

# SUSTAINABLE DEVELOPMENT

FPC sees its people as a key asset and the basis of its competitive ability.



## PERSONNEL

FPC manages its human capital in a way which helps achieve its strategic goals and create conditions for employees' personal development. The key priorities

of the FPC's HR policy are recruiting people, training them in required skills, ensuring their continuous development, and providing them social support.

### Staff profile

The Company currently employs 62,800 people.

Most employees (38,700, or 61.6%) are directly involved in providing services to passengers.

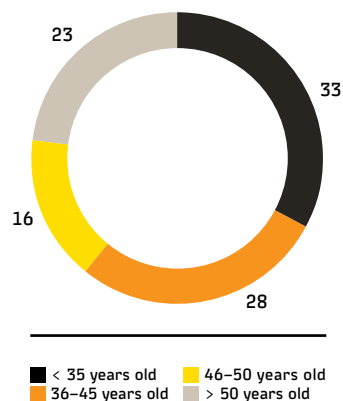
The labour productivity enhancement and organisational structure optimisation initiatives allowed FPC to decrease its employee headcount by 4.8% year-on-year.

#### Personnel by occupation, people

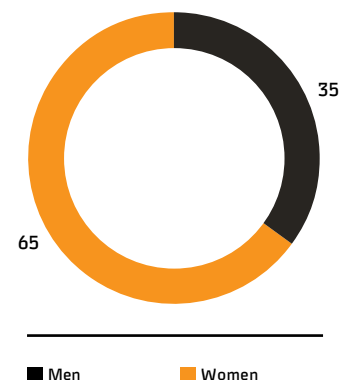
| Employees by occupation                                       | As at 31 December 2016 | As at 31 December 2017 |
|---|------------------------|------------------------|
| Employees involved in on-train services                       | 36,811                 | 35,212                 |
| Employees involved in ticket sales                            | 6,953                  | 6,897                  |
| Employees involved in maintenance and repair of rolling stock | 13,026                 | 12,485                 |
| Other employees   | 9,138                  | 8,177                  |
| <b>Total</b>  | <b>65,928</b>          | <b>62,771</b>          |



#### Personnel by age, %

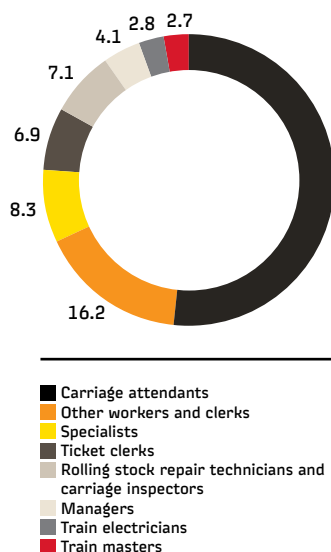


#### Personnel by gender, %

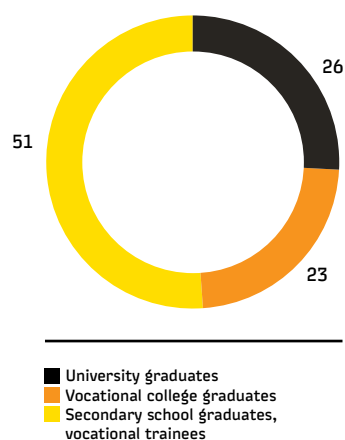


The Company maintains a balance between its young and more experienced employees. The average age of employees is 40 years. Young people under 35 years account for 33% of the total headcount. Most employees (65%) are women.

Personnel by position/profession, %



Personnel by educational background, %



FPC paid specific attention to the development and retention of its employees in 2017. Personnel turnover at FPC remained flat year-on-year at 8.1% (8.1% in 2016). The employee stability index<sup>1</sup> has not changed since last year, at 68%.

## Staff recruitment

FPC's recruitment efforts are focused on two key position segments: "general" and "managers and specialists". FPC seeks to recruit talented people who will contribute to its ongoing development. General positions (carriage attendant, ticket clerk) are most often recruited externally. When seeking managers and specialists, FPC focuses on internal talent, with only rare or unique professionals recruited externally.

Within recruitment and assessment efforts, candidates undergo different assessment procedures: interviews, vocational tests, personal surveys, and ability tests. Candidates are assessed in accordance with the 5C+L corporate competence model:

- Competence – possessing professional skills. Ability to learn and develop. Willingness to share experience and knowledge

- Customer focus – focus on delivering value to FPC's customers
- Corporate culture and ownership – focus on FPC's needs. Teamwork. Focus on results
- Quality and safety – focus on quality and performance. Safety assurance
- Creativity and drive for innovation – proposing initiatives and implementing innovations. Supporting others' initiatives
- Leadership – motivating and engaging other employees. Motivating and influencing without administrative pressure.

Over 16,000 employees underwent the corporate competence assessment during the year, with front-line employees accounting for 89% of the total.

<sup>1</sup> Calculated as a ratio between employees with FPC for more than five years and the total employee headcount.

## Personnel training and development

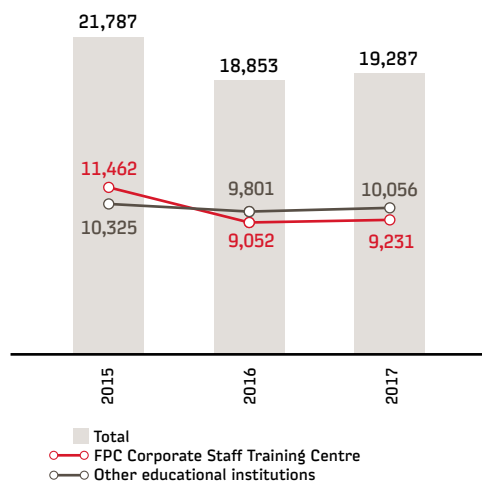
FPC has in place an effective personnel training and development system.

A total 19,200 employees, or 30.7% of FPC's total headcount, underwent training in 2017.

### Training system performance

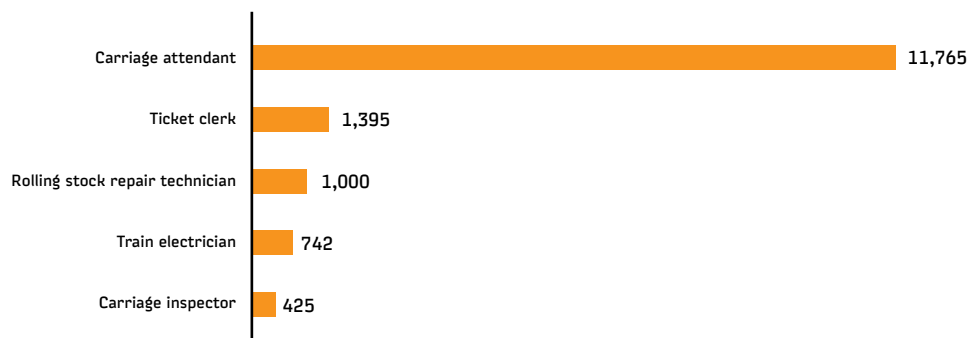
| Metrics  | 2015   | 2016   | 2017   |
|--|--------|--------|--------|
| FPC headcount, people  | 67,677 | 65,928 | 62,771 |
| Total employees trained, people  | 21,787 | 18,853 | 19,287 |
| Share of employees trained at FPC's Corporate Staff Training Centre, % | 41     | 48     | 48     |
| Budget, RUB million  | 97.5   | 86.9   | 96.3   |

### Staff training broken down by training centre, people



More than 2,300 people were trained as railway and office workers in 2017, while around 14,200 employees completed professional development courses.

### Training by profession, people



### Personnel training courses cover key areas:

- Organising induction training using the TWI (Training Within Industry) method
- Operation, maintenance, and fault diagnostics of systems and assemblies in double-decker carriages
- Setting up a corporate risk management system
- Modern, customer-focused passenger service methods
- The specifics of providing rail passenger services to people with reduced mobility
- Providing passenger services during the 2017 FIFA Confederations Cup and 2018 FIFA World Cup
- Foreign languages
- Building a culture around safety in passenger services
- A traffic safety management system in passenger services
- Transportation safety and security
- Organising railway agency activities
- Professional training of internal auditors.

FPC is continuously updating its existing training programmes and developing new ones; around 23% of the existing programmes were updated in 2017 and the inventory base of the Corporate Staff Training Centre (the Centre) is in development.

### The training facilities and programmes available at the Centre enable:

- training effective customer service and passenger communication skills
- improving upon knowledge of corporate service standards.

In line with the 2017 Investment Programme, a mobile computer room was purchased for the Centre, allowing an interactive training environment to be created in any room.

In 2017, particular attention was paid to training luxury carriage attendants. During the training, carriage attendants were taught how to present FPC's services and the configuration specifics of luxury carriage compartments.

Training courses on customer-focused communication allowed carriage attendants to learn VIP customer psychology, speech standards, and how to behave under pressure while maintaining VIP service standards.

Practical training in preparing a luxury carriage for boarding is conducted aboard a training carriage which contains a luxury compartment.

FPC's psychologists use interactive techniques when conducting personnel training courses to understand customer needs and build trust-based relationships with customers. In 2017, FPC conducted over 3,500 on-the-job training courses.

### FPC's training materials help develop its employees' customer service skills:

- The Corporate Standards of Customer Communication handbook
- Passenger interaction (complaints) cases
- A series of informational brochures, Questions and Answers on Customer-Focused Approach
- The Dress Code for Customer Service Employees handbook

In pursuing FPC's strategic goals and to further improve its business performance, 2,700 Company managers and specialists completed higher vocational training programmes. Expenses on training, re-training, and professional development courses reached RUB 96.3 million in 2017.

**RUB 96.3**  
million

invested in employee  
training in 2017

## Targeted training programmes for young talent

To maintain a steady stream of young talent, FPC cooperates with nine universities offering railway- related degrees.

In 2017, 271 students opted for targeted training courses in professional colleges and universities.

Full-time students in targeted training courses had an opportunity to attend open days at FPC to learn about its operations and objectives.

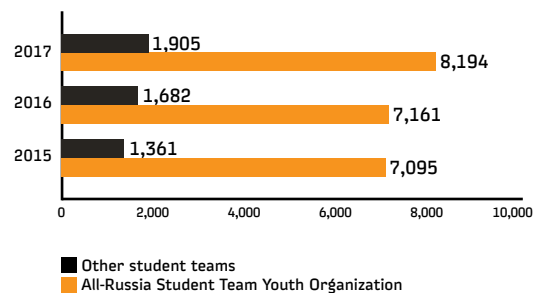
A total 66 train crew members are currently being trained through distance education to receive a Bachelor’s degree in Management.

## Student train attendant teams

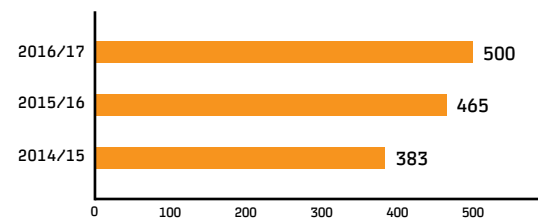
Since 2010, the Company has been engaging university students as train attendants on an annual basis to ensure no staffing shortages during the summer holiday period.

A total 10,099 students from over 300 non-railway educational institutions were employed for the 2017 summer season by FPC’s branches. For three years in a row, FPC has been employing students during the winter holidays.

Students engaged during the summer period, **people**



Students engaged during the winter period, **people**



In 2017, FPC spent RUB 69.1 million on student train attendant teams engaged in the summer and winter holiday periods under a service contract with the Orenburg branch of the All-Russia Student Team Youth Organization.

Based on its full-year results, FPC was given the Best Employer for Young People 2017 award by the Moscow government for Efficient Fulfilment of Student Team Potential.

## Staff remuneration and incentive system

Based on improved performance and increased labour productivity, FPC's enhanced incentive system helps improve the competitiveness of its employees' wages.

The incentive system is aimed at creating financial incentives and accountability for FPC employees in ensuring railway traffic safety and improving the quality of carriage maintenance, repairs, passenger service, and travel comfort, including the quality of service on next-generation rolling stock and proficiency in foreign languages.

In 2017, the average wage in the Company was RUB 42,675, up by 8.8% year-on-year, with a growth in real wage of 4.9%. Employees were awarded annual remuneration for complying with the projected budget.

In 2017, the ratio between the wages of FPC employees and the wages of employees of organizations in the Russian Federation was 1.08 compared with 1.06 in 2016.

**4.9 %**

growth in real wages in 2017

## SOCIAL POLICY

### The Collective Bargaining Agreement

FPC pursued its social policy in accordance with its Collective Bargaining Agreement.

The benefits and guarantees set out in the Collective Bargaining Agreement and corporate regulations of the Company provide additional social security measures beyond the regular social guarantees specified in the Russian Federation's labour law.

FPC's social benefits and guarantees are centred on sustaining, stimulating, and improving employee performance and maintaining social stability among staff.

In 2017, FPC's individual social package for each employee was RUB 52,000, and the benefit package for FPC's retired pensioners was worth RUB 6,500.

FPC's full-year expenses under the Collective Bargaining Agreement totalled RUB 6.7 billion.

**RUB 52**  
thousand

for each individual social package in 2017

### Housing policy

FPC has adopted the Mortgage Subsidy Programme for its employees whose housing conditions are in need of improvement.

Under the Collective Bargaining Agreement, monthly subsidies are paid to more than 829 of

FPC employees to repay the interest accrued on their mortgage loans. In 2017, 34 employees of the Company were provided with subsidies following childbirth for mortgage payments towards built or purchased housing. Overall, FPC spent RUB 79.8 million on its housing policy in 2017

**RUB 6.7**  
billion

FPC's full-year expenses under the Collective Bargaining Agreement