

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

Healthcare

FPC's Employee Healthcare Programme aids proper recreation and treatment, thereby improving its employee work efficiency. Under the Programme, 2,759 employees and retirees of FPC were provided subsidised tours to health centres and resorts in 2017.

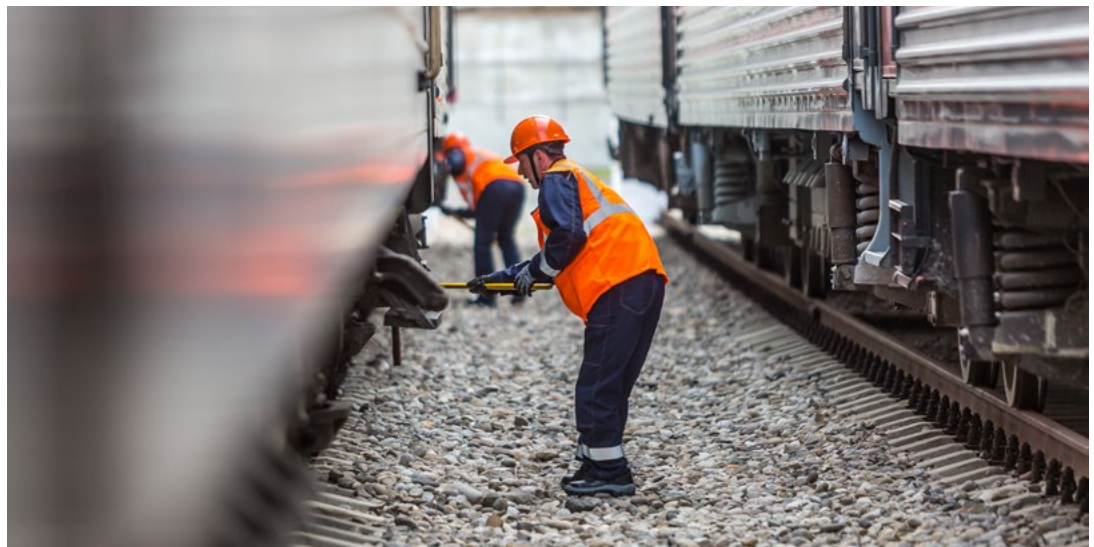
The Company is committed to protecting and improving the health of its employees' children, preventing illnesses they may be vulnerable to, and providing conditions for proper rest and activities during the summer holidays.

In 2017, the children's health improvement campaign involved 2,283 recreation and health

improvement tours for the children of FPC's employees:

- 1,533 tours to Russian Railway's children's health resorts (67% of the total number of children)
- 750 tours (33%) to third-party children's health resorts, including those on the Black Sea coast.

Parents paid 10% to 20% of the tour price depending on the camp session at the children's health resort, while large and/or disadvantaged families paid 10% of the price regardless of the camp session.



Competitions

Based on the 2017 FPC staff team competition results, the following teams were announced winners:

- Far East Branch
- Moscow-Kalanchevskaya carriage site of the Moscow Branch
- Kaliningrad passenger carriage depot of the Northwest Branch
- Volga Railway Agency of the Volga Branch.

FPC's Central Contest Commission recognised the achievements of 12 teams and 46 employees in 2017, awarding the titles of the FPC Best Master, FPC Best Middle Manager, and FPC Best in Profession.

During 2017, 932 FPC employees were given various awards for their achievements in the workplace and dedicated work:

- Awards of the Head of the Administration of the Federation Council of the Federal Assembly of the Russian Federation – 2 persons
- Awards of the Ministry of Transport of the Russian Federation – 141 persons
- Russian Railways awards – 248 persons
- FPC awards – 541 persons.



The 2017 First Among the Best corporate competition was won by the crew of Passenger Train No. 31/32 Orenburg – Moscow of the Orenburg passenger carriage depot at the South Urals Branch, headed by the train master, Aleksey Zuev.



Crew of Passenger Train No. 31/32 Orenburg – Moscow

A.G. Zuev, train master. Carriage attendants: E.A. Antipina, M.A. Antipova, O.A. Eroshenko, T.N. Klinkova, T.M. Maslova, M.V. Tikhonov, O.E. Rumyantsev – train electrician.

The WorldSkills international movement

To raise the prestige of vocational skills and develop vocational training in Russia, FPC joined the WorldSkills International (WSI)¹ movement and introduced a new railway skill – Passenger Services and Travel Safety on a Passenger Train – into the international system of professional championships.

In 2017, the first stage of the All-Russia Carriage Attendants Vocational Skills Competition finals was organised in a new format in line with the WSI standards.

Occupational health

FPC's Health Management initiative maintains front-line personnel's high level of work ability and professional reliability.

As part of this effort, psychological support offices were established in structural units of the Moscow, North Caucasus, Yenisey, and East Siberian branches in 2017, and have been fitted out to diagnose and treat psycho-emotional conditions among employees.

While performing the competition task, employees demonstrated both their professional expertise and technical skills in passenger interaction, such as boarding and exiting, offering additional services, and conflict resolution.

The competition was won by participants Alexander Anisimov and Galina Kalinina from the East Siberian Branch – FPC's Irkutsk passenger carriage depot.

Following rehabilitation services, employees note less fatigue after a train trip, higher work ability, and restored motivation to perform their roles.

The initiative contributes to internal development on customer focus, positively impacts FPC's image as an attractive employer, and is popular in all FPC's branches.

Youth policy

To develop the professional and corporate expertise of its young employees, the eighth FPC Youth Assembly was held in Sochi from 23 to 26 October 2017, attended by 56 employees from the Company's branches and administration. Prizes for solving the "Increasing FPC's passenger turnover and profitability until 2020" case were granted to the teams that offered the largest number of new, actionable solutions.

FPC's employees also participated in the 19th World Festival of Youth and Students, in Global Rail Network: Bringing the Future Closer section. Participants discussed the impact of technology and innovation on the rail network and defined key skills that may be required of railway workers in the future.

¹ WorldSkills International (WSI) is an international non-governmental association committed to raising the global status and standards of vocational training and qualification and popularise vocational skills through conducting international competitions across the world. Founded in 1953. Today, 77 countries participate in the organisation's activities.

Corporate pension system

Corporate pensions are included in FPC employees' social security packages. Over 23,000 employees have pension programmes with the Non-State Pension Fund Blagosostoyanie.

In the reporting period, 777 employees registered in the corporate pension programme; the average pension was RUB 7,000.

In line with the principle of matched funding of private pension plans, FPC pays monthly pension contributions for each participant until a corporate pension is assigned, and then additional pension contributions following the corporate pension assignment.

In 2017, the Company invested a total of RUB 524 million in private pension plans.

Social guarantees for FPC's retirees

FPC provides its retirees with all possible support.

At present, FPC supports over 63,000 non-working retirees.

Special emphasis is placed on railway workers who took part in the Great Patriotic War, home front workers, and underage prisoners of Nazi concentration camps. As part of Victory Day celebrations, over 4,000 veterans received additional financial aid.

To celebrate the 73rd anniversary of Victory Day, FPC and Veteran Councils organised home visits to veterans who fought in the Great Patriotic War.

Non-working retirees who have worked at FPC for over 20 years receive compensation for dentures and subsequent repairs of such, high-tech medical services in Russian Railways' healthcare facilities, free transportation on suburban and long-distance trains, and resort healthcare services.

Over RUB 370 million were spent on retiree support in 2017.

Corporate research

To develop the internal communications system, over 1,300 of FPC's employees took part in group wide social surveys:

- Comprehensive surveys of motivation and social and psychological environment in employee teams
- A unified comprehensive social survey of the personnel
- A survey of external and internal customer focus of Russian Railways
- Annual progress monitoring in Russian Railways' Youth targeted programme.

Based on the survey results, the employee satisfaction index remains stable and positive, at 64.3 points.

Most employees (61%) state their high commitment to FPC and intention to work there for a long time (8 years or more).