

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 5.4% in 2016 compared with 2015.

Work to update existing regulations, instructions and other technological documents specifying the use of labour resources made it possible to obtain

an effect from implementing measures of a technical and technological nature in a timely manner.

Personnel numbers and structure

Russian Railways had 774,000 employees as of 31 December 2016, a decrease of 3.4% people from a year prior. As a result of an effective social and personnel policy, the Company managed to maintain its personnel turnover rate at the 2015 level.

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 2016. In particular, employees with a higher education made up 30.4% of total personnel, a 1.6% increase from the start of the previous

year, while employees with a secondary vocational education made up 27.1% of employees (up 0.3% from the start of the year).

As of the end of 2016, the proportion of employees under 35 years accounted for 42% of total personnel numbers, while employees under 30 made up 26.2%.

Remuneration and improving personnel motivation

The average monthly salary of Russian Railways employees engaged in all businesses increased 5.3% in 2016 compared with 2015 and totalled RUB 46,852 (RUB 44,500 in 2015) 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 dynamics

Indicator	2012	2013	2014	2015	2016
Average monthly salary of Russian Railways employees engaged in all types of activities, RUB	35,702	38,935	41,126	44,500	46,852
Growth vs. previous year, %	107.8	109.1	105.6	108.2	105.3
Ratio of salaries of Russian Railways employees vs. national average	1.34	1.31	1.27	1.31	1.28

Personnel training

Russian Railways continued systematic work in 2016 to provide training, re-training and advanced training for its personnel, in particular:

- training of more than 50,000 workers in key professions;
- more than 25,000 people upgraded their skill category;
- 13,100 people were trained in a second profession;
- more than 162,000 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 with 66 focuses that meet 80% of 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 the requirements of the Uniform Wage-Rates and Skills Handbook.

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 37,000 students are studying at railway universities based on orders from Russian Railways.

Corporate university

The corporate university is a centre of expertise in personnel assessment, methodology for developing educational programmes, the training and development of managers, the introduction of distance educational technologies and the implementation of programmes to develop the talent pool of the Russian Railways Group. As of the end of the reporting year, the university's portfolio included 151 educational programmes, 26 of which were developed and put into operation in 2016. The Centre for Practical Training in Lean Manufacturing Technologies and the Training Centre for Mandatory Occupational Safety Programmes have been established at the university.

In 2016, 11,500 managers and specialists of Russian Railways underwent training at the corporate university.

Retraining and advanced training of managers and specialists

A total of 18,000 people underwent training as part of engineering training programmes based at railway transportation universities during the reporting year. Special attention was paid to timely training in occupational safety and other mandatory areas: occupational safety, electrical safety, fire safety, environmental protection and transport safety. More than 62,000 underwent advanced training in these programmes in 2016.

Russian Railways facilitates the business education of the Company's high-potential managers. In 2016, 23 employees underwent training in MBA programmes, and 338 Russian Railways managers and specialists whose activities have international specifics underwent foreign language training.

The Company carried out systematic work aimed at cost optimisation for training. Savings from optimising contractual work, the co-financing of business education by employees and expanded use of distance training totalled RUB 40.95 mln.

5.3%

growth in the salaries of Russian Railways employees vs. the 2015 level

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 2016, the Company spent more than RUB 100 bln on such purposes.

Obligations under the Russian Railways collective bargaining agreement make up roughly 20% of total spending on personnel.

Roughly 2,200 employees received subsidised mortgage loans in 2016 to purchase housing with total subsidies amounting to RUB 4.27 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 2016, more than 34,000 Russian Railways employees improved their living conditions with the Company's financial support.

34,000 employees

of Russian Railways improved their living conditions with the Company's financial support in 2016

Healthcare

As part of efforts to ensure the continuity and safety of the transportation process, Russian Railways operates a network of private healthcare facilities that includes 101 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 28 mln pre-trip medical check-ups.

In 2016, a total of 128,200 people vacationed and underwent rehabilitation at Russian Railways facilities, including 55,400 railway employees and 14,800 members of their families, 10,100 retirees and 47,900 other individuals and employees, their family members and pensioners of subsidiaries and affiliates.

Corporate youth policy

Measures were carried out over the course of 2016 as part of the Russian Railways Youth target programme to develop professional and corporate competencies among young employees and to actively involve them in improvements to the Russian Railways Group's activities and enhancing the customer focus and level of service. Special attention was paid to youth with blue-collar jobs, enhancing their professionalism and promoting their work.

55,400 employees

of Russian Railways underwent healthcare treatment at Company facilities in 2016

Corporate pension system

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 595,700 Russian Railways employees have pensions with the Blagosostoyanie Private Pension Fund. Over 296,700 former railway workers draw a private pension.

Pensions were assigned to 18,586 Russian Railways employees in 2016 with the average pension totalling RUB 8,744.

In 2016, a new collective bargaining agreement was concluded for the next three years. It is based on the collective bargaining agreement of Russian Railways for 2014–2016 and the new Industry Agreement for Railway Transportation Organisations for 2017–2019, which was signed on 20 July 2016 and served as the platform for the preparation of collective bargaining agreements for railway transportation organisations for 2017 and beyond.