

## Personnel and Social Policies

Professional, highly-qualified personnel who are motivated to work efficiently are one of the most valuable assets of JSC FPC and guarantee its future development. In highly competitive labour market action must be taken to strengthen the Company's status as an attractive employer. For this purpose, the Company creates opportunities for professional development and career growth, increase loyalty and involvement and make a commitment to common values and corporate culture.



Structure of the Company's Personnel

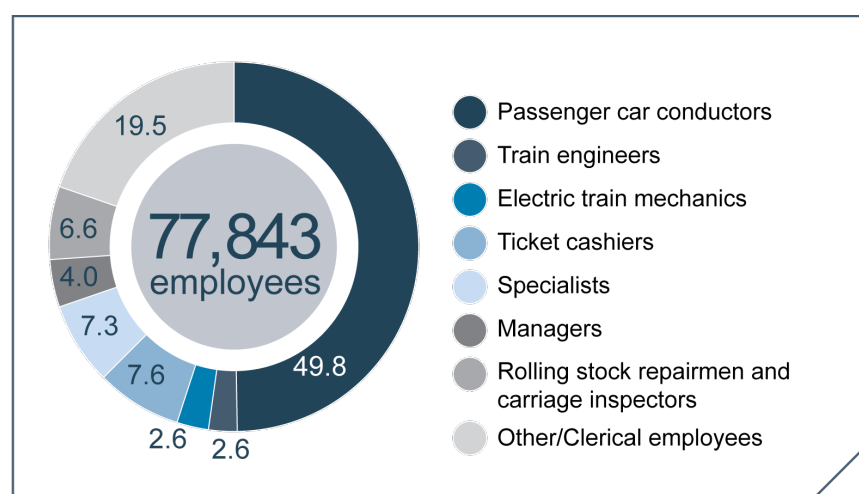


As of December 31, 2013 the listed count of JSC FPC employees amounted to 77,843 individuals.

The majority of the Company's personnel are employees engaged in direct service to passengers. Their headcount stands at 47 thousand individuals or 50% of the total number of workers in all professions.

In 2013, turnover decreased by 1.8% relative to the previous year and stood at 9%. Fundamentally, the decrease was achieved by improving the monitoring of compliance with train crew employee's work and rest schedules, improving the system of non-material incentives for employees and making a regular effort to fulfil the terms of the Collective Agreement.

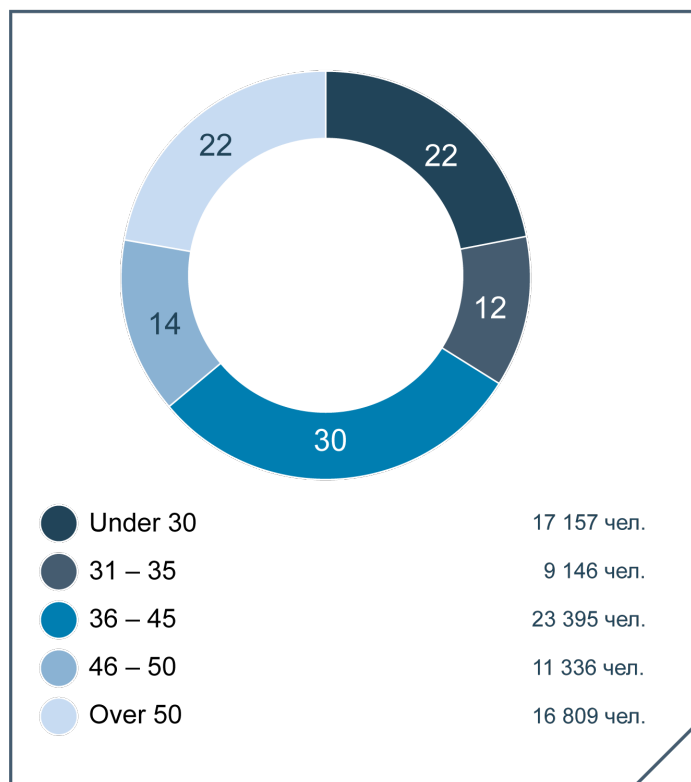
Ratio of workers to Positions (Professions), %



The company maintains a balance between new and more experienced employees. The average age of the Company's employees is 39; workers under 30 make up 22% of the total personnel.

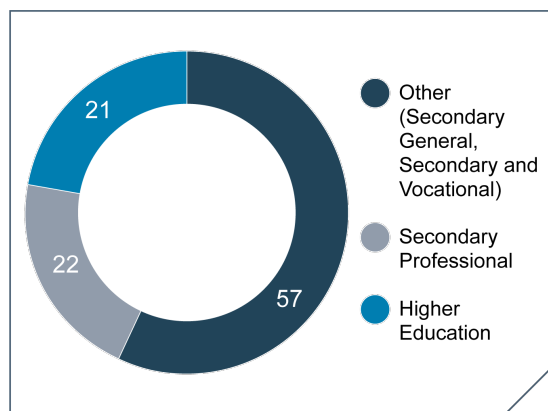
The quantity of employees with higher education makes up 21% of the total personnel; those with secondary occupational training, 22%.

## Composition of Employees by Age, %

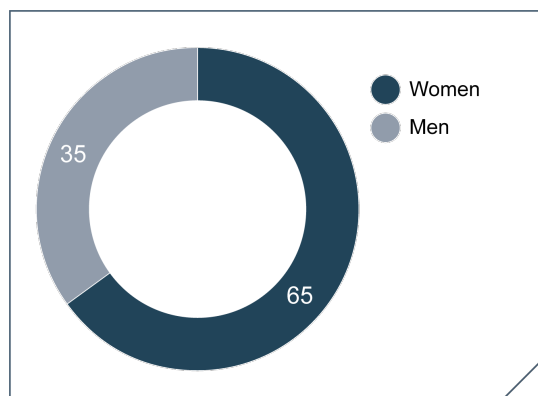


Thanks to systematic measures to introduce modern technology and equipment, improve the organisation of production, reduce underutilised areas by optimizing material costs and the number of staff, the need for employees was reduced by 3.7% and planned levels of productivity provide for the 7% increase of average wages.

## Level of Education, %



## Gender Balance, %



## System of Wages and Incentives for Employees

For the efficient management of labour resources, the Company follows policies to increase wages and to maintain a competitive edge via quarterly indexing as well as by implementing the tasks outlined in the Wage Conception of RZD Holding. The incentive system for personnel is aimed at improving employee's interest in the final results of their work.

In November of 2013 the Company approved a new edition of Regulations on the wage system for workers at branches of JSC FPC and its structural subdivisions. The Regulations provide for the establishment of salary and wage rates in regards to the qualifications and quality of work of employees, bonuses and allowances following work conditions and the volume of work performed, bonuses for the results of production and business activities, rewards for loyalty to the Company and one-time incentives as well as a system of material rewards aimed at improving work efficiency and achieving results in targeted areas and projects.

### Train traffic safety

- reward for maintaining traffic safety
- bonus for the identification of difficult-to-detect defects and faults in passenger cars

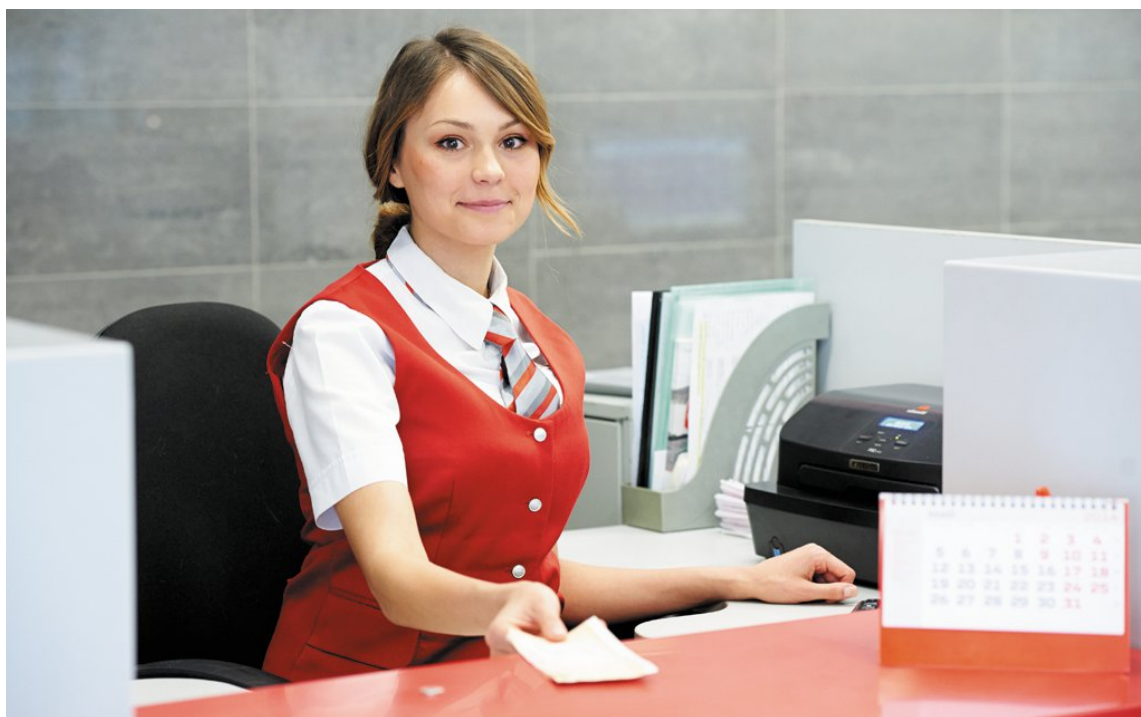
### Increase of efficiency and quality of work

- reward for the train crew with the “Passport of Confidence”
- bonus for implementing the “Frugal Production” program
- reward from Master funds
- application of the coefficient of labor participation in the distribution of awards within production teams (crews, sites, shifts)

#### Strengthening qualifications of personnel

- One-time reward for devotion to the company
- Bonuses based on results of competition between production teams and employees
- one-time incentive

### System of personnel development



To improve the quality of passenger service, the Company actively implements a competency approach to personnel management, ensuring interconnectivity between the selection, evaluation, training, development and motivation of employees.

A procedure has been established for the compulsory evaluations for potential professional development, corporate competence, personality and business qualities of candidates in accordance with corporate values for the selection, training and formation of reserve personnel.

The introduction of automated corporate systems for evaluating front-line personnel will allow for the defining of intellectual abilities, personal qualities and scope of professional motivation as well as the planning of career growth and the development of prospective employees and the increase of efficiency and quality of management decisions. In 2013, more than 21 thousand passenger train conductors and ticket cashiers were evaluated.

Special attention in the Company is given to enhancing the efficiency of “internal recruitment” processes and to the introduction of new approaches to personnel reserve management. A mobile personnel reserve has been created for the management of the responsibilities and number of Company employees who undergo training in the specialised “Corporate Leader” program.

The Programme was launched to quickly and effectively adapt newly appointed executives to their position and to uncover their personal potential. The Programme involves the fulfilment of top management’s strategic objectives, appropriate additional training, self-development, and training in leading subdivisions in the Company and abroad.

In cases of informational and technological change, the new techniques and modern methods of management of the Company provide for the uninterrupted training of personnel.

In the reporting year

# 5.5

thousand people, received professional education, and over 17 thousand people raised their qualifications

In the reported year, 5.5 thousand working-class employees were trained and more than 17 thousand individuals raised



their qualifications. The Corporate Personnel Training Centre has become the main unit for training employees in mass professions.

Since its formation in 2010 as a single system of organised training including 74 classrooms, the Centre has trained more than 10 thousand individuals, of which 2720 were employees, in programs of vocational training and retraining, and 7605 individuals have raised their qualifications. In 2013 the Personnel Centre began work in new classrooms with a 100-seat conference hall and a full-scale passenger car which provides a high level of training effectiveness. The Centre's teachers work according to modern ideas of education and introduce the most up-to-date methods into their class sessions. In the reported year in the Centre organised two classrooms: "Organisation of Service in Passenger Cars" and "Ethics and Psychology of Professional Activities," where training was conducted so as to match current trends in the development of staff, such as brand- and customer orientation, effective communication with clients at work, customer service with limited-mobility passengers and the sale of technology.

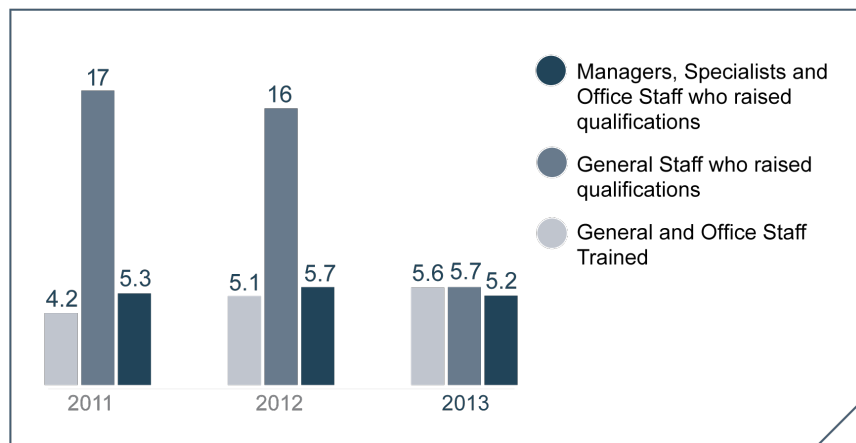
In preparation for the Student Games in Kazan and the XXII Olympic Winter Games in Sochi, more than 3.5 thousand employees were trained in the following areas:

- Client-Oriented Behaviour
- Customer Service with Limited-Mobility Groups,
- Profiling (Technology for forming passenger profiles with a goal of identifying potential dangerous individuals),
- The Operation and Technical Services of Double-Decker Passenger Cars and Similar Cars.

Additionally, English distance learning is organised and a manual, "Secrets of Excellence for Rail Transport Ticket Cashiers," has been developed for employees who directly interact with clients.

As part of the implementation of the agreement between JSC FPC and the Republic of Ingushetia to provide the company's "Ingushetia" train rail transport services between Moscow and Nazran, as well as to ensure jobs for the people of the Republic of Ingushetia, 64 individuals underwent comprehensive screening and training for Conductors of Passenger Cars. In May of 2013, the train crew, composed of passenger car conductor staff from Ingushetia, set off on its first journey.

#### Training, retraining and qualification raising



The Company is developing managerial competence and personnel efficiency skills of managers at all levels. The programs at the JSC RZD Corporate University included 48 managers.

53 individuals underwent training in programs to train reserves for management positions, 19 promising young employees studied in a mini-MBA programme and 43 employees participated in internships at railways in Germany and Japan.

Of all the managers, specialists and office workers, 5.1 thousand individuals, or 26% of the given categories, raised their qualifications.

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In 2013, training, retraining and qualification raising costs totalled

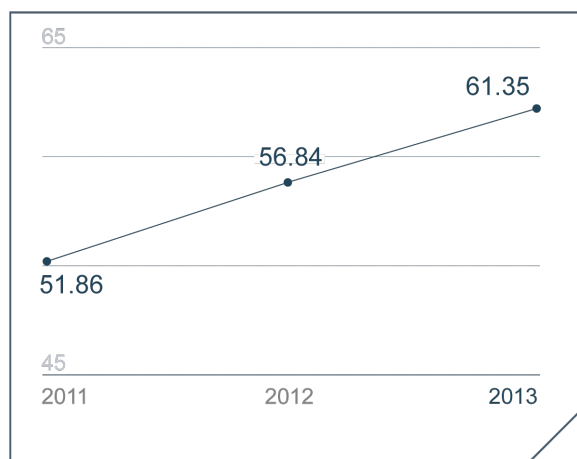
# 138

RUB mln

In 2013, expenditures on training, retraining and the raising of personnel qualifications came to RUB 138 million. (RUB 134 million in 2012 and RUB 132 million in 2011).

Thanks to the Company's provision for learning opportunities and career growth, a 4.5% increase was seen in the employee satisfaction index (based on the results of a single integrated sociological survey).

Dynamics of the Satisfaction Index (Opportunity for training and career growth)



In order to attract young professionals, days of specialisation, public lectures, meetings with key Company executives and specialised training sessions are regularly held at universities and technical schools. 168 individuals are involved in in-person preparatory training for the industry. 104 of these individuals are in higher education railway transport institutions and 64 are in technical schools.

In 2013, the Company took on 231 young professionals, 102 of whom were graduates trained in the targeted field and 10 of whom completed an authorial class, “Modern Passenger Complex Management Models” in the Institute of Management and Information Technology at MIIT.

JSC FPC has for a number of years invited students to work in student teams of passenger car conductors and ticket cashiers. In 2013, to provide for the large amount of summer traffic, more than 5 thousand students were invited to work. Student teams were organised for the first time in nine regional branches, totalling more than 2.5 thousand individuals.

## Social Policies

### Competitions

In 2013, the Company paid greater attention to mechanisms of non-material incentives made in the spirit of competition and targets for success and so competitions between teams were held. At the end of 2013, the following were recognised:

- The Yugo-Vostochny branch,
- The Kurgan car section of the Yuzhno-Uralsky branch,
- The Severo-Kavkazsky Branch Adler passenger car depot,
- The Moscow Railway Agency of the Moscow branch.

Key employees were awarded the titles of “Best Middle Manager” (12 individuals), “Best Master” (9 individuals) and “Best in Profession” (43 individuals) for their professional achievements.

For the purpose of increasing passenger train crews’ interest in quality customer service, a badge was established which symbolizes our conductors’ hospitality and care towards passengers. At the end of the year it will be given only to the employees of the team which comes in first place in the competition of train crews. The first employees who received this badge were the passenger train crew of the Samara Kuibishevsky Branch under the management of the Head of the train, C.P. Kornevoy; they were the winners of the competition.

### Honours

Over the course of 2013, Company employees were encouraged by honours from the Russian Ministry (229 individuals), JSC RZD (554 individuals) and JSC FPC (557 individuals).

A larger scale project on Facebook (<https://www.facebook.com/FPKsuccess>), FPC Success Stories, was launched. More than 80 employees submitted their stories to the competition. Company employees told about their professional achievements, successful railway dynasties, opportunities for development and building a successful career at JSC FPC and about the stability of the Company in the market and its dynamic development. More than 10 thousand employees participated in the contest.

### The winners of the FPC Success Story Contest



**Irina Morozova** a ticket cashier at the Ural Railway Agency of the Ural Branch,



**Dmitry Poskalnoi** Head of Production at the Car Section of the Barnaul Zapadno-Sibirsky Branch,



**Sergei Zelenovsky** Head of the Passenger Car Section of the Severobaikalsk Vostochno-Sibirsky Branch.

### Implementing the Collective Agreement

In 2013, the Company's social policy was carried out in accordance with the Collective Agreement of the Joint Stock Company "Federal Passenger Company" for 2013-2014.

Benefits and guarantees secured by the Collective Agreement and local regulatory documents within the Company exceed the guarantees secured by labour laws and provide additional social security.

In 2013, the size of an individual social package for one JSC FPC employee consisted of RUB 36.4 thousand and that of a non-working pensioner RUB 6.2 thousand.

Expenses on the fulfilment of the obligations of the Collective Agreement of JSC FPC in 2013 amounted to RUB 6 billion.

The Company has developed and currently operates under a system of social benefits and guarantees which is designed to strengthen, stimulate and support the performance of employees, as well as maintain social stability in the workforce.

### Housing Policy

One of the most important conditions of a worker in their employment, especially for those arriving from other regions of Russia, is the ability to purchase their own housing or to construct it. The Company offers the possibility to take out credit on favourable terms for the purchase (or construction) of housing. In 2013, 56 employees were issued mortgages with subsidised loans and 66 employees received a grant for the birth of a child while in debt to a mortgage.

### Sanatorium and Resort Spa Treatment

Programs to help staff recover are a high priority in the Company's social policy and are aimed at enabling recreation and recovery and, consequently, improving employee performance. In the reported year, almost 5 thousand passes were sold, more than half of which were for the spa facilities of JSC RZD-HEALTH. In accordance with the regulatory documents of the Company, workers receive only partial payment vouchers.

Great attention is paid to the preservation and improvement of employees' children, preventing childhood illnesses and creating opportunities for recreation and family time with children in the summer. The Company works to keep children healthy in several ways: recreation, relaxation and recreation, sports and recreation and so on. About 3 thousand children relaxed in the given programs in 2013, 830 of whom went to Black Sea coastal recovery institutions.

### Resorts and Sport

Promoting a healthy lifestyle is one of the ways the programme keeps workers healthy.

For the purpose of promoting an active lifestyle, annual corporate sporting holidays and competitions are held in the Company's subdivisions. In 2013, more than 35 thousand employees took part.

In the reported year, a variety of sporting holidays and competitions were held in the Company's branches: winter sports festivals, team mini-football tournaments, volleyball, basketball, table tennis and swimming competitions, all of which enjoyed great popularity amongst Company employees and their families.

A combined team from JSC FPC participated in a mini-football tournament for the 2013 RF MinTrans Cup.

### Implementing Youth Policy



As part of the implementation of youth policies at RZD Holding in the Youth of JSC Federal Passenger Company program, social corporate projects have been developed and are currently in place with the following goals:

- career guidance,
- creating a reserve of personnel and improving young employees,
- encouraging patriotism and loyalty to the Company,
- promoting a healthy lifestyle and developing corporate culture.

Young employees actively participate in RZD Holding projects such as New Link, Corporate Leader, Team 2030 Corporate Club, 3D Site, etc.

They will be sent to internships with the National Society of French Railways.

Youth gatherings play an important role in the youth policies of JSC FPC.

A fourth gathering, in which the best employees and victors of regional youth gatherings participated, was held at the Volga Branch in 2013. Training in the JSC RZD Corporate University was arranged for participants for the purpose of building efficient teams, producing leadership qualities and creating a comfortable working atmosphere for project development, preparing presentations independently and with trainers and holding "Implementing Changes" and "Skills for Effective Self-Organisation" training sessions. Participants of the gathering received distance-learning about the "System of Project Management in the Company."

In December of 2013, the victors of the gathering took part in internships at railways in Germany, including a visit to the Deutsche Bahn control center, Berlin's main railway station and train car repair station.

In December of 2013 a competitive selection was begun of young employees for participation in joint international youth programs with foreign partners in 2014-2015.

In order to promote the corporate identity and brand of JSC FPC, form a positive public opinion as well as develop the creative activities of train crew employees and popularize and improve the prestige of professions in mass transport, the following professional skills competitions were held in 2013:

- Ticket cashiers in February in Nizhny Novgorod,
- Passenger car conductor "Roadway University" in September in Kazan.

### **Corporate Pension System**

A corporate pension is included in an employee's social package and corresponds to the main ideas of the Long-Term Pension System Development Strategy of the Russian Federation.

As of the end of the reported period, more than 28 thousand employees were part with the pension program.

The Company provides comprehensive support to its retirees; at present more than 66 thousand pensioners are currently registered with JSC FPC.

The implementation of social guarantees to non-working pensioners of JSC FPC is provided for by the "Honour" charity foundation.



