

HUMAN Capital Management Philosophy

Human capital is one of the key drivers of successful business growth. With realising this, the management of PJSC Evropeyskaya Elektrotehnica does its best to create conditions conducive to better performance efficiency of personnel and their involvement in the implementation of corporate objectives and also pursues an integrated approach to workforce management. The Company's activities rely on the respect for each employee and his/her rights.

The regulatory framework for relations between the Company and employees:

- ▶ Constitution of the Russian Federation;
- ▶ Labour Code of the Russian Federation;
- ▶ The regulatory framework of relations between PJSC Evropeyskaya Elektrotehnica and its employees.

Labour relations are regulated by employment and labour laws and other regulatory legal acts that contain employment and labour statutes. In particular: The Constitution of the Russian Federation provides the legal basis of employment and labour legislation; the Labour Code of the Russian Federation is the main special source of employment and labour laws; federal laws employment and labour statutes; decrees of the President of the Russian Federation, resolutions of the Government of the Russian Federation, resolutions of the Plenum of the Supreme Court of the Russian Federation on disputable matters of labour relations. The in-house policies and procedures of employment and labour law include: regulatory legal acts of the constituent entities of the Russian Federation; internal labour regulations established by the Company; employment contracts and agreements; orders and instructions of the Company's managers.

The working hours of the Company's employees (weekly hours, the length of the working day (shift), the beginning and end of work, breaks in work, the alternation of working and non-working days) are established by the Internal Labour Regulations in accordance with the employment and labour legislation. The normal working hours of employees are set in line with regulatory legal acts of the Russian Federation and is 40 hours per week.

Observance of Human Rights

The approaches of PJSC Evropeyskaya Elektrotehnica to relations with employees are based on the norms of Russian employment and labour statutes.

The Company provides employees with equitable opportunities to exercise their labour rights, regardless of gender, age, race, nationality, origin, property, social and official status, place of residence, religion, political opinion, or other circumstances not related to professional aptitude of an employee. All employees enjoy equal opportunities for personal self-fulfilment in the course of employment, the job performance is assessed impartially and fairly, employees are recruited and promoted solely on the basis of their vocational aptitude, knowledge, and skills.

PJSC Evropeyskaya Elektrotehnica guarantees equal rights and non-discrimination by nationality, gender, origin, and any other grounds. The grounds for talent decisions and employee prospects are: qualifications, competencies of an employee, business requirements, personal qualities and, if this is essential due to the work performed, the teamwork skills.

PJSC Evropeyskaya Elektrotehnica received no appeals and complaints related to discrimination and violation of human rights.

STAFF PROFILE

To achieve key goals by providing, now and in the future, the required number of qualified and involved employees, PJSC Evropeyskaya Elektrotehnica advances people incentive, training and development programmes, as well as talent pooling programmes.

Key areas of the HR strategy:

- ▶ systematic recruitment and rotation of personnel;
- ▶ talent management, competency development, and training;
- ▶ development of incentive systems and fostering of people engagement;
- ▶ better performance and organisational effectiveness.

PERSONNEL STRUCTURE BY THE COMPANY'S KEY AREAS

As of 2018, the headcount of PJSC Evropeyskaya Elektrotekhnica exceeds 420 people, among them:

- ▶ 40% - blue-collars;
- ▶ 60% - white-collars.

The headcount compared to 2017 (190 people) increased by almost 121%.

Such growth was driven by the launch of a subsidiary, LLC ROG-Engineering, specialising in the manufacturing of process equipment for oil, gas, and petrochemical industries. The increased workforce requirements are coming from a change in manufacturing programmes and a ramp-up of manufacturing output of this Company.

The bulk of the employees work on a full-time basis with non-limited employment contracts.

Headcount by gender, %

Indicator	2017	2018
Men	42	61
Women	58	39

Headcount by age, %

Indicator	2017	2018
Under 30	10	20
30-50	85	70
Over 50	5	10

Headcount by category, %

Indicator	2017	2018
Management	30	15
White collars	30	35
Blue collar	40	50

Personnel by education level, %

Indicator	2017	2018
Postsecondary	70	60
Incomplete higher	10	10
Vocational secondary	20	30

Turnover rate, %

	2017	2018
	8	5



REMUNERATION, SOCIAL BENEFITS, AND GUARANTEES

We strive to maintain an efficient system of remuneration. We need to involve, retain and motivate all those whose qualification and performance can aid the Company's mission and achievement of business targets.

The personnel remuneration system is linked with the Company's Strategy and aimed at competitive remuneration, employees retention and development, career and professional development support.

Evropeyskaya Elektrotekhnica has an employees' remuneration policy in place, which defines goals, tasks and principles of payment for personnel labour.

EVROPEYSKAYA ELEKTROTEKHNICA'S REMUNERATION SYSTEM

Material component:

- ▶ base remuneration;
- ▶ bonuses.

Evropeyskaya Elektrotekhnica regularly monitors the labour market and seeks to make all elements of remuneration system competitive. The salaries are reviewed according to the labour market dynamics.

POLICY OF PAYMENT FOR LABOUR

Respectable remuneration of employee's labour is the basis for Evropeyskaya Elektrotekhnica Human Resource Management System. The Company has a systematic approach to determination of salary levels and compensation packages for employees considering the regional specific features of its subsidiaries and engineering centres.

Indicator	2017	2018 ¹
Average salary, RUB '000	36.9	63.8
Personnel costs, RUB mln	61.5	185.9

1. Note: The data for year 2018 includes LLC ROG-Engineering for the first time.

PERSONNEL TRAINING AND DEVELOPMENT

Training is one of the key priorities of the Company in HR development sphere.

Evropeyskaya Elektrotehnika training system covers all categories of employees. Training is continuous; it is implemented at all labour stages of an employee to provide consistent expansion of knowledges and competences and increase of profession skills as required by the Company's needs. The content of training programs is defined by the strategic goals of Evropeyskaya Elektrotehnika and results of an employee's management and performance assessment.

The personnel training and development system of Evropeyskaya Elektrotehnika implies solution of the following strategical tasks:

- ▶ providing the level of employees' professional competence as required by current and future needs of the Company's business;
- ▶ enhancing the Company's management competences (by developing the internal talent pool among others);
- ▶ providing the strategic projects of the Company with trained personnel.

Complying with the specified tasks and depending on the goals of training and development, the programs can be divided into several categories: mandatory training programs ensuring labour safety and production quality; professional development programs, including vocational training, retraining, and skill upgrading.

The mandatory training programs assist the Company in successful handling of tasks related to new spheres of activities and maintaining required level of competitive ability. Increase in employees' work quality and efficiency, decrease in turnover due to growing commitment and involvement contribute to cost saving. The Company plans to continue development of continuous training system for different kinds of employees.

In 2018 the training programs engaged 191 employees of Evropeyskaya Elektrotehnika.

EVALUATION OF PERSONNEL

Evropeyskaya Elektrotehnika has an effective Personnel Evaluation System in place. The system is based on a competency building approach. Corporate, management and professional competences are reviewed.

The current evaluation system helps to solve the key business tasks:

- ▶ Company's personnel training and development planning;
- ▶ employees selection to the Company's talent pool;
- ▶ submission of up-to-date information regarding the levels of personnel competences development to the management for making HR solutions on hiring and promoting.

The advanced methods are used to evaluate the personnel, i.e. test, personality questionnaire, interview on competence, etc.

HR MANAGEMENT GOALS AND TASKS FOR YEAR 2019

- ▶ Providing the required Evropeyskaya Elektrotehnika staffing level based on long-term and short-term development plans of the Company.
- ▶ Improving training, retraining, and skill upgrading in compliance with the Russian Federation legislation.
- ▶ Developing a single model of total rewards aimed at balanced compensation package for different groups of personnel.