

On the path to change



Dmitry Shakhonov
Vice President
of Russian Railways

The Company met all its obligations under the Russian Railways collective bargaining agreement and ensured social stability in its workforces despite the difficult economic conditions. All obligations under the collective bargaining agreement were fulfilled.

Growth was also seen in the competitiveness of the salaries of Russian Railways employees engaged in all types of activities. The ratio of the salary of Company employees to the average salary for the country was 1.29. The Company achieved a high staffing level while simultaneously reducing personnel turnover. The share of employees with a higher education continues to increase. Labour productivity grew 4.8% compared with 2014. The social and personnel unit is actively working to improve its labour productivity.

In 2015, a new version of the Business Ethics Code was adopted, the targeted programme Russian Railways Youth was updated and a number of projects were implemented to develop corporate culture. In 2016, the social and personnel unit will continue work to implement projects that aim to improve the personnel management system.



Based on materials from the final meeting of the Russian Railways Management Board

Activities of the business unit

The primary function of the Social Unit is to pursue a socially responsible policy with respect to the Company's employees and the government.

The core strategic objectives of the Russian Railways Group's social policy are:

- to establish an effective talent pool;
 - the continuous development of personnel;
 - to pursue an effective youth policy and strengthen the corporate culture;
 - to carry out an effective social policy;
 - effective personnel management and social support;
 - to provide healthcare services.
- to improve the Group's competitiveness as an employer;
 - to hire and retain personnel with the required qualifications at the Group;
 - to effectively manage staffing levels taking into account the introduction of new machinery and modern technologies;
 - to introduce the competence approach in personnel management;

In 2015, the Company maintained its status as a socially responsible employer and ensured social stability in the workforce.

Personnel management

Russian Railways views its personnel as its primary asset. Recruiting and retaining personnel with the required skills along with their continuous development and social support are the top priorities of the Company's personnel policy.

Labour productivity

Russian Railways has carried out systematic work since its establishment to ensure growth in labour productivity and to optimise staffing levels. Over this entire period, the growth dynamics in labour productivity has outpaced the growth dynamics in transportation volumes due to the optimisation of staffing levels.

Labour productivity for transportation businesses increased 4.8% in 2015 compared with 2014.

Personnel numbers and structure

Russian Railways had 808,900 employees as of 31 December 2015, a decrease of 26,900 people from a year prior. As a result of the Company's effective social and personnel policy, the personnel turnover rate fell 1.0% compared with 2014 to 7.4%.

Planned downsizing was carried out above all due to the natural outflow of staff,

retirement, temporary hiring constraints, the use of temporary and seasonal employment, the redistribution of personnel between divisions and pro-active personnel re-training.

The educational level of personnel continued to expand in 2015. In particular, employees with a higher education made up

28.8% of total personnel, a 1.9% increase from the start of the previous year, while employees with a secondary vocational education made up 26.8% of employees (up 0.3% from the start of the year).

Remuneration and improving personnel motivation

The average monthly salary of Russian Railways employees engaged in all businesses increased 8.2% in 2015 compared with 2014 and totalled RUB 44,500 (RUB 41,126 in 2014) as a result of a set of measures to improve labour productivity and salary indexation in accordance with the obligations of the collective bargaining agreement.

The material incentive system, which is built on the principle of assigning key objectives to the structural division level, made it possible to:

- meet the main budget parameters of increasing freight train speed, average train weight and employee labour productivity;

- improve adherence to the passenger and freight train schedule and reduce the downtime of transit railcars at marshalling yards;
- reduce the working downtime of locomotive crews.

Remuneration

Indicator	2011	2012	2013	2014	2015
Average monthly salary of Russian Railways employees engaged in all types of activities, RUB	33,130	35,702	38,935	41,126	44,500
Growth vs. previous year, %	114.5	107.8	109.1	105.6	108.2
Ratio of salaries of Russian Railways employees vs. national average	1.42	1.34	1.31	1.27	1.31

Personnel training

Russian Railways continued systematic work in 2015 to provide training, re-training and advanced training for its personnel, in particular:

- training of more than 52,000 workers in key professions;
- more than 25,000 people upgraded their skill category;
- 13,700 people were trained in a second profession;

- more than 154,000 people upgraded their skills in various courses at training centres and in the workplace.

The Company has established and is effectively developing a unique corporate system of vocational training comprised of 15 vocational training centres that meet the demands of the Company's divisions for skilled personnel in the main railway professions. Employees are trained at training centres according to curricula and programmes are developed on the basis of professional standards.

13,700
people

trained in a second profession

Russian Railways continued close cooperation with industry-based higher educational institutions in 2015 to train specialists with a higher and secondary vocational education. At present, more than 40,000 students are studying at railway universities based on orders from Russian Railways.

The Company has drafted 29 professional standards specific to railway transportation that cover more than 500,000 employees of the Russian Railways Group on 65 professions and positions, which makes up over 54% of the Group's total number of employees. In 2015, the Company drafted and approved 15 professional standards on 31 professions and positions.

Based on the approved professional standards, 20 curricula and programmes were prepared for 29 professions that will be introduced in 2016.

Due to the introduction of a number of distance learning programmes, a record number of Russian Railways managers and specialists underwent training at the Corporate University in 2015 – 8,800 people (an 80% increase from 2014).

Collective bargaining agreement

The collective bargaining agreement for 2014-2016 applies to all of Russian Railways, including branches, structural divisions and representative offices.

The main focus of the agreement is on hiring, developing, retaining and motivating employees. The Group has introduced the principle of employee responsibility for production results.

Russian Railways traditionally meets all the obligations set forth in the collective bargaining agreement. In 2015, the Company spent more than RUB 100 bln on such purposes.

A total of 15,700 people underwent training as part of engineering training programmes based at railway universities.

A number of training programmes were implemented in strategic areas for the Company's development with 2,100 employees trained in the 'Lean Manufacturing' programme and 128 employees trained in the 'Development of an Integrated Rapid-Transit and High-Speed Transportation Network in the Russian Federation' programme.

Russian Railways promotes business education for the Company's high-potential managers. In 2015, 80 employees underwent training as part of MBA programmes, while 866 Russian Railways managers and specialists engaged in international activities underwent foreign language training.

Systematic work was carried out to optimise training expenses. The economic effect from optimising contractual work, the co-financing of business education by employees and the expanded use of distance learning reached RUB 80 mln in 2015.

More than 2,200 employees received subsidised mortgage loans in 2015 to purchase housing with total subsidies amounting to RUB 4.3 bln.

The Company primarily focuses on young and large families as well as single parents raising children. Non-repayable subsidies for up to 70% of housing costs are earmarked for such families.

Over the period from 2006 to 2015, more than 31,800 Russian Railways employees improved their living conditions with the Company's financial support.

8.2 %

growth in average monthly employee salary in 2015

4.8 %

growth in labour productivity compared with 2014

15,700 people

underwent training as part of engineering training programmes based at railway universities

8,800 people

underwent training at the Corporate University in 2015

As part of its efforts to ensure the continuity and safety of the transportation process, Russian Railways operates a network of private healthcare facilities that includes 102 hospitals and 71 clinics.

The Company's healthcare system supports the medical component of train traffic safety with more than 1.5 mln mandatory preliminary and regular medical examinations of hired employees as well as 30 mln pre-trip medical check-ups.

In 2015, a total of 115,729 people vacationed and underwent rehabilitation at Russian Railways facilities, including 13,100

railway employees and 9,100 members of their families, almost 8,000 retirees, 47,500 branch employees as well as 38,300 other individuals and legal entities.

The Company carried out measures in 2015 as part of its 'Russian Railways Youth' target programme, which aims to develop professional and corporate skills among young employees and actively involve them in resolving the Russian Railways Group's corporate objectives. An updated version of the 'Russian Railways Youth' programme (2006-2020) was approved to effectively implement the corporate youth policy and develop the potential of young personnel.

The Company organised social corporate projects in which 15,400 children, young people and Company employees took part in 2015:

- the 'Roads of the Future' and 'Your Safety Path' projects for children of Russian Railways employees;

- the 'Company Open Doors' programme for teenagers choosing their future professions;
- the '3D Network. Road, Home, Friends' project for students and young people;
- the 'Family Album' programme for family vacations and rehabilitation.

The Russian Railways corporate pension system is based on the principle of the shared interest of the employee and employer in generating an employee's future pension.

In terms of its goals and purpose, a private (corporate) pension is an additional measure of social support to workers regardless of the state pension system. Its strategic goal is to ensure a replacement rate of at least 40% of an employee's lost earnings.

More than 603,000 Russian Railways employees have pensions with the Blagosostoyanie Private Pension Fund. Over 284,000 former railway workers draw a private pension. In 2015, pensions were assigned to 16,140 Russian Railways employees with the average pension totalling RUB 7,942.

More information about the Russian Railways social policy is available in its annual social report at the Company's website: www.rzd.ru



Occupational safety

The Russian Railways Group's Occupational, Environmental, Industrial and Fire Safety Policy is the fundamental document that describes the Company's position, goals and key objectives in ensuring the safety of production processes.

The Company has established and employs an Occupational Health and

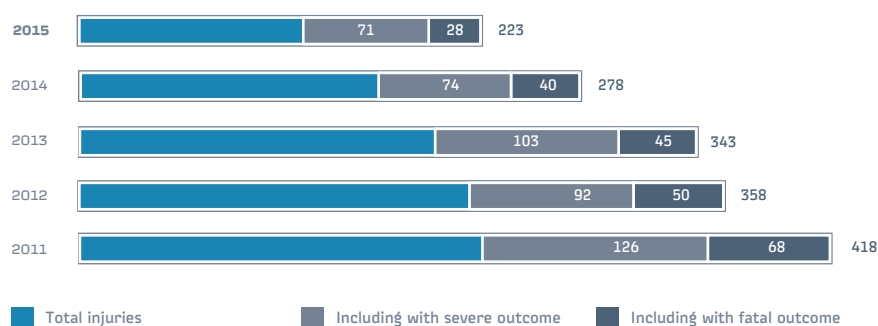
Safety Management System to meet these objectives.

In order to improve occupational safety management efficiency, the Company systematically conducts work to improve its regulatory framework. There are roughly 150 occupational safety rules and instructions in effect at Russian Railways.

The injury rate is the key efficiency indicator of how the occupational safety management is functioning.

In 2015, the injury rate declined 20% compared with the previous year, while the fatal injury rate fell 30%.

Occupational injury dynamics



20 %

decline in the injury rate compared with 2014