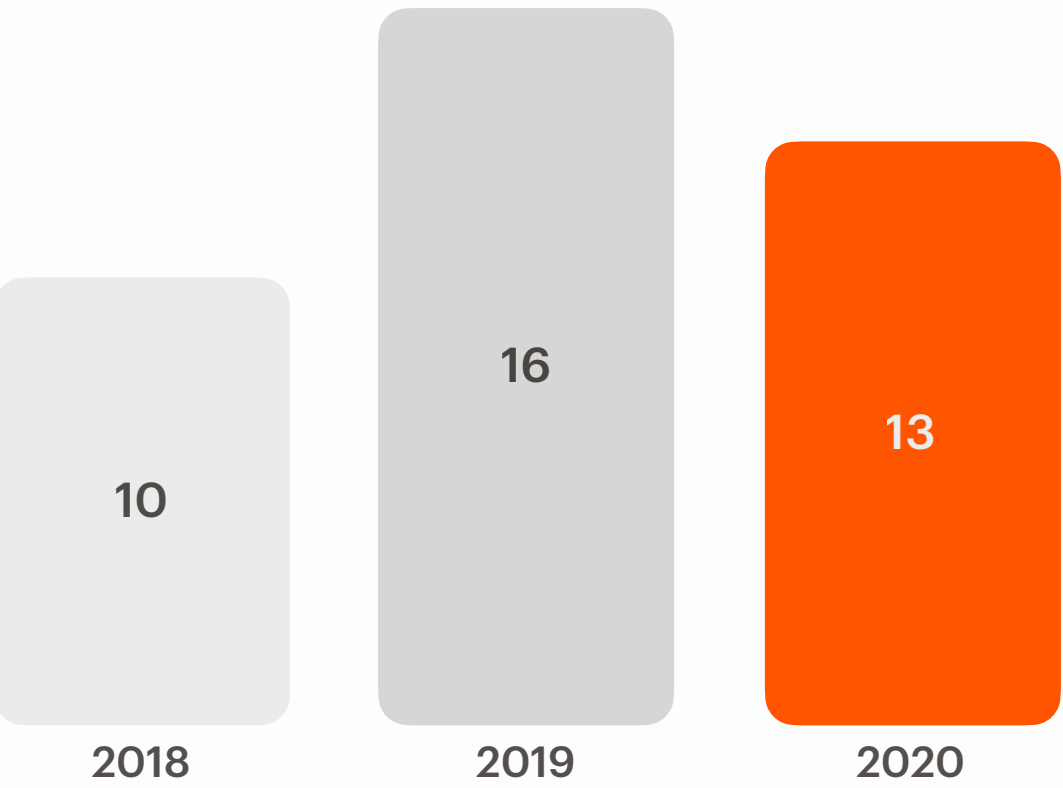
13 facilities were commissioned in 2020, including 9 preschools, 2 outpatient clinics and 2 schools. Compared to the preceding year, the volume of commissioning of social infrastructure facilities fell by 18%, which is explained by the reporting year challenges caused by the pandemic of the coronavirus infection COVID-19.

### Social infrastructure facilities commissioned in 2020

Type of facility	Residential complex	Region	Capacity	Area, m²
Outpatient clinic	Butovo Park-2	Moscow region	450	5 221
Preschool	Izmailovsky Les	Moscow region	350	6 500
Outpatient clinic	Izmailovsky Les	Moscow region	100	993
Preschool	Ilinskie Luga	Moscow region	300	4 464
School	Lyuberetsky	Moscow region	1 500	17 937
Preschool	Meshchersky Les	Moscow	350	6 113
School	Meshchersky Les	Moscow	825	13 254
Preschool	Mitino Park	Moscow region	312	5 755
Preschool	11 Rimskogo-Korsakova	Moscow	220	4 162
Preschool	Salarievo Park	Moscow	220	4 008
Preschool	Salarievo Park	Moscow	220	4 157
Preschool	Stolichnye Polyany	Moscow	150	2 841
Preschool	Sheremetyevsky	Moscow	90	1 261
Total			5 087	76 666

Dynamics of commissioning social infrastructure facilities

GRI 203-1



Children’s amenities

PIK recognizes responsibility for shaping the future generation. The key goal for the Company is to create the necessary conditions for enhancing and maintaining children's health.

Every year the Company commissions schools, preschools and playgrounds created taking into account the specifics of child psychology and the differences between children of different ages. With regard to design and equipment issues, PIK cooperates with foreign firms specializing in the supply of children's equipment. The Company's preschools and schools have a lot of natural light, large windows, bright colors alternating with calm ones, which has a beneficial effect on children's mental health and learning ability.

Residential complexes include large play areas – PlayHubs – within which any games are possible for children of different ages. At the playgrounds, children can find water cascades, dams, mills and water streams, the intensity of which they can regulate themselves. Game areas also include drawing surfaces, sandboxes, swings and hammocks.

Online New Year celebration

Due to the ban on mass festive events in connection with the difficult epidemiological situation in 2020, the Company decided to arrange an online New Year party for its residents – an immersive entertainment show.

The event was held on 27 December in 48 cities of Russia, it was possible to join it simultaneously from three platforms: YouTube, Instagram and Zoom.

The three-hour performance included a lot of entertainment, both for adults and children: circus plays, performances by artists and magicians, soap bubble shows, interactive games and master classes and many other surprises. Also, a virtual reception room of Ded Moroz (Father Frost) was set up for children, where they could read their letters to him, recite poems and talk.

Preservation of cultural and historical heritage

The Company focuses on the preservation and maintenance of cultural heritage, which is the basis for further development of the society, through the implementation of various projects.

A vivid example of such projects is Sheremetyevsky, implemented by the Company together with an architectural bureau and specialized organizations. As part of the project, the movement of a late 19th century water tower in Skladochnaya Street (the territory of the former Boretz factory) began. A water tower weighing 1.6 tons was moved 100 meters. In addition to the water tower, the facade elements of the assembly building and the model workshop will be moved.

The former factory buildings will become part of the new technopark on the territory of the Sheremetyevsky residential district, which will be transformed into office premises and the museum area.

## Local community engagement

### Consulting with local communities

GRI 413-1

PIK's philosophy is based on the desire to create projects that not only comply with generally accepted standards and internal PIK standards, but also create a modern comfortable urban environment.

When selecting a potential land plot for a construction project, PIK considers not only its commercial efficiency, but also the needs of local communities. When implementing projects the Company recognizes the need for available transport and social infrastructure. For the purpose of effective engagement and analysis of the requirements and needs of local communities, the Land Asset Development Department uses the following communication channels: meetings with residents, a hotline for requests, PR teams working with the media.

The decision on the suitability of a land plot is made in accordance with the analysis and collection of opinions of local community representatives. In addition, the Company carefully considers recommendations on decisions and measures to be implemented in order to meet the needs and fulfill requests of local residents.

### Communication with residents

Taking into account the challenges of working in the self-isolation mode, a decision was made to hold meetings of managers and residents of residential complexes in the online format during the reporting year. PIK-Comfort was the first housing and utilities company to establish regular digital communications with local communities of residential complexes. For those who could not attend an online meeting, a video recording of the broadcast is posted on PIK-Comfort's YouTube channel. Over the summer months of 2020, 100 meetings of this format were held and more than 4,000 questions from residents were answered.

The website pik.ru created in accordance with modern conditions plays an important role in improving the quality of PIK-Comfort services. Using the website a customer has an opportunity to virtually visit the online shop, a sales office and a bank branch. Interaction with a customer takes place through online chat rooms, 24/7 call centers, the Customer Personal Account, video meetings that completely excluded the need to visit an office.

In order to form neighborhood communities the Company creates communication channels for residents (for example, telegram chats) that are used to resolve organizational issues.

### Charity and volunteer activity

PIK recognizes the importance of socially responsible business in the society and actively participates in charity and volunteer activities. The Company's employees actively participate in charity activities and strive to bring benefits to the society. Charity events and projects in 2020 included:

**Dobroshrift (Font of Kindness) charity project.** In 2020, PIK again became a partner in the «Font of Kindness» project, aimed at drawing attention to the problem of children with cerebral palsy and helping them and their families. The project organizers, the Gift to an Angel Foundation and the creative agency Smetana helped children with cerebral palsy create a special handwritten font, each letter of which was handwritten by children with this disorder. As part of the project, customers can visit the website [dobroshrift.ru](https://dobroshrift.ru) and make donations to the Gift to an Angel Foundation to support children with cerebral palsy and their families.



**Assistance for children's homes.** As part of a charity volunteer project launched in 2019, in the reporting year PIK-Comfort congratulated the pupils of two children's homes in Ivanovo on the beginning of a new school year. The Company's employees brought useful gifts for the children that will make their lessons more interesting and fun: stationery sets, notebooks, albums, paints, markers, printer paper, etc.

**«We are Together» campaign.** During the pandemic, PIK employees joined the campaign «We Are Together» uniting the whole country in the fight against COVID-19. Volunteers from the Company delivered food products to the elderly. In business units, employees arranged targeted assistance to elderly neighbors.

**Charity cross-country skiing event.** In 2020, PIK employees participated in 6,250 Charity Cross-Country Skiing event organized by the Life Line Foundation. The purpose of this event was to raise funds for the treatment of seriously ill children.

**«Great Space Journey» event.** PIK employees participated as volunteers in the event «Big Space Journey» organized by the Council of Young Specialists of the Moscow City Planning and Construction Complex. The event was aimed at helping children with disabilities whose parents work in the city construction industry.

**Event held by VERA Hospice Charity Fund.** As part of the charity event, artists painted bright pictures on the theme of childhood that could be downloaded for a donation on the website. The funds raised were used to help terminally ill people, including little patients of the children's hospice «House with a Lighthouse».

## Development plans

The Company strives to develop social responsibility practices. In order to efficiently manage the housing stock and promote PIK's quality standards, the management company PIK-Comfort plans to expand the serviced area to 59 million square meters.

In addition, the Company will continue to improve the quality of housing by implementing the master plan values and improve communication channels with residents for prompt collection of and response to feedback. An important area of development is the planning and provision of additional services for residents inside apartments.

In 2021, PIK plans to extend environmental initiatives that have passed the pilot stage to other residential complexes. Charity activities are also to be scaled up. The Company plans to further interact with charity foundations and engage more employees in such projects.

# how we build

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

3

# 7. Quality control

## Approach to quality control

PIK aims to create the most reliable, safe and comfortable product for its customers. We continuously work to improve technology used, innovate business processes and build a robust supply chain.

The Company’s quality management system used to plan and implement projects is certified in accordance with ISO 9001. In 2020, the Company introduced a system of online monitoring of all finances and construction sites where data is collected and loaded into a single system on a daily basis. This had a positive effect on optimization of the production process, the speed of housing construction and its quality.

Additional information on the Company’s approach to quality assurance in such areas as customer relations, procurement and social responsibility is given in the relevant sections of the Report.

## PIK-Standard

PIK adheres to high corporate quality standards in all aspects of its operations – from design to maintenance of completed facilities. PIK-Standard is an internal standardization system for construction planning and construction operations of PJSC «PIK SHb». This system not only takes into account the requirements of construction laws, but also includes up-to-date technological and architectural solutions that create value for the client.

In 2020, projects built since 2016 were analyzed using the PIK-Standard system to plan the infrastructure of future facilities in more detail. As a result of the analysis, the guide “Qualities and Values of PIK’s Master Plan” was developed. It includes conceptual models and technologies that not only ensure the reliability and safety of houses, but also establish special standards for planning residential areas aimed at improving the quality of life of the Company’s customers.

## Quality assurance in the production segment

Quality assurance in the production segment is the responsibility of PIK-Industry and is performed by the Quality Service, the Office of the Chief Process Engineer and the Office of the Chief Construction Engineer. The Company’s high standards ensure that the work is performed professionally, and only safe materials and structures are used. Quality control is performed at each stage of the technological process: defects are registered, and their reasons are analyzed to eliminate the factors that may affect compliance with the production technology.

GRI 403-7, 416-1

PIK-Industry’s Quality Management Directorate also inspects products supplied by counterparties. This process includes an examination of shipping documents confirming the quality of supplied products: availability of certificates of conformity, public health and safety certificates, fire safety certificates (and quality certificates, where necessary).

In accordance with applicable laws, the quality of construction of all PIK buildings is inspected by a state commission. At an interim stage, the Company carries out an internal inspection similar to the state one in order to confirm that the facility is ready to be transferred to the customer for subsequent operation. Such double control ensures that real estate complies with housing construction standards and is safe for the life and health of customers.

Digitalization projects

In 2020, PIK-Industry continued to develop projects aimed at automation of quality control by implementing and optimizing projects based on existing software.

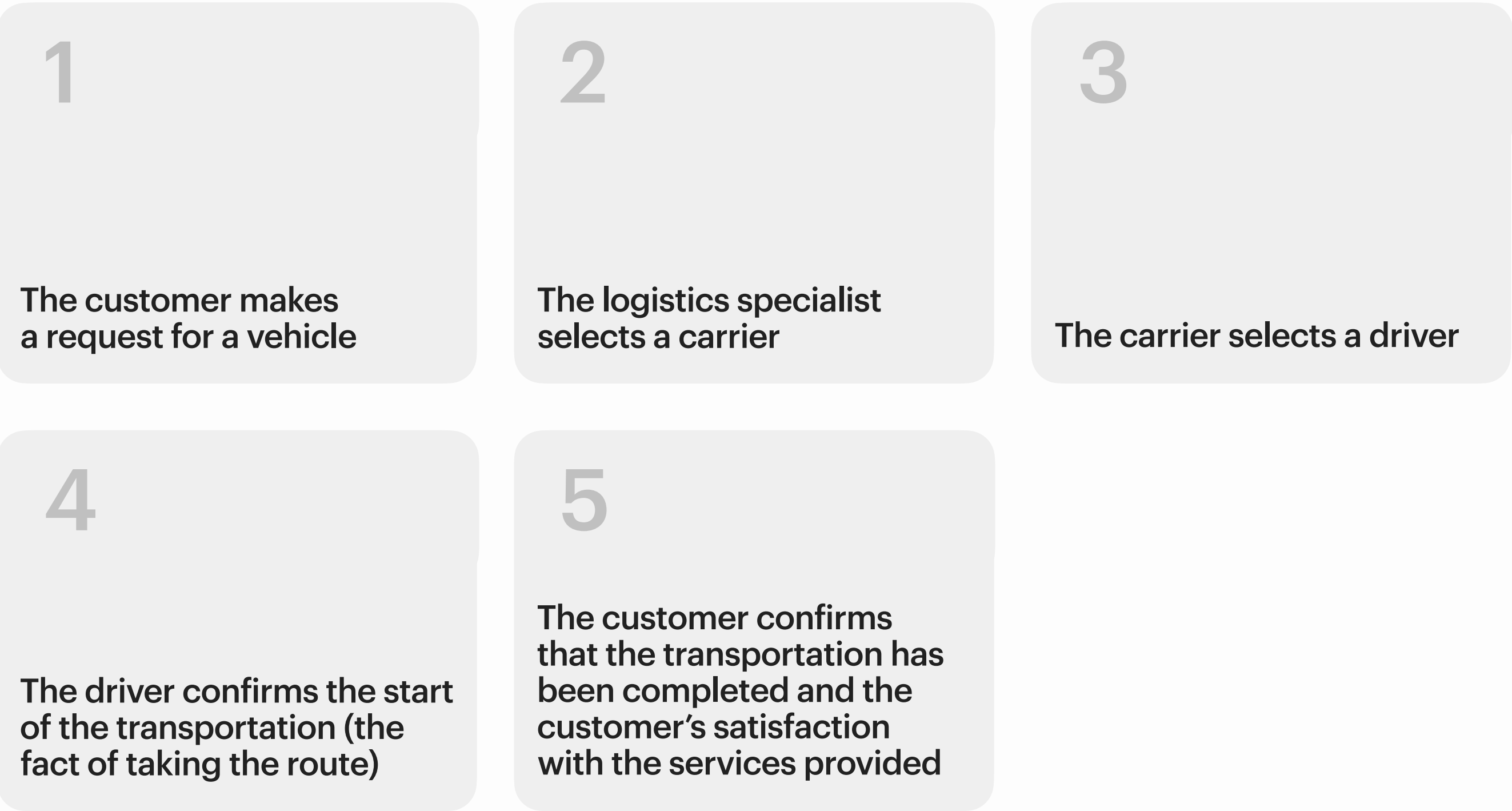
Ecologistics

In 2020, PIK-Industry actively developed the Ecologistics product. The Ecologistics project is a vehicle management system and an electronic document flow system to deal with transport-related orders and mutual settlements. This system is designed to significantly improve control over overheads and transportation expenses that account for about 10% of costs.

This system helped optimize processes related to transportation of goods and materials, operation of vehicles at factories, transportation of reinforced concrete products and operation of heavy vehicles on construction sites. This system also made it possible to generate orders, place them with counterparties and track their completion electronically. During the reporting period, the Ecologistics system was put into operation: the project was piloted in Q1 2020 and during the year it was put into commercial operation throughout the Company’s own and commercial fleet.

The platform is integrated: it is simultaneously installed for use by customers, logistics specialists, dispatchers, drivers on mobile phones and carriers in dispatch centers. All transportation participants interact through this system in accordance with the following algorithm:

Transportation algorithm in the Ecologistics system



As part of the Ecologistics project, PIK-Industry launched a pilot project to supply materials for construction projects using the 1C: Manufacturing Enterprise Management system. This solution is aimed at digitalization, control, tracking and planning of supplies of construction materials to construction sites. The main goal of this project is to improve the ecosystem of ordering, planning and supplying materials to facilities in terms of micromanagement. The project includes breaking orders down into small sets (lots), their assembly for transportation, their dispatch by suppliers, as well as their electronic tracking. The Supplier Portal has been developed for this purpose. This portal is an internal platform for communicating with counterparties. The supplier sees PIK’s orders on its server and can record and track their status linking the orders to the electronic document flow in the Diadoc program. In 2021, it is planned to introduce the system to all the Company’s facilities.



In 2020, the transition to the electronic document flow in terms of interaction with counterparties (including suppliers) was completed by integrating the Diadoc system with the 1C accounting system:

now all internal transactions between PIK-Industry divisions are signed electronically;

contracts with all counterparties are signed with an electronic digital signature (paper document flow is still used in contractual work with no more than 2% of counterparties);

as for supplies, PIK-Industry accounts for 95% of them in Diadoc where the electronic document flow is organized for primary recording of supplies of goods and materials and their billing.

## Digital Project Passport

The Digital Project Passport is a system that contains all information about a facility in electronic form. A detailed description is available in the Company's Sustainability Report for 2019, section "Quality control," page 107.

As part of the Digital Project Passport project, the IT platform and the construction process have been integrated: numerical data and measurements taken on construction sites are consolidated for each building. This is an extensive set of parameters that are digitized by taking photos or recording measurements made manually or electronically and then placed in a data warehouse with reference to a facility.

During the reporting year, the data collection and analysis system was improved, and the amount of data recorded and archived increased. About 10,000 indicators were selected at each facility to ensure reliable operation of the building and compliance with design values. To support the increase in the number of analytical indicators, PIK-Industry began to conduct interim tests of engineering systems before finishing buildings and putting them into operation and to record instrument readings.

Until 2020, the commissioning of completed engineering systems included only their transfer for finishing without digitization or testing. Systems were tested only after completion of the facility commissioning, when all work was finished. Often combined system tests reveal deviations and deficiencies that need to be addressed. To reduce additional costs, a project was piloted in 2020 to conduct interim engineering tests at facilities prior to performing subsequent work and comprehensive testing by the customer. This project will help introduce more quality control criteria and prevent problems after commissioning of the building caused by noncompliance of actual indicators with design ones and the need to make changes to the system. By now, total control over the operation of ventilation units has already been introduced. About twenty performance indicators are used. They are registered for each ventilation unit before its installation at the facility and recorded in the facility passport.

## Statistical analysis of quality indicators

The introduction of the Digital Project Passport and collection of digital indicators made it possible to implement the 6 SIGMA methodology for statistical analysis of quality indicators. To this end, key indicators were determined within each production process that helped identify factors affecting the quality of manufactured products. When using the 6 SIGMA methodology, the collected data should be put on the time axis in accordance with the normal distribution. If there are any deviations, a diagnostic test is carried out to identify the reasons for these deviations, such as incorrect operation of equipment or measuring devices used, personnel behavior, etc.

This approach provides flexible feedback and helps find out whether deviations are random (stochastic) or systemic in nature and require changes in the process. As a result, it becomes possible to predict the appearance of defects, reduce their number and monitor the effectiveness of measures to eliminate them.

The Company piloted the project for the process to produce Acotec partitions. Relevant measurements were made and further processed using the product strength analysis model for each batch produced. The analysis resulted in identification of deviations in the mixture humidity and the operation of sensors and screws during the technological process.

Currently, PIK-Industry is piloting the project without developing additional software and is using manual measurements for a small number of parameters. In the long term, a program may be developed where all digitized indicators will be consolidated for analysis by the system according to relevant standards.

## Artificial intelligence

In 2020, the SOLUT artificial intelligence system was tested. With the help of sensors, the system digitizes the model of how the worker works and analyzes labor productivity. SOLUT made it possible to integrate the obtained data into the technological process map and prepare a performance review for each individual employee.

However, indicators identified for one employee are not applicable to another person due to physiological characteristics of the human body and do not allow optimal interpretation of that person's performance. In addition, the system is sensitive to changes in technology and cannot accurately determine whether the action prescribed in the algorithm has been performed. For the system to be universal, it is necessary to adapt each repeating operation using a large statistical sample and reproduce the technology homogeneously, and then set up algorithms to interpret the obtained indicators, which is a resource-consuming task.

In addition to SOLUT, exoskeletons were tested in 2020 in processes requiring high physical exertion. Passive and powered exoskeletons were used. They allow even a physically unprepared worker to move heavy objects by evenly distributing the load on the musculoskeletal system. At the current stage of development, this technology can be used for repeated operations under factory conditions.

In the future, the Company plans to consider the use of the said technology at construction sites and plants.

## Development plans

The Company's main task for 2021 is to fully automate and digitalize the system of work acceptance. The development of the project to test engineering systems before performing the finishing work at the facility will continue. This will ensure at an interim stage that all engineering systems created by PIK-Industry have been assembled correctly, operate in design conditions and can be transferred to the customer for further use. Measures will be implemented to temporarily connect to heating, sewage, ventilation and power supply systems to test their operation and reliability and achieve performance standards in order to confirm that the system is ready for operation or, vice versa, to identify shortcomings and eliminate them.

The Digital Project Passport will be supplemented with indicators obtained during such interim testing. Maintaining a detailed project passport will make it possible to record the condition of engineering systems and identify, if necessary, at what stage certain problems could have arisen. And this will facilitate and accelerate the process of making necessary corrections. This system will become the main project database when the facility is transferred to the customer and operated.

# 8. Occupational health and safety

## Approach to occupational health and safety

Ensuring high health and safety standards is one of the priorities for PIK in its activities. To achieve this goal, the Company implements a set of occupational health and safety (OHS) measures to:

GRI 403-1, 403-4

improve the OHS management system;

develop a safety culture and managers’ leadership skills to ensure OHS;

assess the risk of events that may have a negative effect on human health;

interact with contractors providing services or performing work at PIK facilities to ensure their compliance with OHS requirements, as well as involve contractors in the OHS management system.

The risk of violation of safety rules and occurrence of injuries is inherent in the industrial and construction segment of PIK,<sup>10</sup> namely JSC PIK-Industry.<sup>11</sup> Occupational health and safety management processes are part of PIK-Industry’s existing integrated management system that meets the requirements of Russian standards <sup>12</sup> and covers 100% of employees. The latest certification of the integrated management system was carried out in 2019 and is valid until 2022.

GRI 403-8

PIK strives to improve its occupational health and safety management system (OHSMS) to ensure a high level of safety of its employees and contractors and compliance with applicable Russian OHS laws.

PIK-Industry has the following structural units responsible for creation and maintenance of favorable working conditions and ensuring safety during production and construction: <sup>13</sup>

- occupational health, industrial and fire safety service;
- Office of the Chief Process Engineer and Office of the Chief Construction Engineer;
- trade union;
- OHS officers appointed in all production units of PIK-Industry enterprises and each construction brigade. These employees undergo necessary training and have the right to interrupt work if they identify non-compliance with safety rules notifying the foreman and the shift supervisor of the interruption.

As part of the OHSMS, PIK-Industry monitors compliance with safety rules at production facilities. Compliance with OHS requirements is monitored daily by line managers. OHS specialists (2-4 employees at each enterprise) assess compliance with legislative OHS requirements using checklists on a weekly basis. Based on this, brigades are assigned a rating and the final monitoring results are submitted to senior management for consideration. The OHS and Workplace Culture Commission assesses working conditions at PIK-Industry enterprises on a monthly basis.

<sup>10</sup> PIK-Industry’s lines of business include construction and assembly work and production of reinforced concrete products, so PIK-Industry includes both construction and production facilities.

<sup>11</sup> As of 2020, PIK-Industry includes the following production facilities:  
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).

OZ ZhBK undergoes a phased liquidation process that is planned to be completed in 2022. Measures to liquidate production were taken in 2020, and starting from 2021 measures are being implemented to dismantle and sell equipment. PIK-Industry made a strategic decision to wind up OZ ZhBK as the operation of this production site is economically unfeasible in view of cutbacks in the construction program during the COVID-19 pandemic. The liquidation will allow PIK-Industry to distribute the facilities of OZ ZhBK to other enterprises and will facilitate their modernization. The territory of the liquidated enterprise will be developed by PIK-Industry.

<sup>12</sup> 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

<sup>13</sup> For more information on the functions of these structural units, please refer to the Company's Sustainability Report for 2019.

Employees are informed of the operation of the OHSMS at PIK-Industry through:

- the occupational health and safety policy;
- orders on occupational health and safety;
- programs to improve working condition and occupational health and safety;
- results of inspections and internal audits;
- informational materials of the trade union.

During the reporting period, PIK-Industry’s OHS activities were performed in the following key areas:

- reducing and preventing work-related injuries;
- increasing the level of industrial safety at hazardous production facilities;
- preventing and reducing occupational diseases;
- improving the working and sanitation conditions and amenities for employees.

PIK-Industry’s priority for 2020 was to manage professional risk factors through a number of organizational measures and the use of modern personal protective equipment. These measures were documented in the OHS Agreement drafted in cooperation with the trade union committee and approved by the CEO.

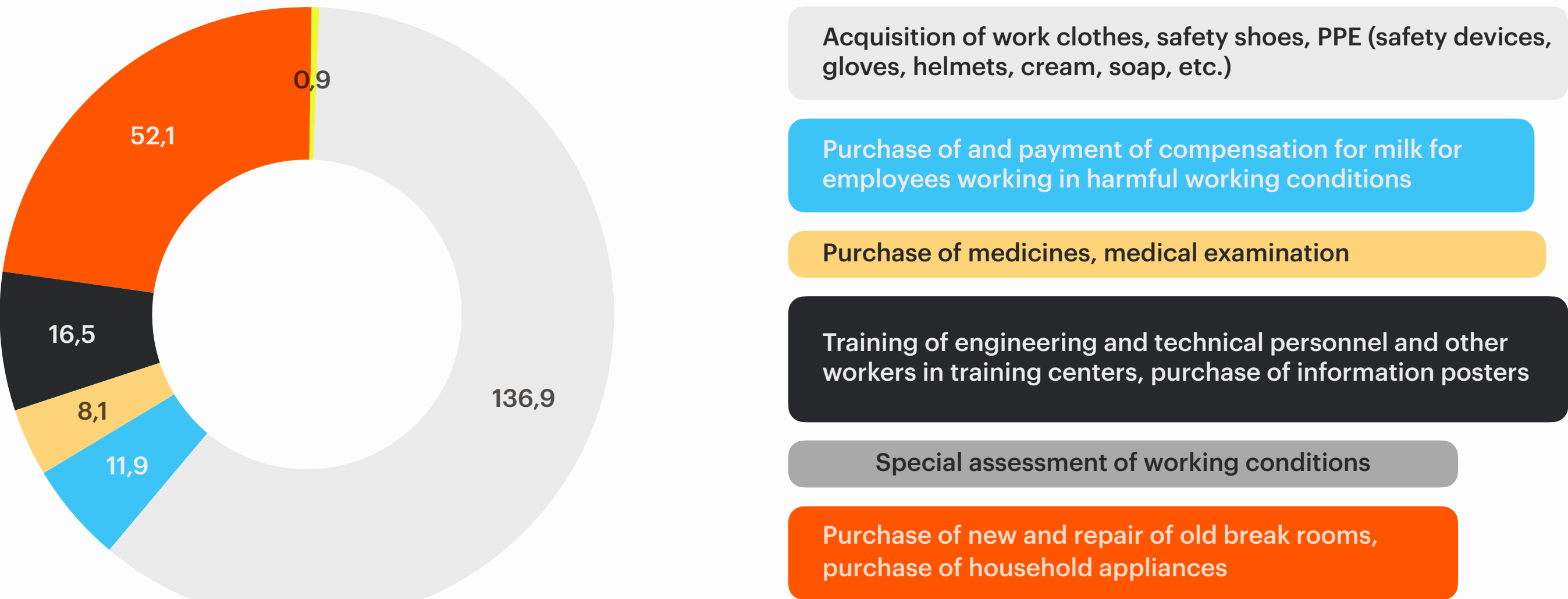
2020 results

OHS expenses and efficiency in terms of OHS compliance

In the reporting period, PIK-Industry’s total costs to ensure occupational safety and improve working conditions amounted to RUB 226.3 million, which is almost 72% more than in 2019.

In 2020, a special assessment of working conditions was performed in respect of 2,225 workplaces at PIKIndustry in accordance with Russian laws. Based on the results of the assessment, the following classes of working conditions at workplaces were determined: 14% of workplaces have acceptable working conditions, while 86% of workplaces have harmful working conditions.

Structure of PIK-Industry’s OHS expenses in 2020, RUB million



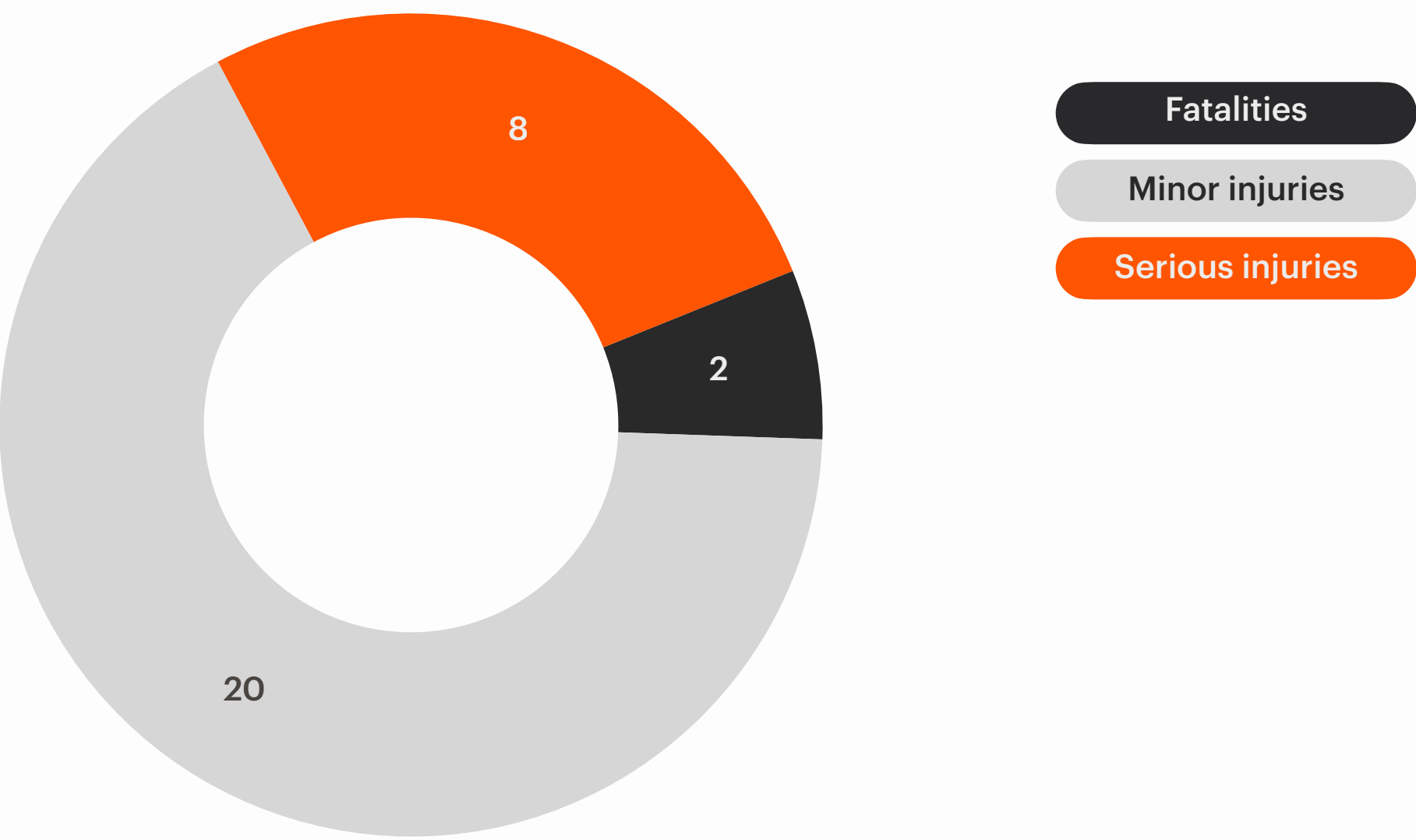


## Work-related injuries

PIK-Industry is implementing measures aimed at achieving the goal of “Zero fatalities, zero serious injuries.”

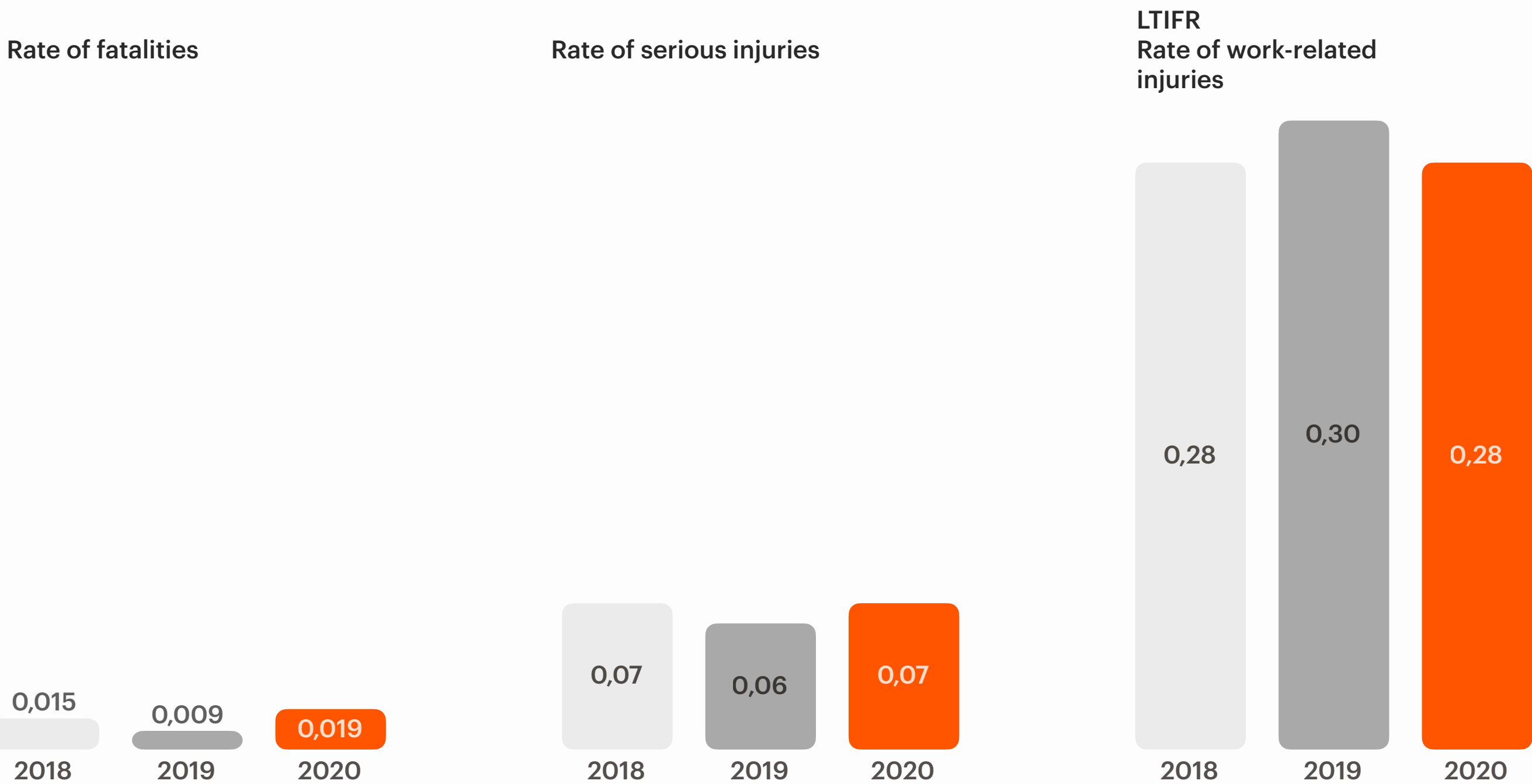
GRI 403-9

In the reporting period, thanks to the efforts made, the key performance indicator related OHS management was achieved – the number of work-related injuries decreased against 2019. In total, 28 work-related injuries of varying severity were registered at PIK-Industry’s enterprises in 2020 (8 serious injuries and 20 minor injuries), which is 5 injuries fewer compared to the previous reporting period (7 serious injuries and 26 minor injuries). The majority of injuries were minor injuries (almost 67% in 2020). In 2020, construction facilities and NZ ZHBK accounted for the largest share of work-related injuries.



The rate of work-related injuries <sup>14</sup> decreased in 2020 to 0.28. The rate of fatalities and serious work-related injuries increased compared to the previous reporting period.

### Work-related injury rates, 2018–2020 <sup>15</sup>



<sup>14</sup> All accidents, including fatal ones, were taken into account when calculating this rate.

<sup>15</sup> The base of 200,000 hours was used to calculate the rate; the total number of working hours in 2020 was 21,417,849,93.

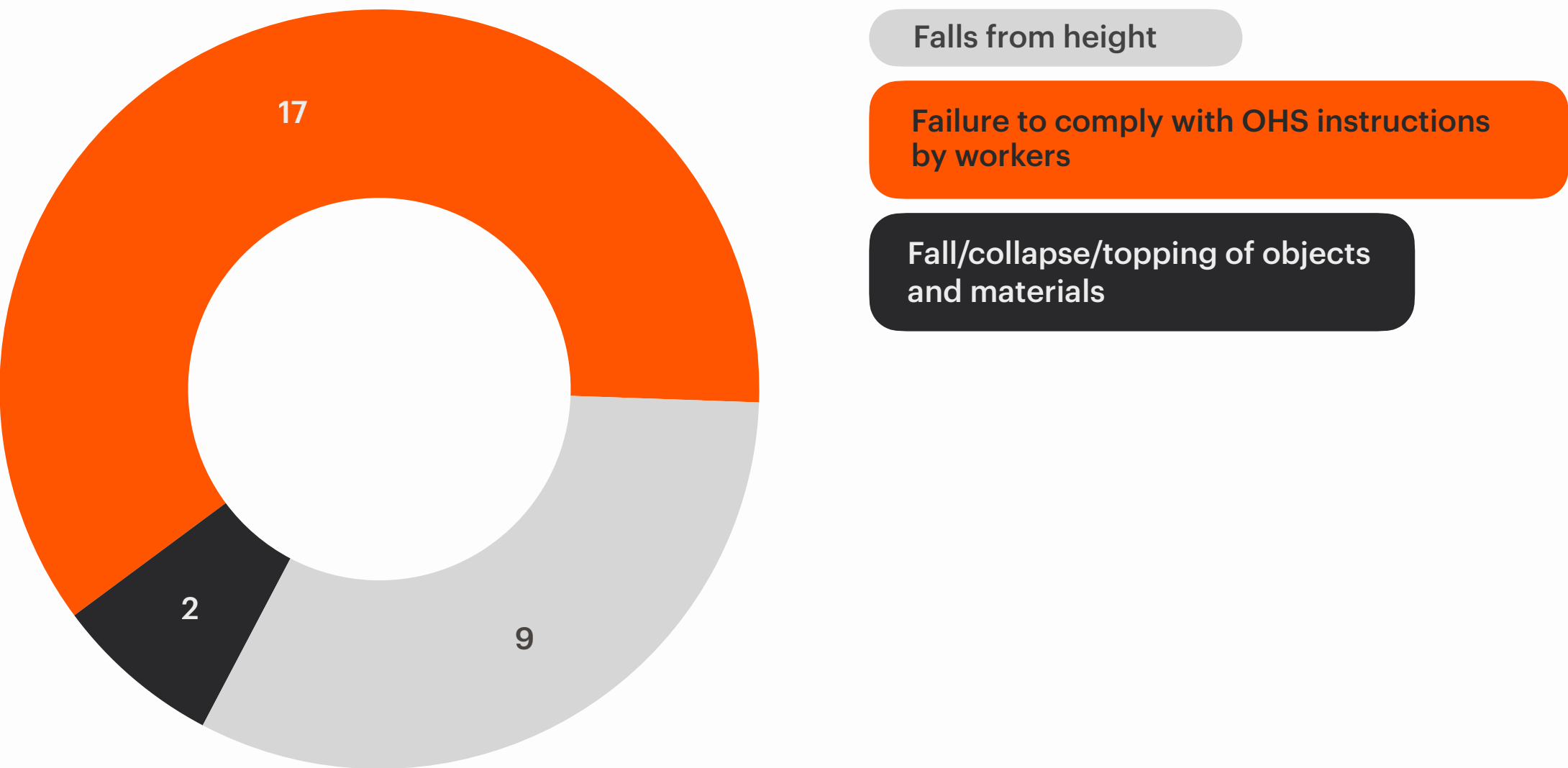
Each accident that occurred in 2020 was registered and investigated by a special commission,<sup>16</sup> and the relevant state authorities were informed of the accidents. Based on the results of the investigations, unscheduled briefings were conducted, and measures were developed to prevent accidents in the future. Injured persons were provided with necessary medical care and compensation.

GRI 403-2,  
403-3

During the reporting period, two fatalities occurred at PIK-Industry’s construction sites. They were investigated by a commission chaired by the State Labor Inspectorate in Moscow. There were no fatalities at production sites. No accidents were recorded among contractors performing work at PIK-Industry’s enterprises.

According to the investigations into the accidents that occurred in 2020, the main reasons for these accidents were the carelessness of workers being near running technological equipment and non-compliance with OHS instructions given (e.g. disregard for the need to use personal protective equipment).

Breakdown of work-related injuries at PIK-Industry in 2020 by type <sup>17</sup>



Based on work-related injury reports, PIK-Industry annually prepares a risk register that is used to set OHS goals and objectives. In 2021, to mitigate the risk of accidents, it is planned to develop professional risk assessment maps for each workplace and then familiarize employees and managers with them. The maps will describe work-related risks and ways to minimize them.

Developing a safety culture

Since workers’ carelessness and negligence in complying with OHS rules often lead to accidents, PIK pays special attention to measures to improve the safety culture.

GRI 403-5, 403-7

To reduce accidents and develop the safety culture, PIK-Industry is increasing the number of engineering and technical workers at its own construction sites. Their duties include control over installation of safety fencing and use of collective and personal protective equipment by other workers. In 2020, special video conferences on OHS issues were organized for engineering and technical personnel and training video materials were sent out to them.

In addition, to improve the safety culture at the level of production units and brigades, PIK-Industry aims to involve OHS officers as much as possible in risk assessment processes, safety inspections and work with OHS documents and provides them with appropriate training.

<sup>16</sup> The procedure for investigating accidents is specified in the Labor Code of the Russian Federation and Resolution No. 73 of the Russian Ministry of Labor dated 24 October 2002 (as amended on 14 November 2016) “On Approving the Forms of Documents Necessary to Investigate and Record Work-Related Accidents and the Regulation on the Special Features of Investigating Work-Related Accidents in Certain Industries and Organizations.”

<sup>17</sup> The breakdown of work-related injuries by type is provided only for serious and minor injuries, i.e. fatalities are excluded.

All employees of PIK-Industry undergo OHS training and mandatory testing of their knowledge. In 2020, OHS training sessions and annual tests were held in the form of online conferences because of the COVID-19 pandemic. During the reporting period, 4,403 workers of production units and construction facilities were trained at the PIK-Industry’s training center.

Internal OHS training programs covered 10,202 employees in 2020. The programs were developed taking into account the requirements of the production process and the work performed in accordance with Russian laws.<sup>18</sup>

In 2020, information stands with OHS materials were installed for workers of production units and information posters were placed at work sites.

### Developing a safety culture among contractors and control over their compliance with OHS requirements

PIK-Industry has developed a special briefing program for employees of contractors that informs them about joint measures to ensure contractors’ compliance with OHS rules at PIK-Industry’s production facilities. Contractors’ responsibility for joint efforts to ensure the safe performance of work is specified in contracts.

All employees of contractors working at PIK’s production facilities and construction projects should have a document confirming that they have passed the relevant OHS knowledge test. In 2020, 150 employees of contractors received OHS training at PIK-Industry’s training center.

To prevent accidents among drivers of vehicles transporting reinforced concrete products, PIK cooperates only with those transport companies whose vehicles fully meet loading technology requirements. PIKIndustry also monitors whether drivers have personal protective equipment and conducts briefings on possible factors leading to accidents before they enter the territory of a production facility.

## Emergency response, industrial and fire safety

PIK-Industry considers human life and health to be the highest value and therefore takes measures to prevent accidents and incidents, namely:

- the standard «Preparedness for Emergency Situations and Accidents and Relevant Response Actions» has been adopted and implemented.
- the OHS instructions to be complied with by all employees of PIK-Industry according to internal labor regulations formalize actions in emergency situations for each profession (including the instruction to leave the workplace in case of danger and report the danger to the manager).
- voluntary fire brigades have been formed.
- employees responsible for fire safety have been appointed at each production enterprise.
- all enterprises are equipped with fire safety equipment and warning systems that are serviced on a regular basis.
- three commissions have been established to deal with matters related to emergency situations, fire safety and civil defense.
- two staff training sessions and one command and staff exercise are held annually; free training sessions are organized every three years for heads of commissions and commanders of civil defense units.

GRI 403-2

In 2020, a fire alarm system was installed at PIK-Industry’s production and construction facilities and fire extinguishers were refilled. No accidents or fires were recorded during the reporting period.

<sup>18</sup> In accordance with Resolution No. 1/29 of the Russian Ministry of Labor and the Russian Ministry of Education dated 13 January 2003 «On Approving the Procedure for OHS Training and Assessing Knowledge of OHS Requirements for Employees of Organizations.»



## Promotion of worker health and medical supervision

PIK-Industry implements preventive measures to ensure the safety of its employees and contractors. During 2020, the following preventive initiatives were implemented:

GRI 403-2

- elimination of direct contact of workers with source materials, semi-finished products, components, finished products and production wastes that have a negative effect;
- modernization of technological processes associated with the appearance of hazardous and harmful production factors to eliminate these factors or maintain them at the maximum permissible level;
- comprehensive automation and remote control of technological processes if there are hazardous and harmful production factors.

PIK aims to reduce the influence of the human factor on production processes and increase the level of automation.

To minimize risks associated with the health of employees, the following medical examinations are carried out: medical examinations when hiring workers, annual periodic medical examinations and daily pre-trip medical examinations for drivers of vehicles. During the reporting period, 9,933 employees of PIK-Industry underwent an annual periodic medical examination. In addition, 24-hour medical stations operate at PIK-Industry enterprises.

GRI 403-2

In 2020, there were no work-related diseases or fatalities caused by work-related diseases among employees of PIK-Industry and contractors.

GRI 403-10

During the reporting period, 28 employees received treatment at health resorts with the support of PIK-Industry.

## Prevention of the spread of COVID-19

In 2020, PIK-Industry implemented a wide range of measures aimed at preventing the spread of COVID-19 and maintaining the health of employees. These measures included development of safety protocols and disinfection instructions in accordance with the recommendations of Rospotrebnadzor (Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing). To combat COVID-19, PIK-Industry focused on the following initiatives in 2020:

- transportation of employees in the Company's vehicles in face masks and gloves;
- visual inspection and contactless measurement of the body temperature of employees;
- introduction of a ban on employees' going to work if they have a fever (37.0° C and above) and/or signs of an acute respiratory infection;
- introduction of a ban on handshakes, hugs and other contact forms of communication for employees; control over maintaining a social distance of at least two meters;
- separation of employees and prevention of congestion of people in eating areas, locker rooms and showers;
- ensuring a five-day supply of disinfectants, personal protective equipment, gloves, rags and cleaning utensils based on the estimated need;
- control over the use of disposable masks by employees and taking measures to prevent their reuse;
- regular airing of working rooms;
- ensuring that a specially designated room with a sink and a dispenser for cleaning hands with skin antiseptics is available at production sites;
- efforts to increase employee awareness of the need to comply with the measures to prevent the spread of COVID-19;
- ensuring that employees are tested for COVID-19.

PIK-Industry's costs to prevent the spread of COVID-19 totaled RUB 185 million. In 2020, detailed statistics were collected on employees who had come down with COVID-19. These employees received not only their sick pay, but also their wages under the downtime program. There were no fatalities due to COVID-19 among PIK-Industry's employees.

## Development plans

In 2021, PIK plans to continue implementing a set of measures aimed at preventing accidents and incidents, injuries and deterioration of health of its employees, namely:

- to eliminate hazardous and harmful factors through introduction of modern equipment and mechanisms;
- to monitor the negative impacts on the safety and health of employees using engineering control methods or organizational measures;
- to minimize the impact of production factors by creating safe labor systems that include administrative controls;
- to provide maximum available personal protective equipment to workers at workplaces where residual hazardous and harmful production factors cannot be controlled using organizational measures;
- to implement automated control systems for production equipment, technological processes, lifting and transportation devices.

Moreover, PIK-Industry plans to develop professional risk assessment maps for each workplace in 2021 and take measures to manage identified risks and appoint persons responsible for implementation of these measures.

PIK expects that production volumes will expand in 2022–2023 as compared to its current performance, so new production capacity will be required. In the next three years, PIK-Industry plans to launch production facilities at new production sites, which will lead to the need to build an OHS management system at new facilities.

In 2022, it is planned to complete the restructuring of PIK-Industry to spin off the construction segment into a separate legal entity. PIK-Industry will remain exclusively a production division manufacturing reinforced concrete. OHS issues at construction sites will be managed by the new company.

# 9. Environmental protection

## Approach to environmental protection

The key goal of PIK-Industry in terms of environmental management is to minimize the adverse impact of its operations on the environment and mitigate the negative consequences that have already been caused.

PIK-Industry not only maintains its status as a reliable developer and market leader, but also strives to balance environmental and economic factors in terms of environmental management.

## Environmental program and 2020 results in terms of environmental management

PIK's commitment to treat the environment with care is enshrined in its Sustainability Policy. An Environmental Program is developed and approved for each enterprise of PIK's industrial and construction segment on an annual basis. The measures under this program cover the priority areas of the Company's environmental activities:

- air protection and reduction of pollutant emissions into the air;
- management of production and consumption waste and increasing the share of recycled waste;
- water management, including wastewater generation and discharge.

For example, PIK-Industry enterprises implemented the following measures under their Environmental Programs in 2020:

- reconstruction of roof ventilation that helped reduce pollutant emissions and ensure compliance with applicable environmental laws;
- return of XPS foam waste to the supplier for recycling and use of plastic (more durable material) instead of plywood to prepare the master model, which made it possible to minimize the total amount of waste;
- repair of storm water drainage networks, wells, manholes, necks of on-site sewage systems, which prevented gross solids from getting in storm water drainage networks and reduced the concentration of pollutants in production wastewater.

Moreover, maximum allowable emissions limits (MAELs) for air pollutants for AZ ZhBK and NZ ZhBK were updated in 2020, and as for KZ ZhBK — MAELs and waste generation and disposal limits were developed for the first time.

In 2020, OZ ZhBK's Environmental Impact Declaration was updated in accordance with legislative requirements. The new declaration takes into account the liquidation of the enterprise, including the liquidation of two hazardous production facilities (a filling station and a boiler house) on the site.<sup>19</sup>

In 2020, in accordance with Russian laws, PIK-Industry enterprises organized mandatory environmental training for employees, namely sessions on waste management and environmental safety.

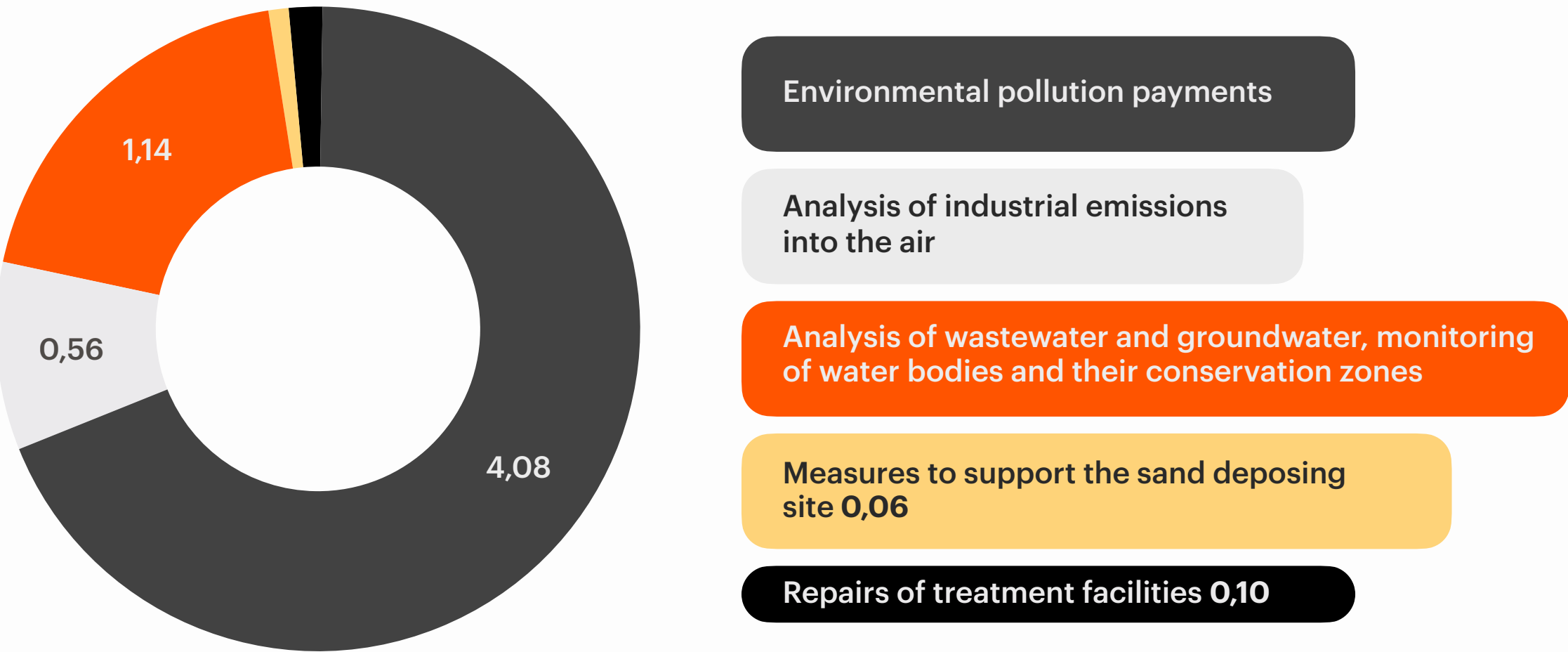
<sup>19</sup> The liquidation of OZ ZhBK started in 2020 and will be completed in 2021. Further information on the plant closure will be disclosed in subsequent PIK reports. Environmental indicators for 2020 still include OZ ZhBK.



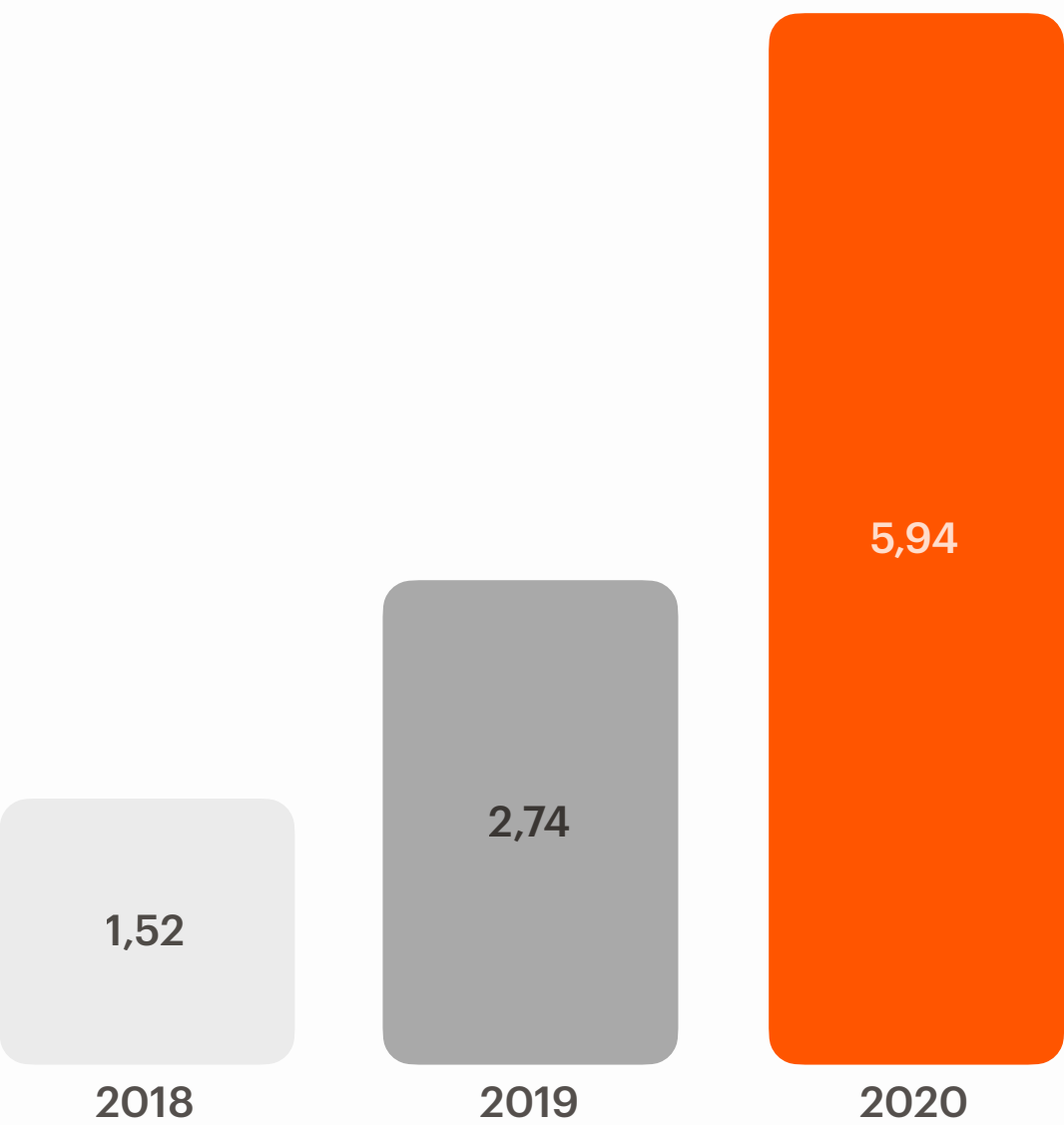
Environmental costs

In 2020, the cost of environmental protection measures amounted to RUB 5.94 million, which is RUB 3.20 million more than in the previous reporting period.

Environmental costs by type of activity in 2020, RUB million



Expenses to implement environmental protection measures, 2018–2020,<sup>20</sup> RUB million



In 2020, apart from the expenses to implement the said environmental protection measures, PIK-Industry incurred additional expenses of RUB 17.21 million, including expenses to develop permit documentation and perform industrial environmental control.

<sup>20</sup> The expenses to implement environmental protection measures for 2018 and 2019 differ from those previously disclosed in the 2019 Sustainability Report of PIK Group as they have been revised.

## Environmental compliance

PIK strives to comply with applicable environmental laws and respond to all identified violations in a timely manner. Several inspections of PIK-Industry enterprises were conducted in 2020.

GRI 307-1

The Moscow-Oka Territorial Directorate of the Federal Agency for Fishery (Rosrybolovstvo) carried out an inspection of AZ ZhBK for compliance with environmental laws. The Directorate checked that the limits of pollutant discharges into the rivers flowing along the border of the enterprise’s territory (Myshega and Oka) were not exceeded. No violations were discovered during the inspection.

An unscheduled inspection of AZ ZhBK was conducted in the reporting period by the Prosecutor’s Office to determine whether there was an unauthorized waste disposal facility on the territory of the enterprise. As a result of the inspection, a landfill formed through third parties’ activities was discovered. AZ ZhBK implemented a number of measures to eliminate the violation and to prevent the recurrence of such situations in the future (by ensuring increased control over the enterprise’s territory).

Rospotrebnadzor in Moscow conducted an inspection of OZ ZhBK for compliance with environmental laws. No violations were identified.

In relation to NZ ZhBK, Rospotrebnadzor checked the state of waste accumulation and temporary storage facilities. The inspection body’s comments were taken into account.

In 2020, PIK-Industry received one notice of violation of environmental laws and the total amount of material fines for non-compliance with environmental laws and regulatory requirements paid in the reporting year amounted to RUB 40,000. No non-financial sanctions were imposed on PIK-Industry.

### Environmental impact <sup>21</sup>

All types of negative environmental impact are regularly monitored at PIK-Industry’s sites. In 2020, PIK-Industry focused on monitoring environmental pollution factors that revealed that no limits had been exceeded at all sites. Moreover, the industrial and construction segment of PIK took measures to maintain the working condition of local treatment facilities in 2020.

In 2020, no environmental incidents, including fires, were recorded at PIK-Industry sites.

## Combating air pollution

PIK-Industry aims to minimize emissions, including through the use of modern gas treatment equipment. To control air quality, PIK-Industry’s enterprises regularly monitor and control air pollution within the sanitary protection zone with the help of a certified laboratory.

The airborne fine dust formed during the unloading of cement and processing of products from reinforced concrete is a significant factor in the influence of PIK-Industry enterprises on the atmospheric air, so PIK-Industry is taking measures to reduce dust formation. In particular, modern SILOTOP gas filters are used at KZ ZhBK when injecting cement into silos of the concrete mixing shop. This technology was introduced as part of the reconstruction of the cement reception unit and helps prevent formation of dust in the territory and around the site during cement reception operations.

In 2020, the operating efficiency of gas treatment equipment at OZ ZhBK was assessed with the help of a certified laboratory. Because of the liquidation of OZ ZhBK, sources of atmospheric emissions were mothballed in the reporting period.

In 2020, gross atmospheric emissions decreased by 2% compared to 2019 and reached 197.26 metric tons. This change was caused by a reduction in production capacity and equipment downtime, as well as closure (mothballing) of production facilities and sites.

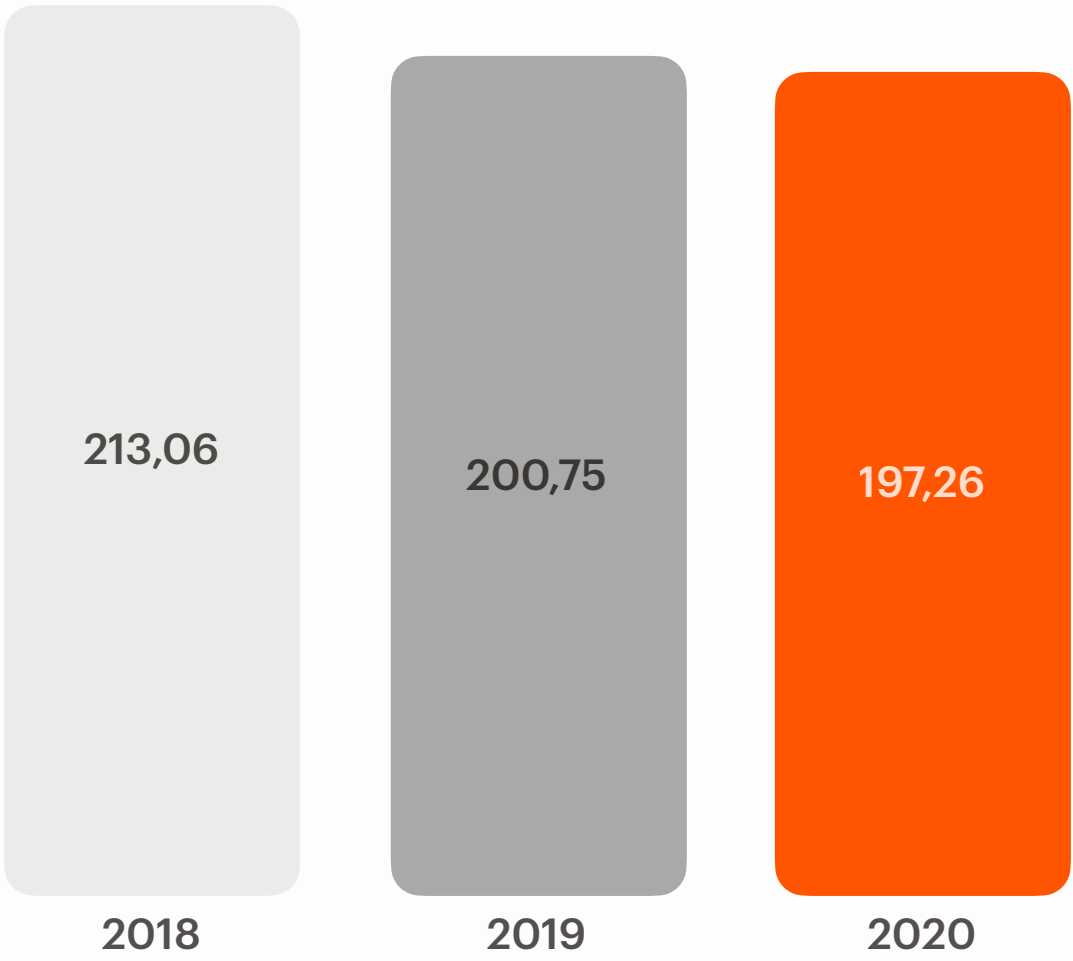
GRI 305-7

<sup>21</sup> Environmental impact indicators for 2018 were adjusted and presented within the boundaries of PIK-Industry as at 2018, namely covering AZ ZhBK, NZ ZhBK and OZ ZhBK.

Gross air emissions by type of pollutants, <sup>22</sup>  
2018–2020, <sup>23</sup> metric tons

Name of pollutant or group of pollutants	2018	2019	2020
Nitrogen oxides (NOx)	53,72	57,01	60,63
Sulfur oxides (SOx)	0,16	0,17	0,07
Particulate matter (PM)	60,85	32,36	30,60
Carbon monoxide (CO)	88,51	89,84	83,78
Volatile organic compounds (VOCs)	7,55	3,98	4,12
Hydrocarbons (без VOCs)	0,19	0,19	0,19
Other pollutants	2,07	17,21	17,87
Total pollutant emissions	213,06	200,75	197,26

Gross air pollutant emissions,  
2018–2020, metric tons



<sup>22</sup> Air pollutant emissions are determined using both the instrumental and the computational method.

<sup>23</sup> Pollutant emissions for 2019 differ from those previously disclosed in the 2019 Sustainability Report of PIK Group as they have been revised.



Water conservation

It should be noted that no water is withdrawn in water-stressed regions. Moreover, PIK-Industry manages water resources rationally and takes measures to protect them. PIK-Industry strives to minimize its impact on water resources and focuses on improving water management systems and hydraulic facilities to preserve the quality of water bodies to which wastewater flows.

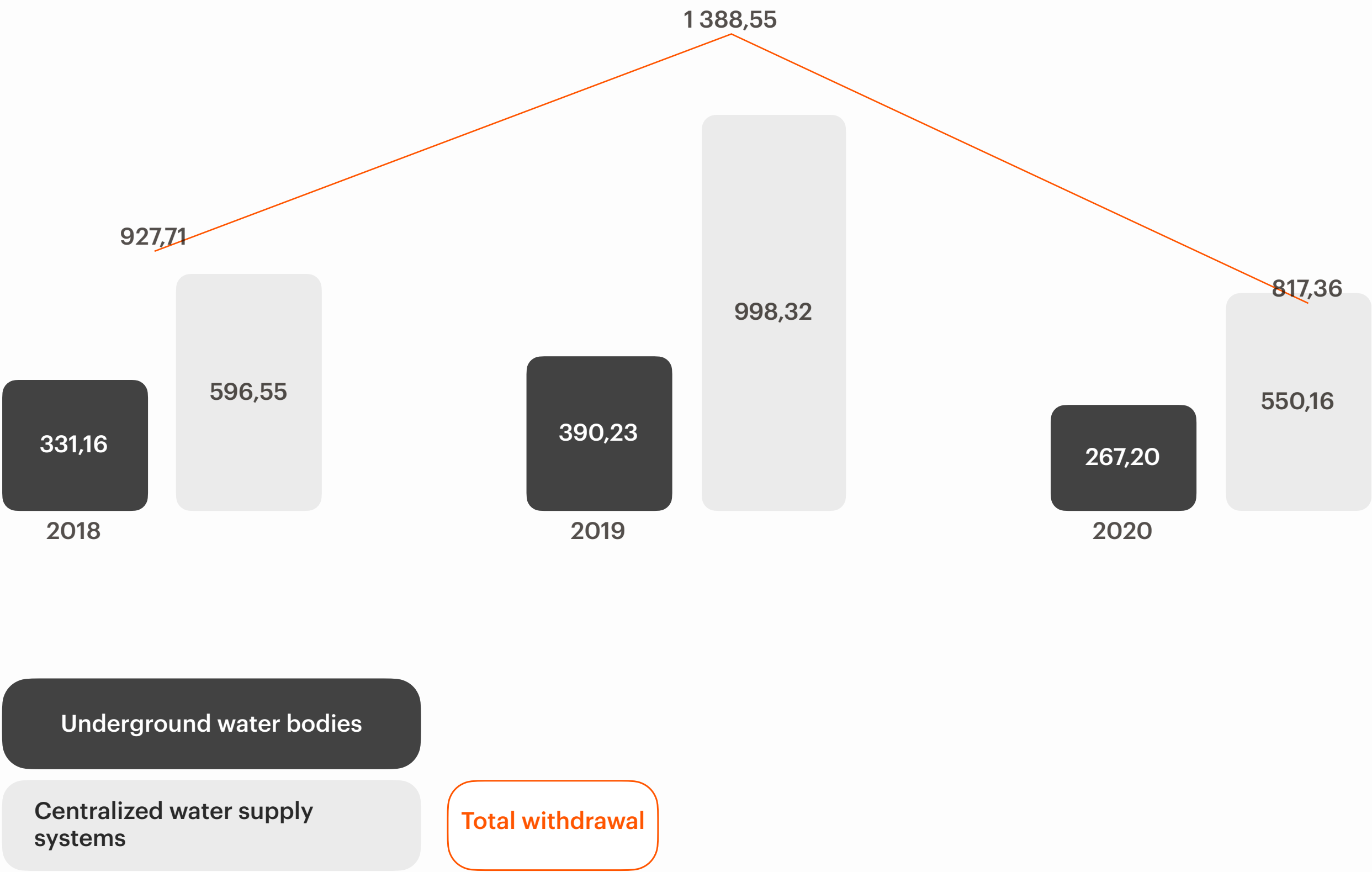
GRI 303-1

PIK-Industry consumes water resources for production, household and drinking purposes and uses part of the water in its products, namely for preparation of concrete mixtures: water molecules linking to cement molecules form a crystal lattice of concrete.

PIK-Industry withdraws water from underground water bodies; water for consumption is also provided by third parties. In 2020, the total water withdrawal by PIK-Industry enterprises amounted to 817,360 m<sup>3</sup>, which is 41% less compared to 2019. This change is explained by suspension of production processes because of the spread of COVID-19 and a decrease in total production in view of liquidation of facilities of OZ ZhBK.

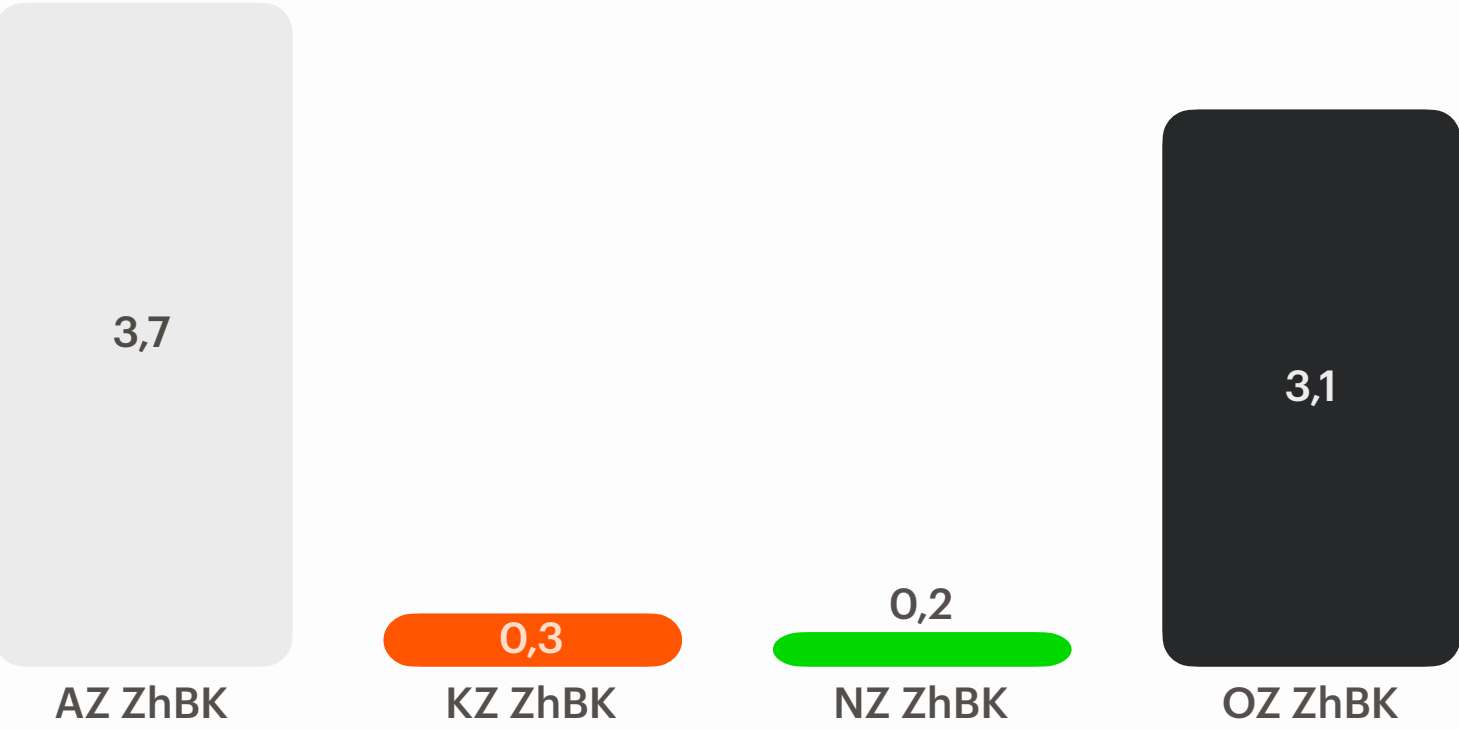
GRI 303-3

Total water withdrawal of PIK-Industry, including with a breakdown by source, 2018–2020, thousand m<sup>3</sup>



The largest value of specific water withdrawal is typical for AZ ZhBK. In 2020, the specific water withdrawal by this enterprise decreased by almost 50% compared to 2019 and amounted to 3.7 m<sup>3</sup> per m<sup>3</sup> of reinforced concrete products, which is due to an increase in production and modernization and repairs of water supply systems.

Specific water withdrawal by PIK-Industry enterprises for 2020, m³/m³



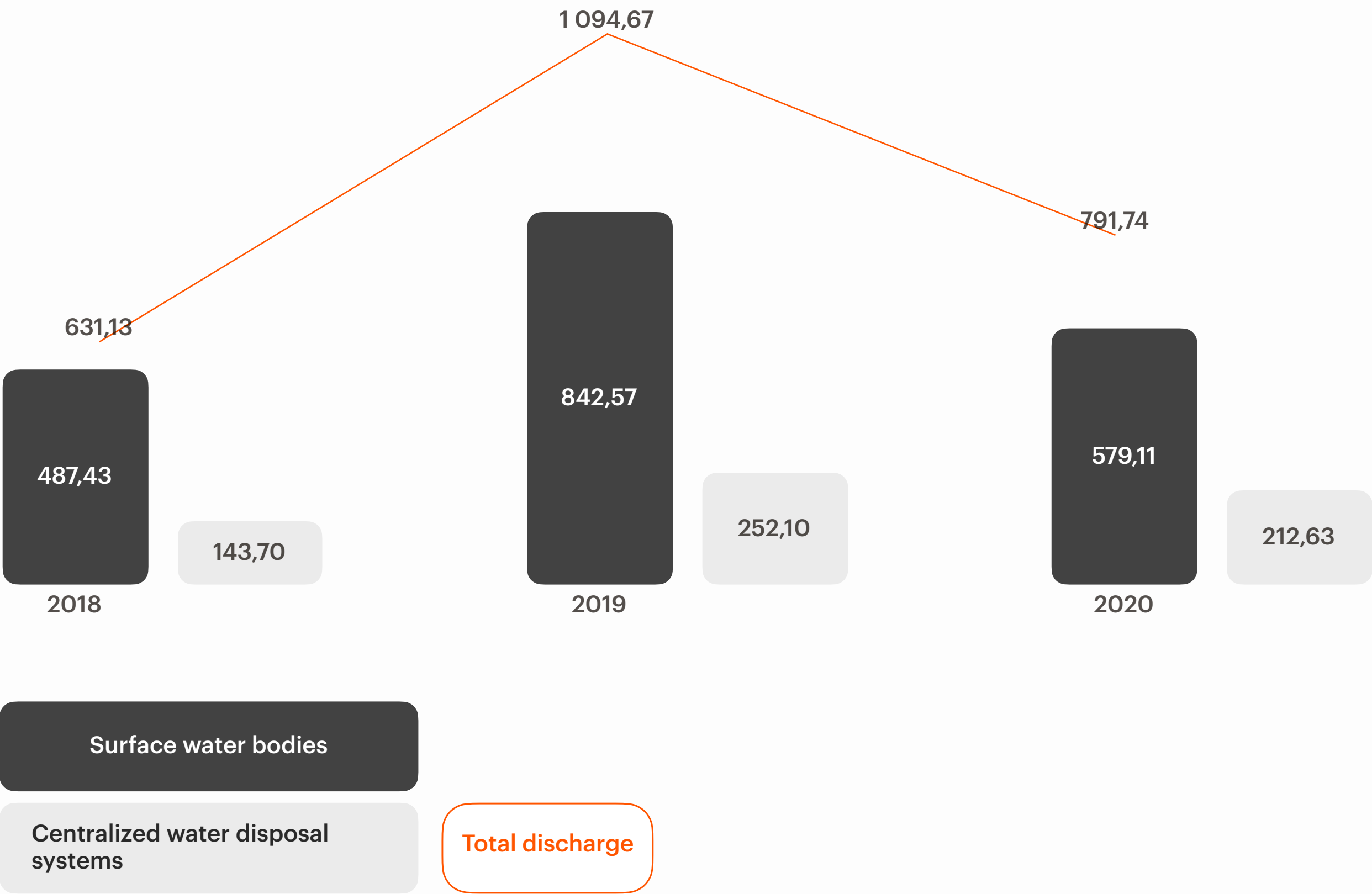
PIK-Industry discharges water into surface water bodies and centralized water disposal systems. The total water discharge of PIK’s industrial and construction segment in 2020 was 791,740 m³ , which is 28% less than in the previous reporting period. This change was mainly due to the fact that the water discharge by OZ ZhBK almost halved because of production cuts caused by the spread of COVID-19 and subsequent liquidation of this enterprise. The water discharge by AZ ZhBK increased due to production expansion.

Wastewater of AZ ZhBK and OZ ZhBK is treated at in-house treatment facilities.<sup>24</sup> These enterprises discharge water into surface water bodies in accordance with established permissible discharge limits for substances and microorganisms. The amount of wastewater handled at in-house treatment facilities in 2020 was 579,110 m³ .

GRI 303-4

Total water discharge of PIK-Industry, including with a breakdown by destination,<sup>25</sup> 2018–2020, thousand m³

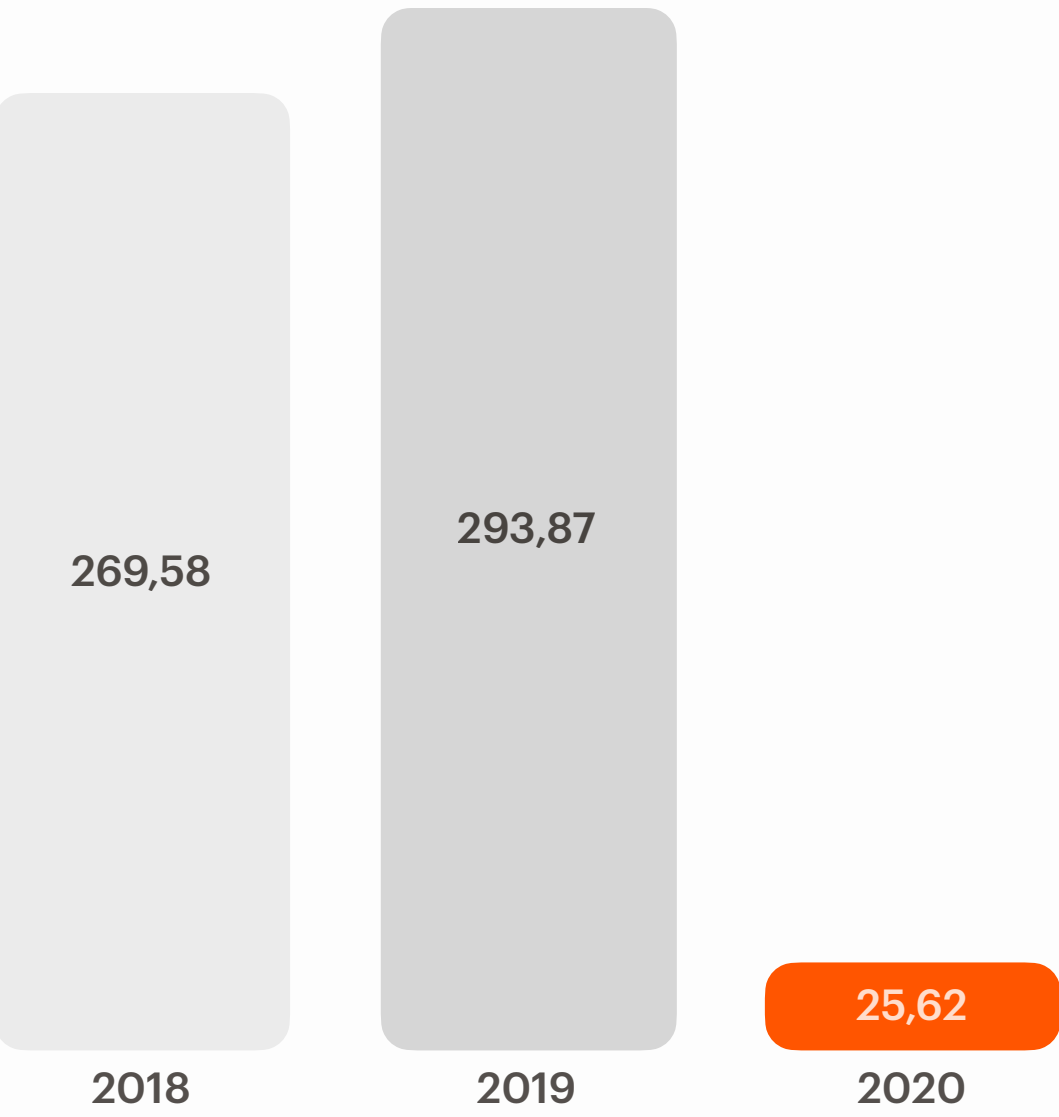
GRI 303-5



<sup>24</sup>. KZ ZhBK and NZ ZhBK do not have their own treatment facilities, their wastewater is treated at third-party facilities.

<sup>25</sup>. PIK-Industry only discharges freshwater.

Water consumption of PIK-Industry,<sup>26</sup>  
2018–2020, thousand m<sup>3</sup>



In 2020, 434,810 m<sup>3</sup> of withdrawn water resources were used for production needs, while 382,550 m<sup>3</sup> were used for drinking and household purposes, which amounted to 53% and 47% of the total water withdrawal respectively (45% and 55% in 2019).

GRI 303-1, GRI 303-2

AZ ZhBK consumes water for drinking and household needs under a contract with Municipal Unitary Enterprise «Water Supply and Sewerage Facilities» in Aleksin. Water withdrawn from two own wells is used for production purposes. Water is withdrawn from the wells in accordance with a subsoil license received in 2020. In the reporting period, AZ ZhBK implemented a project to treat discharged water. As a result of the project, a system of mechanical treatment of the enterprise’s wastewater in local treatment facilities before its discharge to the Oka and Myshega rivers was organized.

NZ ZhBK receives water resources only from LLC NarPromEnergо <sup>27</sup> and they are fully spent on production needs. Wastewater undergoes preliminary internal treatment from gross solids, while its further treatment is carried out by a third-party organization.

KZ ZhBK receives water resources from a well of the RF National Research Center - IPPE<sup>28</sup> and discharges water to centralized water disposal systems with further treatment of the enterprise’s wastewater at third-party facilities.

Before the start of the liquidation process, OZ ZhBK received water resources from JSC Mosvodokanal. Water was also withdrawn from two own wells that are currently mothballed. OZ ZhBK discharged water only into surface water bodies and the enterprise’s wastewater was treated at in-house facilities.

Waste management

PIK-Industry enterprises generate waste of various hazard classes during their operations. The majority of generated waste is non-hazardous<sup>29</sup> (e.g. scrap of reinforced concrete and concrete products, garbage and sweepings from production premises). Hazardous waste at sites includes mercury lamps, used batteries, oil wastes, antifreeze wastes, etc.<sup>30</sup>

GRI 306-1

<sup>26</sup> According to GRI 303-5, water consumption is the difference between the company’s total water withdrawal and total water discharge.

<sup>27</sup> NarPromEnergо withdraws water from an underground water body.

<sup>28</sup> National Research Center of the Russian Federation – A.I. Leypunsky Institute of Physics and Power Engineering.

<sup>29</sup> In accordance with Russian laws, hazardous waste includes waste of hazard classes I, II and III (extremely hazardous, highly hazardous and moderately hazardous waste), while waste of classes IV and V (low-hazard and practically non-hazardous waste) is considered nonhazardous waste.

<sup>30</sup> For more information on hazardous waste generated at PIK-Industry enterprises, please refer to the 2019 Sustainability Report of PIK Group.

PIK-Industry implements measures to stop using materials that could potentially have a negative effect. PIKIndustry enterprises use fewer or no luminescent and mercury lamps and switch to other light sources (such as LED), which helps reduce the amount of hazardous waste that cannot be further treated. As at the end of 2020, AZ ZhBK replaced 70% of mercury lamps with other light sources; the same indicator for NZ ZhBK is more than 95%.

For the most part, PIK-Industry uses materials that do not have toxic properties (such as sand, crushed stone, cement). PIK-Industry only consumes non-renewable materials due to the specifics of its production process.

GRI 301-1

In 2020, its enterprises used 726,680.49 metric tons of material resources.<sup>31</sup>

In terms of waste management, PIK-Industry focuses on two aspects:

- reduction of waste generation;
- increased share of production and consumption waste recycled and reused.

The most significant waste management initiative implemented in the reporting period was sending defective reinforced concrete for reuse. In 2020, the Company searched for partners to sell them defective reinforced concrete for its subsequent use in construction. The initiative resulted in significant savings for PIK-Industry on transportation of defective reinforced concrete to the landfill.

GRI 306-2

### Sorting and primary treatment of waste at AZ ZhBK

In 2020, in view of modernization and increased volume of generated waste, AZ ZhBK started to introduce waste sorting and primary treatment processes. Subsequently, this waste is sent to third-party organizations as secondary raw materials for additional treatment and recycling. The project is primarily aimed at selling used packaging materials in the market to reduce AZ ZhBK’s waste management costs. As part of the project, crushers (for processing plastic into granules) and presses (for cardboard, film materials) were installed.

Due to production expansion at NZ ZhBK, there is a tendency towards increased waste volumes. Since 2017, NZ ZhBK has a system of separate collection and sorting of waste that is subsequently sold as a secondary raw material. PIK-Industry plans to further develop this system at NZ ZhBK to maximize the value of waste. For this purpose, a Waste Management Department was created at the enterprise in 2020.

KZ ZhBK is currently under reconstruction aimed at increasing its capacity by 2.5 times, which will lead to increased waste generation. So, PIK-Industry decided to launch a promising waste management project at the enterprise in 2021. Currently, as a result of separate collection and sorting, KZ ZhBK supplies part of waste (defective reinforced concrete, tires, etc.) to third-party organizations as secondary raw materials for further processing and recycling. The remaining waste generated at KZ ZhBK is landfilled in accordance with the developed standards.

In the reporting period, 23,508.46 metric tons of waste were generated, while in 2019 the figure was 22,001.82 metric tons. The 7% increase is due to growing production volumes at AZ ZhBK, NZ ZhBK and KZ ZhBK. It is worth noting that the amount of generated hazardous waste decreased by 23% due to gradual substitution of luminescent and mercury lamps.

GRI 306-3, GRI 306-4, GRI 306-5

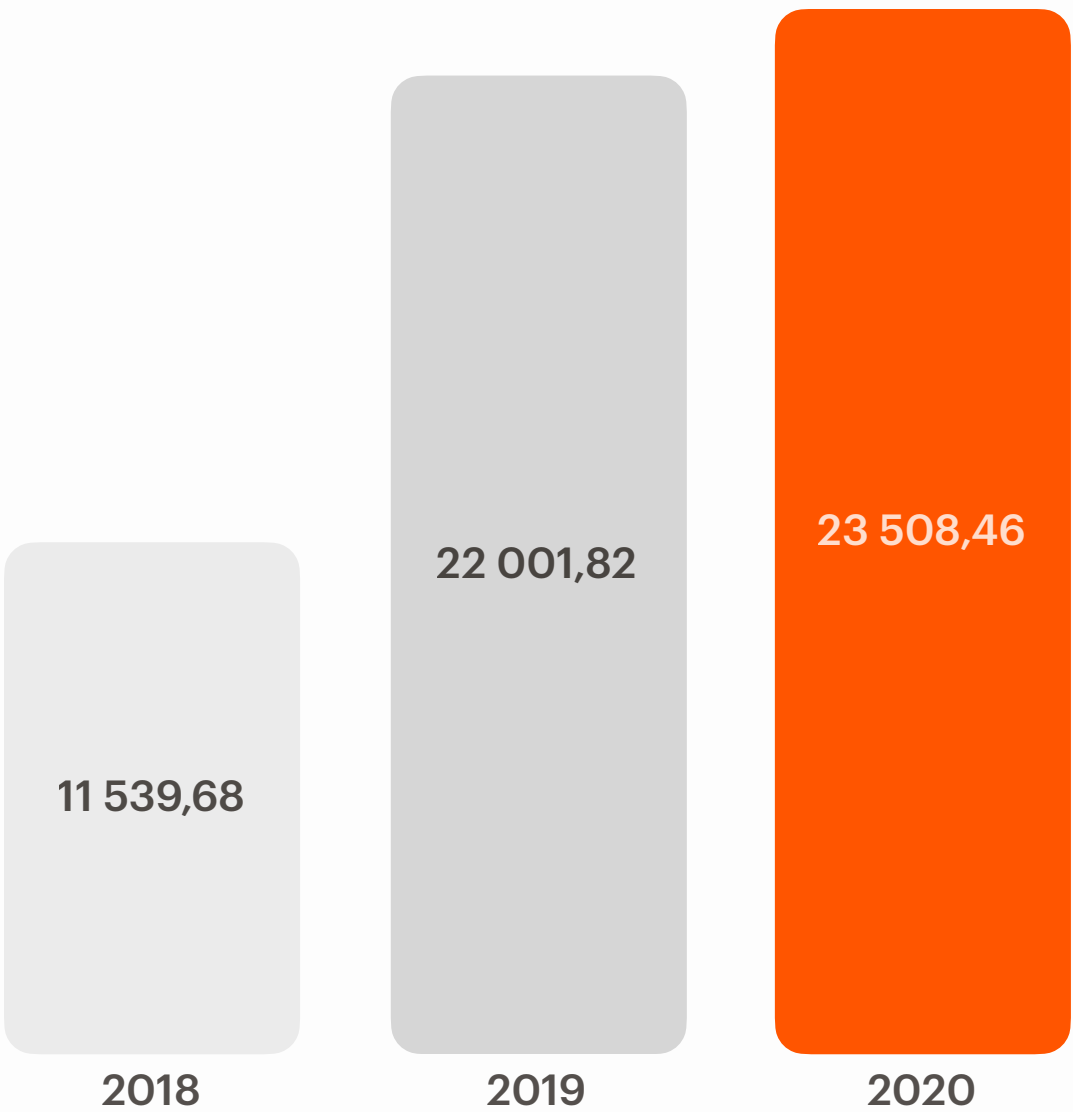
<sup>31</sup> This indicator covers OZ ZhBK, AZ ZhBK, KZ ZhBK, NZ ZhBK and consumption of sand, cement and crushed stone by these enterprises



Total waste generation of PIK-Industry by hazard class, 2018–2020,<sup>32</sup> metric tons

Waste generation	2018	2019	2020
Waste of hazard class I (extremely hazardous)	0,97	0,76	0,13
Waste of hazard class II (highly hazardous)	1,42	1,42	1,05
Waste of hazard class III (moderately hazardous)	6,89	8,76	7,22
Total hazardous waste generation	9,28	10,94	8,40
Waste of hazard class IV (low-hazard)	2 369,20	2 940,44	8 470,89
Waste of hazard class V (practically non-hazardous)	9 161,20	19 050,44	15 017,17
Total non-hazardous waste generation	11 530,40	21 990,88	23 488,06
Total waste generation	11 539,68	22 001,82	23 496,46

Total waste generation of PIK-Industry, 2018–2020, metric tons



PIK-Industry supplies generated waste to third-party organizations for its subsequent reuse, decontamination or disposal.

<sup>32</sup> Here and elsewhere generated waste volumes and waste volumes broken down by disposal methods for 2019 differ from those previously disclosed in the 2019 Sustainability Report of PIK Group as they have been revised.

Hazardous and non-hazardous waste disposal methods <sup>33</sup> of PIK-Industry for 2020, metric tons

GRI 301-1

Supply of waste to third-party organizations for					
Types of waste	processing	recycling	decontamination	storage	landfilling
Hazard class I	0	0,01	0,13	0	0
Hazard class II	0	0	0,09	0	0
Hazard class III	0	0,90	5,61	0	0
Total hazardous waste	0	0,91	5,83	0	0
Hazard class IV	0	484,99	160,10	6 605,71	1 215,67
Hazard class V	274,13	6 037,25	0	0	8 705,79
Total non-hazardous waste	274,13	6 522,24	160,10	6 605,71	9 921,46
Total waste <sup>34</sup>	274,13	6 523,15	165,93	6 605,71	9 921,46

As a result of implementing waste management measures, PIK-Industry is able to reduce the amount of waste sent to landfills. This figure was 9,921,46 metric tons in 2020, which is 35% less than in the previous reporting period.

PIK-Industry’s expenses to remove waste to landfills were RUB 37.37 million in 2020, which is 73% less against 2019 (expenses of factories in 2019 amounted to RUB 137.60 million). The money saved is used to implement environmental measures.

The amount of waste sent for recycling in 2020 remained almost unchanged as compared to 2019 (the figure was 6,579,19 metric tons in 2019). In 2020, PIK-Industry earned RUB 51.50 million from the sale of generated waste and unnecessary materials, most of which was received from the sale of metal scrap (RUB 41.33 million).

In 2020, PIK-Industry’s income from the sale of defective reinforced concrete amounted to about RUB 4.07 million.

<sup>33</sup> The waste disposal methods are specified in the table in accordance with Russian laws. For detailed information on what each disposal method means, please refer to Article 1 (Basic Concepts) of Federal Law No. 89-FZ dated 24 June 1998 (as amended on 07 April 2020) «On Industrial and Consumer Waste.»

<sup>34</sup> The total amount of waste broken down by disposal method differs from the previously indicated total amount of generated waste by 6.09 metric tons. This waste remained with PIK-Industry at the end of the reporting period, since it was not subjected to the disposal methods presented in the table in 2020.

## Energy consumption and energy efficiency

PIK recognizes that rational use of energy resources is an important aspect of production operations and manages its energy consumption to improve energy efficiency. PIK’s approach to managing energy conservation and energy efficiency is based on the following principles regulated in its Sustainability Policy:

- control over consumption of energy resources and their losses;
- monitoring and assessment of implementation of the Energy Conservation Program initiatives;
- involvement of all the Company’s employees in energy conservation and efficiency processes;
- implementation of measures to reduce energy intensity;
- introduction of innovative energy-efficient technologies;
- assessment and management of the risk that the Energy Conservation Program initiatives may have a negative impact on the Company’s financial and operating performance;
- compliance with legislative, industrial and corporate requirements related to energy conservation and energy efficiency.

In 2020, PIK-Industry reduced the consumption of all energy resources compared to 2019. This change is explained by the closure of OZ ZhBK where outdated equipment was used that required heating of reinforced concrete products to 90°C with steam, which resulted in high energy consumption and large heat losses. OZ ZhBK accounted for a large share of energy consumption in the total energy consumption of PIK-Industry enterprises.

GRI 302-1

At the same time, the capacity of NZ ZhBK increased. This enterprise uses low-temperature solidification technology, which involves heating a product with hot air to 40°C with minimum heat loss.

A 26% decrease in electricity consumption was caused, inter alia, by transition to halogen lamps.

### Consumption of energy resources by PIK-Industry, 2018–2020

Energy resource	Unit	2018	2019	2020
Natural gas <sup>35</sup>	m³	20 194 575	21 652 356	20 591 949
Electricity <sup>36</sup>	kWh	37 596 197	42 323 965	31 270 870
Water <sup>37</sup>	m³	835 736	868 225	554 344
Steam <sup>38</sup>	T	152 291	204 021	72 504
Compressed air <sup>39</sup>	m³	45 464 331	68 311 308	44 704 055
Heat <sup>40</sup>	Gcal	41 629	46 041	3 772

PIK-Industry analyzed the possibility of using alternative energy sources, such as solar panels and wind power. However, at the moment the investment required significantly exceeds the benefit from the electricity generated from alternative energy sources.

<sup>35</sup> The data is given for four plants: AZ ZhBK, KZ ZhBK, NZ ZhBK, OZ ZhBK.

<sup>36</sup> The data is given for four plants: AZ ZhBK, KZ ZhBK, NZ ZhBK, OZ ZhBK.

<sup>37</sup> The data is given for four plants: AZ ZhBK, KZ ZhBK, NZ ZhBK, OZ ZhBK.

<sup>38</sup> The data is given for OZ ZhBK.

<sup>39</sup> The 2018 data is given for OZ ZhBK, NZ ZhBK and KZ ZhBK, the 2019 and 2020 data is given for OZ ZhBK.

<sup>40</sup> The 2018 data is given for all four plants, the 2019 data is given for OZ ZhBK and AZ ZhBK, the 2020 data is given for OZ ZhBK, AZ ZhBK and KZ ZhBK.

## Development plans

In 2021, PIK will continue to improve environmental management processes and implement measures aimed at minimizing the negative impact of PIK-Industry operations on ecosystems.

### **Plans of NZ ZhBK:**

in the short term, the enterprise plans to recertify its environmental management system, identify environmental aspects to be managed and opportunities for optimizing the technological process in terms of raw and other materials used.

in the medium term, it is planned to establish an Environmental Safety Department at the enterprise, which will help increase the efficiency of the existing environmental management system.

### **Plans of AZ ZhBK:**

in 2021, PIK-Industry will focus on achieving the maximum possible share of AZ ZhBK's waste sent for recycling and reuse.

it is planned to develop an Industrial Environmental Control Program in 2021.

### **Plans of KZ ZhBK:**

in 2021, the main focus of the enterprise's environmental activity will be on monitoring compliance with maximum allowable emissions limits.

a waste sorting and recycling project is planned for 2022.

### **Plans of OZ ZhBK:**

in 2021, measures will be taken to liquidate the plant. This involves the demolition of all buildings as it is planned to develop projects to eliminate hazardous production facilities on the territory of the enterprise (a boiler house and a filling station).



# 10. Procurement management

## Approach to procurement management

PIK’s procurement activity is aimed at timely and uninterrupted provision of its divisions with high-quality materials, goods and services. The main priorities in this process are the reliability and safety of materials, the integrity of suppliers and the economic feasibility of procurement.

The Company’s procurement activities are managed by the Procurement Department of PJSC «PIK SHb». The list of internal documents regulating procurement is given in the Company’s Sustainability Report for 2019, section «Procurement management,» page 84. For the purpose of implementing the Order «On Centralization of the Company’s Functions» dated 18 May 2020, the following documents were also developed/adopted in 2020:

- Directives on centralization of the procurement process, the administrative and business function and the management of the transportation unit for JSC PIK-Industry, Mayak Group of Companies, LLC PIKProfile, JSC MEL; LLC PIK-ELEMENT, LLC PIK-PROJECT, LLC General Contractor-MFS;
- Regulations «Selection of Suppliers of Goods, Work and Services for PIK Group of Companies, its Subsidiaries and Associates»;
- Regulations on the procurement procedure on Electronic Trading Platforms.

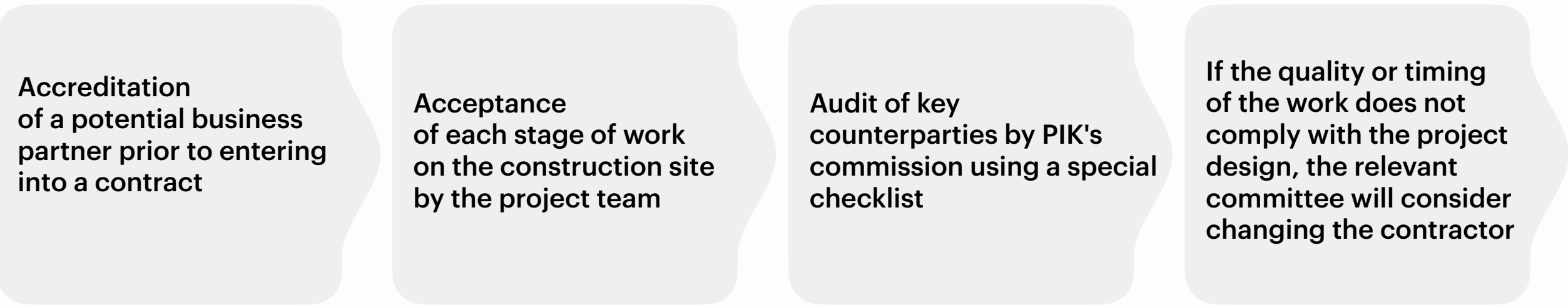
The procurement management system is constantly being improved to ensure the economic and operational efficiency, competitiveness and transparency of processes. The Company pays special attention to the procurement organization process, which results not only in saving costs, but also in building a reliable and honest system of relations with partners. One of PIK’s main procurement-related tasks is to attract new reliable counterparties.

The transparency of the process is achieved through a clear tender algorithm, provision of equal opportunities to all potential suppliers and availability of information. To mitigate the risk of default by the main counterparty, back-up suppliers are selected. A detailed description of the Company’s tender process is available in the Company’s Sustainability Report for 2019, section “Procurement management,” page 84.

In 2020, the Company began to scale the results of tenders held in Moscow to its regions of operation to create a single brand list of materials used. At the same time, the Company started to search for and identify suppliers for certain locations (North-West, South, Urals, etc.) and specific regions.

The Company maintains the reliability and sustainability of its supply chain through direct interaction with counterparties and quality control of the work performed. PIK’s Resource Committee is responsible for interaction with contractors and suppliers. The Committee considers key areas of construction and assembly work, allocates work tasks and addresses issues that arise when working with counterparties.

### Quality control over counterparties’ work



The procurement regulations set the following rules:

Purchases worth more than one million rubles shall be made centrally by PIK’s Procurement Department.

Purchases worth less than one million rubles shall be made by the Company’s divisions independently.

Certain categories of goods shall be purchased on a centralized basis regardless of the order value. Their list is given in the Company’s Sustainability Report for 2019, section «Procurement management,» page 85.

## Digitalization of procurement

The Company’s IT divisions, together with the Procurement Department, develop and implement various innovative IT solutions aimed at digitalizing the procurement process. Automation helps improve operational efficiency and transparency of procurement processes as all procurement stages are completed in a single system and, accordingly, time costs are reduced. Information systems also make it possible to consolidate all relevant information and gain prompt access to it, which significantly contributes to greater transparency of procurement activities.

### Development of the Marketplace project

PIK developed the Marketplace project to optimize interaction between contractors and suppliers. information platform allows contractors to purchase necessary materials directly from contractors chosen through tender procedures by performing quick and simple transactions. In 2020, concrete purchases were made through the Marketplace.

In the future, it is planned to scale the project to all categories of materials and introduce the option of exchanging electronic documents (universal transfer documents, waybills, etc.) and automatic generation of distribution letters for payment of invoices.

In addition, SNAP-SRI (standardization of reference information) systems were developed and integrated with the B2B-Center system of electronic trading platforms. The option of automatic integration of formation of demand, holding a tender and recording the result in the reference book became available for new categories of goods and materials.

During the reporting period, the volume of purchases made through the B2B-Center system of electronic trading platforms (the transition to which took place in 2018) increased significantly. In 2020, purchases totaling RUB 44.7 billion were made on this platform (against RUB 41.5 billion in 2019).

### Ecosystem of contractors and suppliers

The Company tries to build relations with counterparties in such a way as to create conditions for mutually beneficial growth and development through long-term partnership. Being a responsible leader, PIK engages actively with partners helping them optimize business processes and implement advanced IT solutions. Detailed information about the process of building business relations by PJSC «PIK Shb» is available in the Company’s Sustainability Report for 2019, section “Procurement management,” page 86.

Long-term cooperation is facilitated by master agreements specifying the main requirements to the work to be performed, unit prices and obligations of the parties. This document discloses information on ethical business practices. By signing this agreement, PIK’s partner undertakes to follow the principles of integrity, compliance with labor and tax laws, zero tolerance to any form of corruption and fraud, etc. After the agreement is signed, PIK discloses its operating plan to counterparties, and contractors can plan their resources and budgets in accordance with the Company’s construction plan, expanding their scope of work for more than one project.

## Development of own production and strategic partnerships

In 2020, the Company continued to actively develop its own production of key products:

- elevator equipment;
- low voltage equipment;
- modular integrated transformer substations and integrated heat supply stations;
- concrete mixtures;
- tiles for beautification (small-piece items);
- bathroom pods.

To meet PIK’s needs, the system of interaction with strategic suppliers was improved and the accounting systems of the Company and its partners were optimized and integrated in 2020. During the reporting year, partnership relations were developed with respect to the following categories of goods and materials:

- supply of metal doors;
- supply and installation of stretch ceilings;
- hardscape elements (dustbins, benches, gazebos);
- devices of low-current systems.

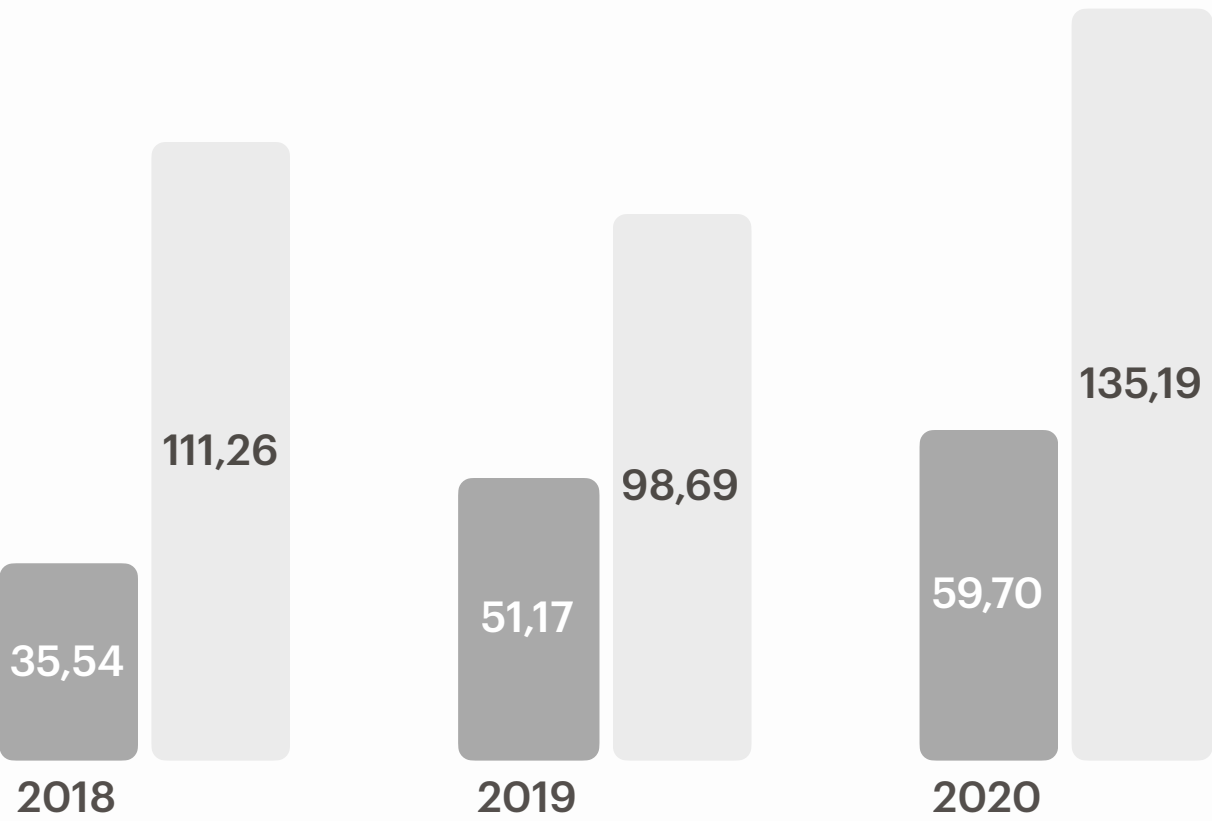
Thanks to such partnerships, the Company’s need for the relevant goods and materials is satisfied in full. At the same time, this does not exclude regular tender procedures where partner companies participate on equal terms with other tender participants, which ensures a competitive environment.

### Procurement structure

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

In 2020, the Company entered into contracts with 1,870 contractors and suppliers worth in total RUB 194.9 billion, which is 25.8% more than in 2019. Purchases of services and contract work accounted for 69% in the procurement structure, while purchases of goods and materials accounted for 31%.

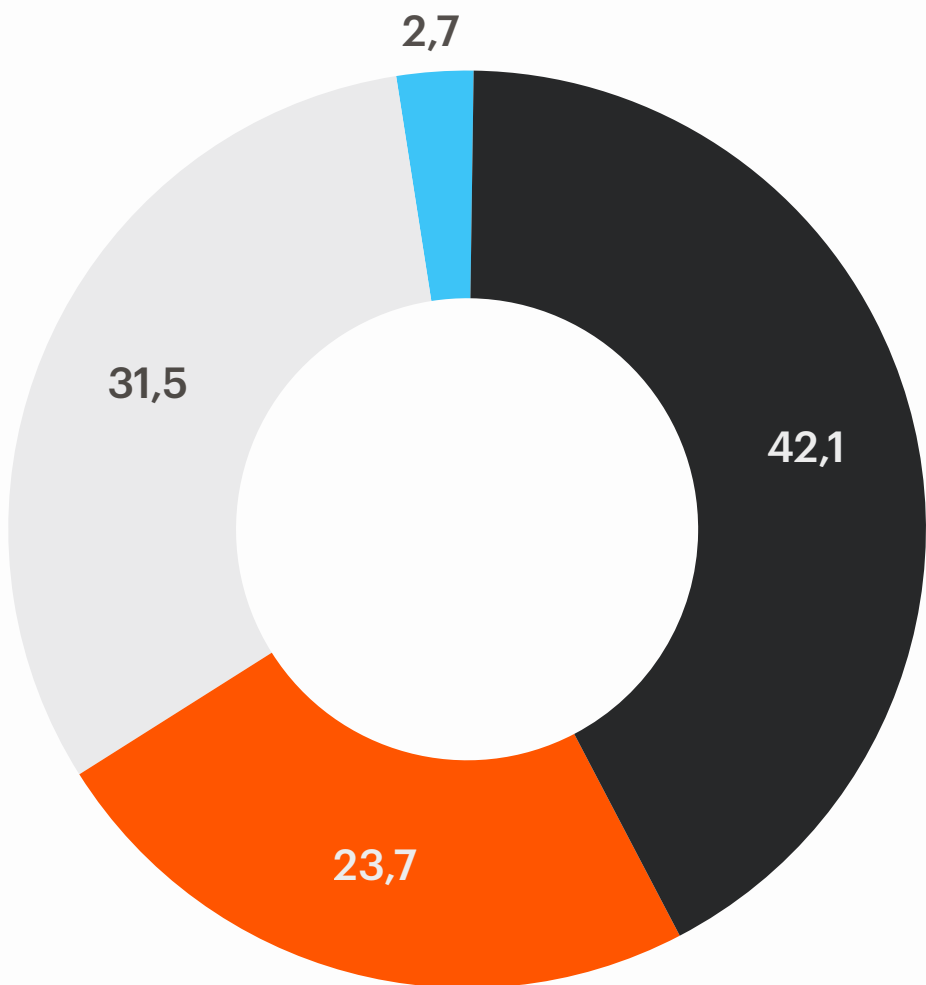
The Company’s procurement in 2018–2020, RUB billion



Total purchases of goods (goods and materials), RUB billion

Total purchase of services, RUB billion

Share of the Company’s segments in purchases of goods, materials and services in 2020, %



Development and real estate segment

Construction segment

Industrial segment

Other lines of business

Geography of supply chains in 2020

Location of the counterparty	Total number of suppliers and contractors	Purchases from suppliers and contractors, RUB million
Russia	1 846	194 558,8
Foreign countries	24	325,1
Total:	1 870	194 883,9

In the reporting period, the trend towards centralized procurement of goods and materials continued, while services and work of contracting organizations were purchased locally.

Description of the Company’s supply chain and volume of purchases in 2020

Type of procurement	Purchases from suppliers of goods and materials, RUB million	Purchases from contractors, RUB million	Total purchases, RUB million
Centralized procurement	48 462,7	27 543,5	76 006,3
Local procurement	11 233,3	107 644,4	118 877,6
Total:	59 696,0	135 187,9	194 883,9

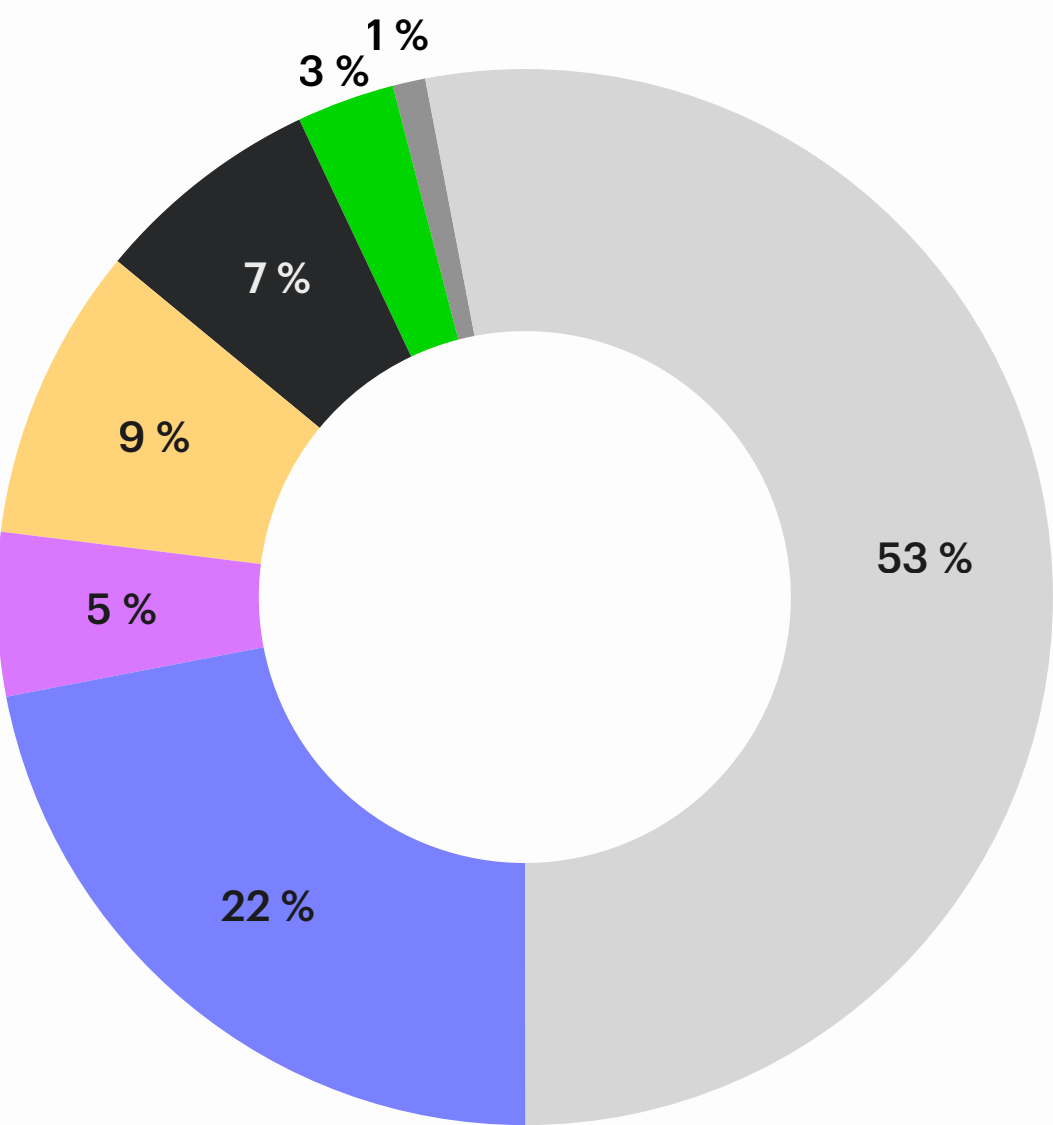
As for the Company’s business segments, the development and real estate segment accounted for the largest purchases of both goods and materials and services — 42.1% of the Company’s total purchases in the reporting period.

Description of the supply chain by segments of the Company’s operations

Type of procurement	Purchases from suppliers of goods and materials, RUB million	Purchases from contractors, RUB million	Total purchases, RUB million
Development and real estate segment	1 869,8	95 944,1	97 813,9
Construction segment	30 675,4	26 684,1	57 359,5
Industrial segment	26 859,6	5 961,0	32 820,6
Other lines of business	291,2	6 598,7	6 889,9
Total:	59 696,0	135 187,9	194 883,9

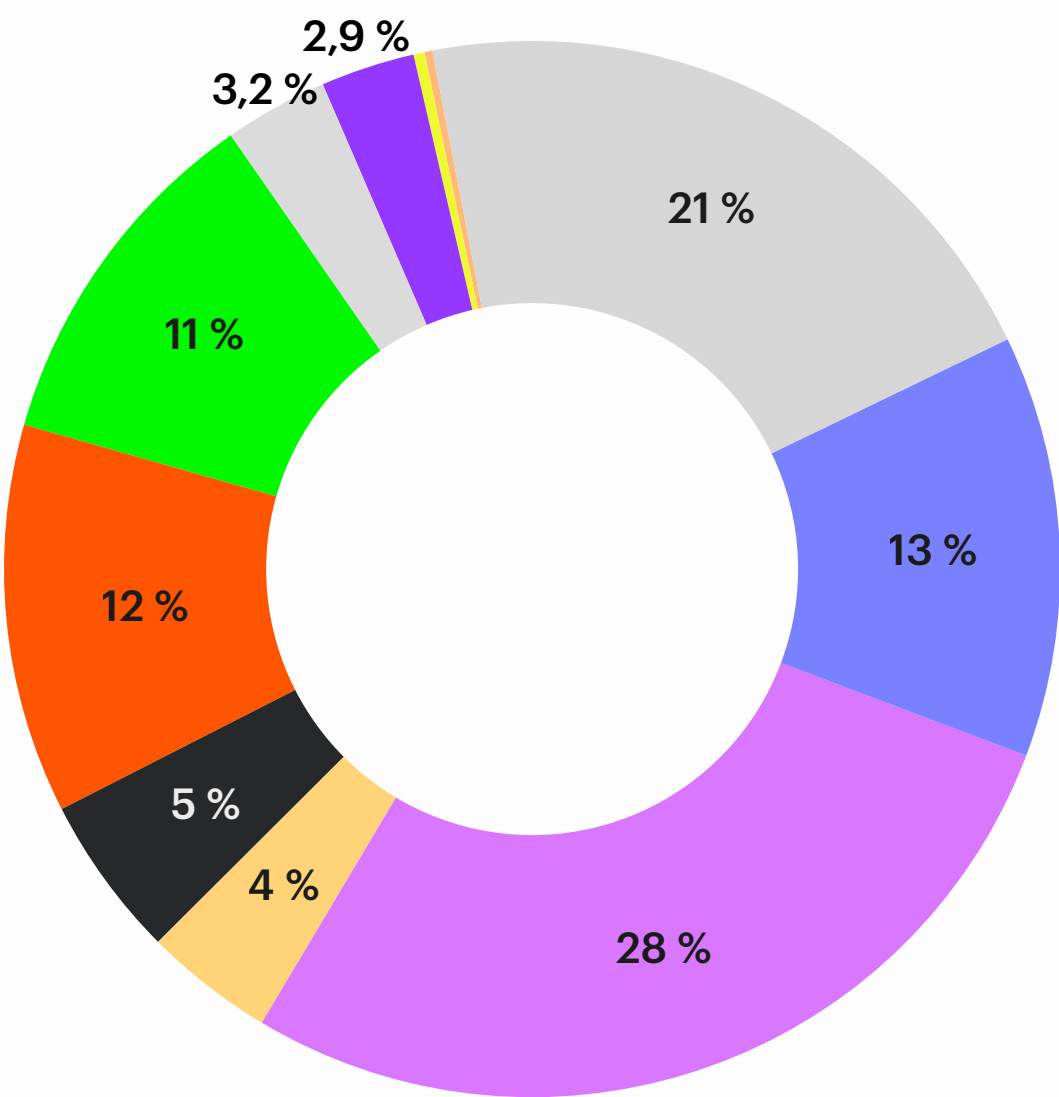


Main categories of goods and materials purchased by the Company in 2020



- Main materials (metal, concrete, aggregates, cable products)
- Finishing materials
- Materials for internal engineering systems
- Other materials (related materials – blanks, etc.)
- Materials for windows
- Materials for beautification
- Materials for outdoor engineering systems (1%)

Main categories of services purchased by the Company in 2020



- In-situ concrete work, pile-driving operations, construction and assembly at bellow-zero temperatures
- Preparatory work, dewatering, beautification
- Fitting and finishing work
- Construction and assembly at above-zero temperatures
- Other work (related to construction)
- Installation of internal engineering systems
- Installation of outdoor engineering systems
- Design, development of documents 3.2%
- Advertising services 2.9%
- Elevator equipment 0,34%
- Windows 0,25%

In the reporting year, our operations were carried out in accordance with the Regulations on Category Management of Procurement that were introduced at all PIK enterprises in March 2020. Under this approach, goods, materials and services are grouped into categories to determine the procurement strategy based on market analysis and to determine optimal procurement schemes and key terms of business. This helps create long-term partnerships and build a stable and reliable supply chain for necessary materials at optimal cost, which in turn reduces risks related to supplies and warehousing of goods and materials.

## Development plans

As part of the Company's further efforts to optimize and automate its procurement processes, in 2021 it is planned to:

- centralize procurement in the Procurement Department of PIK;
- work in accordance with the new Procurement Regulations developed to update the document in effect since 2014;
- hold a meeting of the heads of procurement divisions of the Company's enterprises to discuss any issues and submit and consider procurement-related proposals;
- develop the strategy for long-term master agreements;
- increase the share of tenders for construction and assembly work on the B2B-Center platform;
- expand the Marketplace platform to include all categories of purchased materials and integrate the platform with the B2B-Center portal;
- increase the number of partners (attract new counterparties and develop relations with existing ones in terms of increasing the volume of purchases and contract work);
- develop an electronic annual procurement plan.

# 10. Economic security

Approach to security

PIK is proud of its history of success and values its reputation of a reliable developer that conducts business honestly and openly. The security aspect is an integral part of the Company’s sustainable development and involves the management of a wide range of issues, including information security, anti-corruption and antifraud measures, as well as physical security of construction sites and residential complexes.

This is the responsibility of the Economic Security Department. The structure of the Department includes divisions responsible for each aspect of economic security:

- combating corruption and monitoring compliance with business ethics and legal requirements;
- protecting PIK’s IT infrastructure from external and internal threats and protecting confidential data;
- ensuring physical security of all the Company’s real estate properties, technical security and security of top management;
- checking the background of all potential counterparties and job candidates.

Regulatory documents are in place to ensure all these aspects of security. See their list in the Company’s Sustainability Report for 2019, section “Economic security,” page 110.

GRI 205-2

PIK strives to create an environment where illegal activity is impossible. The Economic Security Department, together with the Human Resources Department, checks the background of all job candidates and potential counterparties to identify and manage risks at an early stage. The incentive system based on key performance indicators (KPIs) is being improved.

To ensure customer service excellence, the Company holds meetings, consultations and annual training session for employees in accordance with developed instructions, namely: an introductory course in the Company’s Code of Ethics and training sessions on the basics of information security, anti-corruption and antifraud measures. In addition, the Company supports the principles of continuous training and encourages employees to receive paid training on their own initiative.

In 2020, 100% of the Company’s employees and business partners were informed about its anti-corruption policies and methods.

## Business ethics

PIK's management approach is based on the Code of Ethics that contains clear guidance on how the Company conducts all its lines of business. The document reflects the philosophy of PIK and consolidates its high corporate standards and aspirations to maintain the high quality of its products. This guidance serves as a basis for building sustainable relationships with all stakeholders (customers, distribution partners, regulators and investors).

GRI 102-17

Each employee is personally responsible for complying with corporate standards of work and conduct. Failure to comply with the Code may result in disciplinary action, including dismissal, if necessary. The Company expects that PIK's business partners will also adhere to high standards and comply with the principles of responsible business conduct.

The Code of Ethics of PJSC «PIK Shb» is available on the [Company's website](#).

## Anti-corruption

In accordance with the principles followed by PIK, the Company's representatives are prohibited from offering, accepting or supporting corruption during any business interaction.

GRI 205-1, 205-3

Anti-corruption activity is supported by a systematic approach, which implies regular monitoring of violations, as well as collection and verification of messages related to illegal actions of the Company's employees or PIK's subsidiaries. The following communication channels can be used for sending relevant messages: a 24-hour hotline, a special form on the [Company's website](#), e-mail [security@pik.ru](mailto:security@pik.ru) and regular mail.

Corruption-related risks are assessed on a regular basis for all the Company's divisions. Significant risks include risks related to the operations of contractors and subcontractors. In 2020, all cases of corruption were prevented before they could be committed.

To reduce the risk of corruption and ensure PIK's high standards, all employees engaged in all business processes must sign a Non-Disclosure Agreement and Regulations on Trade Secrets and Information Security.

## Data protection and cybersecurity

As a result of providing a wide range of services, the Company receives a lot of confidential data that cannot be disclosed. PIK guarantees compliance with personal data protection laws and takes a comprehensive approach to security in all information handling processes. PIK's Information Security Office, together with the Information Technology Department, ensures uninterrupted operation of information technology systems and reliable data protection.

In 2020, many of the Company's business processes were digitalized. Since such processes as employees' work, real estate sales and communication with clients have shifted online, even more attention should be paid to ensuring the security of personal data of buyers. To this end, the following measures were taken during the reporting year:

- replacement of obsolete network equipment;
- additional monitoring of the network and key critical services;
- updates of system protection requirements in case of external application access;
- introduction of new password policy requirements;
- updates of the policy for installing system-wide software upgrades for key infrastructure components;



- implementation of periodic in-system compliance tests for key infrastructure components;
- implementation of additional mechanisms to protect the infrastructure from external network attacks (DDoS attacks);
- preparation of infrastructure components for the introduction of a centralized system of in-line monitoring of attempted attacks and analysis of potential vulnerabilities.

These measures constitute a comprehensive approach to maintaining information security.

The following changes were introduced to ensure the reliability of online real estate sales:

- authorization by phone number or password in the Personal Account on PIK’s official website;
- document flow and data exchange through encrypted channels;
- signing documents using the EQES<sup>41</sup> issued by accredited certification centers (Technokad, IT Monitoring, InfoteksInternetTrust);
- sending documents to Rosreestr for registration via a dedicated channel, IETs<sup>42</sup> and the Company’s own electronic registration platform.

PIK aims to improve technology used to mitigate technology risks in accordance with the industry’s best practice. To ensure prompt identification of violations and immediate response to them, the Company applies the rules of continuous monitoring and detection of incidents. And their investigation, in its turn, helps improve the security system. No data leaks were registered in the reporting year.

Information security and analysis

The Company interacts with many counterparties in the course of its operations. To ensure the reliability and sustainability of the supply chain, PIK’s potential partners undergo a thorough background check. The analysis is performed at the time of accreditation for participation in a tender based on the documents provided, information from open sources, recommendations of business partners, etc. This approach helps assess the risks related to the supplier’s compliance with legal requirements and the counterparty’s ability to fulfill its obligations.

The Company also analyzes job candidates during the recruitment process. This includes verifying the authenticity of documents and data provided by potential employees, as well as their employment history. Upon completion of the procedure, the Economic Security Department presents its recommendations to the Human Resources Department.

Physical security

Due to the specifics of PIK’s operations, there is a need for a set of measures to ensure the functioning of facilities and the safety of material assets and to protect the life and health of personnel. To protect its real estate, offices and construction sites, the Company uses the services of security firms whose competence and professionalism have been confirmed through long-term cooperation.

Engineering and technical measures to ensure the safety of such complex, dynamic facilities as construction sites are constantly monitored. Automation and digitalization of relevant processes and procedures will help increase the reliability of protection by reducing the impact of the human factor.

<sup>41</sup> Enhanced Qualified Electronic Signature

<sup>42</sup> Information Encryption Tools

## Development plans

In 2021, the Company will continue to develop economic security approaches and practices. The processes and procedures for combating corruption, complying with business ethics and ensuring information security and physical security of facilities will be improved.

# Appendix

[About this Report](#)

[Key performance indicators](#)

[Glossary](#)

[GRI content index](#)

[Compliance with the principles of the UN Global Compact](#)

[Reader questionnaire](#)

# Appendix 1

# About this Report

## Basis of preparation of the Report

This Sustainability Report (the «Report») has been prepared by Public Joint-Stock Company «PIK-specialized homebuilder» («PJSC «PIK Shb»», «PIK», the «Company») to inform a wide range of stakeholders about the Company’s sustainability approaches and performance in 2020 and to provide interested parties with meaningful, complete, timely, accurate, balanced, comparable, reliable and objective information on the Company’s operations.

This Report has been prepared in accordance with the requirements and principles of the GRI Standards: Core option. The GRI content index is provided in Appendix 4.

GRI 102-14,  
102-54, 102-55

We have continued to consistently implement our sustainable development strategy based on the principles of the United Nations Global Compact. Our compliance with the principles of the UN Global Compact is described in Appendix 5. The Report also demonstrates the Company’s contribution to the achievement of the Sustainable Development Goals (SDGs) developed and adopted by the UN in 2015. For more details see the section «Sustainability management.» The expectations of investors and analytical agencies with respect to ESG disclosures have also been taken into account.

## Approach to defining material topics

The Company determines annually the list of material topics for disclosure in the Report taking into account its business specifics and development areas.

GRI 102-46

Based on a comprehensive materiality analysis, a preliminary list of material topics is determined and discussed at the level of the Company’s management. The analysis also considers the following sources:

- analysis of internal documents;
- analysis of publicly available information on PJSC «PIK Shb» and events that occurred at the Company in 2020;
- analysis of reports of the construction and development industry leaders and a number of major Russian companies for 2020;
- analysis of industry requirements of ESG analysts and standards.

The concept and structure of the future Report are formed on the basis of the final list of material topics.

In 2020, the materiality analysis showed that the list of material topics disclosed in the Company’s previous reports remains relevant and consists of 17 topics related to three ESG and sustainability aspects. Environmental, social, governance and economic topics are covered.

GRI 102-47



Material topics

Material topic	Scope	Chapter
Environmental aspect		
Materials	JSC PIK-Industry	Environmental protection
Energy management	JSC PIK-Industry	Environmental protection
Water management	JSC PIK-Industry	Environmental protection
Air emissions	JSC PIK-Industry	Environmental protection
Environmental management	JSC PIK-Industry	Environmental protection
Waste management	JSC PIK-Industry	Environmental protection
Social aspect		
Employment practices	PIK	HR management
Occupational health and safety	JSC PIK-Industry	Occupational health and safety
Development of human capital	PIK	HR management
Social responsibility	PIK	Social responsibility
Customer health and safety	PIK	About the Company, Quality control, Social responsibility
Combating COVID-19	PIK	About the Company, HR management, Stakeholder engagement, Social responsibility, Occupational health and safety
Corporate governance and economic aspect		
Corporate governance	PIK	Corporate governance
Economic performance	PIK	About the Company
Procurement practices	PIK	Procurement management
Anti-corruption	PIK	Economic security
Digitalization and automation of processes	PIK	About the Company, HR management, Quality control, Procurement management

Scope of the Report and preparation method

The Report presents information on PIK’s operations for the period from 1 January to 31 December 2020. The Company’s previous sustainability report was published in the end of 2020. In accordance with its Sustainability Policy, PIK issues non-financial reports on an annual basis and meets the requirements of the Concept for Development of Public Non-Financial Reporting approved by the Government of the Russian Federation.

GRI 102-50, 102-51

GRI 102-52

The Report includes information on Public Joint-Stock Company «PIK-specialized homebuilder» and its subsidiaries broken down by the main business segments:

- development and real estate segment;
- industrial and construction segment (PIK-Industry);
- services and maintenance segment (PIK-Comfort);
- other lines of business.<sup>43</sup>

Financial and operating results are presented on a consolidated basis in accordance with the Company’s existing methods for preparing and collecting data, unless stated otherwise. When disclosing quantitative information, the Company’s boundaries were used in accordance with PIK’s IFRS financial statements. The Company’s most significant indicators are provided not only for the reporting period, but also for the previous three years to ensure data comparability.

Information in the sections “Occupational health and safety” and “Environmental protection” is provided only for PIK-Industry – the Company’s main production asset. Compared to the Company’s previous Sustainability Report for 2019, certain disclosures have changed in this Report. For more information on these changes, please refer to the relevant chapters of the Report. For example, the following topics have been included in this Report based on the events of 2020: preservation of cultural heritage and combating COVID-19. There were no other significant changes in the scope and topic boundaries of the Report compared to the previous year.

GRI 102-45

GRI 102-48

GRI 102-49

The Report also includes forward-looking statements on the Company’s plans for 2020 and the medium term. Since their implementation depends on a number of external factors beyond the Company’s control, the results achieved in future reporting periods may not meet the targets set in the Report.

Assurance

The Company is aware of the importance of confirming the reliability of non-financial information disclosed in the Report by a third party and is considering the option of engaging an independent auditor to review the Report in the future.

GRI 102-56

<sup>43</sup> For the purpose of presenting procurement data only. HR management data for 2020 does not include this breakdown.

Contact information

The Company is interested in receiving feedback from stakeholders to further improve its approaches and increase the transparency of non-financial reporting taking into account their interests. You will find a feedback form at the end of the Report. We would be grateful if you complete it, as this will help us develop our reporting practices in the future and meet the needs of PIK’s stakeholders in terms of openness and transparency of information.

GRI 102-53

If you have any questions regarding the information presented in the Report or would like to provide feedback, please contact PIK’s Investor Relations and Capital Markets Department.

Contact person

Polina Kurshetsova,

Investor Relations and Capital Markets Department

GRI 102-56

Telephone number

+7 (495) 505-97-33

Fax number

+7 (495) 203-71-01

E-mail

ir@pik.ru

Public Joint Stock Company «PIK-specialized homebuilder»

GRI 102-1, 102-5

Location of the Company’s standing executive body: 19/1 ulitsa Barrikadnaya, Moscow, 123242, Russia

GRI 102-3

The electronic version of the 2020 Report is available on the Company’s website at: [www.pik.ru](http://www.pik.ru)

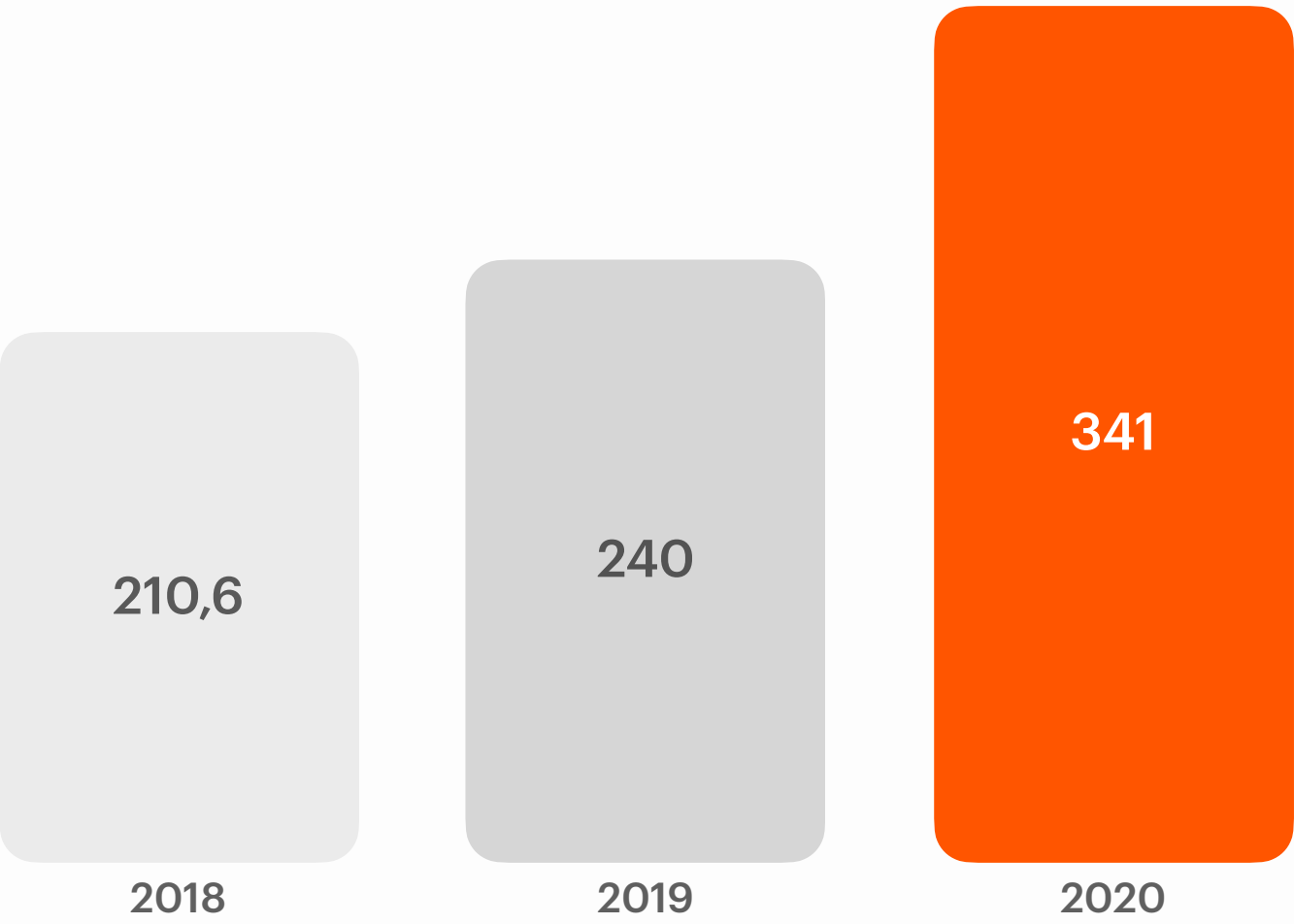
# Appendix 2

## Key performance indicators

### Key operating indicators

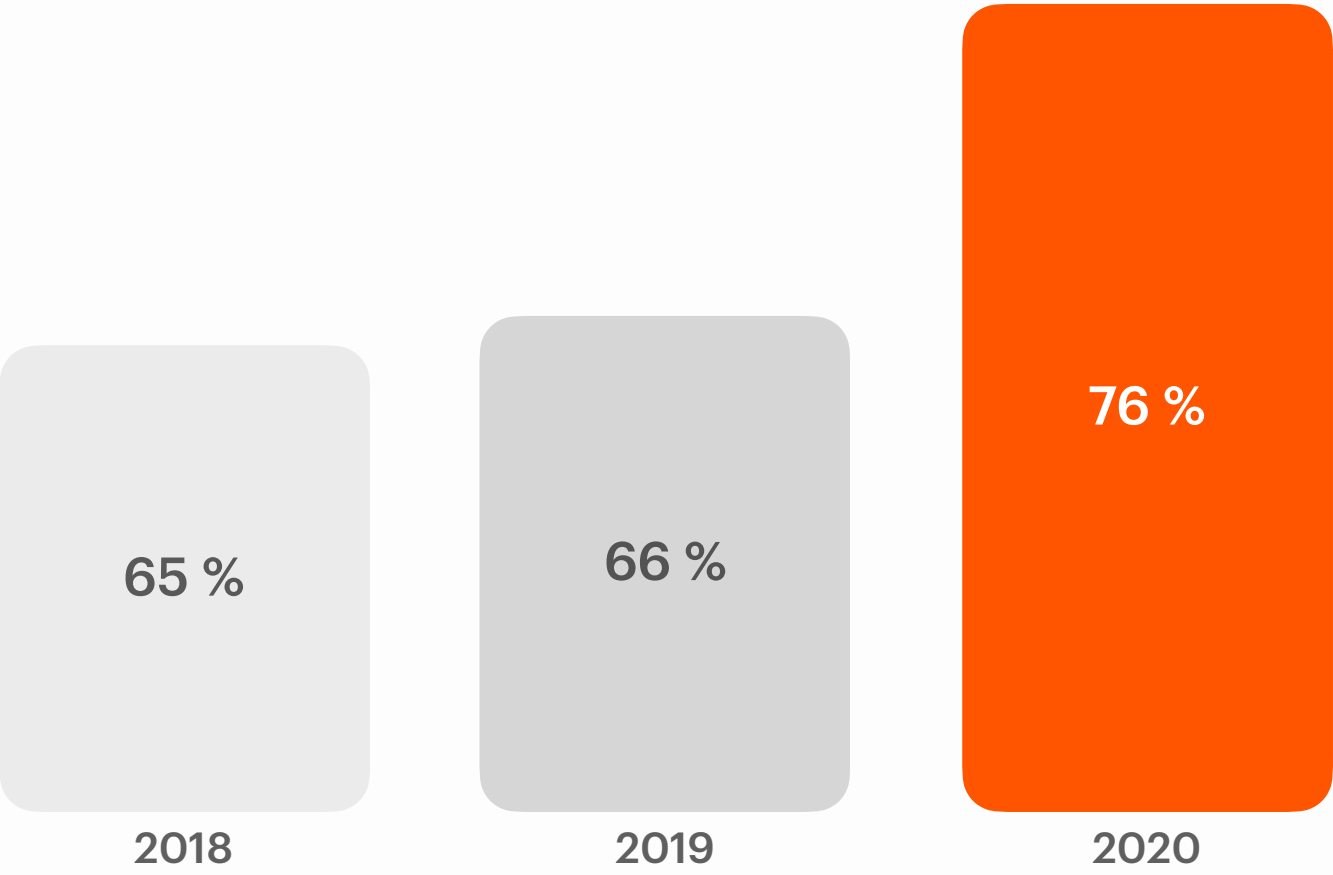
GRI 102-7, 201-1

Real estate sales,  
RUB billion



Real estate sales increased by 41.7% in 2020 versus 2019 reaching RUB 340,5 billion.

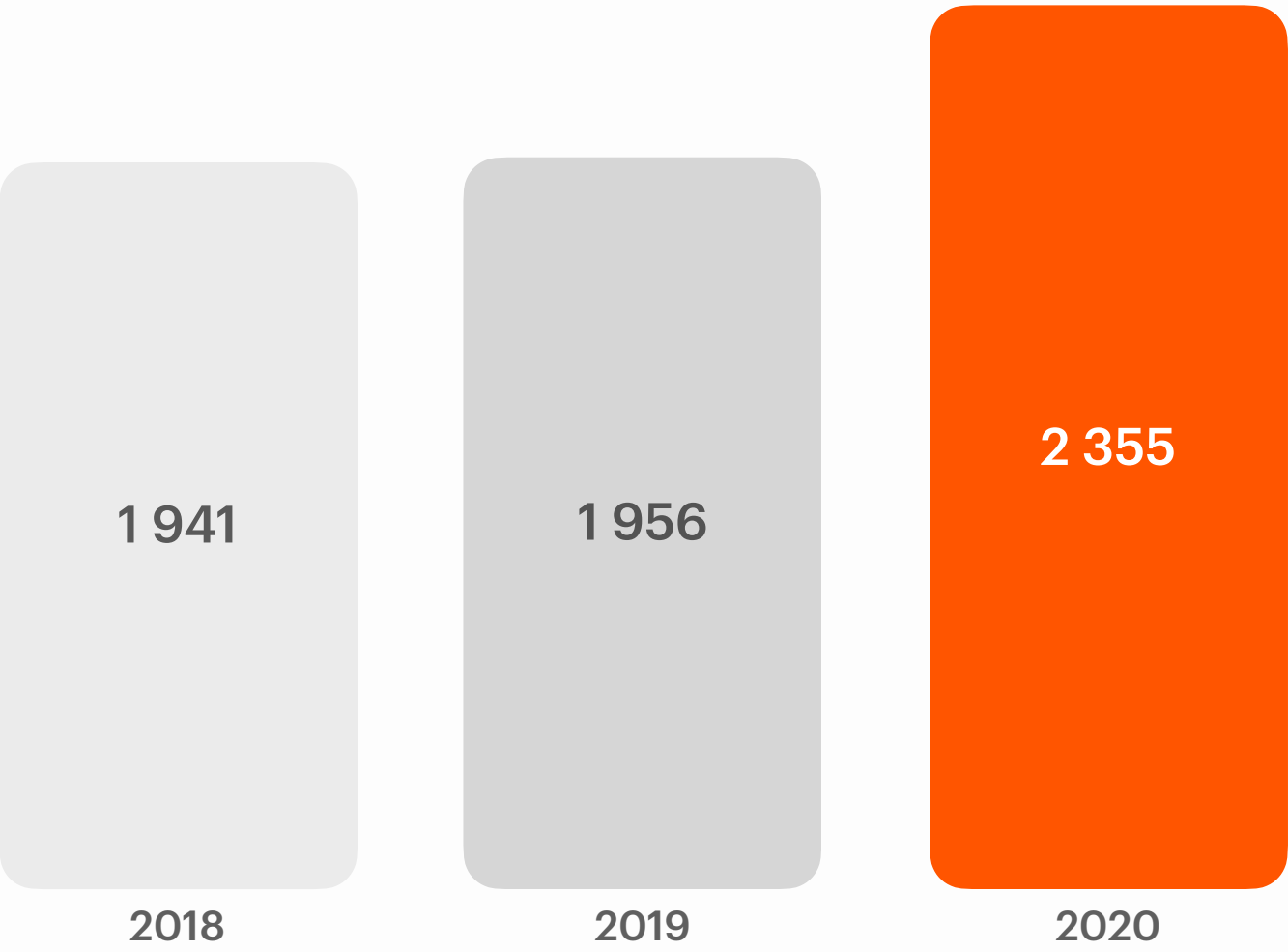
Share of mortgage transactions in total sales



In 2020, the share of mortgage sales increased by 10 pp compared to 2019.

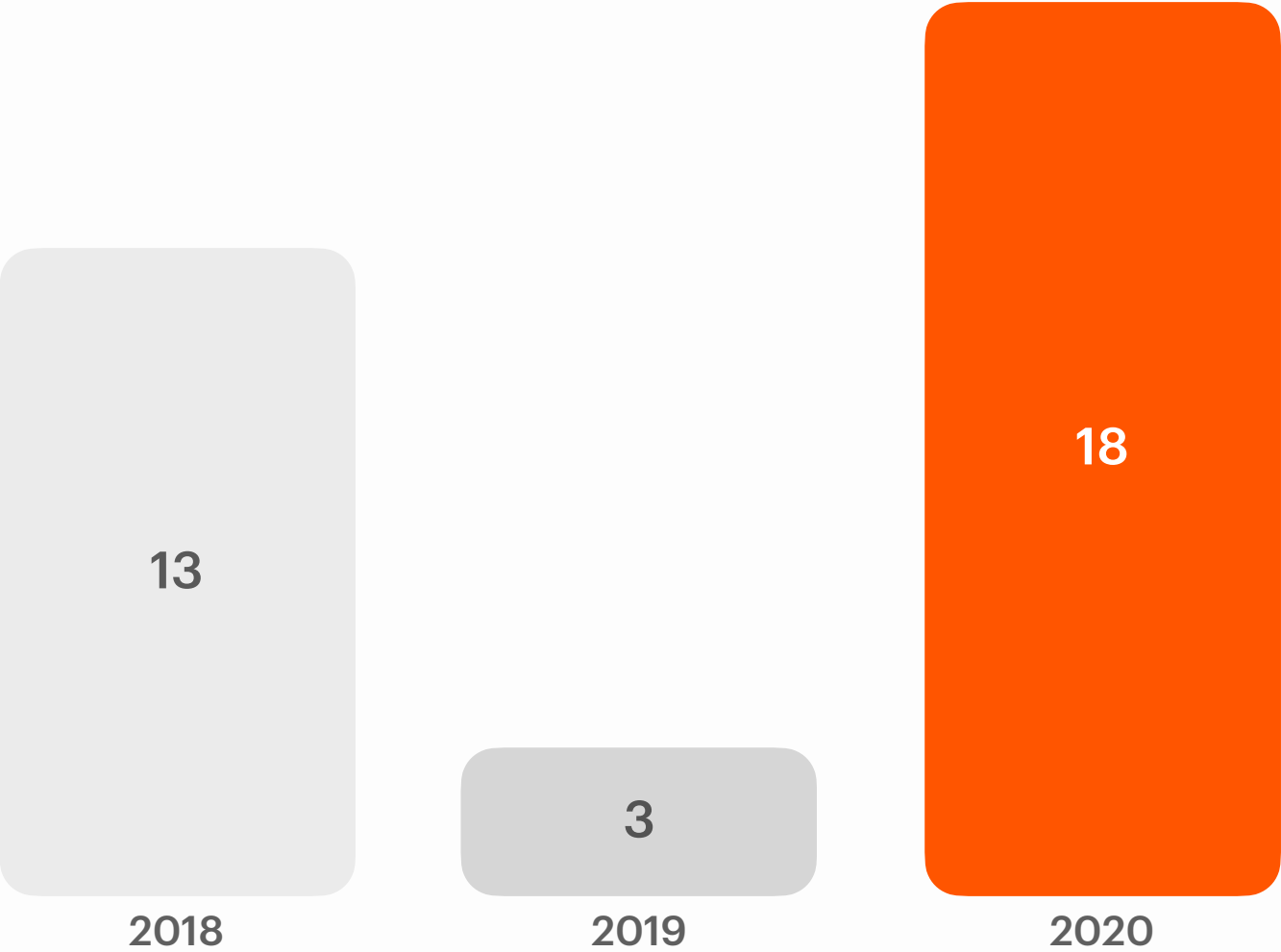


Real estate sales, th. sqm



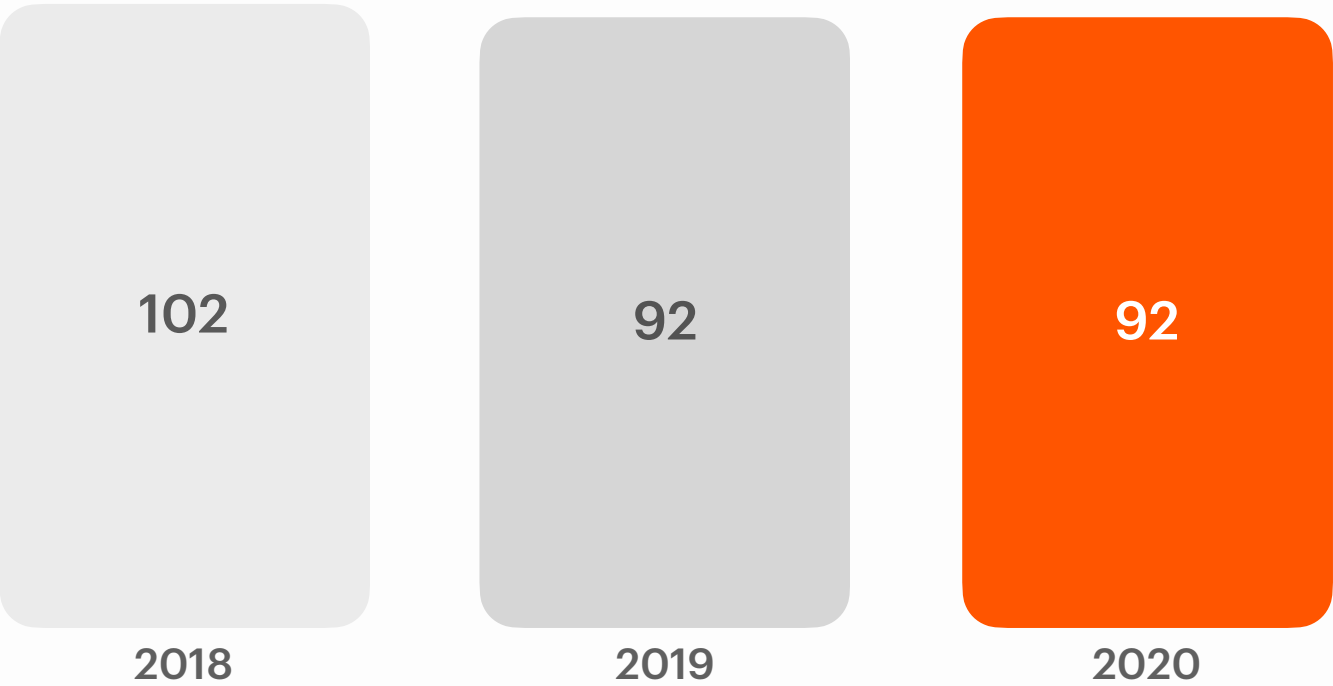
In physical terms, sales increased by 20.4% to 2,355,000 sqm in 2020.

Number of projects put on sale



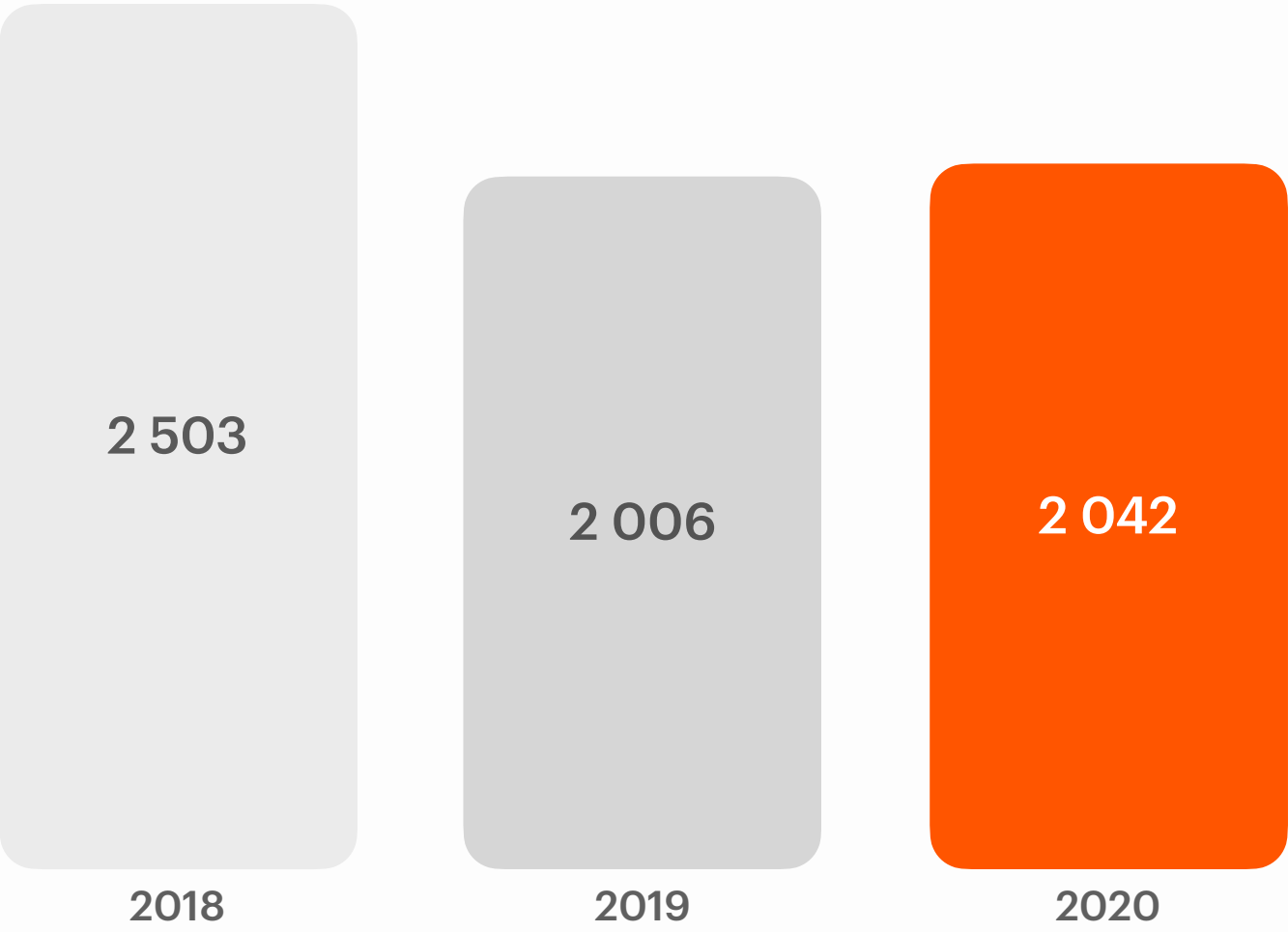
The number of projects put into sale in 2020 was six times higher than in 2019.

Number of buildings put on sale



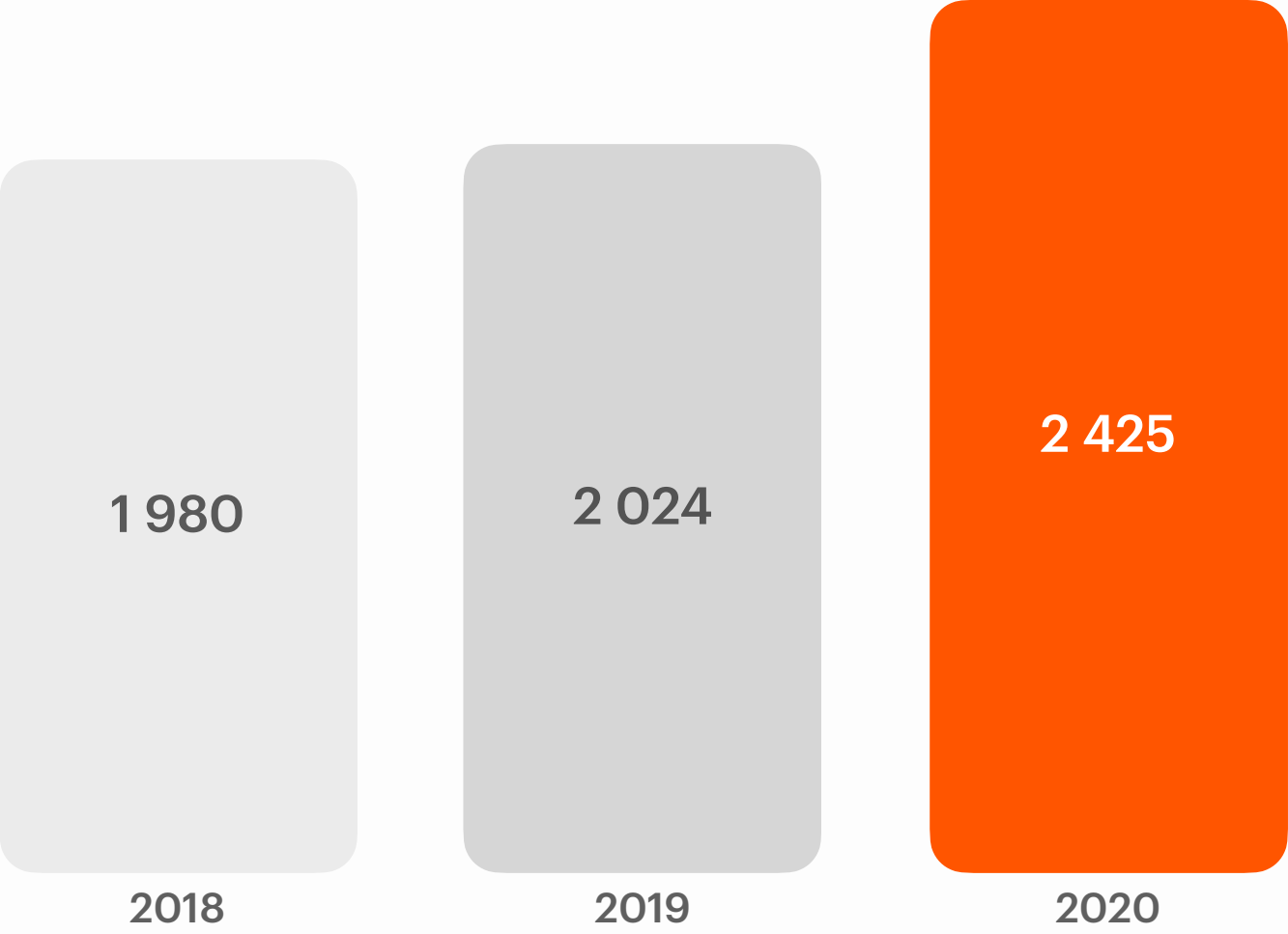
The total number of buildings put on sale in the reporting period remained unchanged at 92.

Real estate put on sale, th. sqm



The area of real estate put into sale increased by 2% in 2020 compared to 2019.

Commissioned real estate, th. sqm

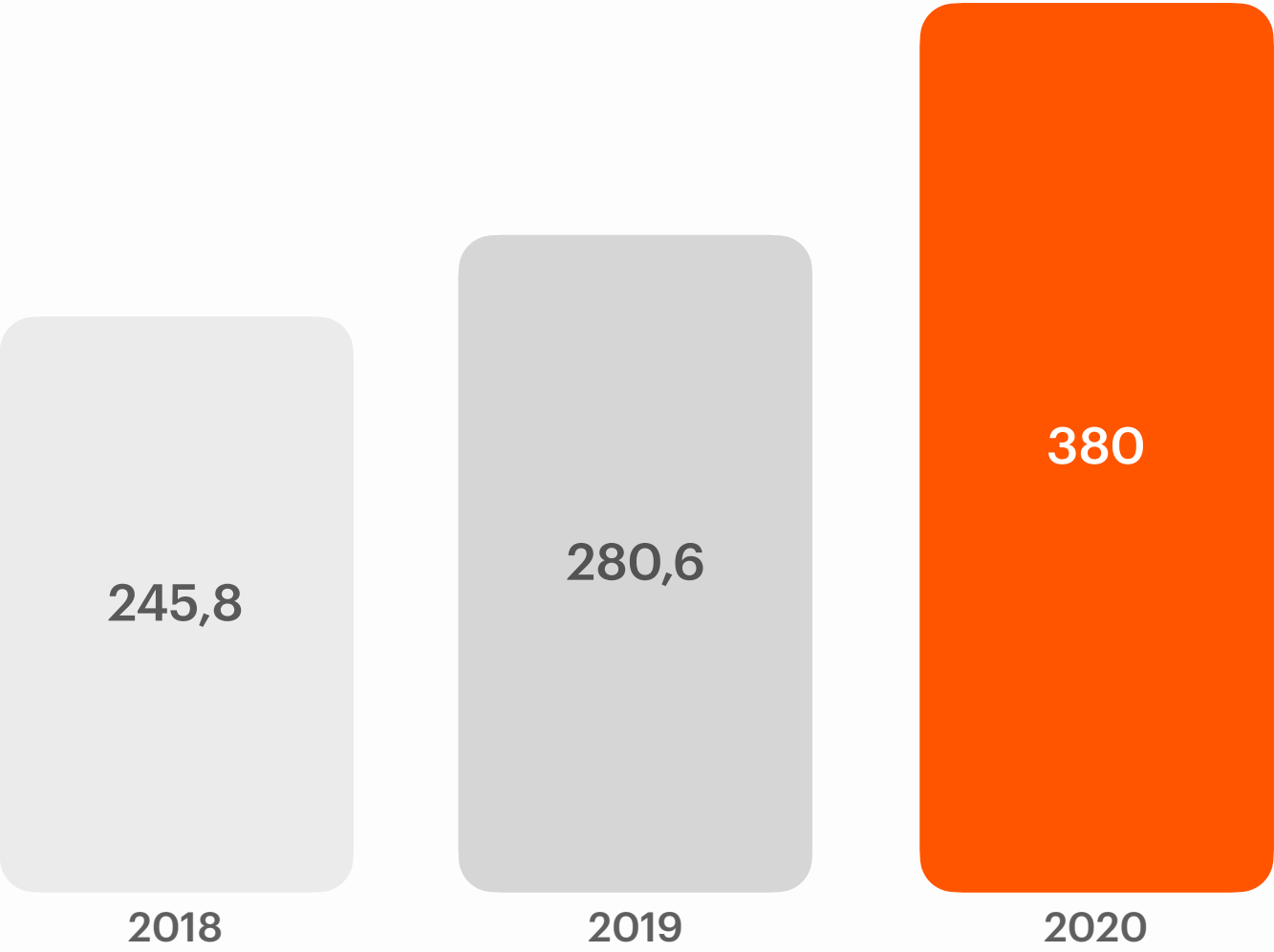


In the reporting period, 2,425,000 sqm of properties were commissioned – a 19.8% increase against 2019. According to the Unified Register of Developers, PIK is the leader among Russian developers in terms of the volume of current construction of residential real estate and the volume of commissioned housing in 2020.

In addition to implementation of its own projects, the Company also performed fee-development operations in 2020. Real estate sales in this segment amounted to RUB 49.0 billion, or 270,000 m2 in physical terms.

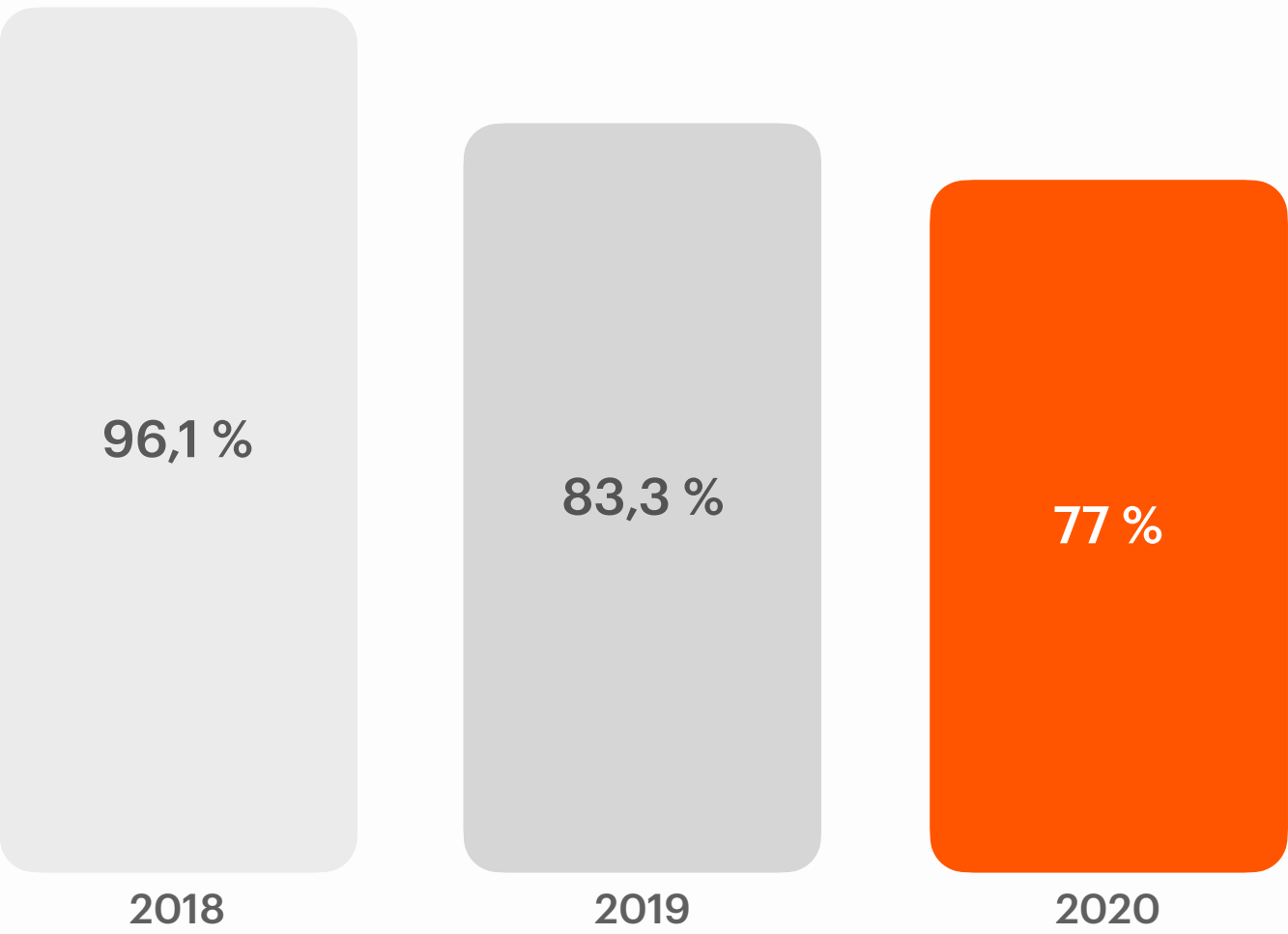
Key financial indicators

Total revenues, RUB billion



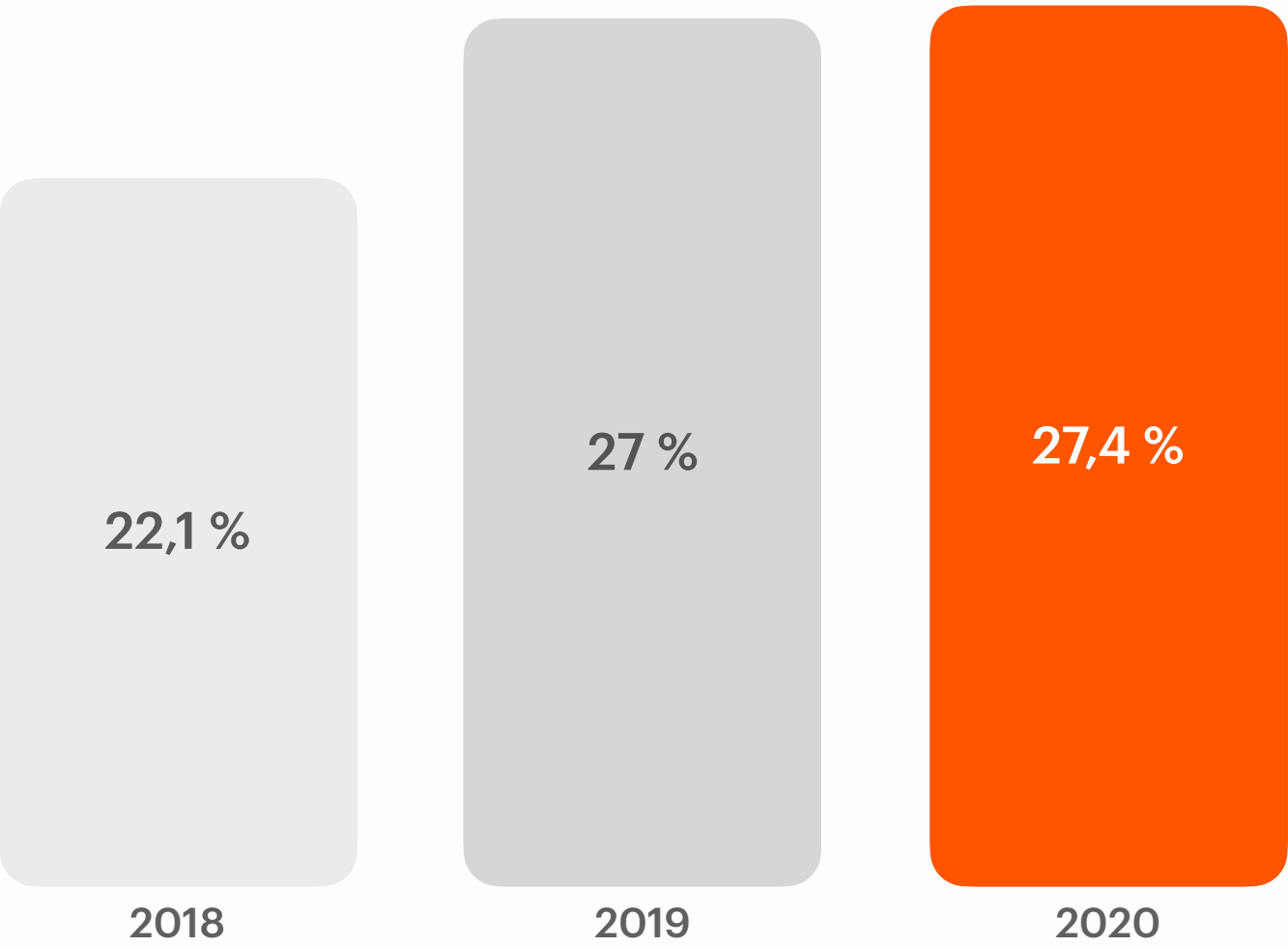
The Company’s revenues in 2020 were RUB 380.2 billion, up 35.5% compared to 2019:  
revenues from real estate sales amounted to RUB 294.6 billion;  
revenues from other lines of business increased by 80.9% to RUB 85.6 billion.

Share of real estate sales in total revenues



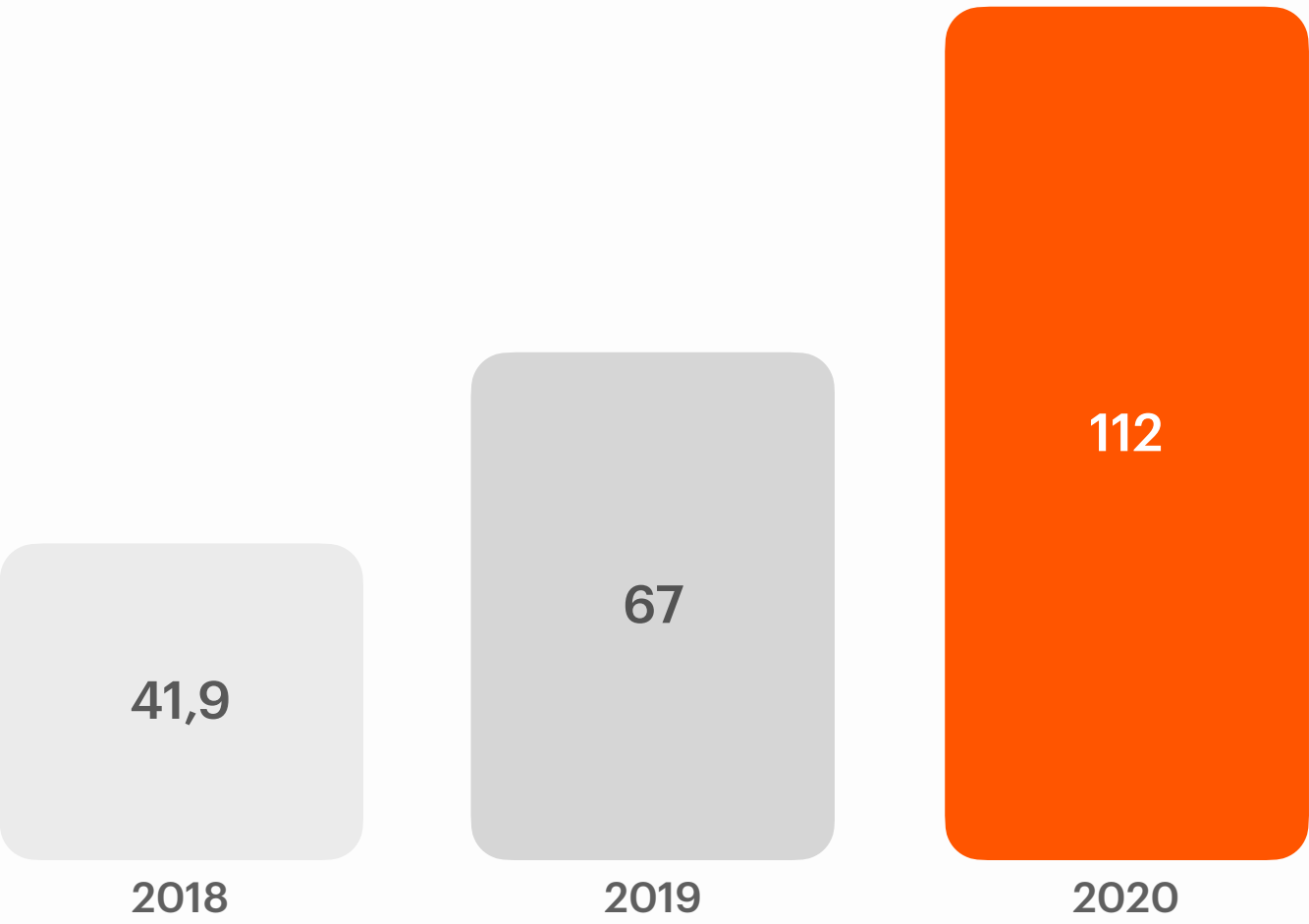
The share of real estate sales in the Company’s total revenues decreased by 6.3% in 2020 against 2019. The decrease was caused by the strategy to diversify PIK’s operations.

Gross margin, %



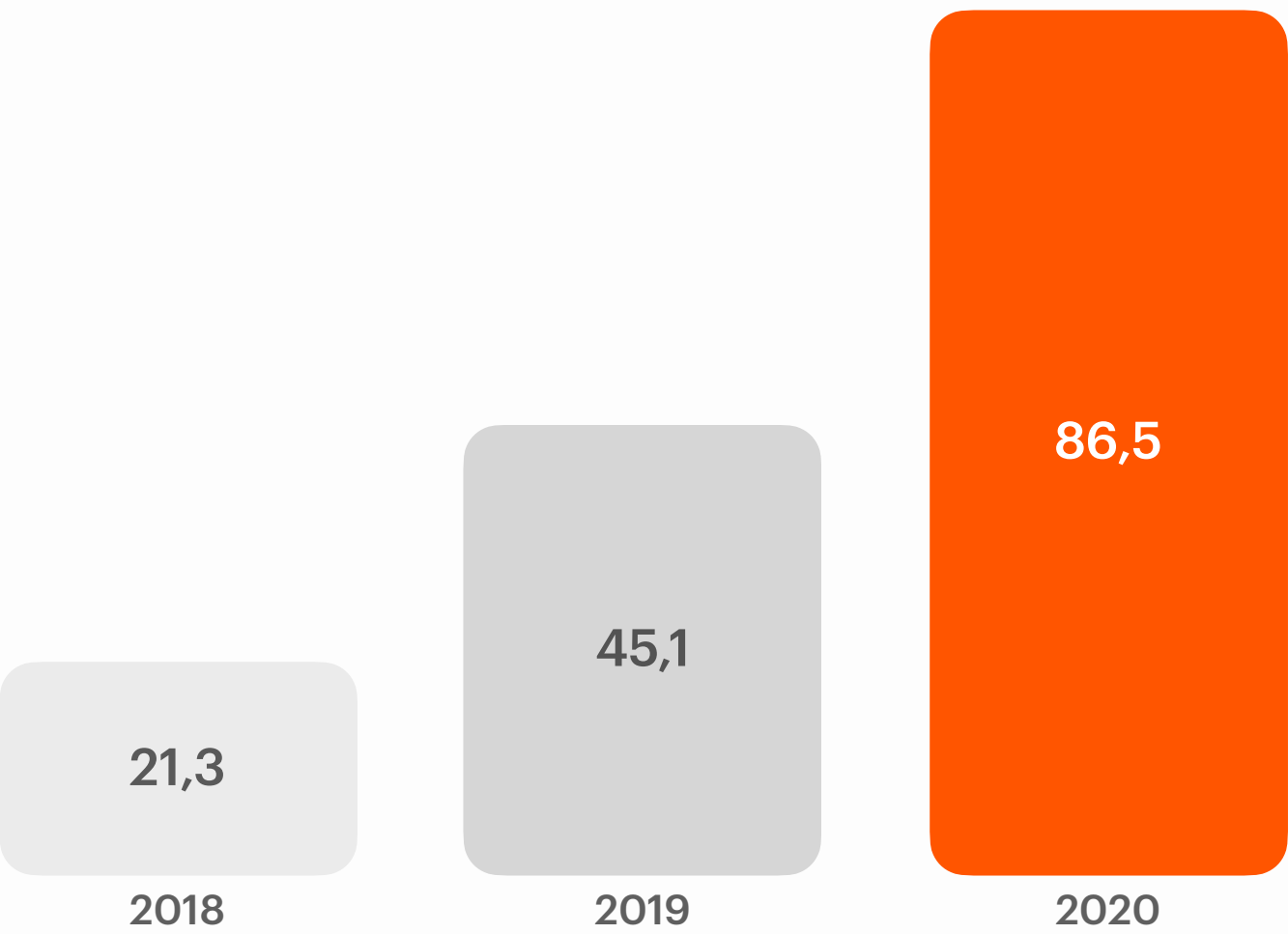
Gross margin in 2020 was 27.4%, which is 0.4 pp more than in 2019. In turn, the gross margin on real estate sales measured at historical cost was 31.6%.

EBITDA, RUB billion



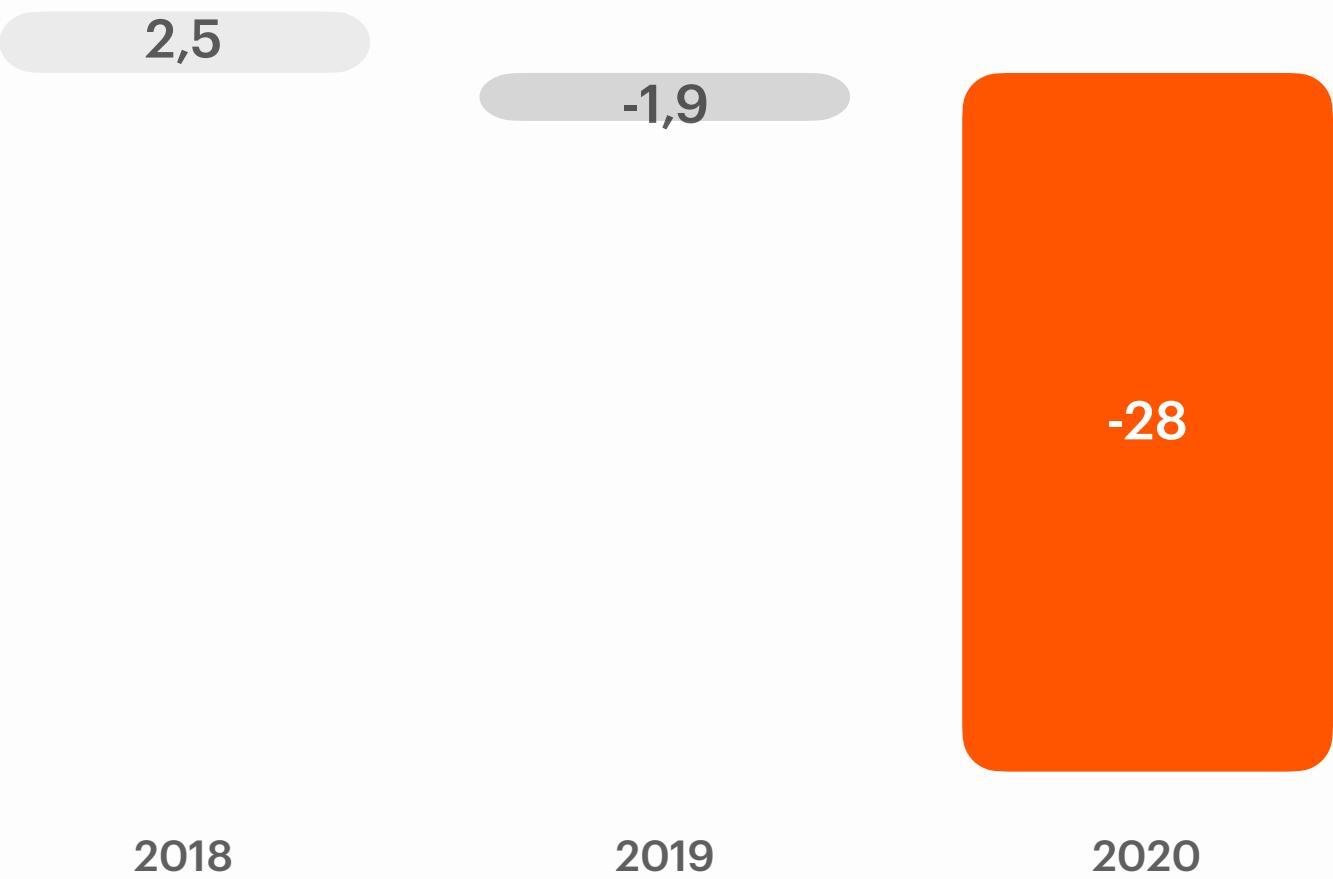
EBITDA increased by 67.2% to RUB 112.0 billion compared to 2019. The EBITDA margin increased to 29.5% in 2020 against 23.9% in 2019.

Net profits, RUB billion



In the reporting period, the Company's net profits amounted to RUB 86.5 billion, which is 91.8% more than in 2019. This change was due to an increase in the price of a square meter of housing.

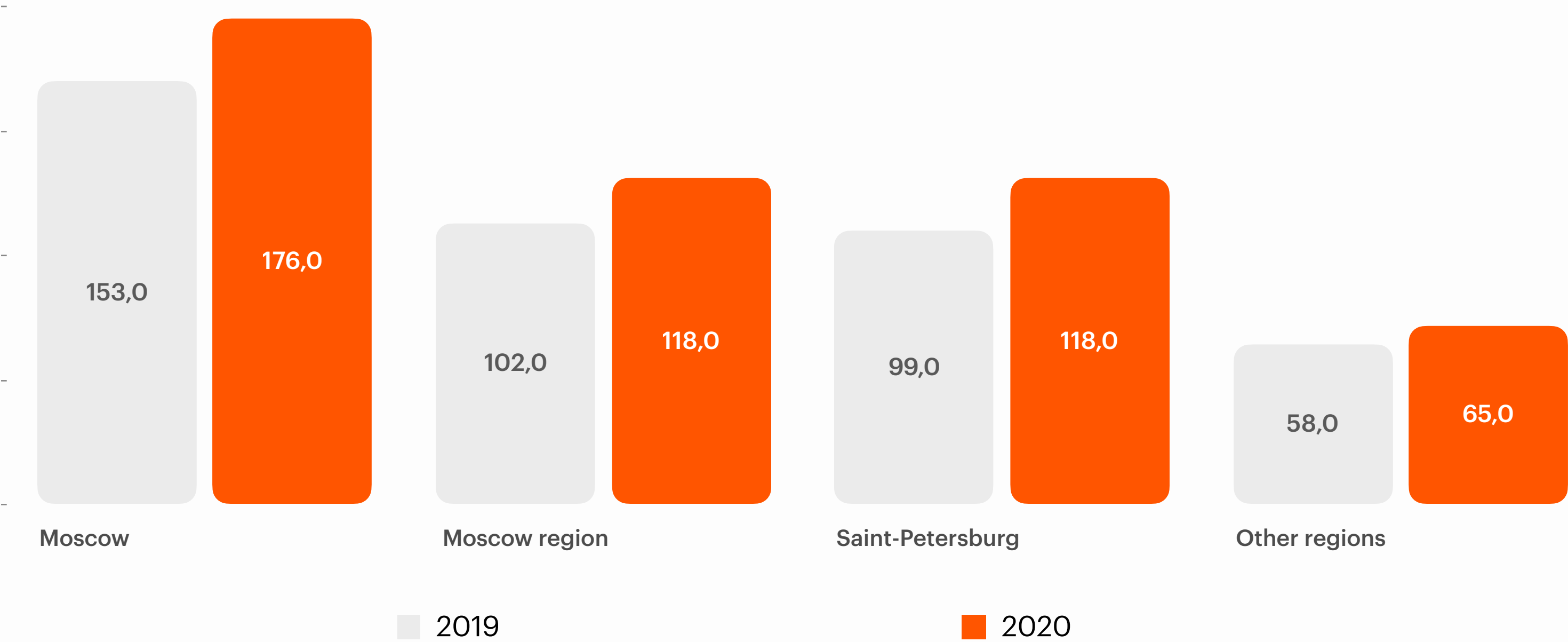
Net corporate debt, RUB billion debt less balances on escrow accounts



As at 31 December 2020, net corporate debt less balances on escrow accounts decreased to minus RUB 28 billion.

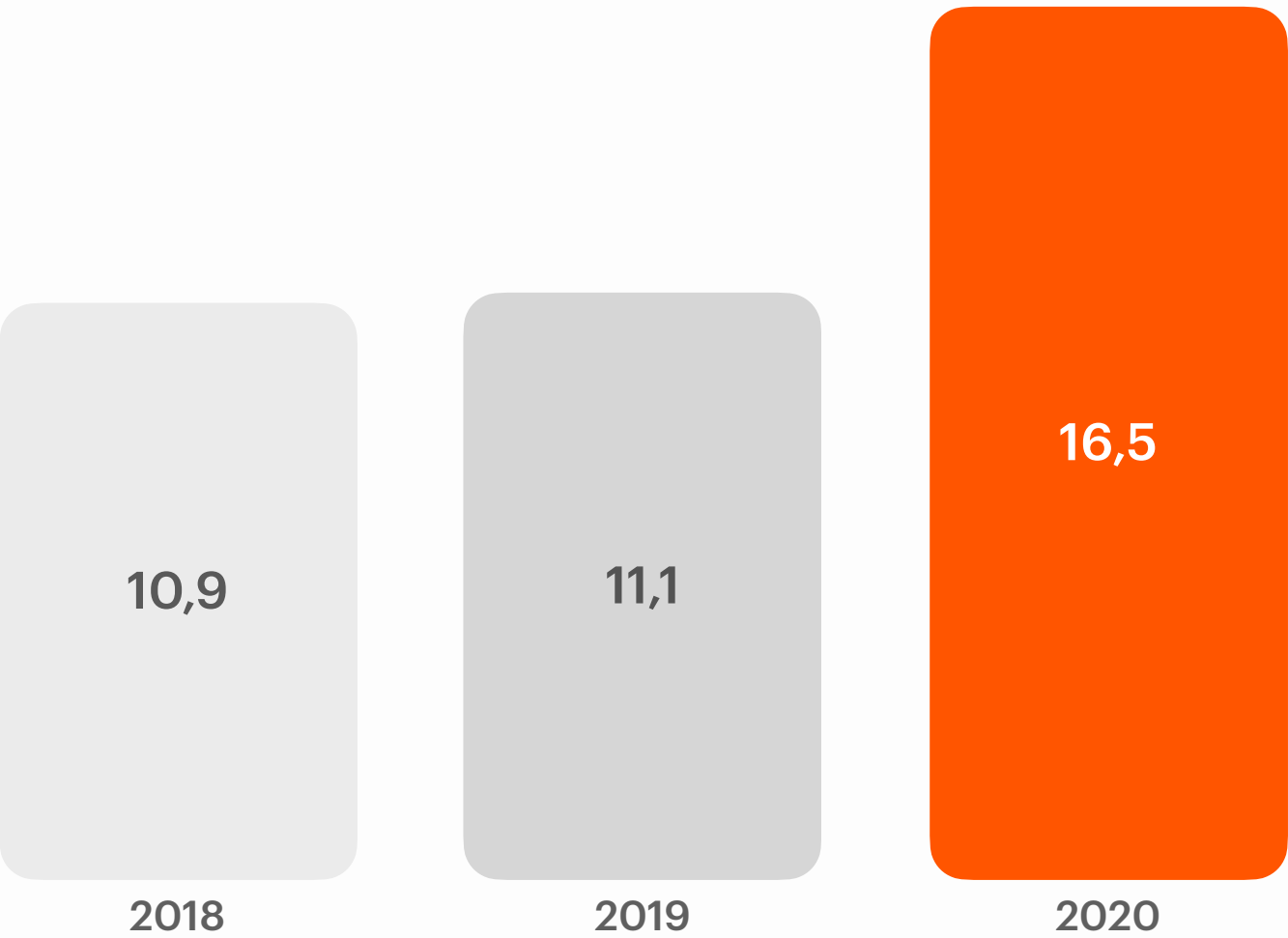


Average sales price, thousand RUB/sqm



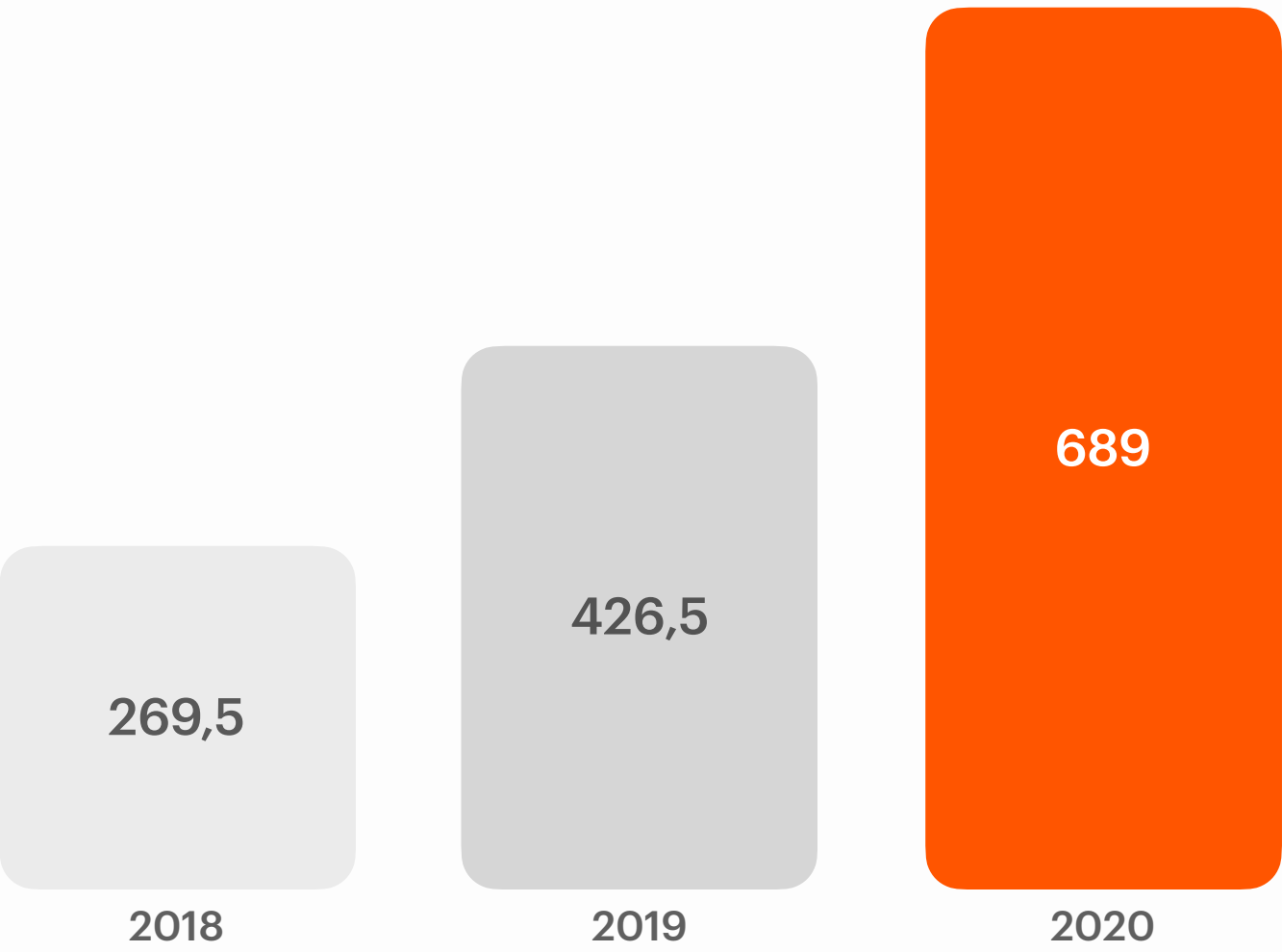
The average sales price in Moscow increased by 15% compared to 2019 and reached RUB 176 thousand per sqm. In 2018 the average sales price reached RUB 108.9 thousand per sqm

Land bank size, million sqm



In 2020, the size of the land bank was 16.5 million sqm, 48.6% more than in 2019.

Land bank valuation, RUB billion



The valuation of the land bank showed an increase of 60.1%, reaching RUB 689 billion.

Credit ratings assigned to PIK in 2020

National

Expert

RuA

NCR

A+

International

Moody's <sup>44</sup>

Ba2

Fitch

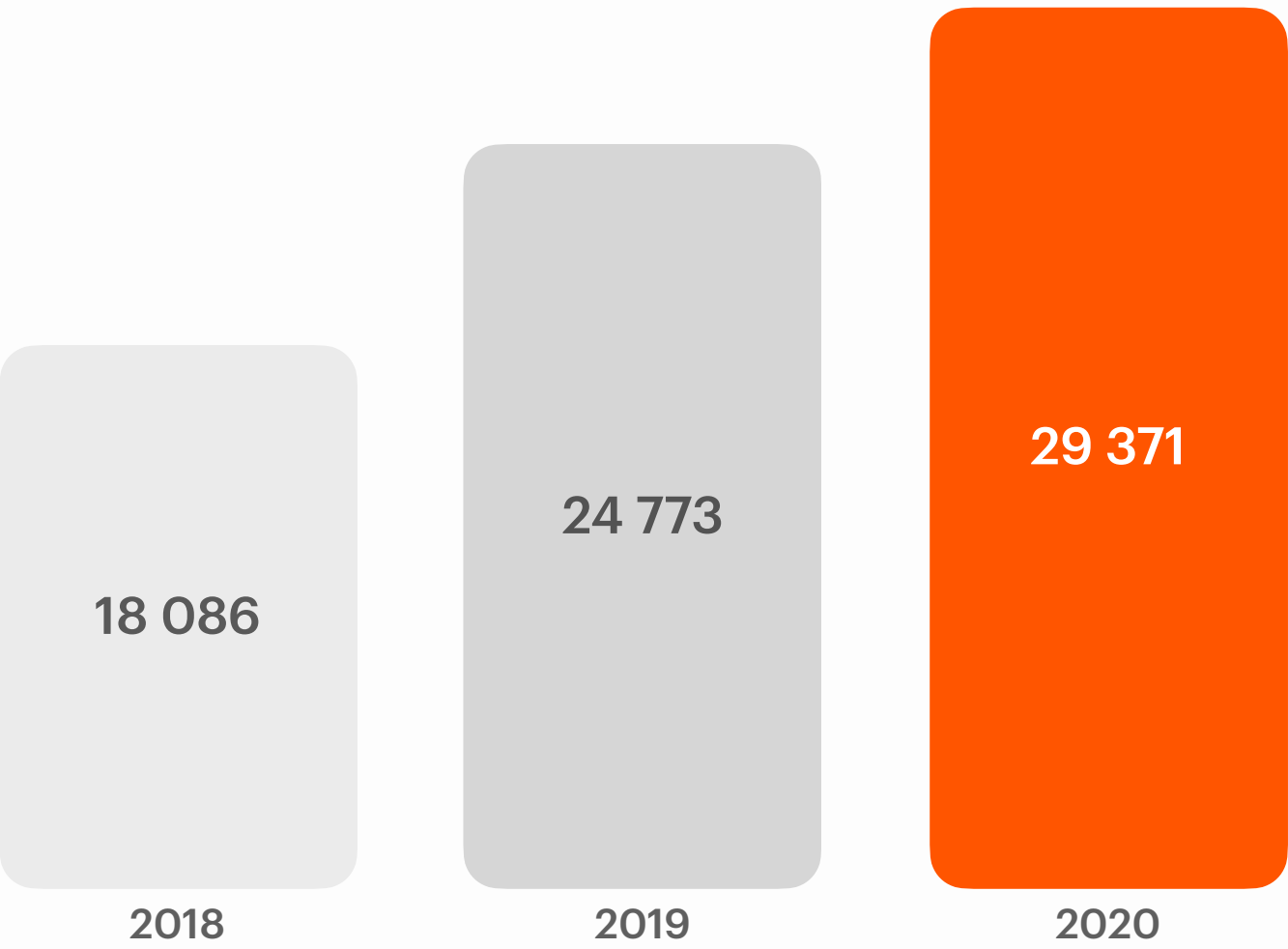
BB-

PIK’s international and national credit ratings in 2020 were the highest in the industry.

<sup>44</sup> The rating was assigned in January 2021.

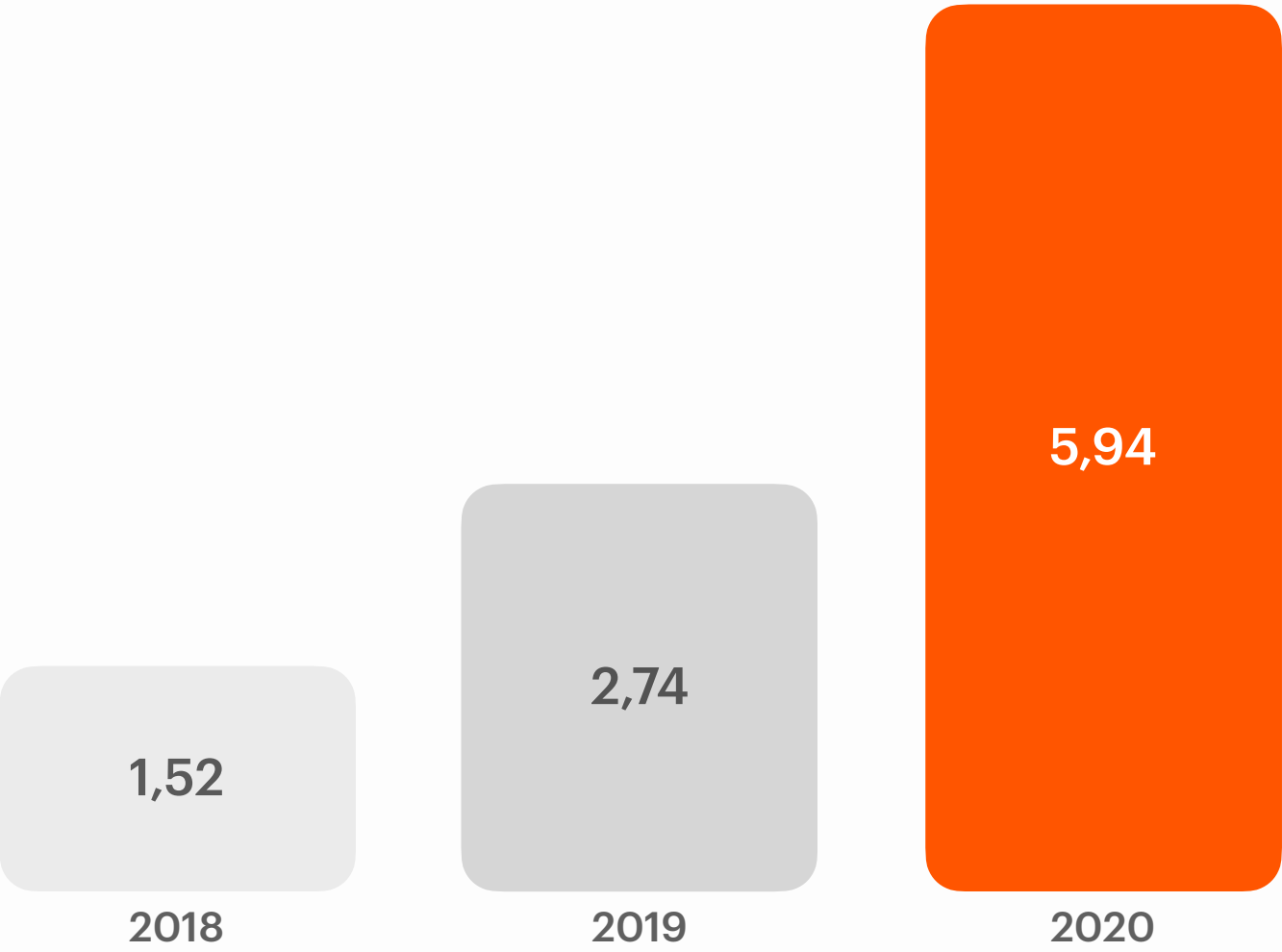
Key sustainability indicators

Number of employees



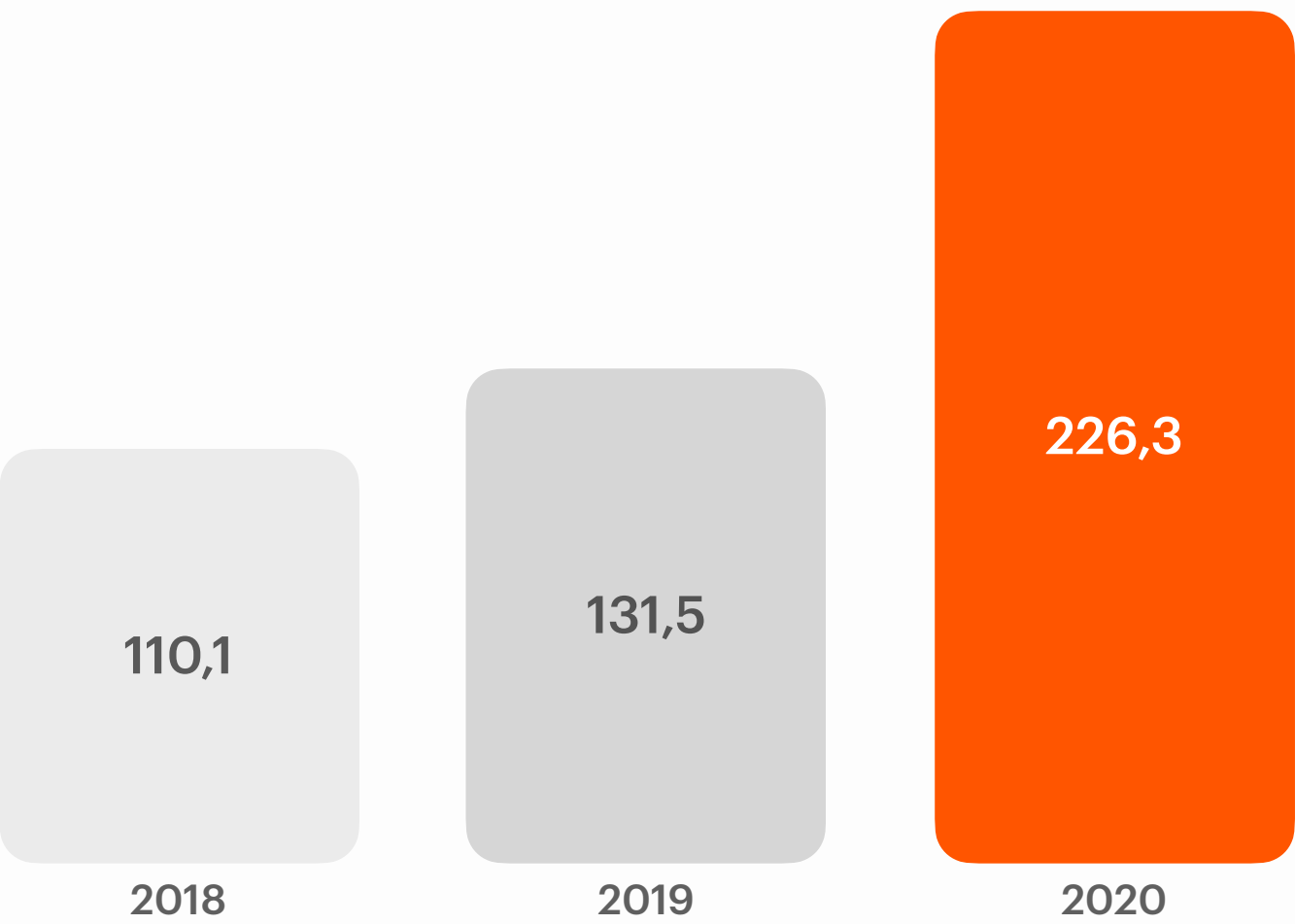
The Company had 29,371 employees in 2020, which is 18.6% more than in 2019.

Environmental costs, RUB million



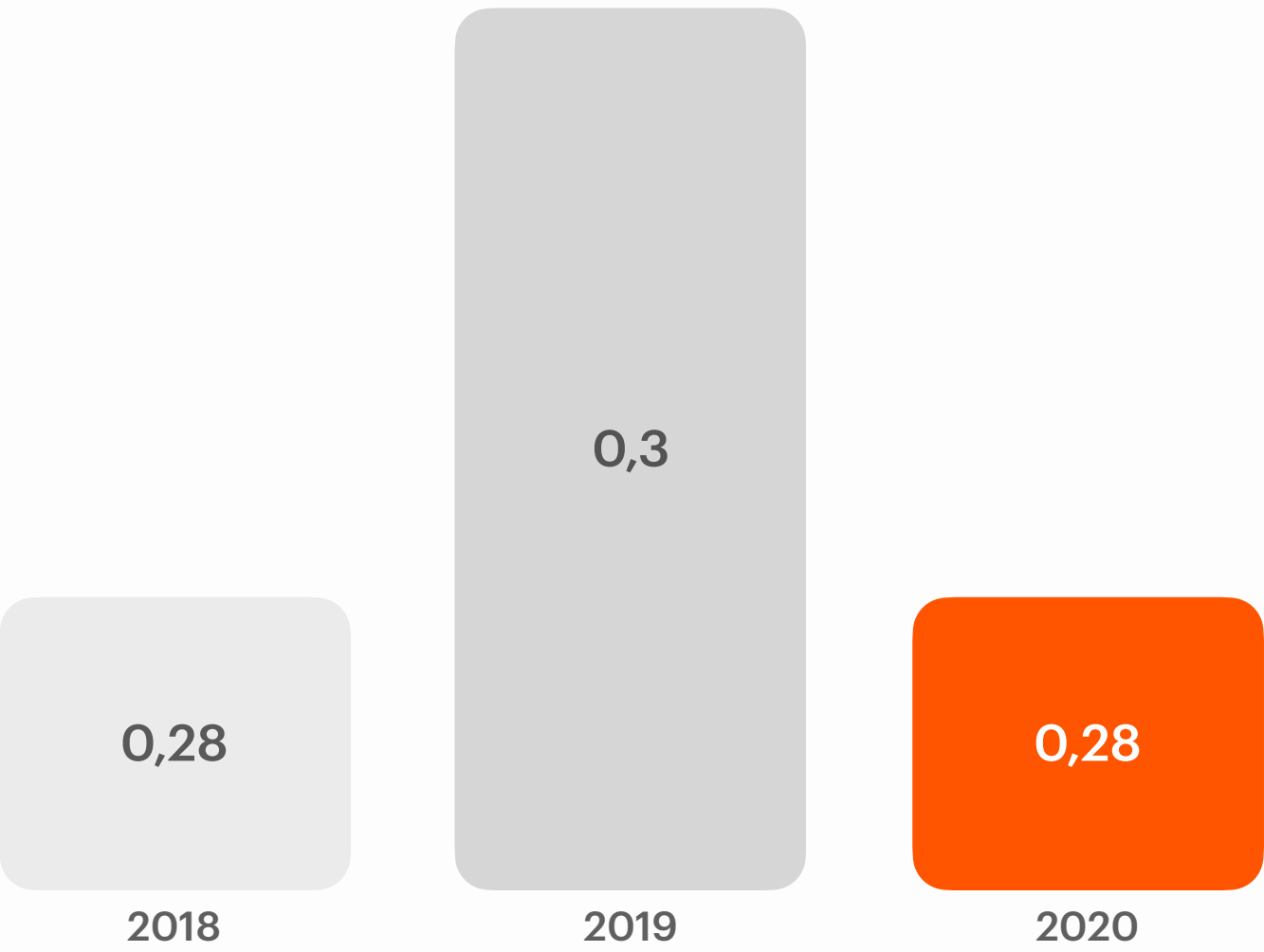
Current environmental costs more than doubled in 2020 against 2019 to RUB 5.94 million. Apart from that, PIK-Industry incurred additional environmental expenses of RUB 17.21 million, including expenses to develop permit documentation and to perform industrial environmental control.

Occupational health and safety costs, RUB million



Total OHS costs during the reporting period amounted to RUB 226.3 million, which is almost 72% more than in 2019.

LTIFR



In 2020, LTIFR decreased against 2019 to 0.28. A total of 28 of work-related injuries were recorded in 2020, excluding fatalities, with 71.4% of them being minor injuries.



Corporate governance indicators

Meetings of the Board of Directors in 2018–2020

Year	Number of meetings of the Board of Directors
2018	14
2019	11
2020	10

Attendance at meetings of the Board of Directors in 2018–2020

Date of the meeting	Number of attendees	Format of the meeting
12 February 2020	9 of 9	virtual
13 April 2020	9 of 9	virtual
17 July 2020	9 of 9	virtual
23 July 2020	9 of 9	face-to-face
28 July 2020	9 of 9	virtual
26 August 2020	8 of 9	virtual
28 August 2020	7 of 9	virtual
06 October 2020	9 of 9	face-to-face
26 November 2020	9 of 9	virtual
28 December 2020	9 of 9	virtual

Forms and mechanisms of PIK’s stakeholder engagement

Stakeholder groups	Stakeholder expectations of PIK	Engagement mechanisms	Key events in 2020
<div>Customers</div> <div>Additional information is available in the section “Customer relations”</div>	<div>Fair pricing</div> <div>High quality of housing and social facilities</div> <div>High quality of service and ease of maintenance</div> <div>Safety and reliability, comfortable living and development conditions</div>	<div>Publication of customers’ messages on PIK’s website</div> <div>Interaction with customers through various communication channels (incoming line, outgoing line, chat rooms on the website and in the mobile application, chat rooms in messengers and social networks, feedback form on the website, feedback by e-mail); operation of a separate line for processing Service Desk requests</div> <div>Introduction of escrow accounts and protection of customer money</div> <div>Improvement of PIK’s products and services</div> <div>Organization of group excursions to facilities to see the project territory and apartments</div>	<div>Improvement of the website and the Customer Personal Account to complete all stages of the transaction online</div> <div>Transition to the online mode of customer service, including the launch of video meetings with sales managers, development of communication channels and the omni-channel strategy</div> <div>Providing new opportunities to introduce PIK products to customers: Vidobot project, online showrooms and 3D tours</div> <div>Development of mortgage and insurance products, including the implementation of the “0% Mortgage” project (“We’ll pay the interest” program)</div> <div>Launch of online services for taking up residence</div> <div>High customer satisfaction level (the CSI (customer satisfaction index) was 4.7 out of 5 in 2020)</div> <div>Scores 4 and 5 (on a scale from one to five) assigned by more than 85% of the surveyed customers after completion of the relevant transaction on the website</div> <div>PIK-Comfort named the winner in the category “Best Comfort Class Housing Management Company” based on the results of the Moscow Quality 2020 contest</div>

Stakeholder groups	Stakeholder expectations of PIK	Engagement mechanisms	Key events in 2020
<div>Personnel</div> <div>Additional information is provided in the sections “HR management” and “Occupational health and safety”</div>	<div>Safe and favorable working environment</div> <div>Equal opportunities and fair treatment of all employees</div> <div>Competitive wages</div> <div>Benefits and social support</div> <div>Career growth opportunities</div> <div>Learning and professional development programs</div>	<div>Communication with employees through managers</div> <div>Corporate portal</div> <div>Newsletters about PIK developments sent via e-mail and messengers</div> <div>Improving the corporate safety culture and ensuring occupational health and safety</div> <div>Educational programs to develop professional skills and competencies</div> <div>Personnel engagement assessment</div> <div>Performance assessment of personnel</div> <div>Arrangement of remote work</div> <div>Implementation of social charity and volunteer projects</div>	<div>Transfer of about 97% of employees to remote work and introduction of flexible working hours, including the transfer of all employees of PIK-Project to online work</div> <div>Complete fulfillment of obligations to personnel; maintaining employment</div> <div>Changes in the recruitment approach; development of the CRM system</div> <div>Introduction of employee performance assessment</div> <div>Expanded functionality of the Employee Personal Account; development of the Manager Personal Account</div> <div>Development of PIK-Environment – an educational project for employees – in the online format; creation of the PIK-Academy single training center for employees</div> <div>Introduction of additional free online training programs for employees during the lockdown</div> <div>Development and implementation of corporate psychological support programs to avoid burnout</div>
<div>Contractors and suppliers</div> <div>Additional information is provided in the sections “Procurement management” and “Economic security”</div>	<div>Transparent contractor selection process</div> <div>Compliance with contractual obligations</div> <div>Quality assurance and compliance with stated deadlines</div> <div>Business ethics compliance</div> <div>Anti-corruption compliance</div>	<div>Competitive procurement</div> <div>Conclusion of agreements and contracts with contractors and suppliers</div> <div>Maintaining long-term relationships with suppliers and contractors</div> <div>Anti-corruption hotline and prompt response to messages</div>	<div>Maintenance and improvement of the Marketplace – a digital platform for interaction between contractors and suppliers</div> <div>Growing purchases through the B2B-Center electronic trading platform system</div> <div>Improvement of the system of strategic partnerships with suppliers</div> <div>Development of the Ecologistics product (PIK-Industry)</div> <div>Creation of a supplier portal integrated with the electronic document flow system (PIK-Industry)</div>



Stakeholder groups	Stakeholder expectations of PIK	Engagement mechanisms	Key events in 2020
<b>Shareholders and investors</b>          <b>Additional information is provided in the section “Corporate governance”</b>	Growing value of the Company  Stable financial and operating results  Timely provision of up-to-date information on key performance indicators  Information sharing through operational reporting	Annual meeting of shareholders  Disclosure of relevant financial and non-financial information in reports and on the corporate website  Participation in investment events and conferences  Regular “investor days”  Active interaction with leading consulting and rating agencies	Creation of the Investor Relations and Corporate Communications Committee and the Sustainability Committee of the Board of Directors  Online non-deal roadshows, meetings and conferences with investors  First-time credit rating from international agency Moody’s  Participation in VTB forums “Russia Calling!” and “Russia: The Inside Track”  Corporate website updates  ESG rating assigned by RAEX-Europe
<b>State authorities</b>	Compliance with Russian Federation laws  Compliance with regulatory requirements  Timely payment of taxes  Social and economic development of the regions of operation  Stability of the Company as a systemically important organization of the Russian economy	Implementation of the business plan and compliance with obligations to commission houses  Construction of social infrastructure facilities and their transfer to the state  Compliance with instructions received from and correction of drawbacks identified by state authorities  Obtaining necessary permits as part of the development cycle  Publication of financial and non-financial reporting	Commissioning of 2,425,000 m2 of housing  Commissioning of 13 social infrastructure facilities  Participation in the construction of hospitals for COVID-19 patients  Compliance with the instructions of Rospotrebnadzor on how to prevent the spread of COVID-19
<b>Professional and business community</b>       <b>Additional information is provided in the section “Sustainability management”</b>	Cooperation and participation in joint initiatives  Participation in industry events  Improved information transparency	Initiation of shared projects  Active participation in conferences, forums and industry events  Development of control regulations and industry standards  Propagation of PIK’s philosophy through franchising	Nomination of PIK projects for the Moscow Architectural Awards  Preservation of cultural and historical heritage  Commercialization of unique IT products in the construction sector



Stakeholder groups	Stakeholder expectations of PIK	Engagement mechanisms	Key events in 2020
<div>Local communities</div> <div>Additional information is provided in the section “Social responsibility”</div>	<div>Development of social infrastructure</div> <div>Assistance in addressing social, environmental and economic issues</div> <div>Safety and comfort</div> <div>Employment opportunities for the local population</div> <div>Minimization of negative impacts of the Company’s operations</div>	<div>Maintaining a direct dialog with residents of PIK buildings through various communication channels</div> <div>Taking into account the opinions of local communities when planning future projects; using the benefits of a master plan</div> <div>Construction of social infrastructure facilities</div> <div>Implementation of environmental and social projects to improve the quality of life of the local population</div> <div>Preservation of cultural heritage; participation in preservation of historical architectural sites</div>	<div>Commissioning of 76,666 m2 of social infrastructure facilities (including outpatient clinics, preschools, schools)</div> <div>Campaigns to collect waste paper, used batteries and tires</div> <div>Restoration of historical buildings in residential complexes Sheremetyevsky and Presnensky Val 27</div> <div>Participation in the reconstruction of the Moscow Zoo</div> <div>Partnership with the Museum of Moscow, support of the exhibition “Vkhutemas 100. School of Avante-Garde”</div> <div>Shifting communications with local residents online</div>
Media	<div>Answers to emerging questions affecting all stakeholders</div> <div>Dialog</div> <div>Openness and transparency</div>	<div>Press releases on significant events of the Company’s operations</div> <div>Preparation of TV videos</div> <div>Briefings</div> <div>Interviews with PIK representatives</div>	<div>Participation in the “Font of Kindness” campaign to help children with cerebral palsy</div> <div>Support for the #Карантиния (#WithintheQuarantine) campaign initiated by residents of PIK buildings</div> <div>Shooting a video for the track “Crying for Techno” together with the YouTube channel “Chicken Curry”</div>

# Appendix 3

# Glossary

Term	Definition
Public Joint Stock Company «PIK-specialized homebuilder», PJSC «PIK Shb», PIK, the Company	Public Joint Stock Company «PIK-specialized homebuilder»
Management company	LLC PIK-Comfort
PIK-Lease	A service to search for tenants where the system selects them in accordance with customers’ requirements
PIK-Broker	The Company’s service created to improve housing conditions: sale, purchase or exchange of real estate
PIK-Industry	PIK’s industrial and construction segment
PIK-Service	A digital marketplace offering services to residents
PIK-Sport	Sports and health projects
PIK-Comfort	Management company
PIK.Smart	The “smart home” system developed by the Company together with Yandex and Rubetek
PIK-Furniture	Furniture designed and produced by the Company taking into account the modern lifestyle and current trends
PIK-Data	The Company’s data warehousing service
PIK Digital	A structure of the Company that includes all the Company’s IT divisions starting from 2020
PIK-Standard	The Company’s system of internal standardization of design and construction work
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)
Report	The Company’s 2020 Sustainability Report
Product	Deliverables of the Company’s operations – both material and digital – used in the implementation of the Group’s projects
Project	The Company’s development project, a housing complex, residential district, residential block. The aggregate of residential buildings united by a single idea and created in accordance with PIK-Standard.
COVID-19	An English acronym for COronaVIrus Disease 2019 – 2019 coronavirus infection
Service desk	Message processing line
BIM	Building Information Model
CO2	Carbon dioxide or carbonic acid
CSI	Customer Satisfaction Index
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization

ESG	Environmental, Social, and Governance
ESG risks	ESG (Environmental, Social, Governance) – environmental, social and governance factors that are taken into account along with financial factors when making investment decisions to minimize potential risks and increase profitability
DDoS	Distributed Denial of Service attack
Fee-development	Implementation of a project at the request of an investor
GRI	Global Reporting Initiative
HR	Human Resources
ISO	International Organization for Standardization
LTIFR	Lost Time Injury Frequency Rate
Proptech sector	PropTech means digital projects in the real estate market. Such projects include both smart buildings and smart cities and digital platforms to search for real estate or projects connecting digitalization and development
R&D	Research and development
PlayHub	The Company’s playgrounds
VDI	Virtual Desktop Interface
VHI	Voluntary health insurance
IT	Information technology
KPI	Key performance indicator
IFRS	International Financial Reporting Standards
UN	United Nations Organizations
OHS	Occupational health and safety
PCR	Polymerase chain reaction
IET	Information Encryption Tool
OHSMS	Occupational Health and Safety Management System
EQES	Enhanced Qualified Electronic Signature
SDGs	Sustainable development goals adopted by the United Nations in 2015
EDS	Electronic Digital Signature

# Appendix 4

# GRI Content index

Standard	Section	Subsection/Notes
GRI 102 GENERAL DISCLOSURES		
ORGANIZATIONAL PROFILE		
GRI 102-1 Name of the organization	About the Company	
GRI 102-2 Activities, brands, products, and services	About the Company	Company profile Operating segments
GRI 102-3 Location of headquarters	About the Company	Company profile Geography of operations
GRI 102-4 Location of operations	About the Company	Company profile Geography of operations
GRI 102-5 Ownership and legal form	About the Company	
GRI 102-6 Markets served	About the Company	Company profile Operating segments
GRI 102-7 Scale of the organization	Appendix 1	Key operating indicators of the Company for 2020  Key financial indicators of the Company for 2020 Key sustainability indicators of the Company for 2020
GRI 102-8 Information on employees and other workers	HR management	Personnel structure
GRI 102-9 Supply chain	Procurement management	Procurement structure
GRI 102-10 Significant changes to the organization and its supply chain	Procurement management	Procurement structure
GRI 102-11 Precautionary principle	Sustainability management	Sustainability risk management
GRI 102-12 External initiatives	Stakeholder engagement  Social responsibility	Participation in industry associations and external initiatives
GRI 102-13 Membership of associations	Stakeholder engagement  Social responsibility	Participation in industry associations and external initiatives



STRATEGY		
GRI 102-14 Statement from senior decision-maker	Messages	Message from the Chairman of the Board of Directors  Message from the CEO
GRI 102-15 Key impacts, risks, and opportunities	Sustainability management  Risk management and internal control system	Sustainability risk management  Approach to internal control and risk management
ETHICS AND INTEGRITY		
GRI 102-16 Values, principles, standards, and norms of behavior	Sustainability management	Priorities and key areas of sustainability activities
GRI 102-17 Mechanisms for advice and concerns about ethics	Economic security	Business ethics
GOVERNANCE		
GRI 102-18 Governance structure	Corporate governance	Structure of corporate governance bodies
STAKEHOLDER ENGAGEMENT		
GRI 102-40 List of stakeholder groups	Stakeholder engagement	
GRI 102-41 Collective bargaining agreements	HR management	Social support
GRI 102-42 Identifying and selecting stakeholders	Stakeholder engagement	
GRI 102-43 Approach to stakeholder engagement	Stakeholder engagement	
GRI 102-44 Key topics and concerns raised	Stakeholder engagement	
REPORTING PRACTICE		
GRI 102-45 Entities included in the consolidated financial statements	Appendix 1	Scope of the Report and preparation method
GRI 102-46 Defining report content and topic boundaries	Appendix 1	Approach to defining material topics
GRI 102-47 List of material topics	Appendix 1	Approach to defining material topics

GRI 102-48 Restatement of information	Appendix 1	Scope of the Report and preparation method
GRI 102-49 Changes in reporting	Appendix 1	Scope of the Report and preparation method
GRI 102-50 Reporting period	Appendix 1	Scope of the Report and preparation method
GRI 102-51 Date of most recent report	Appendix 1	Scope of the Report and preparation method
GRI 102-52 Reporting cycle	Appendix 1	Scope of the Report and preparation method
GRI 102-53 Contact point for questions regarding the report	Appendix 1	Contact information
GRI 102-54 Claims of reporting in accordance with the GRI Standards	Appendix 1	Basis of preparation of the Report
GRI 102-55 GRI content index	Appendix 1 Appendix 4	Basis of preparation of the Report GRI content index
GRI 102-56 External assurance	Appendix 1	Assurance
GRI 103 MANAGEMENT APPROACH		
GRI 103-1 Explanation of the material topic and its Boundary	Appendix 1	Approach to defining material topics
GRI 103-2 The management approach and its components		The management approach is disclosed in the Report before information on each material topic.
GRI 103-3 Evaluation of the management approach		Information on these activities is contained in the Report.
MATERIAL TOPICS		
ECONOMICS		
201 Economic performance		
GRI 103 Management approach	About the Company	Company profile Business model
GRI 201-1 Direct economic value generated and distributed	About the Company Appendix 1	Key operating indicators of the Company for 2020 Key financial indicators of the Company for 2020 <sup>45</sup>
203 Indirect economic impacts		
GRI 103 Management approach	Social responsibility	Approach to social responsibility
GRI 203-1 Infrastructure investments and services supported	Social responsibility	
204 Procurement practices		
GRI 103 Management approach	Procurement management	Approach to procurement management
GRI 204-1 Proportion of spending on local suppliers	Procurement management	Procurement structure

<sup>45</sup> For more information on the Company’s IFRS consolidated financial statements, see: <https://pik-group.ru/>

205 Anti-corruption		
GRI 103 Management approach	Economic security	Approach to security Anti-corruption
GRI 205-1 Operations assessed for risks related to corruption	Economic security	Anti-corruption
GRI 205-2 Communication and training about anti-corruption policies and procedures	Economic security	Approach to security
GRI 205-3 Confirmed incidents of corruption and actions taken	Economic security	Anti-corruption
ENVIRONMENT		
301 Materials		
GRI 103 Management approach	Environmental protection	Environmental impact Waste management
GRI 301-1 Materials used by weight or volume	Environmental protection	Environmental impact Waste management
302 Energy		
GRI 103 Management approach	Environmental protection	Environmental impact Energy conservation and energy efficiency
GRI 302-1 Energy consumption within the organization	Environmental protection	Environmental impact Energy conservation and energy efficiency
303 Water and effluents		
GRI 103 Management approach	Environmental protection	Approach to environmental protection Environmental impact
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
GRI 303-4 Water discharge	Environmental protection	Environmental impact Water conservation
GRI 303-5 Water consumption	Environmental protection	Environmental impact Water conservation

305 Emissions		
GRI 103 Management approach	Environmental protection	Approach to environmental protection Environmental impact
GRI 305-6 Emissions of ozone-depleting substances (ODS)	Environmental protection	Environmental impact Combating air pollution
GRI 305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Environmental protection	Environmental impact Combating air pollution
306 Waste		
GRI 103 Management approach	Environmental protection	Approach to environmental protection Environmental impact
GRI 306-1 Waste generation and significant waste-related impacts	Environmental protection	Environmental impact Waste management
GRI 306-2 Management of significant waste-related impacts	Environmental protection	Environmental impact Waste management
GRI 306-3 Waste generated	Environmental protection	Environmental impact Waste management
GRI 306-4 Waste diverted from disposal	Environmental protection	Environmental impact Waste management
GRI 306-5 Waste directed to disposal	Environmental protection	Environmental impact Waste management
307 Environmental compliance		
GRI 307-1 Non-compliance with environmental laws and regulations	Environmental protection	Approach to environmental protection Environmental compliance
SOCIAL		
401 Employment		
GRI 103 Management approach	HR management	Approach to HR management
GRI 401-1 New employee hires and employee turnover	HR management	Recruitment
403 Occupational health and safety		
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  2020 results  Promotion of worker health and medical supervision
GRI 403-2 Hazard identification, risk assessment, and incident investigation	Occupational health and safety	Prevention of injuries and accidents
GRI 403-3 Occupational health services	Occupational health and safety	Prevention of injuries and accidents 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
GRI 403-5 Occupational health and safety management system	Occupational health and safety	Approach to occupational health and safety Developing a safety culture
GRI 403-6 Promotion of worker health	Occupational health and safety	Prevention of injuries and accidents Promotion of worker health Medical supervision
GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Quality control	Quality assurance in the production segment
GRI 403-8 Workers covered by an occupational health and safety management system	Occupational health and safety	Approach to occupational health and safety
GRI 403-9 Work-related injuries	Occupational health and safety	Prevention of injuries and accidents Work-related injuries
GRI 403-10 Work-related ill health	Occupational health and safety	Prevention of injuries and accidents Promotion of worker health
404 Training and education		
GRI 103 Management approach	HR management	Approach to HR management
GRI 404-1 Average hours of training per year per employee	HR management	Training and professional development
GRI 404-2 Programs for upgrading employee skills and transition assistance programs	HR management	Training and professional development
405 Diversity and equal opportunity		
GRI 103 Management approach	HR management	Approach to HR management
GRI 405-1 Diversity of governance bodies and employees	HR management	Personnel structure
GRI 405-2 Ratio of basic salary and remuneration of women to men	HR management	Remuneration, assessment and incentives
413 Local communities		
GRI 103 Management approach	Social responsibility	Approach to social responsibility
GRI 413-1 Operations with implemented local community engagement, impact assessments, and development programs	Social responsibility	Local community engagement Consulting with local communities
416 Customer health and safety		
GRI 103 Management approach	Quality control	Approach to quality control
GRI 416-1 Assessment of the health and safety impacts of product and service categories	Social responsibility          Quality control Economic security	Approach to social responsibility Master plan solutions  Improving the quality of life Ensuring safety  Quality assurance in the production segment  Physical security

# Appendix 5

## Compliance with the principles of the UN Global Compact

Principles of the UN Global Compact	Section of the Report
Human rights	
Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.	HR management Ensuring the protection of human rights
Principle 2. Businesses should make sure that they are not complicit in human rights abuses.	HR management Ensuring the protection of human rights
Labor	
Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	HR management Social support
Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labor.	HR management Ensuring the protection of human rights
Principle 5. Businesses should uphold the effective abolition of child labor.	HR management Ensuring the protection of human rights
Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	HR management Ensuring the protection of human rights
Environment	
Principle 7. Businesses should support a precautionary approach to environmental challenges.	Sustainability management Sustainability risk management
Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.	Environmental protection
Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	Environmental protection
Anti-corruption	
Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.	Economic security Business ethics Anti-corruption

# Appendix 6

## Reader questionnaire

Information on the surveyed stakeholder:

Full name

Position / occupation

Organization

Contact details:  
e-mail, telephone

Questions:

Choose one of the options below describing you relation to PJSC «PIK Shb» (the Company):

- ☐ The Company’s shareholder
- ☐ The Company’s customer
- ☐ Supplier of goods, work or services to the Company
- ☐ The Company’s official
- ☐ The Company’s employee
- ☐ Representative of state authorities
- ☐ Representative of a research and production association
- ☐ Other (please specify)

Does the Report answer the questions of interest to you?

- ☐ Yes, all of them
- ☐ Some of them
- ☐ No

Please rate the Report according to the following criteria:

	1	2	3	4	5
Relevance and materiality of information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Completeness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Structure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Design	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Style of presenting information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information credibility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

What information in the Report regarding the operations of PJSC «PIK Shb» was new to you?

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What information would you like to see in the next report of PJSC «PIK Shb»?

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What recommendations/suggestions can you make for future reports of PJSC «PIK Shb»?

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