

Sustainable Development

Personnel

FPC regards its staff as its main asset and most valuable resource. The key priorities of the Company's HR Policy are to recruit and retain people with required skills, ensure their continuous development, and provide social support to them. To this end, the Company has adopted and implements programmes to motivate and provide social support to its employees and their families, as well as retired employees.

Staff profile

The Company employs 65.9 thousand people.

Most employees (40.6 thousand, or 62%) are directly involved in providing

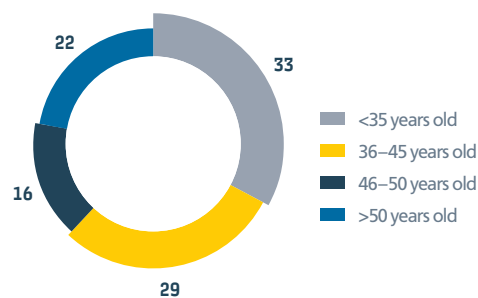
services to passengers. The HR-related organisational measures and the increased number of routes serviced by new rolling stock (including double-decker carriages and Strizh higher-speed trains) resulted

in a decrease of the staff headcount by 2.6% year-on-year.

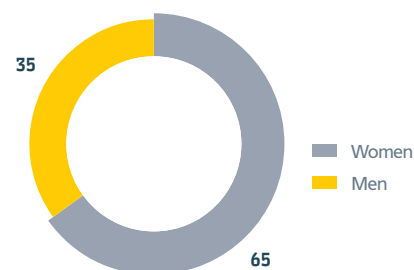
PERSONNEL BY OCCUPATION, EMPLOYEES

Employees by occupation	As at 31 December 2015	As at 31 December 2016
Employees involved in on-train services	37,005	35,806
Employees involved in ticket sales	4,767	4,754
Employees involved in maintenance and repair of rolling stock	6,377	6,375
Other employees	19,528	18,993
Total	67,677	65,928

FPC personnel by age, %



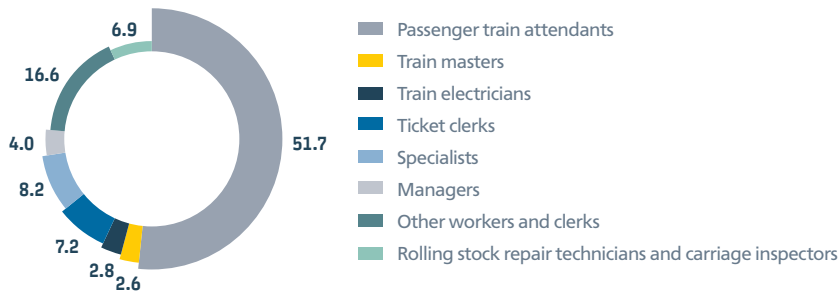
FPC personnel by gender, %



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

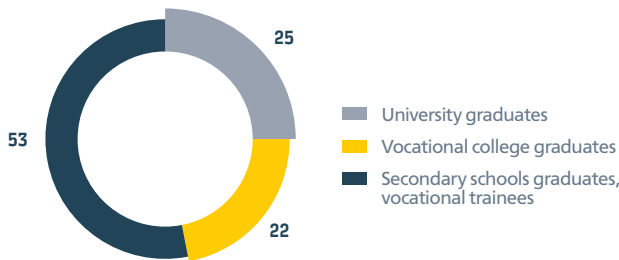


FPC personnel by position/profession, %



In 2016, the Company paid specific attention to the development and retention of its employees. Staff turnover fell by 0.3 p.p. from 8.4% in 2015 to 8.1% in 2016. The employee stability index¹, at 68%, has not changed since last year.

FPC personnel by educational background, %



Staff recruitment

The Company regularly assesses corporate competences in an effort to improve management decision-making practice as part of personnel recruitment and development. In 2015, nearly 28 thousand employees were assessed, 80% of which are front-line personnel. Managers and specialists are assessed in accordance with the 5C+L corporate competence model.

Corporate competence profile for managers / specialists (5C+L)

Competence	Ability to develop. Employee development
Customer focus	Development of CRM system
Corporate culture and responsibility	Teamwork promotion. Drive for results
Quality and Safety	Safety assurance
Creativity and drive for innovations	Creation of an innovative environment
Leadership	Leadership as a management style

¹ Ratio between the number of persons employed for more than five years with the Company and overall headcount.

Given their job profiles, the corporate competence model for front-line personnel was modified into 4C+L.



In 2016, FPC was recognised with the Best Employer for Young People 2016 award

Corporate competence profile for front-line personnel (4C+L)

Ticket clerk	4C+L	Carriage attendant
Ability to develop (intelligence)	Competence	Ability to develop (intelligence)
Focus on customer satisfaction	Customer focus	Focus on customer satisfaction
Drive for results	Corporate culture and responsibility	Teamwork
High performance	Quality and safety	High performance
Leadership skills	Leadership	Leadership skills

During the reporting year, the Company closely collaborated with the Moscow Centre for Youth Employment and

the Moscow Department for Labour and Social Security, and participated in vacancy fairs attended by over 10 thousand

students and young specialists from Moscow and the Moscow Region.

Based on the results of the year, the Moscow Centre for Youth Employment recognised FPC with the Best Employer for Young People 2016 award in the Reliable Partnerships category. The Company also received a recognition letter from V.A. Petrosyan, a Moscow Government Minister and the Head of the Moscow Department for Labour and Social Security, for its caring attitude, support, and responsiveness in providing employment opportunities to young people.

Personnel training and development

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

In 2016, 18.8 thousand employees, or 28.5% of FPC's total headcount, received training.



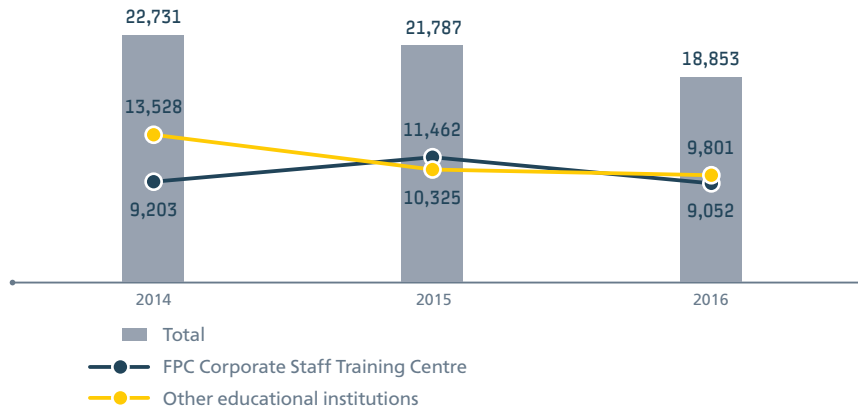
18.8
thousand
FPC employees
received training in 2016

TRAINING SYSTEM PERFORMANCE

Indicator	2014	2015	2016
FPC headcount, people	73,935	67,677	65,928
Total employees trained, people	22,731	21,787	18,853
Share of employees trained at FPC's Corporate Staff Training Centre, %	37.0	41.4	48
Budget, RUB million	113.6	97.5	86.9



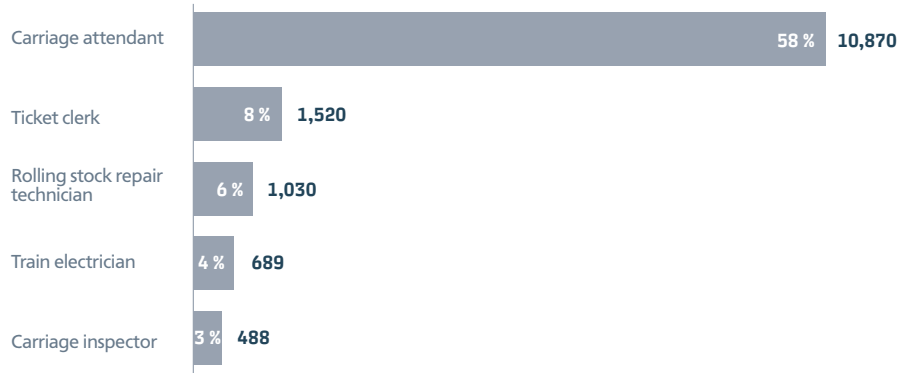
Performance of training centers, people



2.6
thousand people

completed training as railway or office workers in 2016

Training by profession, people



In 2016, more than 2.6 thousand people were trained as railway and office workers, while around 14 thousand employees completed professional development courses.



14
thousand people

completed professional development courses in 2016

Personnel training courses covered the following areas:

- Ticket sales via the Ticket Clerk Workplace firmware;
- Operation and maintenance of Strizh higher-speed trains manufactured by Patentes Talgo S.L. on Moscow – Berlin – Moscow international route;
- Operation, maintenance and fault diagnostics of systems and assemblies in double-decker carriages;
- Data input into the passenger carriage operation and maintenance system;
- Operation and maintenance of air brake control valves;
- Marketing as a promotion tool for passenger transportation;
- Organising induction training using the TWI (Training Within Industry) method;
- Business ethics code as part of corporate culture;
- Building a safety culture in passenger services.

The Company constantly updates its existing training programmes and develops new ones: we updated around 20% of our existing programmes in 2016, and are developing the inventory base of our Corporate Staff Training Centre (the Centre).

Training facilities and programmes available in the Centre allow for:

- Training effective customer-focused service and communication skills;
- Improving knowledge of corporate service standards.

The Centre has a personal image laboratory and a make-up studio for training train crews in building

customer-focused behaviour models and improving passenger service quality.

The personal image laboratory is equipped with a simulation of a passenger carriage with seats, a baggage rack, and hand luggage racks, allowing train crews to develop their passenger service skills in situations of various complexity, including catering services, with the use of portable ATLAS trolleys, widely used in aviation.

Employees are trained in basic service behaviour, business etiquette, positive communication skills, and services to disabled passengers.

Professional training programmes were delivered for 2.8 thousand managers and office workers in order to achieve the Company's strategic objectives and increase business efficiency. Expenses on training, re-training, and professional development courses reached RUB 86.9 million in 2016.



RUB **86.9**
million

spent on training, re-training,
and professional development
of employees in 2016.

Targeted training programmes for young talent

To attract young talent, FPC cooperates with nine universities offering railway-related degrees. 523 students opted for targeted training courses in professional colleges and universities.

Full-time students doing targeted training courses had an opportunity to attend public lectures and professional days to learn about the Company's operations and objectives.

54 train crew members are currently taking distance learning courses for a Bachelor's degree in Management.



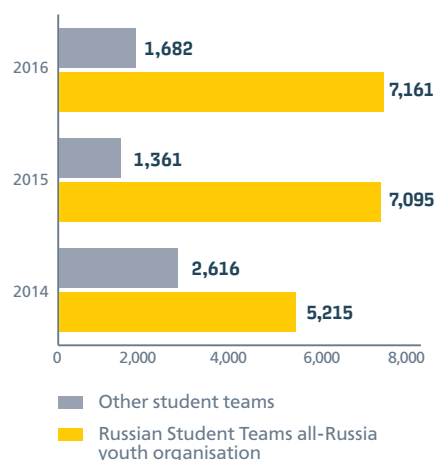
Development of student train teams

Starting from 2010, the Company has been annually engaging students as train attendants, to ensure adequate train crew staffing during summer holiday

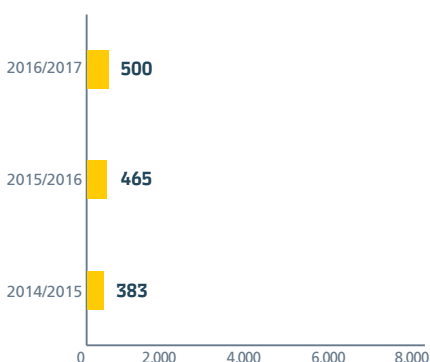
period. In 2016, some 8.8 thousand students from over 300 non-railway educational institutions were employed for the summer season by the Company's

branches. For three years in a row, FPC has been employing students during winter holidays.

Summertime services



Wintertime services



In 2016, the Company spent RUB 60.5 million on student train teams working under service contracts.

Staff remuneration and motivation system

The Company improves the competitiveness of its salaries through enhancing the effectiveness of motivation mechanism taking into account FPC's growing efficiency.

The Company's staff motivation system is aimed at creating financial incentives for the staff to improve the quality of passenger service and comfort on trains,

including maintenance of the next-generation rolling stock and proficiency in foreign languages.

Extra bonuses are offered for high performance on railway traffic safety and maintenance and repairs of carriages reducing the number of incidents caused by breaches of traffic or railway safety rules, technical malfunctions, and

the number of unscheduled carriage repairs.

In a bid to improve customer experience and boost revenue from other activities, the Company pays bonuses for on-board sales and providing services to passengers on trains. In 2016, average bonus payments per employee increased 1.2 times.