



CONTRIBUTION TO SUSTAINABLE GROWTH

SUSTAINABILITY REPORT 2019



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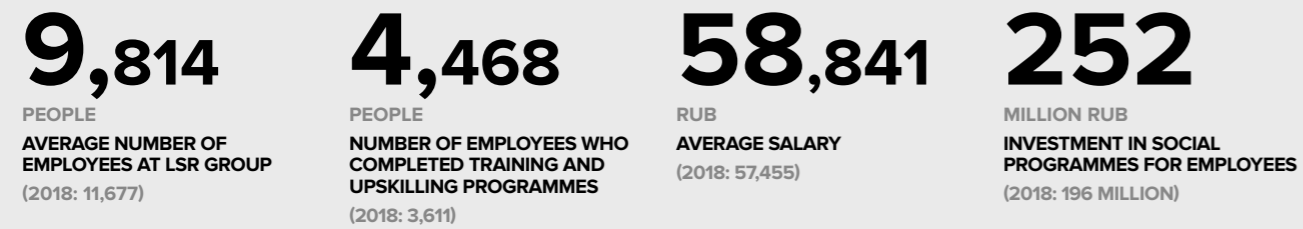
THIS PJSC LSR GROUP SUSTAINABILITY REPORT FOR 2019 (REPORT) HAS BEEN PREPARED IN ACCORDANCE WITH THE GLOBAL REPORTING INITIATIVE (GRI) SUSTAINABILITY REPORTING STANDARDS AND COVERS THE KEY RESULTS OF LSR GROUP'S ECONOMIC, SOCIAL, AND ENVIRONMENTAL ACTIVITIES IN THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2019.

KEY FIGURES AND RESULTS FOR 2019

FINANCIAL AND OPERATING RESULTS



EMPLOYEES



ETHICAL BUSINESS CONDUCT AND COUNTERING CORRUPTION



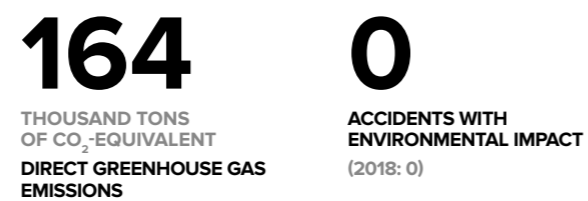
OCCUPATIONAL HEALTH AND SAFETY



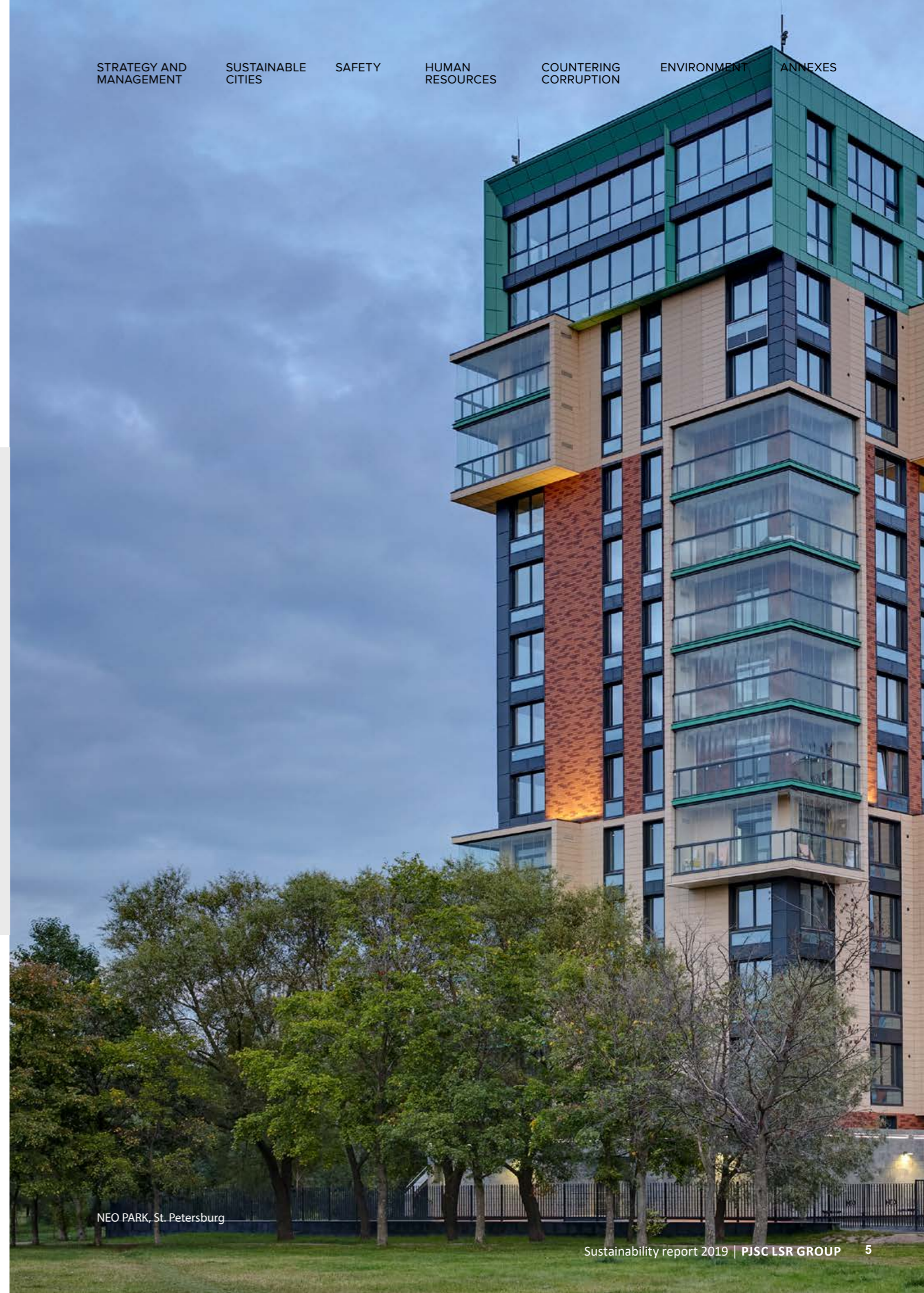
DEVELOPING THE REGIONS OF PRESENCE



ENVIRONMENTAL PROTECTION¹



¹ Within the Building Materials segment.



NEO PARK, St. Petersburg

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER



Andrey Molchanov
Chief Executive Officer and Chairman of the Executive Committee, PJSC LSR Group

Dear shareholders, colleagues and partners!

It is my pleasure to present PJSC LSR Group's Sustainability report for the year 2019, which has been prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards. LSR Group published its first sustainability report (for 2017) in 2018, in a pioneer move for the Russian construction industry. We continue to publish non-financial reporting and implement the relevant global standards, thus proving our leadership in corporate governance and information transparency. This year, for the first time, an independent external audit of the Report was conducted and an assurance report was issued by KPMG.

The reporting year was marked by changes in the housing co-investment laws. We are pleased with how the transition to the new rules played out for LSR Group, as we are with the 2019 results. In 2019, we sold 817.4 thousand square metres of real estate across all regions of presence. LSR Group's total revenue was RUB 110.4 billion, a solid outcome given the high base effect of the previous year due to a transition to the new financial reporting standard. Our main priorities are to grow our real estate development business and strengthen our presence across our key regions of operation: Moscow and the Moscow Region, St. Petersburg and the Leningrad Region, and Yekaterinburg.

Our core business philosophy is not limited to profit targets. We are striving to improve our social involvement while addressing our common infrastructural, environmental and social agenda, and we aim to improve the well-being of every individual and of society as a whole. Therefore, alongside operational and financial results, we also consider our performance across key areas of sustainable development, such as: providing decent and safe working conditions, ethical business conduct and countering corruption, and facilitating the development of regions of presence, as well as environmental protection.

LSR Group's management places a particular emphasis on embedding sustainability in its strategy, culture, and operations, in line with international standards. LSR Group supports the global Sustainable Development Goals (SDGs), and in 2019 we became a signatory to the UN Global Compact. As a UN Global Compact signatory, LSR Group undertakes to integrate the UN principles concerning human rights, labour, the environment, and anti-corruption into its strategy and culture, and to publish information on the outcomes of its sustainable development activities on a yearly basis.

We are continuously improving our corporate governance system, including that pertinent to the sustainable development. I would like to acknowledge the high level of engagement shown by the members of LSR Group's Board of Directors and the Executive Committee in addressing these issues. To bolster our sustainable development and human rights management system, PJSC LSR Group's policies respective to these issues were approved in 2019. LSR Group places a strong focus on achieving an effective composition of its Board of Directors based on a number of criteria, including qualifications and experience, and on having independent directors on the Board, in line with the global best practice. I am pleased to report that in 2019 the Chairman of the Board of Directors Dmitry Goncharov, independent director Vitaly Podolsky and Corporate Secretary Elena Chistyakova received awards of the 14th Director of the Year National Trophy.

A key priority of our sustainable development activities is to achieve a zero injury rate through risk mitigation and by preventing hazardous situations. We continued to improve our occupational health, industrial and fire safety compliance system and safety culture in 2019. There were eight accidents at LSR Group companies in 2019, down 20% year-on-year. None of these accidents were fatal. The lost time injury frequency rate (LTIFR) fell by 6% to 0.51. Each accident was duly investigated with root causes identified, and corrective and preventive measures taken.

We continued with our drive to ensure decent working conditions in 2019, by means of the improvement of our recruitment processes, providing employee training and development, offering competitive pay, and developing employee social support programmes. Our particular focus was on centralisation and automation of HR processes as well as on the development of corporate culture and our HR brand. A total of 4.5 thousand employees received training at a variety of training organisations in 2019. We invested RUB 252 million in social programmes for employees, including financial assistance to employees and their families, staff training, the Growing with LSR children's programme, medical care, and other measures.

Another priority for us is fostering a culture of zero tolerance towards corruption among LSR Group's employees, subcontractors, and other stakeholders. We implemented a range of measures in 2019 to develop transparent and ethical business conduct principles, together with measures for preventing corruption and other offences. LSR Group continues to employ and develop various mechanisms for protecting the rights and interests of its employees, for example the Trust hotline for reports and complaints on a confidential basis.

We are confident that LSR Group makes an important contribution to building sustainable cities. We build safe, high-quality housing, with special attention to constructing all necessary social infrastructure and comprehensive area improvement.

An important attribute of green construction is energy-saving technologies. That is why we use energy-efficient seamless façade technology, energy efficient PVC windows, modern heating systems and other energy-efficient technologies. As part of our Tsvetnoy Boulevard residential project in Yekaterinburg we launched construction of an apartment building with a high energy efficiency class – A.

Charity projects are another significant part of our social agenda. We support initiatives aimed at improving social environment and the quality of life of vulnerable social groups, caring for children, and reviving and preserving cultural heritage in our regions of operation. We invested RUB 407 million in charity projects in 2019. We continued close cooperation with charity foundations and associations and also launched a range of novel initiatives. A total of 337 orphaned children found a family through our collaboration with the Children Are Waiting charity foundation in 2019. A landmark event of the year was the opening of a second assisted living home for people with mental and physical developmental disorders in St. Petersburg.

LSR Group emphasises a responsible approach to the supply chain. We continued developing our own e-procurement platform in 2019 to further enhance the effectiveness and transparency of our procurement processes. We have rigorous construction and assembly work contractor supervision for quality, safety, and environmental compliance. This helps us to ensure the reliability, quality, and safety of our buildings. LSR Group's projects receive an expert acclaim on a regular basis.

We are continuously improving our environmental protection management approaches and investing resources in preventive and compensatory measures to reduce our environmental impact. PJSC LSR Group's Environmental Policy was approved in 2019. Our total investment in environmental protection activities in 2019 was RUB 88.1 million.

I would like to thank all of LSR Group's employees and partners for the joint effort and for contributing to our strong performance. We look to the future with confidence and will continue implementing our strategy of maintaining leadership in our regions of operation, underpinned by responsible business conduct and taking into account our stakeholder expectations.

Andrey Molchanov

Chief Executive Officer and Chairman of the Executive Committee, PJSC LSR Group

ABOUT LSR GROUP

LSR GROUP TODAY

The public joint-stock company LSR Group¹ is the parent organisation of LSR Group, with its headquarters in St. Petersburg.

LSR Group has been operating in the Russian construction and real estate market for 26 years and is one of the largest real estate developers in the Russian Federation.

LSR Group's operations are based on an efficient business model which enables stable long-term growth to meet consumer demand and maintains LSR Group's financial stability.

LSR Group's key areas of activity are real estate development, construction and production of building materials. Today, all of LSR Group's businesses are complementary, creating a synergistic effect. Seamless collaboration mechanisms enable the LSR Group's companies to provide integrated services while reducing production costs and responding rapidly to changes in the external environment.

PJSC LSR Group carried out its initial public offering in 2007. Its shares are traded on the Moscow Exchange, while its global depository receipts (GDRs) are listed on the London Stock Exchange.

LSR GROUP'S STRUCTURE

OUR APPROACH TO MANAGING LSR GROUP'S COMPANIES IS BASED ON THE CONSOLIDATION OF THE COMPANIES INTO BUSINESS UNITS ACCORDING TO THEIR AREA OF ACTIVITY AND THEIR PRODUCT OFFERING.

PJSC LSR Group coordinates the operation of the business units in the following areas of activity:

- Real estate and construction
- Building materials

Administrative and support functions are carried out by centralised departments of LSR Group, including Human Resources, Information Technology, Financial, Legal, Economic Security, Investor Relations and Sustainable Development, Public Relations and Corporate Communications, and Centralised Procurement.

LSR GROUP'S ORGANISATIONAL STRUCTURE

Areas of activity	Business units	Description
REAL ESTATE AND CONSTRUCTION	■ LSR. Real Estate and Construction – North-West	Specialise in carrying out development projects in the elite, business-class and comfort-class segments, commercial property, as well as constructing buildings for LSR Group's development companies, provide transportation of building materials. Some business units produce reinforced concrete products for industrial housing construction.
	■ LSR. Real Estate – Moscow	
	■ LSR. Real Estate and Construction – Urals	
BUILDING MATERIALS	■ LSR. Aggregates	Produce building materials, including crushed granite, bricks, ready-mixed concrete and cement mortars, concrete products, aerated concrete blocks, as well as engage in extraction of sea and quarry sand. The LSR. Cranes business unit specialises in tower crane rental services and managing tower crane operation.
	■ LSR. Concrete	
	■ LSR. Wall Materials	
	■ LSR. Tower Cranes	

GEOGRAPHICAL REACH

LSR Group's key operating regions are:

- St. Petersburg and the Leningrad Region
- Moscow and the Moscow Region
- Yekaterinburg

REGIONS OF OPERATION AND AREAS OF ACTIVITY OF LSR GROUP

Region/city of operation	Areas of activity
ST. PETERSBURG AND THE LENINGRAD REGION	■ Real estate development and construction across all market segments – from mass market to elite real estate
	■ Extraction and production of aggregates (sand, crushed granite)
	■ Production of building materials (bricks, ready-mixed concrete and cement mortars, aerated concrete)
	■ Production of reinforced concrete products for industrial housing construction
MOSCOW AND THE MOSCOW REGION	■ Tower crane rental services ²
	■ Implementation of construction projects acting as an investor or developer
	■ Production of building materials (bricks)
YEKATERINBURG	■ Provision of tower crane rental services
	■ Mass market real estate development and construction
	■ Production of reinforced concrete products for industrial housing construction

² Tower crane rental services include lifting equipment services.



¹ Public Joint Stock Company LSR Group ('PJSC LSR Group') and its subsidiaries ('LSR Group companies' or 'LSR Group entities'), jointly 'LSR Group'.

* Rosstat estimate data as at 1 January 2020.

STRATEGY AND SUSTAINABILITY MANAGEMENT

“ The principles of sustainable development are core to our business strategy, culture and activities. We see it as a means of securing the long-term development of LSR Group. At the heart of our approach is the provision of the highest levels of transparency and to ensure that the interests of all stakeholders are considered during our course of business. ”

Dmitry Goncharov,
Chairman of the Board of Directors, PJSC LSR Group



MORSKAYA NABEREZHNYAYA, St. Petersburg

STRATEGY AND CONTRIBUTION TO THE GLOBAL SUSTAINABLE DEVELOPMENT GOALS

Our vision

We are committed to building high-quality and comfortable housing which contributes to both improving people's quality of life and creating a safe and pleasant social and cultural environment.

Our approach

Social and environmental responsibility is an important element of our approach to conducting business. Investing in human capital, ensuring decent and safe work, improving the social environment and quality of life in key regions of presence, while minimising any negative impact on the environment are just as important to us as achieving operational and financial success.

Our business philosophy is not limited to achieving the set profit targets. It is important for us to create value not only in the form of dividends for our shareholders, but also in the form of benefits for the society as a whole.

LSR Group's approach to managing the economic, environmental, and social aspects of its activities is based on the global best practices in sustainability. In all our business processes, LSR Group is committed to consider the needs and expectations of our stakeholders, as well as caring for the environment.

LSR Group supports the Sustainable Development Goals (SDGs) adopted by the UN General Assembly in 2015,¹ aimed at tackling significant economic, social, and environmental issues. LSR Group contributes to the achievement of the SDGs through its responsible business conduct, reducing negative environmental impact, and the implementation of charity and social support projects.

In 2018, LSR Group took the important decision of making a commitment to the United Nations Global Compact. As a UN Global Compact signatory, LSR Group undertakes to integrate the UN principles concerning human rights, labour, the environment, and anti-corruption into its strategy and culture, and to disclose information on the outcomes of its sustainable development activities on a yearly basis. Official confirmation of LSR Group's participation in the Global Compact was received in January 2019.

Key areas of LSR Group's sustainable development activities

LSR Group's sustainable development activities are focused on four key areas:

- providing decent and safe working conditions (occupational health and safety, human resources)
- ethical business conduct and countering corruption
- facilitating the development of regions of presence
- environmental protection

¹ As part of the 'Transforming our World: The 2030 Agenda for Sustainable Development' document.

Key areas of LSR Group's sustainable development activities

Key areas for LSR Group	Sustainable Development Goals	UN Global Compact Principles
PROVIDING DECENT AND SAFE WORKING CONDITIONS (OCCUPATIONAL HEALTH AND SAFETY, HUMAN RESOURCES)		Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights. Principle 2. Businesses should make sure that they are not complicit in human rights abuses. Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour. Principle 5. Businesses should uphold the effective abolition of child labour. Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.
		Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.
		Principle 7. Businesses should support a precautionary approach to environmental challenges. Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility. Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.
ETHICAL BUSINESS CONDUCT AND COUNTERING CORRUPTION		Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.
FACILITATING THE DEVELOPMENT OF REGIONS OF PRESENCE		Principle 7. Businesses should support a precautionary approach to environmental challenges. Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility. Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.
ENVIRONMENTAL PROTECTION		Principle 7. Businesses should support a precautionary approach to environmental challenges. Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility. Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.

LSR Group's sustainability performance, targets and objectives

Area	Targets and objectives	Indicators	2019	2020 target
PROVIDING SAFE WORKING CONDITIONS	Reduce work-related injuries among employees	Lost time injury frequency rate (LTIFR)	0.51	0.45
		Number of work-related accidents	8	Reduce by 20%
		Number of work-related fatalities	0	0
	Reduce the occupational disease rate	Occupational disease rate among employees	0	0
Safety control	Percentage of LSR Group's construction projects and companies that have undergone internal occupational, industrial and fire safety audits	100%	100%	
PROVIDING DECENT WORKING CONDITIONS	Recruit and retain talent	Voluntary turnover rate	22%	Keep the rate under 25%
		Average recruitment and onboarding success rate	78%	Maintain the rate at 70% or above
	Talent training and development	Number of employees who completed training and upskilling programmes	4,468	Maintain the level at 4,000 people or above
	Ensure social security and develop corporate culture	Investment in social programmes for employees	RUB 252 million	Maintain the level at RUB 200 million or above
Employee satisfaction survey		Ongoing	Complete	
Number of confirmed incidents of human rights violations		0	0	
ETHICAL BUSINESS CONDUCT AND COUNTERING CORRUPTION	Ethical conduct of business	Percentage of employees who have read the Code of Ethics	100%	100%
		Percentage and number of responses to reports received via the Trust hotline (78 responses)	100%	100%
	Countering corruption	Number of confirmed incidents of corruption	0	0
		Number and percentage of employees and counterparties that the organisation's anti-corruption policies and procedures have been communicated to (9,162 employees and 3,819 counterparties ¹)	100%	100%
		Percentage of business units assessed for risks related to corruption	100%	100%
	Ensure fair competition among counterparties	Percentage of standard contracts with counterparties that contain anti-corruption clauses	100%²	100%
FACILITATING THE DEVELOPMENT OF REGIONS OF PRESENCE	Building a responsible supply chain management system	Percentage of construction and installation contracts featuring environmental, occupational health, fire and industrial safety requirements for contractors	100%	100%
	Green construction, product quality, and consumer safety	Percentage of completed projects that have undergone external audits for compliance with quality and safety standards	100%	100%
ENVIRONMENTAL PROTECTION	Ensure sustainable use of natural resources and mitigate the negative environmental impact	Deployment of a GHG metering and analysis system	Ongoing	Complete
		Deployment of a centralised automated environmental data system	Ongoing	Complete pilot deployment within test areas
	Ensuring environmental safety	Number of significant environmental incidents	0	0

¹ Number of organisations that based on their 2019 scores were assigned reliability categories and buyer-submitted ratings within the internal corporate information system at the new contract signing stage.

² Standard contracts signed with counterparties in 2019. When renewing contracts signed during prior periods, LSR Group verifies whether the anti-corruption clause was included and makes sure it is included in existing contracts/agreements.

CORPORATE GOVERNANCE

Our effective corporate governance system is at the core of LSR Group's activities. This system is continuously being improved, enabling LSR Group to achieve its strategic goals and to increase its operational and financial efficiency.

The corporate governance system of LSR Group complies with the applicable Russian corporate governance legislation, the principles and recommendations of the Corporate Governance Code recommended by the Bank of Russia, the requirements of the Moscow Exchange for public companies, and international requirements for public companies listed on the London Stock Exchange.

Corporate governance principles:

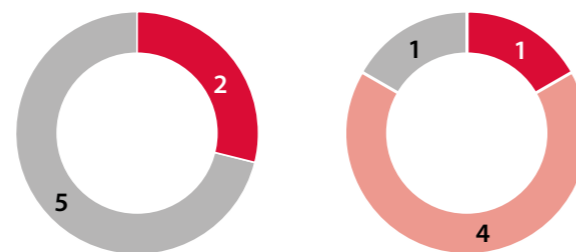
- Equal treatment of all shareholders
- Protection of the rights and interests of all shareholders
- Compliance with legislation in all aspects of business
- Independence of the Board of Directors in decision-making
- Transparency of information
- Equal access to information
- An effective internal control and audit system
- Compliance with business ethics

LSR Group is committed to meeting a high level of openness and transparency in its activities, in accordance with global best practice. Information concerning LSR Group's activities can be found in regularly published documents and reports on LSR Group's official website at www.lsrgroup.ru/en/. These include quarterly reports, reports on financial and operating results, annual reports, sustainability reports, press releases, statements of material facts, lists of affiliated parties.

GOVERNANCE STRUCTURE

When appointing the Board of Directors, we take into account an extensive list of factors, such as members' qualifications, experience, and business and other skills, in order to evaluate the effectiveness of the Board's activities. At the same time, we put no age, sex or other diversity restrictions on candidates to the Board of Directors or the Executive Committee.

Composition of the Board of Directors and the Executive Committee by age as of 31 December 2019



Board of Directors

- 36-45 years
- 46-55 years

Executive Committee

- 36-45 years
- 46-55 years
- >56 years

LSR Group pays particular attention to having an independent representation on its Board. We are confident that their involvement will enhance the performance and integrity of the Board of Directors, and will help to protect the rights and interests of our shareholders. As of 31 December 2019 the Board of Directors comprised seven members, including four independent directors:

Dmitry Goncharov	Chairman of the Board of Directors, Member of the Strategy and Investment Committee
Andrey Molchanov	CEO Member of the Board of Directors
Alexey Makhnev	Independent director, Member of the Audit Committee, Member of the Human Resources and Compensation Committee
Vitaly Podolsky	Independent director, Chairman of the Human Resources and Compensation Committee, Member of the Audit Committee
Igor Levit	Member of the Board of Directors, Member of the Strategy and Investment Committee
Andrey Nesterenko	Independent director, Chairman of the Strategy and Investment Committee
Alexander Prisyazhnyuk	Independent director, Chairman of the Audit Committee, Member of the Human Resources and Compensation Committee

Between 1 January 2019 and 28 June 2019, the Board of Directors comprised seven members, including:

- Four independent directors
- One non-executive director
- Two executive directors

Between 28 June 2019 and 31 December 2019, the Board of Directors comprised seven members, including:

- Four independent directors
- Two non-executive directors
- One executive director

In the reporting period, Vitaly Podolsky, a member of LSR Group's Board of Directors and the Chairman of the Human Resources and Compensation Committee, won the Best Independent Director category at the 14th Director of the Year National Trophy. Dmitry Goncharov, the Chairman of LSR Group's Board of

Directors, was ranked among the Top 25 Board Chairmen. Elena Chistyakova, LSR Group's Corporate Secretary, was listed among the Top 25 corporate secretaries.

In 2019, sustainable development issues were discussed at ten meetings of the Board of Directors and the Executive Committee, and also at meetings of committees of the Board of Directors. The meetings agenda included the Incentive Programme for LSR Group's Managers, the Long-Term Incentive Programme for LSR Group's Managers, the HR Report, the Sustainability Policy, the Human Rights Policy, the Environmental Policy, the Sustainability report, reports on the compliance with the occupational health, industrial and fire safety requirements, and the approval of nominees for the Best in LSR golden pin.

The Board of Directors and the Executive Committee intend to continue their active engagement in managing, coordinating, and monitoring a diverse range of sustainable development issues.

APPROACH TO SUSTAINABILITY MANAGEMENT

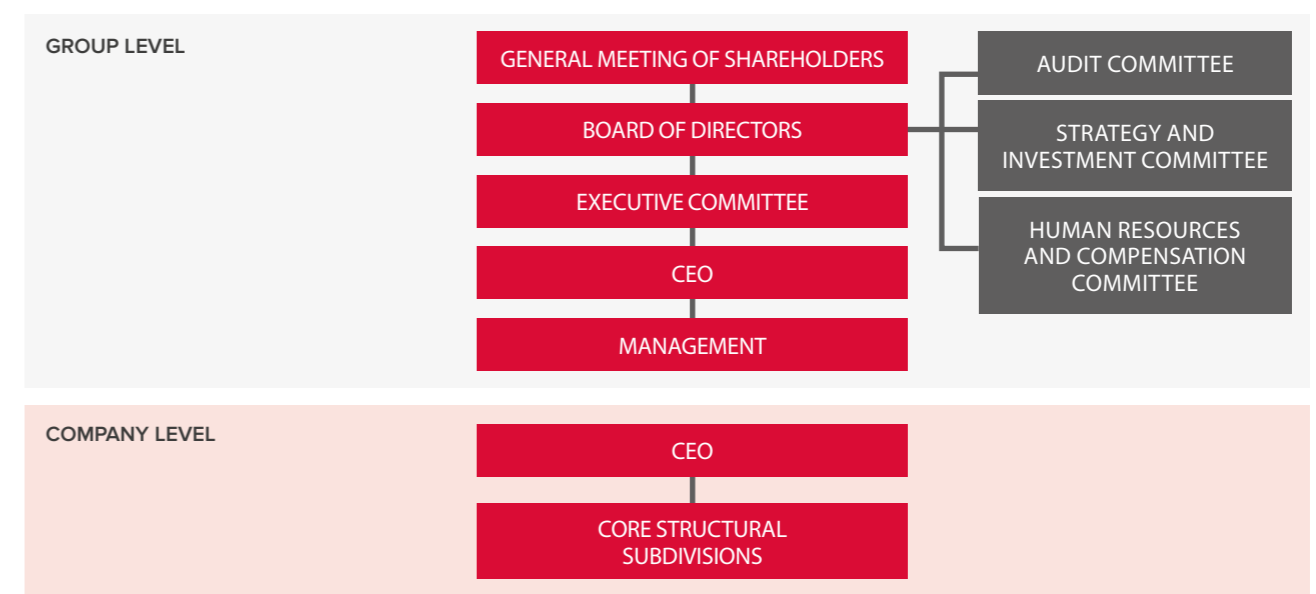
Sustainability management is an integral part of PJSC LSR Group's existing corporate governance system and is carried out across all organisational levels.

The Board of Directors and Board committees, together with the Executive Committee and the Chief Executive Officer, determine business priorities and exercise overall management of LSR Group, including its sustainability efforts. A separate structural subdivision is responsible for coordinating and monitoring the Group's sustainability activities. Relevant

centralised structural subdivisions of LSR Group are responsible for setting and implementing specific sustainability objectives and initiatives (e.g. for occupational health and safety, HR management, etc.).

Managers of LSR Group's companies coordinate their activities, and also take on responsibility for various aspects of sustainable development. The functional structural subdivisions of the Group's companies accountable to these managers are directly responsible for implementing the set objectives.

Corporate governance structure



CORPORATE GOVERNANCE

LSR Group has issued internal documents that regulate its sustainability activities. Each of LSR Group's entities is governed by the local regulations which incorporate the requirements and recommendations of the corporation-wide legislation and also include provisions reflecting the business profile and specifics of an individual company.

In 2019, PJSC LSR Group adopted its Sustainability Policy to improve sustainability management, consolidate sustainability data and enhance information transparency.

The key regulations are described later in sections dedicated to LSR Group's sustainability activities.

MANAGING RISK IN SUSTAINABLE DEVELOPMENT

Identifying, assessing, and managing risk in a timely fashion, including risk relating to sustainable development, allows LSR Group to meet its key objectives and goals that will help to secure its long-term success.

LSR Group employs a multi-level risk management and internal control system, which contributes to its sustainability profile. Risk management and internal control policy is overseen by the LSR Group's Board of Directors.

LSR Group companies manage operational risk in accordance with its corporate principles and procedures while also complying with local regulatory requirements. Risk Management Policy has been adopted within the context of measures to improve the effectiveness of LSR Group's risk

management practices. LSR Group companies have adopted relevant local regulations which govern the key business processes involved in their activities. LSR Group's centralised departments carry out additional risk assessment depending on their activities.

LSR Group has determined that key sector-related, financial and legal risks could influence the objectives and goals set by LSR Group. A detailed overview of the risks associated with the Group's activities can be found in the PJSC LSR Group [Annual Report for 2019](#).

In corporate risk management, particular emphasis is placed on risks and challenges associated with LSR Group's sustainable development activities.

Key sustainable development risks

Risk areas	Risk description	Minimisation measures
Occupational health and safety risks	Risks associated with fatal and non-fatal workplace accidents and incidents, and with work-related ill health.	<ul style="list-style-type: none"> Compliance with occupational health and safety legislation. Supporting corporate ethics and a safety culture. Carrying out health and safety audits and inspections.
Risks associated with legislative changes	Risks associated with obtaining all of the necessary licences, permits, and approvals, and with any potential change and/or tightening of legislative requirements.	<ul style="list-style-type: none"> Regular monitoring of legislative changes. Taking decisions on how LSR Group and its companies should react to such changes and communicating these decisions to the individuals and responsible subdivision.
Risks associated with human resources management	Risks associated with hiring, retaining, and motivating qualified staff.	<ul style="list-style-type: none"> Supporting a competitive wage and incentive programmes. Developing and implementing training and upskilling programmes. Conducting employee assessments. Implementing measures to provide social support to employees. Joint programmes with educational institutions targeted at attracting young specialists.
Risks associated with violations of ethics and corrupt practices	Risks associated with unethical business conduct, violations of anti-corruption legislation, fraud, commercial bribery, and the distribution of insider information.	<ul style="list-style-type: none"> Employee obligations to comply with our Code of Ethics. Including anti-corruption clauses in employment contracts. Informing and training staff, informing contractors and partners. Regularly assessing the risk of corruption. Rotating staff with a high degree of corruption risk exposure. Operating the Trust hotline service. Refining procurement systems, making the process more transparent and cultivating fair competition.
Risks associated with environmental impact management	Risks associated with negative environmental impact, and risks associated with non-compliance with established rules governing impact on aspects of the environment.	<ul style="list-style-type: none"> Complying with environmental legislation. Obtaining the necessary environmental licensing documentation. Implementing measures to reduce environmental impact.

Risk areas	Explanation	Minimisation measures
Risks associated with climate change	Risks associated with changing climatic conditions and their effect on buildings and equipment, the extension of regulatory requirements and emissions payments, and damage to reputation.	<ul style="list-style-type: none"> Increasing the energy efficiency of production processes. Reducing consumption of fossil fuels. Preparing to implement tracking of direct and indirect greenhouse gas emissions. Analysing the potential of utilising alternative energy sources. Constructing buildings that make use of energy- and heat-saving technology.
Risks associated with customer relationships	Risks associated with failure to meet customer expectations and, correspondingly, with reductions in sales volumes and financial and reputational losses.	<ul style="list-style-type: none"> Regularly improving mechanisms for interacting with customers and developing feedback channels. Observing client-oriented principles and employee upskilling. Processing complaints and improving the quality of products and services.
Risks associated with relationships with suppliers	Risks associated with the supply of poor-quality products and delayed deliveries.	<ul style="list-style-type: none"> Assessing the qualifications and reliability of suppliers. Improving internal procurement procedures. Introducing additional requirements to supplier contracts.

RESPECTING HUMAN RIGHTS

The fundamental principles governing the activities of LSR Group include respect for human rights, which is enshrined nationally and internationally in:

- The legislation of the Russian Federation
- The principles of the UN Global Compact
- The Universal Declaration of Human Rights
- The International Labour Organization Declaration on Fundamental Principles and Rights at Work
- The United Nations Guiding Principles on Business and Human Rights

LSR Group is conscious of the importance of respecting and observing human rights, both in its relationships with its employees and with respect to external stakeholders who are affected by LSR Group's activities or products: its partners, its suppliers and subcontractors, its customers, and people living in the LSR Group regions of presence. Human rights principles are integrated into all key areas of LSR Group's activities and include the following provisions:

- the prevention of discrimination in all stakeholder relations, irrespective of gender, race, skin colour, ethnicity, language, origin, property, family or social status, occupation, age, place of residence, attitude to religion, political beliefs, or membership (or non-membership) of voluntary organisations or any other social groups;

- the provision of equal opportunities to LSR Group employees in respect of selection, hiring, evaluation, promotion, training, development, discipline, compensation, and termination of employment contracts;
- the elimination of any form of child or forced labour; and
- the creation of safe and pleasant working conditions.

The principles of respect for human rights are reflected in LSR Group's fundamental internal documents concerning relations with employees and subcontractors and the regulation of social and other issues. A list of key documents can be found in the relevant sections of the Report. In order to improve its system for managing human rights issues, the Human Rights Policy of PJSC LSR Group was approved in 2019.

One of the most important elements in this area is the availability of an effective mechanism for submitting and processing human rights complaints and requests. LSR Group operates the Trust hotline, which any stakeholder can use to confidentially submit a complaint relating to human rights violations. No cases of human rights violations were identified through operation of the hotline in 2019. More detailed information on the mechanism for submitting complaints and requests can be found in the Contribution to countering corruption section of this Report.

STAKEHOLDER ENGAGEMENT

LSR Group pays a particular attention to establishing the sustainable and mutually beneficial relationship with all of its stakeholders that is based on respect and information transparency.

Alexander Zilbert,
the Director for Information Policy and Corporate Communications

LSR Group's key stakeholders include individuals and organisations affected by its activities and those who may have an impact on the achievement of the objectives and goals by LSR Group. This group of key stakeholders includes our shareholders and investors, government authorities, our employees, contractors and suppliers, our clients, local communities, and public organisations and the media.

LSR Group's priority is to strike a balance between the interests of our different stakeholder groups, and to respond promptly to their expectations, needs and concerns. In order to cultivate highly effective and sustainable cooperation with these groups, we employ tools and mechanisms to maximise communication and to ensure that the interests, needs, and expectations of each individual stakeholder group is taken into consideration. LSR Group also operates the Trust hotline, which any stakeholder can use anonymously to bring forward any concerns to LSR Group.

LSR Group's key stakeholders



Key stakeholder groups and mechanisms for interacting with them

Stakeholder group	Area of interest	Engagement practices
Shareholders and investors	<ul style="list-style-type: none"> Growth in LSR Group's capitalisation and the sustainability of its business High operating and financial performance of LSR Group Safeguarding shareholder rights Information transparency 	<ul style="list-style-type: none"> General Meeting of Shareholders Publishing corporate statements Publishing press releases, presentations, and news Participation of LSR Group in investor conferences Organising site visits for investors Working with rating agencies and analysts Attending roadshows and organising capital markets days
Government and regulators	<ul style="list-style-type: none"> Compliance of LSR Group's activities with legislative requirements Social programmes in key regions of presence Minimising LSR Group's negative impact on the environment 	<ul style="list-style-type: none"> Preparing and publishing reports in accordance with legislative requirements Inspections by government authorities Acting on comments and improvements notices Participation of LSR Group in law-making processes and initiatives Charity projects in key regions of presence
Employees	<ul style="list-style-type: none"> Comfortable and safe working conditions Development, training, and opportunities for professional growth Decent pay Social security and access to social programmes Availability of convenient and robust internal communication channels 	<ul style="list-style-type: none"> Supporting internal communication channels (the corporate magazine, a TV channel, social media accounts, the LSR Group internal web portal) Handling, reviewing, and responding to reports received via the Trust hotline Running incentive programmes Raising awareness of, and conducting trainings in, occupational health and safety Holding sporting, charity, and cultural events Implementing employee health initiatives Providing decent social and living conditions for workers Providing social benefits Training and upskilling at training centres Working together with educational institutions to attract young talent Conducting employee satisfaction survey
Clients	<ul style="list-style-type: none"> Ensuring high quality and accessibility of products (real estate, building materials) Timely performance of obligations Convenient and advanced communication channels 	<ul style="list-style-type: none"> Conducting product quality checks Loyalty program including product promotions and discounts offerings Handling complaints Measures to improve client experience in terms of communication and convenience, such as reduction of paperwork, office-hours extension and introduction of new means of communication Handling, reviewing, and responding to reports received via all feedback channels Holding meetings with interest groups Communications through the media Launching the LSR mobile app Running corporate websites

STAKEHOLDER ENGAGEMENT

Stakeholder group	Area of interest	Engagement practices
Suppliers, contractors, and other business partners	<ul style="list-style-type: none"> Compliance with mutual obligations Transparent, open, and competitive procurement procedures Long-term relationship based on mutually beneficial terms 	<ul style="list-style-type: none"> Signing contracts and agreements Conducting competitive procurement procedures (www.zakupki.lsr.ru/) Counterparty screening and due diligence Assessing product compliance with safety and quality standards Conducting regular contractor checks to ensure that their products comply with relevant requirements
Local communities	<ul style="list-style-type: none"> Contribution by LSR Group to the socio-economic development of key regions of presence Ensuring LSR Group's operations cover the interests of local communities LSR Group's involvement in solving problems within local communities Developing infrastructure Reviving and preserving Russia's cultural heritage Supporting vulnerable social groups 	<ul style="list-style-type: none"> Working together with charity foundations and other non-profit organisations to implement social and charity projects Supporting the construction of social infrastructure Organising cultural events and entertainment for people living in the LSR Group regions of presence Supporting projects to preserve architectural monuments and cultural projects
Media	<ul style="list-style-type: none"> Providing stakeholders with complete, reliable, and up-to-date information about LSR Group's activities 	<ul style="list-style-type: none"> Publishing press releases about key LSR Group events Holding briefings, presentations, and conferences to which media representatives are invited Holding personal meetings and providing interviews Regularly supporting the media and industry periodicals
Public organisations	<ul style="list-style-type: none"> Matters of the performance of the construction industry and lobbying for its interests LSR Group's participation in regional development Development of professions in the construction industry 	<ul style="list-style-type: none"> Participating in activities of industry associations Participating in industry conferences, seminars, and forums Participating in professional and other industry competitions Participating in the development of professional standards in the construction industry

ECONOMIC EFFICIENCY

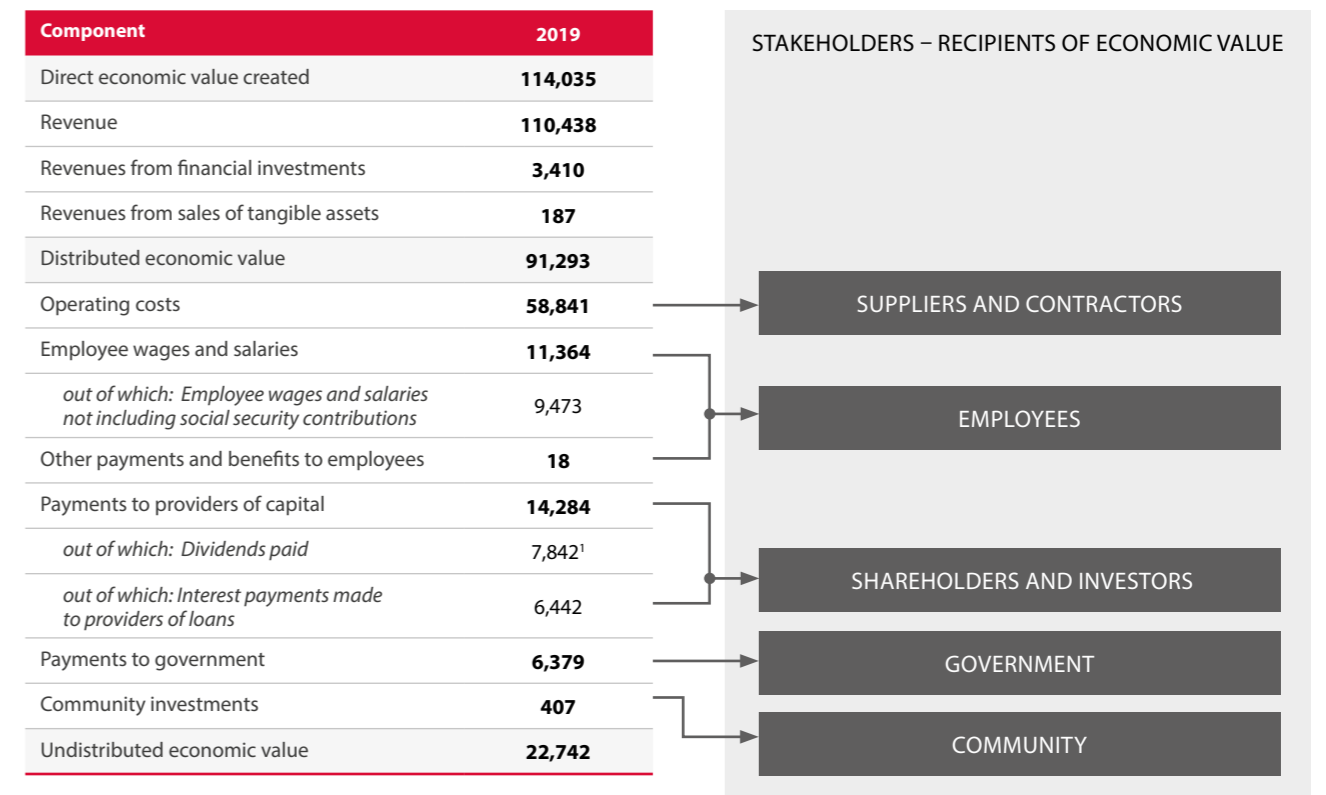
To create and increase value for its stakeholders in a sustainable manner, LSR Group devotes significant efforts to improving the operational and economic efficiency of its activities. We achieve this through an efficient business model, understanding the needs of our clients, timely response to external circumstances, risk management, and strengthening our competitive advantages.

Our 2019 new contract sales in all regions of operation were 817.4 thousand sqm, with a total value of RUB 84.2 billion. Sales in value terms were down by only 9% year-on-year, while LSR Group's total revenue was RUB 110.4 billion, a solid outcome given the high base effect of the previous year due to a transition to the new financial reporting standard.

Taking into account the revenue received in 2019, direct economic value generated was RUB 114,035 million, of which RUB 91,293 million was distributed to LSR Group's key stakeholders. The largest share of cash payments was made to LSR Group's suppliers and contractors for materials, equipment, and services procured (as part of operating costs). A significant portion of the economic value created was distributed in the form of employee wages and salaries (RUB 11,364 million) and dividends to shareholders (RUB 7,842 million)¹.

In generating tangible value for our stakeholders, we promote both our own development and the economic development of the regions in which we operate. We intend to continue strengthening our competitive advantages, pursuing our strategy, and cultivating our relationships with stakeholders in order to ensure sustainable and balanced development of LSR Group.

Economic value created and distributed by LSR Group, RUB million



¹ Dividends paid for the FY 2018.

STAKEHOLDER ENGAGEMENT

INVESTOR RELATIONS

LSR Group puts a particular focus on the relations with current and potential shareholders and investors, a key stakeholder group. Establishing an effective and open dialogue with investors is an important element in attracting long-term finance, increasing the value of our business, and ensuring its sustainable development.

We maintain ongoing contact with our shareholders and investors using the following tools:

- Regularly publishing LSR Group's financial and operating statements and results on the corporate website, www.lsrgroup.ru/en/, and through conference calls
- Regular material fact disclosures on LSR Group's website, on the Interfax news portal, and disclosure of news on the London Stock Exchange
- Publishing investor presentations
- Publishing press releases and news
- Arranging roadshows and capital markets days
- Conducting LSR Group shareholder ID studies
- Working with debt investors to secure low borrowing rates
- Participation in investor conferences
- Organising site visits for investors and analysts
- Working with rating agencies
- Conducting LSR Group investor perception studies
- Working with buy-side and sell-side analysts
- Publishing and updating a comprehensive databook and landbank valuation report

LSR Group's shareholder and investor relations are based on the principles of openness and information transparency. We believe that timely and accurate communication of important news and events related to LSR Group is key to strengthening trust in us as a business partner.

LSR Group has ongoing relationships with a wide range of Russian and international investors, holding one-on-one and group meetings to directly engage with investors. LSR Group actively attends major investor conferences to update investors on our activities and performance and to answer their questions. In 2019, LSR Group took part in six investor conferences held across Europe and Russia (such as the Moscow Exchange Forum 2019 and VTB Capital's 'RUSSIA CALLING!' Investment Forum). Also in that year, we held over 250 meetings with existing and potential investors.

LSR Group has communications channels for shareholders and investors through which they can ask their questions and get prompt responses. The contact details of the Corporate Secretary and Director of Investor Relations and Sustainable Development can be found on our corporate website.

An important aspect of enhancing our investment case is working with the international rating agencies. This helps to maintain LSR Group's image as an attractive partner for a long-term investment.

LSR Group's credit ratings

Rating agency	Rating	Outlook
Moody's	B1	Stable
Fitch	B+	Stable
RAEX	ruA	Stable

CUSTOMER RELATIONS

LSR Group seeks to establish efficient customer relations that would increase customer satisfaction, loyalty, and trust. To enhance the customer orientation of our business model, we put a particular focus on the quality and availability of our products and services, honouring our commitments in a timely manner, increasing the openness, convenience, and efficiency of communications channels, including customer complaints management.

A separate work stream involves designing and implementing tools based on modern digital technology to respond to increased customer sophistication. In 2019, LSR Group implemented a number of features to enhance personal account user experience for LSR Group customers, including the option of online sales, and launched 'LSR' mobile application.

Implementing an online apartment purchase procedure

LSR Group implemented an option whereby customers can buy an apartment almost completely online in their personal account on the developer's website, with a visit to our office only required to finalise the agreement. The new mechanism can be used to buy apartments in our ZILART and Leningradka 58 business-class residential projects and in Luchi and Nakhabino Yasnoe comfort-class projects.

Customers can visit our website www.lsr.ru/msk/ to choose and reserve an apartment online. There is also a mortgage calculator service to calculate mortgage options and file a loan application online. A visit to the developer's office is only required in order to finalise the transaction and sign the act of acceptance.

The launch of LSR mobile app

In 2019, LSR Group launched a free multi-functional 'LSR' mobile app, a one-stop solution for its customers. The app integrates features from finding and reserving an apartment, to services after the apartment building has been completed, to managing utility bills.

With the new app LSR Group customers can choose an apartment online, pay utility bills, upload a photo ID and other documents, submit an application or a request. Upon registration, users get access to all our current offerings of apartments, parking lots, commercial properties, and storage units, as well as to all relevant information such as construction progress, commercial booklets, documents, and current prices. The app can also be used by potential buyers to book a tour to visit our development projects under construction.

Once a contract has been signed, the app can be used to monitor the status of settlements at all stages until the signing of the acceptance and delivery certificate. There is a dedicated section for those who already became apartment owners where they can check accruals and payments for utility bills, submit meter readings, or submit a request to a building management company.

'Thank you for your trust!'

In 2019, we ran a project 'Thank you for your trust!' in Yekaterinburg to thank our customers for choosing LSR Group's apartments.

We recorded video messages from the CEO of Spetsializirovanny zastroishchik LSR.Nedvizimost-Ural to thank the customers for their trust. The video messages were then sent to our customers along with an invitation to take part in two contests, with a trip to St. Petersburg as the main prize. Participants shared in the social media their positive video and photo stories about the life in apartments built by LSR Group. A 'Thank you, LSR!' advertising campaign was also launched on outdoor advertising banners and screens. Winners received their prizes at an award ceremony personally from the CEO of Spetsializirovanny zastroishchik LSR.Nedvizimost-Ural, who once again thanked everybody for the trust and for choosing LSR Group.

CONTRIBUTION TO BUILDING SUSTAINABLE CITIES

As a construction and real estate development company, LSR Group makes a significant contribution to building sustainable cities by offering their residents a better quality of life while increasing the efficiency of the use of natural resources.

Igor Tsoy

Director of Investor Relations and Sustainable Development



TSVETNOY GOROD, St. Petersburg

APPROACH TO BUILDING SUSTAINABLE CITIES

Building sustainable cities is one of the most important priorities of today. Growing urbanisation, natural resource depletion, social and economic changes determine the need for the implementation of integrated projects for sustainable territorial development.

The scale and nature of our business put us in a position to bring together the financial, natural, and human resources to take on these challenges. Our day-to-day efforts are a contribution to laying a solid foundation for developing sustainable cities where our employees, customers, partners, and other people would love to live and thrive.

LSR Group's contribution to developing sustainable cities and territories

MEETING THE BASIC NEEDS OF COMMUNITIES

- Constructing high-quality, safe and comfortable housing
- Constructing healthcare and educational facilities as part of social infrastructure
- Constructing roads and other urban infrastructure
- Providing charity aid to socially vulnerable groups

LANDSCAPING CITIES OF PRESENCE

- Building parks and landscaping
- Investing in cultural heritage projects

RESOURCE EFFICIENCY

- Applying resource-saving technology to real estate construction

ECONOMIC GROWTH AND WELL-BEING

- Helping to increase employment
- Boosting regional budget revenues by fulfilling tax and other obligations
- Contributing to building a responsible supply chain and driving growth in other sectors of the economy

CONTRIBUTION TO BUILDING SUSTAINABLE CITIES

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

LSR Group supply chain management includes approximately 12 thousand existing and potential suppliers¹ with which we build long-term and efficient relations based on responsible business conduct. LSR Group's key principles in procurement are:

- Transparency of information
- Integrity and equality of counterparties
- Use of unambiguous and unique criteria for assessing counterparties and their bids
- Objectivity and fairness in assessing counterparties and their bids
- Efficiency of procurement procedures
- Professionalism and personal responsibility of both procurement employees and counterparties

Procurement automation

In the past three years special focus was put on procurement procedure automation: starting from September 2018, all orders have been placed through our own e-procurement platform, zakupki.lsr.ru, and in January 2019 we implemented a procurement information system that supports the operation of the e-procurement platform.

The e-procurement platform and the procurement information system serve the following important purposes:

- Developing fair competition and improving the openness and transparency of procurement
- Increasing the counterparty funnel by creating a single, simple, and convenient mechanism for submitting bids

Selecting and assessing suppliers

Procurement is one of our most important business processes, its ultimate goal being to obtain quality goods for LSR Group in a timely manner, from reliable suppliers, and on the best terms. Selection of suppliers and the efficiency of engaging with them have a direct impact on the stability of operation and the quality of LSR Group's products.

LSR Group has an annual procurement planning cycle. At the procurement preparation stage we formulate requirements to the participants, the products to be supplied, and the terms of supply. For competitive procurement, we establish assessment criteria that must be objective, unambiguous, and unique.

To ensure a unified approach to procurement, LSR Group has issued regulatory documents describing the principles and methods for working with suppliers. A revised version of the Regulation on Procurement was approved in 2019 to align it with recent changes in the law and optimise a number of processes. The new version implements additional controls aimed at promoting integrity and equality of counterparties in our procurement procedures.

All LSR Group's procurement of goods and services happens either on a centralised basis through the Centralised Procurement Department or locally through the relevant departments of LSR Group's companies. The Centralised Procurement Department provides procurement guidance for all LSR Group's companies and maintains a unified procurement information system.

- Minimising human error through automated procurement procedures
- Better analytics of the results in procurement
- Facilitating internal control and audit of the procurement management system

We continued developing our information system in 2019, with changes aimed at optimisation and higher flexibility of procurement processes, analytical report generation, control rules automation. For example, integration with the budgeting system made it possible to implement budget availability checks at each step of construction and assembly work procurement.

Counterparties are reviewed and selected in two stages:

1. Supplier accreditation based on the data in the electronic form submitted through the supplier's personal account on the e-procurement platform, as well as based on publicly available information. At this stage, suppliers must confirm that they satisfy a number of essential requirements, including economic security requirements, Russian product safety standards, etc.
2. A detailed review of the candidates to ascertain their reliability, requests for information and documents confirming the accuracy of statements made in the application form regarding their experience and capacity, supplemented by our visits to their operating facilities to assess their culture of operation, including approaches to ensuring product quality.

Assessing the impact of procured products on the environment and people

When preparing procurement documents, we also take into account safety requirements for goods and products established by the Russian legislation and by LSR Group's internal standards. Requirements for procured products aim at limiting potential negative effects on people and the environment.

The risk of potential negative impact of procured goods and products is evaluated at the supplier assessment and selection stage. For example, for finishing materials suppliers are asked to provide quality certificates and test protocols to verify compliance with sanitary and epidemiological requirements in order to ensure that apartments built by LSR Group provide a safe living space.

If a supplier that had signed a contract failed in terms of quality or delivery time, LSR Group would investigate the reasons (including by visiting the supplier's operating facilities) and develop recommendations to rectify the error.

Key results in procurement

LSR Group's 2019 procurement increased by 1.5% year-on-year to RUB 74.9 billion driven by larger operations. The majority of the procurement (58.6%) was contractor work, 31% was procurement of goods and other services, and 10.4% was procurement of monopoly services.

There is an increasing interest by counterparties to e-procurement. In 2019 LSR Group engaged with over 4.5 thousand of potential suppliers and signed contracts for a total of over RUB 800 million with new counterparties not previously taking part in our procurement procedures.

LSR Group prefers open forms of competitive procurement. Over 88% of 2019 procurement procedures were open-form, of which 43% were 'tenders with limited participation' under Russian law among eligible participants who had passed the open prequalification selection.

The average number of bids/offers across all procurement procedures was approximately five. For two-stage tenders, 80% of all bidders qualified for the second stage, having been screened for meeting LSR Group's assessment criteria. At that stage, the average number of bids was 6.89.

Social and environmental responsibility of our suppliers

Contractors hired for construction and installation work operate directly at LSR Group sites. That is why we place particular emphasis on ensuring that our contractors observe responsible business practice standards.

In 100% of our contracts for construction and installation work there are provisions for observing the requirements set forth in the law and the design documentation on the following:

- Occupational, industrial, and fire safety
- Waste management, natural resource management, and prevention of air pollution
- Sanitary and epidemiological safety

These requirements appear in a special appendix to the template general contractor agreement called 'Party coordination protocol on safe working practices: rights, obligations, and liability for breach of obligations'. The protocol includes a list of fines for violating safety requirements, environmental, and sanitary standards.

LSR Group entities acting as clients with respect to construction work are entitled to conduct inspections, either independently or using specialist organisations, to verify that the contractor is in compliance with the established requirements. If violations are identified, instructions for rectification are issued to the contractors and fines are imposed in accordance with the contract; and in the event of serious violations that endanger lives or health, the work is suspended. Resumption of work is approved once the causes of the danger have been eliminated.

In 2019, we significantly tightened our control of contractors for occupational, industrial, and fire safety. For more information on the control system and the inspections conducted in 2019, see the Contribution to Safe Working Conditions section.

¹ Counterparties registered at our e-procurement platform as at 31 December 2019.

CONTRIBUTION TO BUILDING SUSTAINABLE CITIES

HIGH PRODUCT QUALITY AND CONSUMER SAFETY

LSR Group puts a particular focus on further improving the quality and safety of its products, both building materials and buildings (residential projects, social infrastructure facilities, etc.). Our buildings and buildings constructed with materials we provide are homes to many people. Their product satisfaction, health and safety come first for us.

Product quality requirements are set forth in government standards and rules, as well as in our internal guidelines and regulations. LSR Group companies use modern technology and IT systems to ensure effective quality control.

Quality control of manufactured building materials

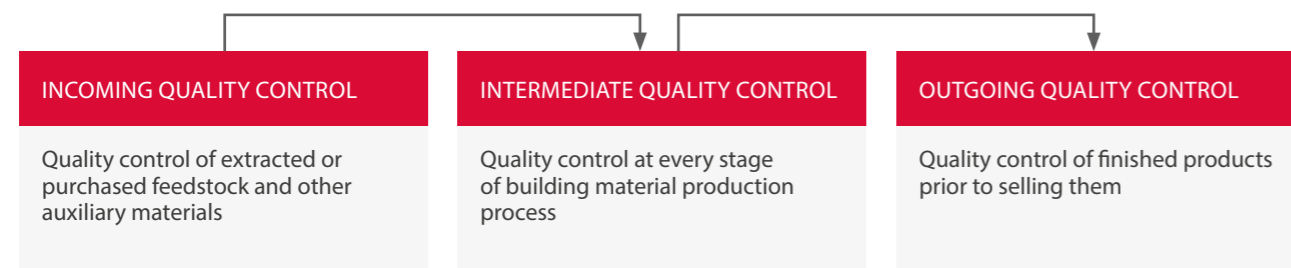
One of the key guiding principles for LSR Group is to ensure compliance of the building materials that we produce with safety and quality requirements. Our companies have special laboratories and quality control services that carry out incoming, intermediate, and outgoing quality control.

With our own extraction, incoming quality control of the feedstock is done at the extraction site, including by taking samples for laboratory analysis. Purchased feedstock and auxiliary materials undergo incoming quality control for compliance with the requirements set forth in the process manual and the quality certificate. When an inferior product is detected, a claim is made and the faulty batch is withdrawn from production. We then work with the supplier to address the non-compliance.

Each process stage includes interim quality control, and there is the final product quality control at the end of the production process. For any errors or defects detected, their causes are analysed and recorded and corrective measures are developed.

LSR Group puts a particular focus on selecting and producing environmentally friendly building materials, both used in the construction of our residential projects and sold to external customers. For example, our aerated concrete and bricks are produced from naturally sourced feedstock and do not emit hazardous substances. These and other important features ensure that buildings constructed with these materials are safe for the environment and for human health.

Types of quality control stages of production process



The new three-stage quality control system at our reinforced concrete product plant in Yekaterinburg

In 2019, LSR Group implemented a three-stage product quality control system at our reinforced concrete product plant in Yekaterinburg. The main focus of the new system is on environmental performance and safety of products. The plant's central laboratory is one of the best in the Urals region, with modern and accurate equipment.

STAGE 1	STAGE 2	STAGE 3
At Stage 1, the central laboratory carries out quality control of all incoming materials that are used for concrete production to ensure their compliance with the national quality standards, known as GOSTs. Contractors are requested to provide safety certificates, quality certificates, and radiation safety reports. This guarantees that the materials are acceptable in terms of quality and safety.	Stage 2 quality control is done by laboratory experts after concrete curing, and only products that meet the delivery strength requirements are shipped to the client. The shipped products have maximum prefabrication quality with perfectly smooth interior wall surfaces suitable for either painting or hanging wallpaper, which significantly accelerates the construction process.	Stage 3 is periodic radiation and ammonia content tests of concrete samples in the Hygiene and Epidemiology Centre of the Sverdlovsk Region. The laboratory test reports confirm compliance of the manufactured products with all sanitary, epidemiological, and hygiene standards.

Quality control of housing under construction

LSR Group ensures that the real estate we build complies with modern quality and safety requirements. Compliance is monitored for buildings constructed both by our own construction companies and by contractors.

According to Russian legislation, to ensure the quality and safety of buildings it is mandatory to carry out inspections to establish compliance of construction works with technical regulations, other regulatory documents, design and detailed engineering documentation.

The inspections are carried out both during construction and before completion. The mandatory inspections are conducted by both government authorities ('government construction supervision' under the Russian law) and construction companies, including both developers and contractors working under construction contracts ('construction control'). In 100% of our completed buildings all internal and external inspections for compliance with quality and safety requirements were passed successfully.

LSR Group's drive for excellence in the quality of the housing we build has received acclaim from industry rating agencies and experts multiple times. We are proud of our leadership on this front and intend to continue developing our technologies and approaches to further improve the quality of our products.

CONTRIBUTION TO BUILDING SUSTAINABLE CITIES

Key activities as part of the construction control taken by:

Contractors working under construction contracts	Developers (clients)
Incoming quality control of building materials, manufactured products, structures, and equipment supplied for construction (incoming quality control)	Inspection of completeness and timeliness of the incoming quality control by the contractor
Monitoring of compliance with warehouse handling and storage rules applicable to the products	Inspection of adequate monitoring of storage rules compliance by the contractor
Monitoring of construction process integrity	Inspection of completeness and timeliness of the construction process integrity monitoring by the contractor
Joint inspection of hidden works and provisional acceptance of safety-critical structures and utility systems	
Acceptance of completed types or stages of works	
Joint inspection of compliance of the completed building with the design and detailed design documentation, engineering survey report, the urban development plan for the land plot, and technical regulations	



TSVETNOY GOROD, St. Petersburg

Our achievements in quality

Excellence in Construction 2019 contest

During the award ceremony of the Excellence in Construction 2019 contest in St. Petersburg the jury gave high praise to two LSR Group's residential projects: Shuvalovsky won the Grand Prix and Tsvetnoy Gorod won a second degree certificate.

The contest has been held since 2011 by the Construction Quality and Safety Committee of the Construction Industry Coordination Council in the Northwestern Federal District. Its purpose is to promote excellence in construction and spread the word about the best construction projects that meet modern requirements in safety, comfort, and environmental sustainability.

LSR Group has been among the winners of the contest multiple times. In 2017 and 2018, LSR Group received acclaim for its projects Parusa, Tri Vetra, Kaleidoscope, NEO, Novaya Okhta, Europa City, and Civilisation.

GREEN CONSTRUCTION

Green construction is a vital part of LSR Group's sustainability agenda. We are convinced that buildings that maintain a minimised environmental footprint throughout their lifecycle and help support human health have greater longer-term value than buildings constructed without these considerations.

Green aspects are becoming increasingly important for the participants of the real estate market. For us, green construction means much more than the environmental agenda alone: in addition to reducing our environmental impact, we also focus on improving the quality and social aspects of life and safety in our new buildings.

Key elements of green construction at LSR Group:

- Constructing of buildings utilising energy-efficient technologies
- Utilising water-saving technology in buildings
- Introducing advanced separate waste collection and disposal systems
- Constructing buildings using environmentally safe building materials
- Constructing buildings with an adequate and healthy microclimate
- Using soundproofing technology for buildings
- Comprehensive landscaping Of the areas surrounding the buildings
- Using smart information solutions in construction

LSR Group pays particular attention to improving energy efficiency of buildings we construct: 33 of our projects (out of the 56 projects comprising LSR Group's total project portfolio) include buildings and structures with the A, A+, A++, B, B+ or B++ energy efficiency classes¹.

LSR Group applies the standards of statutory energy efficiency requirements to all its heated buildings, regardless of the completion stage². When designing and constructing buildings, LSR Group uses the specific thermal energy consumption by heating and ventilation systems as a government-standardised metric. Across our projects, this metric is currently below the base-level value: thus, for our projects in Moscow that obtained commissioning permits in 2018–2019, this indicator was 6%–55% below the statutory level, depending on the project.

Our continuous efforts to implement a wide range of energy-saving and energy-efficient technologies are the key factor behind this success. Energy-efficient seamless facades is one of the key technologies driving our performance on this front. This technology was used in the Shuvalovsky, Tsvetnoy Gorod, Novaya Okhta and other projects of LSR Group. Compared to traditional reinforced concrete panel residential buildings, seamless facades reduce heat losses by up to 30%.

Other technologies used in LSR Group's advanced residential projects include energy-efficient windows and advanced heating systems automatically optimising their performance depending on the weather by adjusting the heating agent temperature and flow rate.

A green roof helps reduce electricity costs within ZILART residential project

In 2019, vegetation was planted on the roof of Building 8 in ZILART residential project to improve heat insulation and reduce electricity costs. Total area under vegetation is 2 thousand square metres. Vegetation also reduces noise pollution, improves sound insulation, purifies and humidifies air.

Green roof also serves as an environmentally friendly waterproofing layer, partially absorbing precipitation and thus reducing flow rates in the rainwater drainage system and ensuring a more efficient use of renewable natural resources. The layer of vegetation extends the waterproofing layer's service life and thus, in addition to substantially lower air conditioning costs, makes the roof itself more durable.

LSR Group has commenced construction of a building with a high energy efficiency class

In 2019, LSR Group launched construction of an apartment building with the high, Class A, energy efficiency³. The building is part of our Tsvetnoy Boulevard residential project in Yekaterinburg. Energy-saving solutions used in this building will reduce its electricity and heat consumption and, accordingly, cut utility bills.

¹ The projects included in this metric, consisting of one or more buildings or structures (for example, residential project), may include buildings and structures with other energy efficiency classes. The project list is based on the valuation report for LSR Group real estate portfolio as at 31 December 2019, prepared by Knight Frank.

² Order of the Ministry of Construction, Housing and Utilities of the Russian Federation No. 1550/pr On Approval of the Requirements to Energy Efficiency of Buildings, Structures and Facilities, dated 17 November 2017.

³ Building 5 in Tsvetnoy Boulevard residential project has been assigned A energy efficiency class by Order of the Ministry of Construction, Housing and Utilities of the Russian Federation No. 399/PR. For apartment buildings, the Ministry has set energy efficiency classes designated with Roman letters A++ to G, with A++, A+, A and B being the top ones.

CONTRIBUTION TO BUILDING SUSTAINABLE CITIES

LSR Group's NEVA HAUS residential project in St. Petersburg is an important milestone in our efforts to deploy environmentally friendly and resource-saving technologies. The building's parking facilities will include EV charging stations; the building will use an advanced waste collection and disposal system; a closed thermal circuit will be used for heating, and a high-quality five-stage water purification system will be installed. NEVA HAUS is the first residential project in St. Petersburg to have passed the official GREEN ZOOM certification confirming its high energy efficiency, water efficiency and environmental friendliness, and to have been awarded a GREEN ZOOM Gold certificate.

An equally important area of sustainable construction for LSR Group is comprehensive landscaping of the areas surrounding our buildings and creating a pleasant social and cultural environment. All LSR Group's projects take these aspects into account and include landscaping design that involves creating gardens, recreation areas, playgrounds, fitness areas and bike lanes. Projects also involve construction of schools, nurseries and other community and cultural facilities.

The latest advances in the construction industry include a rapid rise of information and communications technologies enabling smart, resource-efficient living spaces that minimise maintenance costs and maximise the quality of life and safety for tenants.

LSR Group experts explore, analyse and adopt the best available solutions for digital services. Today, when moving into their new home, people increasingly expect it to be connected to all necessary digital infrastructure – this is a trend of our times. We, at LSR Group, are deeply committed to achieving this. Several buildings in Novaya Okhta, our major project in St. Petersburg, are equipped with a smart home system.

LSR Group and Rostelecom signed a strategic partnership agreement

At the St. Petersburg International Economic Forum in June 2019, LSR Group and Rostelecom signed a strategic partnership agreement. LSR Group will promote smart information services in the construction industry in partnership with Rostelecom, the largest provider of digital services and solutions in Russia.

Within the framework of this partnership, the companies agreed to focus on the development of cloud infrastructure and information security across the industry and adoption of a common approach to the provision of digital services, and to jointly test new technologies and develop platform solutions to meet the needs of their customers.

We are confident that through our partnership with Rostelecom we will be able to offer our future buyers the most convenient and efficient digital ecosystem that matches their daily needs.

LSR Group plans to continue developing green construction technologies that contribute to the conservation of natural resources for future generations while supporting people's health, well-being, quality of life and standards of living for many years ahead.

CHARITY PROGRAMMES

Charity projects are a significant part of our social agenda. Every year, LSR Group participates in projects aimed at improving the social environment and quality of life for socially vulnerable groups in St. Petersburg and the Leningrad Region, Moscow and the Moscow Region, and Yekaterinburg, where LSR Group operates.

In 2019, LSR Group invested a total of RUB 407 million in charity activities.

Our choice and development of charity projects are based on the strategic priorities of our core activities and the values of our corporate culture. LSR Group's charity policy is based on the following key principles:

- Targeted efforts
- Effectiveness
- Consistency

LSR Group's social activities and charity projects are centralised at the corporate level. We prepare a detailed annual report on the results of our charity programmes, which is submitted to LSR Group's CEO. The projects are supported operationally by LSR Group's Human Resources Department and Public Relations and Corporate Communications Department.

Key focus areas of LSR Group's charity activities:

- Caring for children, including:
 - Orphans and children deprived of parental care
 - Children with disabilities
 - Seriously ill children
- Supporting socially vulnerable groups, including:
 - Low-income families
 - Single mothers
 - Adults with disabilities
- Reviving and preserving Russia's cultural heritage, including:
 - Supporting restoration of monuments of architectural importance
 - Providing support for cultural events

Caring for children and supporting socially vulnerable groups

LSR Group works closely with non-profit organisations, offering advice and organising joint charity projects. We provide both financial and non-financial support, including donations of building materials where required or turnkey construction.

Key charity projects in 2019

Supporting the activities of the League of Public Associations of Parents of Children with Disabilities (GAOORDI) in St. Petersburg

- The Supporting Group Day Centres for Young People with Developmental Disabilities programme
- The Novaya Okhta Home assisted living service (opening a second assisted living home for people with mental and physical developmental disorders)
- The School of Myology international training course for neurologists
- Creating new jobs under disability employment quotas

Cooperation with the Children Are Waiting charity foundation and the St. Petersburg Parents regional advocacy group

- Arranging assistance with updating and repopulating the databases of adoption service portals and websites
- The Family Orientation Centre providing comprehensive support to foster families at all stages of the fostering process
- The Nursing Care project to support orphaned children in medical treatment and prevention facilities
- The Mother's Here project to support single women with young children in difficult life situations
- Children's photography sessions for adoption and the Your View photography studio

Collaboration with the Parents' Bridge charity foundation

- The Angels with Broken Wings programme to support families willing to adopt children deprived of parental care, including children with disabilities

Supporting inclusive children's art centres

- The Dobrotorium children's art centre in the Moscow region
- The Arteriya Collaborative Art Centre in St. Petersburg
- The Development Collaborative Children's Art Centre in Yekaterinburg

Collaboration with the Russian State Specialised Academy of the Arts (RGSAl)

- Providing people with disabilities with access to a full higher education in the Arts

CONTRIBUTION TO BUILDING SUSTAINABLE CITIES

LSR Group collaborated with other charity foundations in 2019, e.g. helping the One Life Charity Foundation in supporting seriously ill children and the Way Out in St. Petersburg Charity Foundation to promote solutions for the needs of people with autism.

Collaboration with the Children Are Waiting charity foundation

We have supported the work of the Children Are Waiting charity foundation since 2010, providing them with organisational assistance and advice, as well as collaborating on other projects. The key objectives of our collaboration are: helping orphaned children to find families, consulting future foster parents, and providing psychological support and comprehensive assistance to foster families.

In 2019, LSR Group continued to work alongside the Children Are Waiting charity foundation to update and repopulate the databases of adoption portals and websites. LSR Group helps to systematise and regularly update information about orphanages and the children living in them. In 2019, thanks to our joint efforts 337 children found their loving parents, bringing the total number to 3,606 since the launch of the project.

In 2019, LSR Group and the Government of the Leningrad Region signed a strategic agreement on cooperation in the social sphere. The parties agreed to cooperate in the implementation of a joint residential project for people with disabilities in the Vsevolozhsk District of the Leningrad Region.

LSR Group has an extensive track-record of delivering similar projects and puts a particular focus on supporting disadvantaged people. The first assisted living home was opened in 2017 in St. Petersburg and was the first of its kind in Russia, providing supported accommodation as a viable alternative to care homes for people with developmental disorders. A landmark event of 2019 was the opening of a second assisted living home; when constructing it, LSR Group used the lessons learned from the first project and made a number of improvements.

Inauguration of a second assisted living home for people with mental and physical developmental disorders

In 2019, LSR Group donated a second assisted living home to the League of Public Associations of Parents of Children with Disabilities (GAOORDI). A three-storey specialised building is part of Novaya Okhta residential project in St. Petersburg. It is designed and fully equipped to accommodate people with mental and physical developmental disorders. Today, this home has 19 residents, assisted by experienced social care workers and teachers.

The project was implemented jointly by PJSC LSR Group, the League of Public Associations of Parents of Children with Disabilities (GAOORDI), the Committee for Social Policy of St. Petersburg and the administration of the Krasnogvardeysky District. The second assisted living home incorporated many improvements ensuring a better accessible environment. In 2019, work facilities within a walking distance from the buildings were opened for the residents of both assisted living homes.

Various non-profit organisations, public authorities and parents of young persons with disabilities from all over Russia and other parts of the world visit these homes to benefit from St. Petersburg's experience in the provision of assisted living. In 2019, our second assisted living home was visited by guests from 35 regions of Russia and foreign colleagues from Finland and Sweden.

Partnership with the Russian State Specialised Academy of Arts

Since 2018, LSR Group has been a partner of the Russian State Specialised Academy of the Arts (RGSAA), the world's only educational institution giving people with disabilities an opportunity to get a full higher education in Arts. This partnership was a logical step in the development of our corporate social responsibility programme, whose key goals include supporting the most vulnerable groups in society, and in particular, children with developmental disorders. It gives talented young people with disabilities, some of whom have attended inclusive children's centres supported by LSR Group, an opportunity to earn bachelor's, master's and postgraduate degrees in such subjects as music, fine arts and drama. They are also assisted with finding a job afterwards.

Reviving and preserving Russia's cultural heritage

For many years, LSR Group has taken an active role in projects which aim to develop Russian culture and preserve the nation's historical and artistic heritage. In 2019, LSR Group continued to support the renovation of architectural monuments, allocating required building materials and funding for artistic, finishing and engineering works.

LSR Group also focuses on the development of contemporary arts and the support for educational and cultural projects. Thus, LSR Group is directly involved in a wide range of regular cultural events held at ZILART Hall.

LSR Group also regularly helps to fund concerts for socially vulnerable groups and people with disabilities. The concerts are attended by young people from children's care homes and residential schools, children from low-income families and students from children's music schools. LSR Group-funded concerts have been repeatedly recognised as the most exciting and educative children's projects in St. Petersburg, Russia's cultural capital.

Andrey Molchanov received the Philanthropist of the Year award

In 2019, Petrozavodsk hosted its first Philanthropist of the Year award ceremony. In the Karelia's Golden Heart category, the award was given to Andrey Molchanov, LSR Group CEO and Chairman of the Executive Committee.

The Philanthropist of the Year awards recognise active citizens, non-profit organisations and charity funds – everyone who makes a significant contribution to local charity causes.

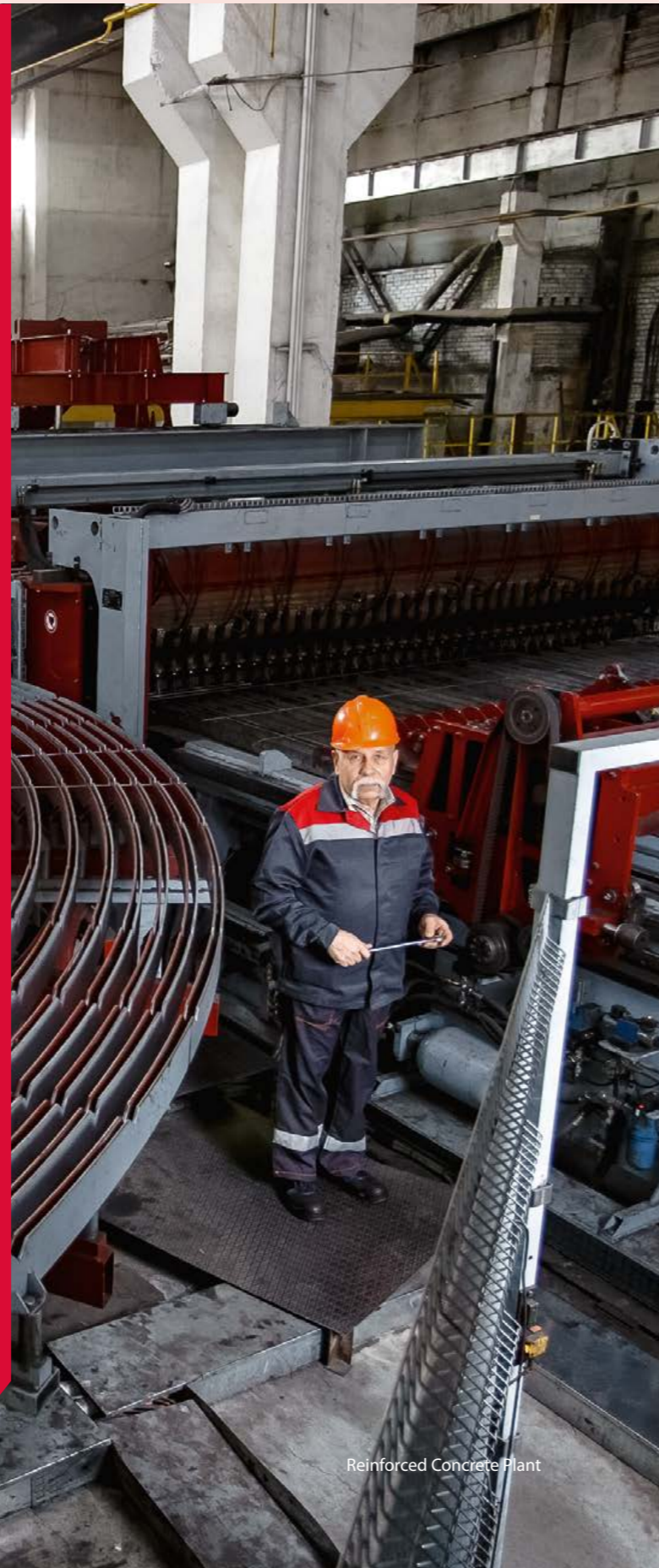


ZILART, Moscow

CONTRIBUTION TO SAFE WORKING CONDITIONS

Our key priorities are providing safe working conditions and achieving zero injury rate through risk minimisation and preventing situations endangering employees' life and health.

Alexey Mochalov
Director for Economic Security



Reinforced Concrete Plant

APPROACH TO OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

LSR Group's entities have occupational health management systems in place to identify and reduce the risk of injury and to ensure the compliance with applicable laws. The activities of those entities are governed by the local Regulation on the Occupational Health Management System and Regulation on the Organization and Implementation of Industrial Monitoring of Compliance with Health and Safety Requirements at Hazardous Industrial Sites. We also actively develop and implement additional internal standards in line with industry best practices.

PJSC LSR Group's Directive On Occupational Safety and Industrial and Fire Safety was drafted and approved in the reporting year. The Directive introduced a new improved system to monitor compliance with safety requirements. PJSC LSR Group's Directive On Accidents was approved in September 2019. The two new directives established internal reporting frequency and formats.

Next year we plan to put together and approve one more internal document, LSR Group's construction site safety standard. The standard will be implemented in 2020–2021 and will include key legal requirements and recommendations for construction work and the best safety practices learned from other construction companies' experience.

Responsibility

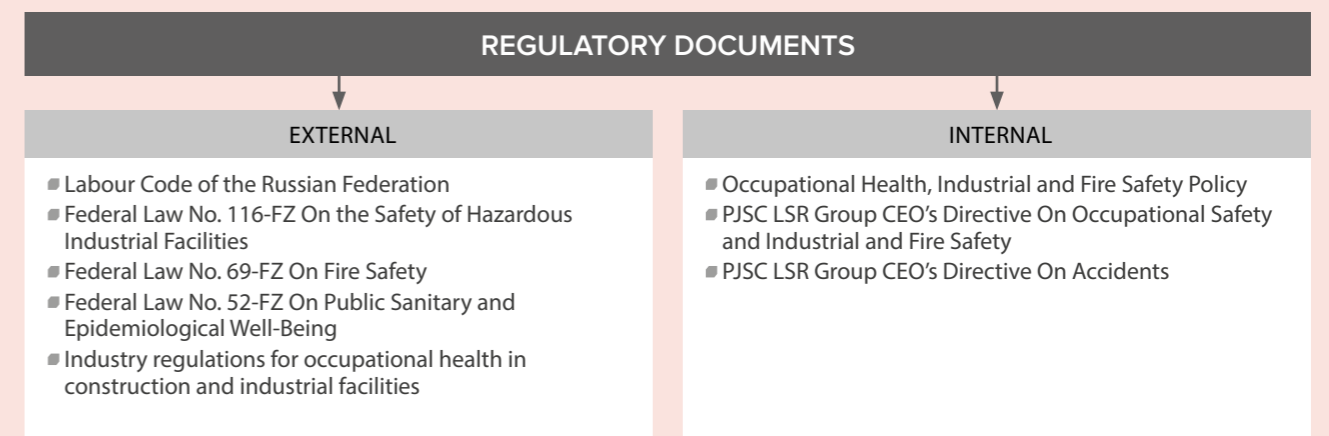
- Expert and Analytical Department, Economic Security Department
- Labour Dispute Commission at each company
- Company management
- Occupational health and industrial safety department at each company
- Specialised commissions for occupational health and industrial safety at each company

Key activities

- Development and implementation of programmes for work-related injury prevention and healthy lifestyle promotion
- Regular assessment and analysis of hazards that could negatively affect employees' life and health
- Assessment of potential impact of LSR Group operations on employees' life and health at the stage of pre-project and project documentation preparation
- Provision of information to employees; briefings and trainings
- Inclusion of safety requirements into contracts with fines for non-compliance
- Procurement and provision of appropriate personal protective equipment
- Special assessments of working conditions and equipping workplaces in accordance with safety requirements
- Medical and psychiatric examinations
- Prompt and effective response to incidents and accidents
- Systematic monitoring of condition of LSR Group construction and industrial sites
- Ensuring appropriate complaint mechanisms are in place

Reporting and performance analysis

- Internal checks and audits of occupational health, industrial and fire safety to control the compliance with applicable requirements at LSR Group's entities
- Monthly and quarterly reports on occupational health, industrial and fire safety performance from the Economic Security Department submitted to the Executive Committee for review
- Preparation and submission of proposals on improving occupational health, industrial and fire safety performance to the Executive Committee for review on a quarterly basis



CONTRIBUTION TO SAFE WORKING CONDITIONS

DEVELOPING A SAFETY CULTURE

We are committed to developing a culture of occupational safety in which every employee is personally accountable both for their own life, and for the lives and health of their colleagues. Hazards and risks are communicated on a regular basis, and regular occupational health and industrial and fire safety briefings are held for LSR Group employees.

Key principles of LSR Group in occupational health and industrial and fire safety:

- Prioritising employees' lives and health over LSR Group's performance
- Holding managers accountable for ensuring safe working conditions
- Holding LSR Group employees and contractors accountable for their own safety and the safety of those around them, with the right to intervene in the event of non-compliance with safety requirements
- Engaging all employees in activities focused on cutting the number of accidents and occupational injuries and diseases
- Prioritising preventive measures in all aspects of occupational health, industrial and fire safety.

Life and health hazard response procedure

Every LSR Group employee has the right to refuse to work in a case of threat to their life or health. In addition, once an employee has identified a situation that endangers their life or health, they are obliged to inform their employer using any available means. The employee may only proceed with the work once the cause of the situation representing a threat to life or health has been eliminated.

This provision, together with the procedure to be followed in such cases, is established in the documents of LSR Group's entities. Employees familiarise themselves with these documents, signing to confirm that they have done so, when the documents take effect or when the employee is hired.

LSR. Real Estate and Construction – North-West put up special boards to post information on achievements in the field of safety, for example, on the number of workdays without

Our occupational health and safety complaints submission procedure

LABOUR DISPUTE COMMISSIONS AT EACH BUSINESS UNIT
Compliance with labour law, including safe working conditions
SPECIALISED COMMISSIONS FOR OCCUPATIONAL HEALTH AND INDUSTRIAL SAFETY AT EACH LSR GROUP'S ENTITY
Occupational health complaints submitted by authorised representatives of employees
HOTLINES OF OCCUPATIONAL HEALTH AND SAFETY DEPARTMENTS AT EACH LSR GROUP'S ENTITY
Accepting complaints and requests from all employees

injuries or accidents. We plan to implement this practice of installing informational boards across other business units of LSR Group in the future.

In the reporting year, the Economic Security Department actively reviewed safety practices that proved to be effective at other entities, by visiting construction sites, their experience, and learning new tools and approaches in occupational health and industrial safety.

Incentives and management KPI

Employees' compliance with safety requirements is taken into consideration when calculating their bonuses and the variable component of their salary. Penalties are applied not only to offenders but also to their supervisors if the accident is caused by unsafe working conditions.

New local regulations approved in 2019 updated and formalised the procedure for calculating bonuses payable to companies management based on their injury and accident rates. The executive director of PJSC LSR Group provides the CEO with information necessary to decide whether a particular manager has to be partially or fully (in especially severe cases) stripped of their bonuses.

A new internal document, PJSC LSR Group's Directive On Occupational Safety and Industrial and Fire Safety, recommends companies management to develop safety culture and promote safe work and healthy lifestyle through active employee engagement in discussion of these matters.

Various mechanisms are in place at LSR Group for dealing with complaints and requests from all participants of our production activities. We promptly respond to any issues concerning safe working conditions or protecting the health of LSR Group employees. We ensure that all new employees are informed about how to submit complaints and requests as part of their induction briefing.

Safety requirements are also made to apply to LSR Group contractors by including a special annex into all contracts for construction and installation work. In addition, all contractor agreements concluded since the second quarter of 2018 provide for penalties in case of a contractor's non-compliance with occupational health and industrial and fire safety requirements. In such cases, the contractors' work may be suspended, and appropriate measures may be taken with respect to such contractors and their workers.

INJURY PREVENTION

LSR Group's companies prepare and implement annual programmes to prevent work-related injuries in line with all legal requirements and internal procedures.

In the reporting year, we adopted PJSC LSR Group's Directive On Occupational Safety and Industrial and Fire Safety to strengthen our focus on compliance with safety requirements. The Directive transforms the legacy three-tier control system into a new system to enhance internal control at each individual company as well as to improve centralised control provided by the Economic Security Department.

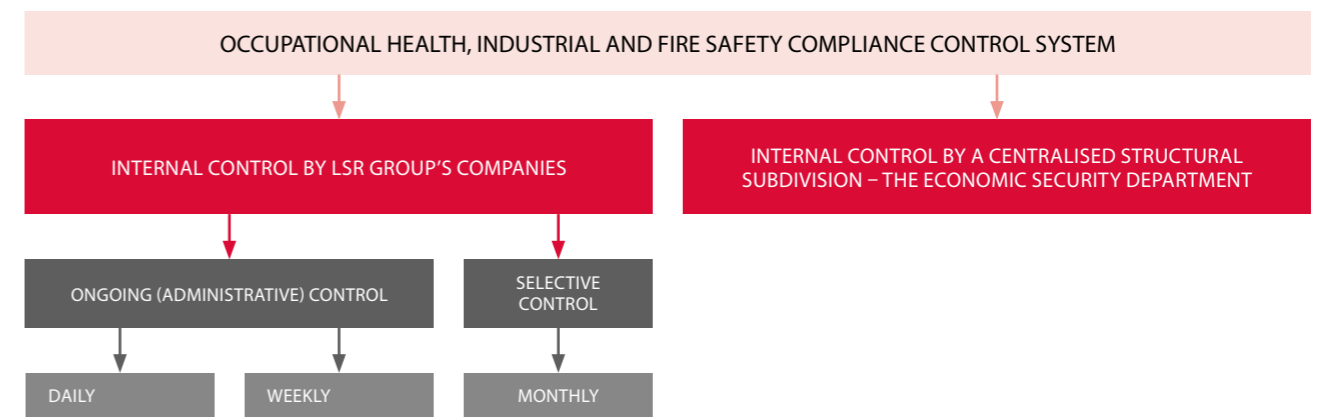
The Directive also updates the list of controllable metrics and the format and frequency of reporting on the results of audits. The new procedure is designed for submission of monthly reports with internal control results to the Economic Security Department.

The Economic Security Department inspects all LSR Group's entities and construction sites in accordance with an approved schedule. Importantly, control of safety compliance by our contractors on construction sites was greatly improved once all changes were implemented.

All identified gaps are communicated to the heads of the responsible entities for them to take appropriate action. Upon receipt of information about corrective actions, the Economic Security Department prepares a consolidated monthly report and submits it to the CEO and LSR Group's Executive Committee.

Control results by the Economic Security Department in 2019

The Economic Security Department has completed 19 inspections and identified 240 breaches of occupational health, industrial and fire safety requirements in the period from the implementation of the new control system on 1 July 2019 to 31 December 2019. LSR Group's companies were advised to impose fines on the respective contractors.



CONTRIBUTION TO SAFE WORKING CONDITIONS

A total of eight accidents occurred at LSR Group's entities in 2019, down 20% year-on-year. The lost time injury frequency rate (LTIFR) fell by 6% to 0.51. The majority of injuries sustained (seven out of eight) were light, and no accidents resulted in a fatality.

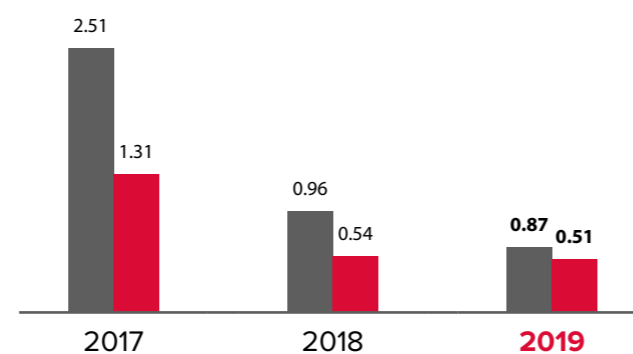
Work-related injuries¹ at LSR Group in 2017–2019

Indicator	2017	2018	2019
Total number of on-site accidents	34	10	8
Number of people injured as a result of on-site accidents (total number of injuries)	34	10	8
Including:			
<i>Fatal accidents</i>	3	0	0
<i>Number of people injured resulting in lost time (LTI)</i>	31	10	8
Injury rate (IR, per 1,000,000 man-hours)	1.44	0.54	0.51
Injury severity rate (SR), excluding occupational diseases	90.80	58.20	66.00
Absenteeism rate (AR, %)	0.07	0.04	0.06

Ad-hoc commissions were set up to investigate the causes of each accident, with measures taken to prevent similar accidents in future. PJSC LSR Group's Directive On Accidents adopted in 2019 enhanced the centralised control by the Economic Security Department over investigation results. We also established the frequency and form of internal reports on accidents, as well as uniform procedures to be followed by responsible officers in the case of an accident.

The human factor remains the main cause of work-related injuries, which includes non-compliance by employees with safety instructions and negligence at work. Therefore, our plans for further improvement of safety management approaches and mechanisms focus on promoting safety culture among LSR Group employees and contractors.

LSR Group LTAFR and LTIFR rates² in 2017–2019



■ Lost time accident frequency rate (LTAFR, per 1,000 people)

■ Lost time injury frequency rate (LTIFR, per 1,000,000 man-hours)

¹ Calculation methods:

IR = Total number of injuries / Number of man-hours worked × 1,000,000 man-hours

SR = Total number of days of temporary incapacity resulting from on-site accidents, with sick note confirming incapacity / Total number of on-site injuries sustained by employees

AR = Number of days of actual absence from the workplace (over the entire period) / Total number of days that should have been worked over the reporting period according to schedule × 100 percent.

² LTIFR = Number of lost-time injuries / Number of man-hours worked × 1,000,000 man-hours

LTAFR = Number of accidents / Average number of employees over the reporting period × 1,000 employees.

OCCUPATIONAL HEALTH

Caring for the health of our employees and taking steps to prevent and reduce the incidence of overall and work-related ill health are important objectives for LSR Group. Annual activity plans include medical examinations for employees, 'Health Days', and sports events. LSR Group employees are invited to participate in sports contests, bike rides, and other events intended to cultivate a healthy lifestyle.

LSR Group's companies have operational control programmes in place that require compliance with sanitary regulations and the implementation of public health (preventive) measures.

A number of LSR Group's companies also provide medical insurance programmes including emergency care, annual vaccination of employees, and first-aid stations at LSR Group's companies or contractual services provided by nearby medical institutions.

A separate range of occupational health measures was devoted to prevent and reduce the incidence of occupational diseases which employees at LSR Group's companies are at risk of developing. No occupational diseases have been identified at LSR Group's companies in 2019.

Aiming to minimise the risk of occupational diseases, we devote special attention to implementing the following measures: applying and improving individual and collective protective measures; conducting professional screening and expert assessments of unsuitability; improving the effectiveness of preliminary and periodic medical examinations; and implementing technological measures to automate the production process.

NOVAYA OKHTA, St. Petersburg



CONTRIBUTION TO DECENT WORKING CONDITIONS

Our success above all else relies on our people, who are the key strategic asset. We work daily to create optimal conditions for them to fulfill their personal and professional potential. »

Polina Golubeva
HR Director



Aerated Concrete Plant, Sertolovo

APPROACH TO HR MANAGEMENT

LSR Group's HR policy ensures that our employees receive decent pay, provides them with social support, and offers them training, and professional development as well as career advancement opportunities. Meeting these objectives allows us to maintain high employee productivity and performance, thereby laying the foundation for LSR Group's future success.

We comply with the requirements of the labour law, including those pertaining to human rights, and are committed to implementing uniform approaches to HR and social policies across all business units while enabling LSR Group's entities to build their own HR management processes taking into account their specific business profile.

Responsibility

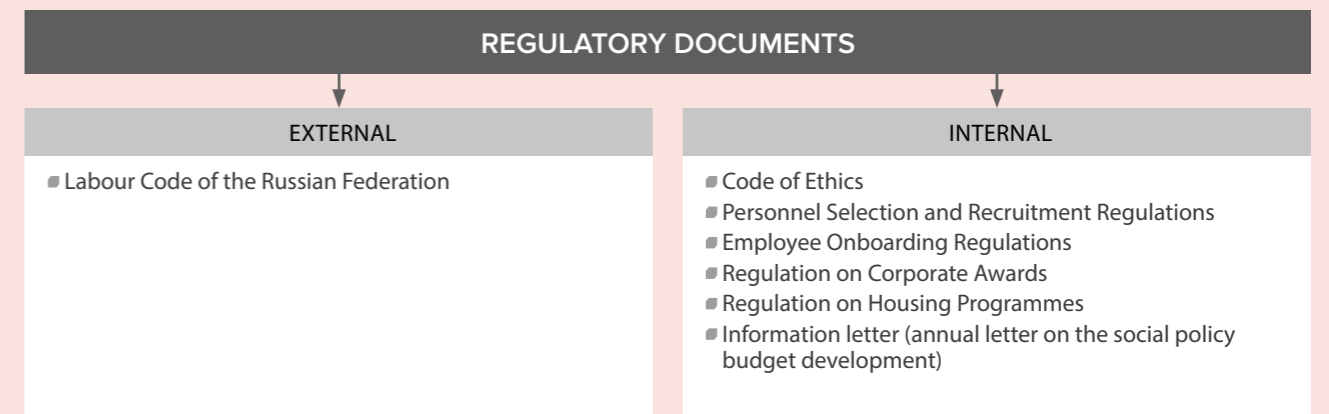
- Human Resources Department

Key activities

- Development and revision (if necessary) of HR policy's corporate standards and regulations, as well as local regulations
- Selection and recruitment of staff to fill vacancies according to LSR Group's needs
- Engagement with relevant educational institutions and enhancing the appeal of construction careers
- Implementation of initiatives to develop LSR Group's corporate culture and HR brand
- Running training and upskilling programmes for employees
- Conducting monthly monitoring of domestic market wages
- Ensuring timely payment of competitive cash compensation
- Implementation of financial and non-financial motivation programmes
- Running social programmes and events for employees
- Monitoring employee compliance with internal documents

Reporting and performance analysis

- Weekly meetings to discuss operations and meetings of HR managers to discuss annual performance
- Assessing the effectiveness of current HR procedures and developing measures to improve them
- Preparation of reports on key HR metrics: on a weekly, quarterly and annual basis
- Operating the Trust hotline service
- External inspections and audits



CONTRIBUTION TO DECENT WORKING CONDITIONS

IMPROVING MANAGEMENT PROCESSES

In 2019, we continued improving our HR management processes as part of the project to centralise the HR function across LSR Group's companies. Starting from 2019, HR records maintenance and HR management have been the responsibility of a centralised structural subdivision, Human Resources Department, which provides its services based on contracts signed with LSR Group's entities.

This centralisation project was aimed at boosting the performance of our HR staff and improving the quality, reliability, and speed of information provided to LSR Group's management on significant HR-related events and metrics. The year under review was a transition period, with our HR team adopting new procedures for decision-making and reporting.

Below are the selected activities we performed in 2019 following the centralisation project completion to further improve the efficiency of our HR processes.

1. Unification of the structure (positions, departments) and features of all HR processes, followed by the approval of new, unified job descriptions for all specialists.
2. Unification of skill levels among HR specialists and building a common understanding of complex HR management matters and cases (through courses, trainings and other forms of discussion and training).
3. Themed reviews of local regulations and HR documents across all serviced LSR Group's companies, followed by their revisions in order to standardise wordings and reflect all organisational changes and amended legislation.

Automation of HR management processes

In 2019, we continued our project of transition to an updated version of the 1C: Payroll and HR Management software. During the year, most companies of LSR Group migrated to the new version, with the rollout scheduled for completion in 2020. The new software has simplified HR record-keeping, standardised templates of all orders, contracts and other HR documents, as well as accelerated amendments to internal documents.

The next stage of the project is automation of records on HR management performance metrics. The new platform has functional modules and tools enabling the set-up and automation of collection of metrics related to staff recruitment and training performance.

Internal and external inspections are another mechanism for improving HR management processes. In 2019, general recommendations were developed to improve the existing HR record management system based on internal inspections conducted by the Human Resources Department. The scheduled inspections carried out by the State Labour Inspectorate during 2019 did not identify any irregularities at LSR Group.

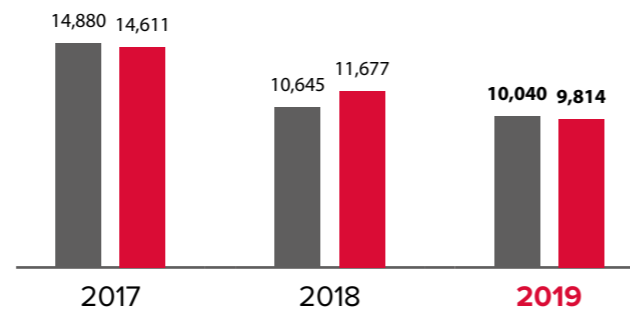
¹ Average headcount includes part-time employees and excludes external part-time staff and workers with independent contractor agreements.

PERSONNEL STRUCTURE

LSR Group is one of the largest employers both in its sector and in the regions of its presence. In 2019, LSR Group employed an average of 9,814 people¹ (down 16% year-on-year), with the headcount at 31 December 2019 totalling 10,040 employees (a decrease of 5.7% year-on-year). The decrease was mainly due to the sale of LLC LSR. Reinforced Concrete and closure of one facility at the LSR. Aggregates business unit.

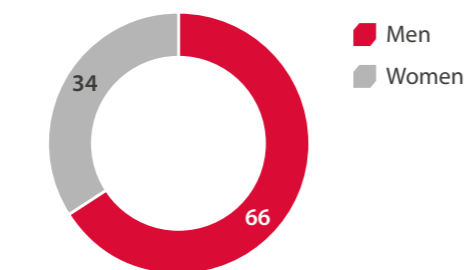
Most of the employees work at LSR Group's entities located in the Northwestern region, and the remaining 20% in other regions of LSR Group's operation.

Number of LSR Group's employees in 2017–2019



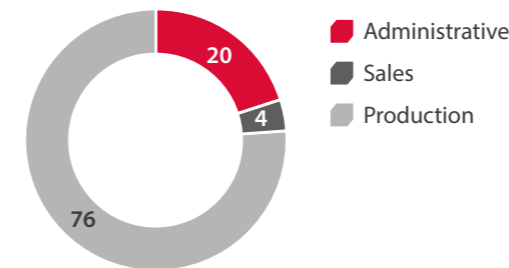
■ Headcount as of 31 December
■ Average headcount

Gender balance at LSR Group in 2019, %



Given the nature of LSR Group's activities, 66% of our employees are male. The share of the production workforce slightly increased in 2019 compared to 2018 and amounted to 76% of total employees. Our administrative staff and sales force accounted for 20% and 4% of the total, respectively.

LSR Group personnel breakdown by category in 2019, %



LSR Group benefits from an age-diverse workforce, with young specialists (26–35 years) and middle-aged employees (36–45 years) making up more than 53% of LSR Group's total workforce. We also highly value experienced specialists and blue-collar workers who pass on their expertise and skills to younger colleagues, with around 21% of LSR Group's total workforce falling within the age group of 56 and above.

We are committed to offering permanent employment contracts to almost all of our employees (97% of LSR Group staff as at the end of 2019). The majority of our staff are also full-time employees (97% of LSR Group employees as at the end of 2019).

Staff recruitment and turnover across LSR Group, 2017–2019

Indicator	2017	2018	2019
Number of new employees	4,676	3,004	2,323
Percentage of new employees, %	31	28	23
Number of leaving employees	4,215	2,929	2,698
Employee turnover, %	28	28	27³

² The average recruitment and onboarding success rate is calculated as an average rate across all LSR Group's entities. For every individual entity, the recruitment success rate is calculated using the following formula: Recruitment and onboarding success = 100 - 100 * Number of leavers for the period / Number of starters for the period, where:

Number of starters for the period is the number of employees recruited by LSR Group as their principal place of employment during the reporting period. This excludes the number of contracted employees who have been permanently employed to fill vacated positions after providing services for over 12 months.

Number of leavers for the period is the number of employees who left LSR Group as their principal place of employment during the reporting period and had been recruited within the same reporting period.

This excludes the number of employees recruited for the duration of the navigation period. Calculations of the numbers of starters and leavers also exclude internal transfers within LSR Group, employees working under fixed-term employment contracts who started and left during the reporting period, as well as employees whose employment lasts for the duration of their respective work permits (e.g. foreign nationals).

³ The voluntary turnover rate in 2019 was amounted to 22% (calculated using the following formula: Number of employees that voluntarily left LSR Group across all business units / Average headcount).

CONTRIBUTION TO DECENT WORKING CONDITIONS

Participation in Profstazhirovki 2.0 internship programme

During the reporting year, LSR Group partnered with Profstazhirovki 2.0 internship programme – a new platform enabling direct interactions between a student and an employer, which plays a crucial role in providing career opportunities to young people by offering work placement and internship opportunities. Profstazhirovki 2.0 internship programme is a nationwide competition held in stages as follows:

- An employer posts his problem cases on the competition website
- A student solves a case as his or her undergraduate or graduate research-to-practice project
- Winners of the competition are offered work placements or internships

Employment opportunities for people with special needs

During 2019, LSR Group expanded its employment opportunities for people with special needs. In addition to offering direct employment opportunities at LSR Group's companies, in August 2019 we signed an agreement with the St. Petersburg-based League of Public Associations of Parents of Children with Disabilities (GAOORDI) which provides for setting up workplaces to people with special needs at facilities provided by GAOORDI. This arrangement enables such people to realise their potential in various careers.

All our new employees complete a special onboarding programme, the main purpose of which is to reduce the time it takes for them to settle into their roles, to improve their engagement and earn their loyalty. We also run introductory training sessions for new employees alongside our introductory tours of LSR Group's production sites.

TRAINING AND DEVELOPMENT

The evolving competitive landscape, constantly changing external environment, and technology developments determine the importance of improving our internal processes, including employee training and upskilling, as well as assessment of their managerial and personal skills.

LSR Group's Corporate HR Assessment and Development Centre is responsible for implementing training programmes for specialists and line managers. The corporate training system includes the following programmes:

- Tools for Effective Operations, a mid-term programme developed for promising specialists with the potential to become managers in the near future
- Effective Leadership Workshop, a mid-term programme for line managers
- The Competent Manager, a long-term corporate programme for management
- The Business Expert programme, which comprises three training courses (Business Finance and Economics, Marketing Management, and Data Analysis and Excel Modelling)

In 2019, LSR Group's Corporate HR Assessment and Development Centre designed and successfully held a new training programme, Presentation Skills for Everyone. A total of 25 employees took the new programme. In 2020, we plan to continue running our traditional programmes while developing new training courses.

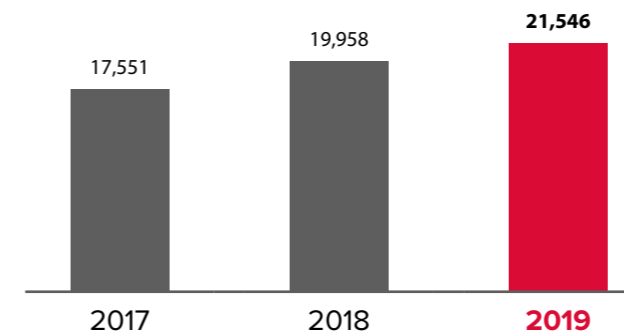
We also engage external trainers and coaches for our training programmes. For example, faculty from Peter the Great St. Petersburg Polytechnic University ran another Fundamentals of Construction programme in 2019, which has already become a tradition. Additional seminars and workshops were organised for LSR Group's senior managers, as well as managers and specialists from LSR Group's entities and our commercial subdivisions. Seminars on sustainable development were organised for top management and companies within the Building materials segment.

Building a talent pool of line managers is our key priority in HR management. A total of 61 LSR Group's employees underwent assessment of their managerial and personal skills in 2019; each of them received feedback, and a roadmap for their improvement and development was discussed.

In addition, LSR Group's entities run in-house licensed training centres to provide training to blue-collar workers. Where necessary, LSR Group arranges personnel training at third-party educational institutions.

About 4,500 employees of LSR Group's entities, including 2,500 blue-collar workers, completed various training and upskilling programmes in 2019. A total of RUB 21.5 million was spent on training programmes during 2019, up 8% year-on-year.

Investment in training programmes, 2017–2019, RUB thousand

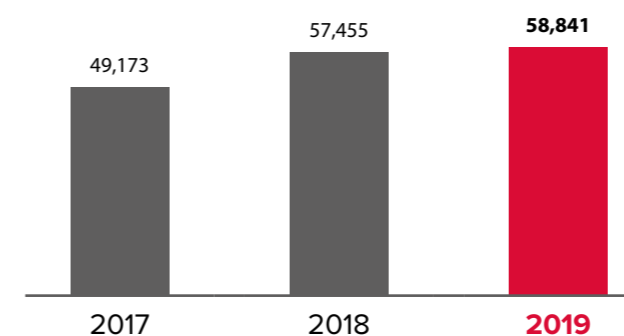


EMPLOYEE MOTIVATION

LSR Group has a well-developed, performance-based system of financial motivation for staff that ensures competitive and fair compensation. LSR Group guarantees its employees stable and timely pay.

The average salary of LSR Group employees was RUB 58,841 in 2019. Excluding social contributions, total compensation costs in 2019 were approximately RUB 9.5 billion. To ensure our competitiveness in terms of pay in the regions where we operate, we adjust our payroll if we reach our business plan target numbers.

Average salary of LSR Group's employees in 2017–2019, RUB



Our compensation system is designed to build personal motivation to achieve LSR Group's plans and business targets. For blue-collar workers, a piece-rate payment system is used, directly linked to performance. The salaries of specialists and line managers consist of a fixed pay and a variable (motivational) component. The size of the variable component for any given employee category is determined by their functional responsibilities and performance during the reporting period. This approach allows salaries to be linked to employee productivity levels.

Effective incentive programmes are in place for top managers, linking the amount of their remuneration to the achievement of LSR Group's strategic goals and their personal KPI targets. The key indicator for the remuneration to be paid is the achievement of the net profit target. In 2019, the total number of employees whose remuneration included a performance-based variable (motivational) element was 690 (managers, line managers, and some specialists).

Long-term incentive programme for key employees

In 2019, LSR Group introduced a new long-term incentive programme (LTIP) for its key employees for 2019–2023. LTIP participants (approximately 100 employees) will receive PJSC LSR Group shares if key strategic targets are achieved.

The objectives of the new programme are to further improve the incentive system, maintain a strong management team, align the interests of the management and shareholders, and support achieving LSR Group's long-term goals.

As a part of its non-financial motivation programme, LSR Group twice a year celebrates employees who have achieved excellent operational results with corporate awards. LSR Group's awards were presented to 271 employees in 2019, including five who received LSR Group's highest accolade: the Best in LSR golden pin.

LSR Group's employees also receive various departmental, municipal, and public awards for their achievements in the construction, industrial, or building materials sectors. 60 employees received these awards in 2019.

In addition, LSR Group employees participated in external professional excellence competitions of various levels, winning awards in nominations such as Best Construction Site, Best Reinforced Concrete Products Installation Team, Best Bricklayer, and many other.

These competitions are held to promote the image of blue-collar professions, raise the bar in skill level, motivate construction teams, and provide occupational guidance for the young.

LSR Group's HR brand development

In 2019, to promote LSR Group's HR brand, we launched a survey to gauge employee engagement and satisfaction. During the year, about 1,500 employees holding various positions at LSR Group's entities and representing different length-of-service, age and gender groups were surveyed.

There is a plan to survey another 500 employees in 2020, finalise the findings, and present them to management. There is a further plan for 2020 to do the second part of the project to conduct a perception study of LSR Group as an employer for external job seekers.

The main purpose of this project is to promote employee engagement and better position LSR Group as an employer both for internal and external candidates.

CONTRIBUTION TO DECENT WORKING CONDITIONS

SOCIAL POLICY

Social policy at LSR Group focuses on creating a comfortable working environment and improving the well-being of employees and their families. This in turn helps to boost staff motivation and performance. Key focus areas of social policy at LSR Group include:

- Financial assistance for employees and their families
- Reimbursement of meal costs for blue-collar personnel
- Provision of decent social and living conditions for workers
- Medical insurance, including emergency medical care, first-aid stations at LSR Group's entities or access to medical services contracted from nearby medical institutions, and annual vaccination of employees
- Organising large-scale corporate sports events
- Corporate events and programmes for employees' children
- A housing programme
- Discounts on building materials products manufactured by LSR Group companies

Social policy standards and budget limits are communicated via an annual information letter on developing a social policy budget. A total of RUB 252 million was allocated for LSR Group's social programmes in 2019, including approximately RUB 13 million in financial assistance for employees (excluding maternity benefits).

LSR Group's housing programme

LSR Group's housing programme gives employees an opportunity to purchase housing in LSR Group's under-construction or already completed development projects. The discount depends on the length of service at LSR Group. The programme is a popular one – in 2019, 140 employees used the discount to buy apartments.

Sports events

LSR Group promotes healthy lifestyle among its employees. Our entities have corporate football and volleyball teams. LSR Group is also an active participant, and often a winner, in competitions between construction companies in a variety of sports. An example of 2019 corporate sports events is LSR Group Cup futsal championship.

Growing with LSR programme

Growing with LSR is a corporate social programme aimed primarily at setting up learning and career guidance projects for employees' children, holding various events for customers' children, and improving social facilities (such as children's playgrounds within LSR Group's residential projects). Thanks to the programme, our employees can spend quality time with their children outside of work. The programme improves our employee engagement and loyalty, boosts LSR Group's brand, and generally enhances the appeal of the careers in construction industry. The programme is run across the LSR Group regions of presence. A total of RUB 4.7 million was allocated for it in 2019.

The programme targets children of our employees, customers and partners, beneficiaries of LSR Group's charity projects, and students at higher and vocational education institutions.

In 2019, we conducted 26 events as part of the programme, including cultural, creative, and educational competitions, tours for employees and their children (including tours to work sites), and workshops. We also arrange social events at LSR Group entities and construction sites for LSR Group's partners and clients.

We have a partner loyalty programme that in 2019 continued in all three main regions where we operate. Under the programme, LSR Group works together with a range of companies whose products and services may be of interest to our employees. All products covered by the programme are available to LSR Group employees on special terms.

In 2019, two LSR Group's offices ran initiatives offering their employees to donate their unwanted possessions to charity, combining social and environmental benefits. The employees had the opportunity to support those in need and also to act on sustainable use of natural resources and recycling.

Our employees are informed about all available social support measures through our internal communications, for example, new employees can get this information at their induction courses and through the intranet portal, and those who do not work at the computer – through wall posters at our operating facilities, the corporate magazine, social media groups for employees, and through the corporate television that was launched in 2019.



LUCHI, Moscow

CONTRIBUTION TO COUNTERING CORRUPTION

📌 We are guided in our daily operations by the principles of honest, transparent and ethical business conduct. LSR Group’s management closely monitors all matters related to combating corruption and all forms of abuse, including bribery and fraud. 📌

Alexey Mochalov
Director for Economic Security

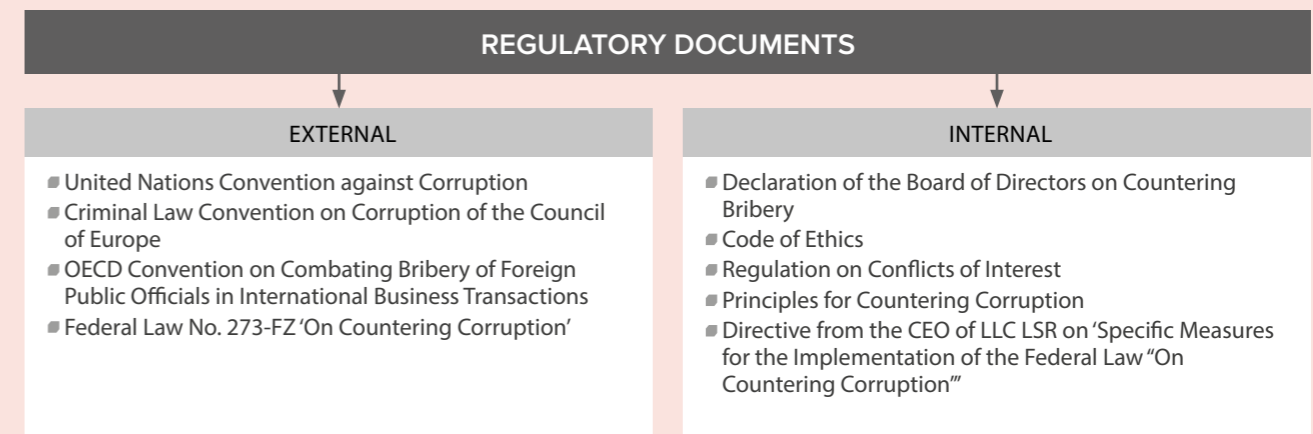


“Granite-Kuznechnoye” Quarry

APPROACH TO ETHICAL BUSINESS CONDUCT

Our countering corruption efforts cover all core business processes of LSR Group, including major business processes such as recruitment or procurement. In 2019, we added several new areas to the list of business processes that require particular scrutiny, such as management of non-core assets, with additional controls enabled for this business process, including monitoring of corporate discipline, document flow, engagement with non-core assets and dealing with clients and tenants.

Responsibility
<ul style="list-style-type: none"> ■ Economic Security Department ■ Management of LSR Group’s companies
Key activities
<ul style="list-style-type: none"> ■ Planning measures to prevent corrupt and other illegal activity to be developed on an annual basis and approved by LSR Group’s management team and managers of its business units ■ Revising LSR Group’s internal standards and corporate code of conduct so as to prevent conflicts of interest and unlawful practices ■ Regularly assessing and analysing the risk of corruption ■ Implementing awareness and prevention initiatives to develop a culture of zero tolerance towards corruption and unethical conduct ■ Rotating employees who hold positions associated with a high risk of corruption ■ Maintaining a database for identifying and systematising information about potential conflicts of interest among employees ■ Ensuring that price-setting processes are properly regulated, which helps to prevent abuse ■ Ensuring efficient operation of the Trust hotline
Reporting and performance analysis
<ul style="list-style-type: none"> ■ LSR Group’s companies report their annual performance to the Economic Security Department for review ■ The Economic Security Department prepares and submits reports on ad hoc audits to managers of relevant functions



CONTRIBUTION TO COUNTERING CORRUPTION

DEVELOPING A CULTURE OF ZERO TOLERANCE TOWARDS CORRUPTION

LSR Group is focused on fostering a culture of zero tolerance towards corruption and unethical behaviour among LSR Group's employees, counterparties and partners. Key tools that are used by LSR Group on an ongoing basis:

- Conducting regular meetings, preventive discussions and internal conferences with LSR Group company managers and employees
- Informing our counterparties and partners about anti-corruption issues
- Providing special trainings for employees of the Economic Security Department
- Introducing anti-corruption clauses in all standard contracts and agreements to be signed with employees and counterparties of LSR Group

All our employees, including new hires, are provided with information and regular updates on LSR Group's existing anti-corruption policies and methods. Additionally, the Economic Security Department holds annual awareness raising meetings with employees to explain LSR Group's zero-tolerance policy towards corruption in any form and inform them of any changes or innovations in this area.

For instance, in 2019 a business unit LSR. Aggregates issued four anti-corruption newsletters covering a range of examples of corrupt practices and their potential implications for employees and other stakeholders. The newsletters were distributed in the electronic form and posted on notice boards at subdivisions that have no access to electronic means of communication.

Management's commitment

LSR Group's active engagement in communicating the importance of anti-corruption efforts and zero tolerance for corruption is critical for fostering transparent and ethical business conduct.

In 2019, we stepped up these efforts at all management levels by holding regular meetings with all CEOs and all key Deputy CEOs. Executives of different levels also initiated meetings and discussions on changes to corruption risk mitigation process.

Furthermore, during the reporting year, four LSR Group specialists completed special training courses on anti-corruption tools. The Department also held internal conferences compulsory for all its employees, where attendees discussed issues and innovations, while Department employees and external experts presented their reports.

It is equally important that our counterparties and partners are kept informed about anti-corruption issues. For example, in 2019 anti-corruption policies and procedures were communicated to a total of 3,819 counterparties and business partners.

Informing stakeholders about existing anti-corruption policies and measures at LSR Group

Informed stakeholders	Total number of informed people
Representatives of key corporate governance bodies (the Board of Directors, the Executive Committee) informed	11
Employees informed	9,162
Business partners (counterparties) informed	3,819

LSR Group organises annual events to share experience with colleagues from other construction and development companies. For instance, the Economic Security Department coordinates the activities of the Association of Employees of Economic Security and Anti-Corruption Organisations in the Construction Sector of the North-Western Federal District. The Association holds annual meetings to share experience and build new approaches to prevent and counter corruption and fraud.

Open lectures delivered by the staff of the Economic Security Department to students of the Economic Security Department of the Faculty of Economics at the RANEP North-West Institute of Management contribute to training and fostering a strong talent pool.

COUNTERING CORRUPTION RESULTS

Regular risk assessments are a principal tool for preventing corruption and fraud. Employees of the Economic Security Department use advanced specialised information systems to gather and consolidate data on risks associated with corruption.

The risk assessment procedure consists of several stages, which allows us to fully evaluate the potential negative consequences of these risks and improve the effectiveness of existing approaches to preventing corruption. Corruption risk assessments were carried out at all business units of LSR Group during the year. There were no confirmed incidents of corruption identified within LSR Group in 2019.

Trust hotline service

LSR Group operates the Trust hotline service, a tool for collecting and analysing information related to potential corruption or fraud, unethical conduct and other forms of abuse. The Trust hotline's contact number and email address (trust@lsrgroup.ru) can be found on the LSR Group website and at all entities and production sites of LSR Group.

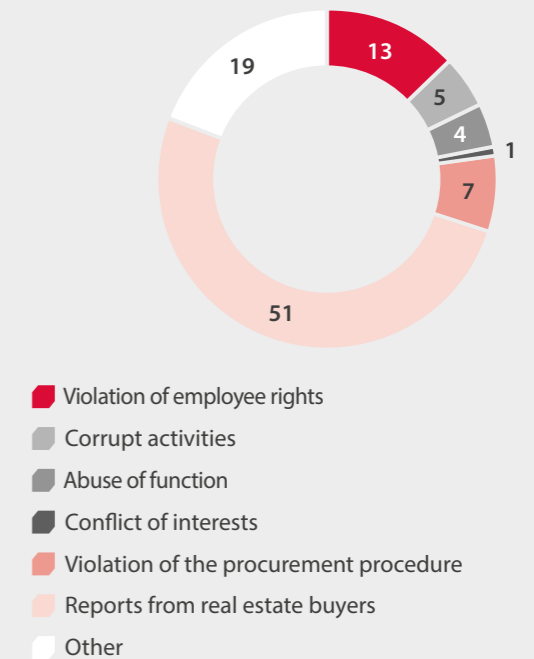
The hotline system allows callers either to speak personally with an operator or to leave an anonymous voicemail. Any individual may report a suspected wrongdoing to the service. The Economic Security Department processes all reports and responds to everyone who contacts the service.

The number of reports increased in 2019. The increase was primarily due to improved effectiveness and accessibility of the hotline (driven by changes introduced in 2018) and higher awareness about the hotline among external stakeholders. In 2019, the Trust hotline service received 78 messages, four of which related to corruption. Investigations into the reports made through the hotline found no confirmed incidents of corruption. No violations of employee rights or conflicts of interest among LSR Group's employees were identified in 2019.

Our anti-corruption activities extend to our contractors as well. In 2019, we continued introducing changes to our procurement system to make the process more transparent and cultivate fair competition. Additional information on measures implemented in this area can be found in the Responsible Approach across the Supply Chain section.

Additionally, we acquired a special instrument to prevent engagements with legal entities and individuals under sanctions – an international electronic platform to screen all counterparties and partners of LSR Group against sanctions lists.

Number of messages received by the Trust hotline service in 2019



LSR Group's short- and medium-term plans include making further progress on preventing corruption and fraud and developing a culture of zero tolerance towards corruption among LSR Group's employees, counterparties and other stakeholders.

CONTRIBUTION TO ENVIRONMENTAL PROTECTION

LSR Group operates in several regions of Russia under varying environmental conditions and recognises the importance of sustaining the environmental well-being of these regions. Our key priorities for environmental protection are to minimise any negative impact and to restore the ecosystems damaged in the course of industrial operations.



SMOLNY PARK, St. Petersburg

APPROACH TO ENERGY EFFICIENCY AND ENVIRONMENTAL MANAGEMENT

Environmental management at LSR Group is founded on strict compliance with the requirements of the environmental legislation, and its entities continually keep track of any changes in these laws. All LSR Group's entities have valid regulatory paperwork and permits and comply with the relevant limits and standards regarding emissions, discharges, and waste. Allowable limits and volumes are assigned depending on the category of facilities with negative environmental impact on the environment and the types of their activities. LSR Group has all licences in place for activities that require licencing.

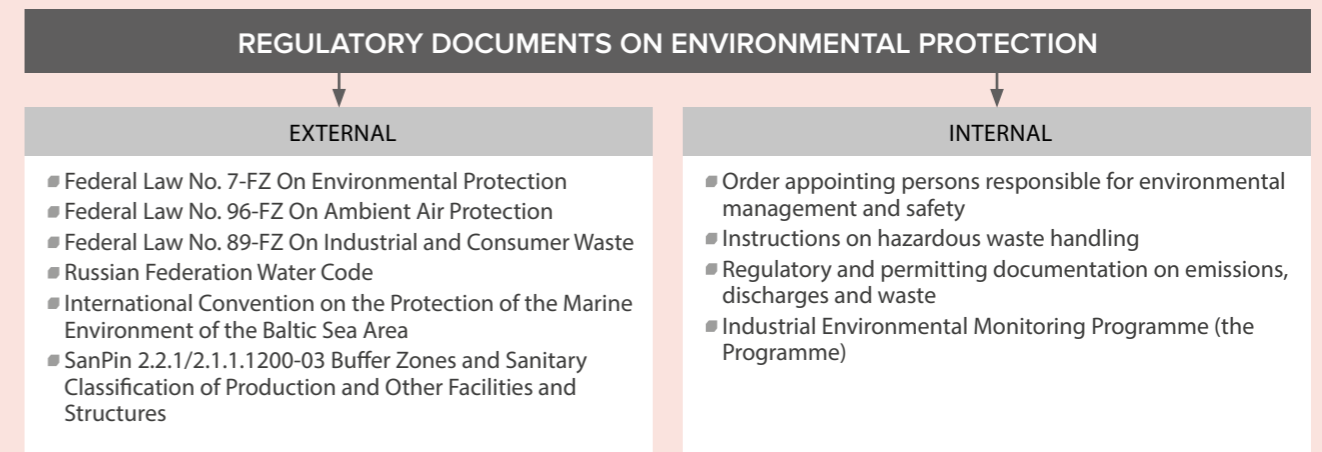
PJSC LSR Group's Environmental Policy was approved in 2019 to improve environmental management and transparency.

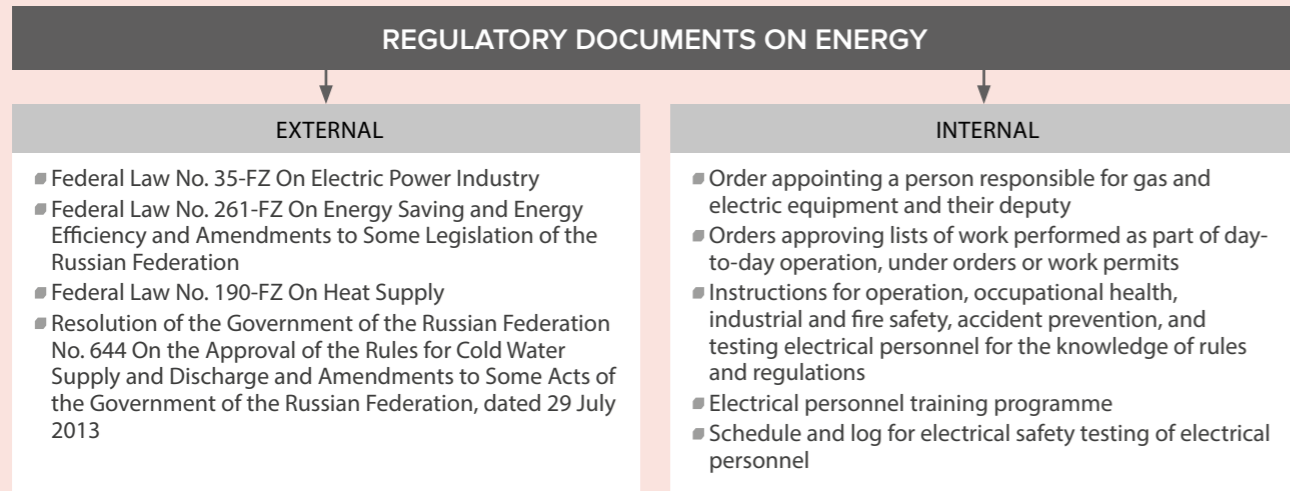
The table below lists management methods used on own production and construction sites. In the other business segment – real estate development – LSR works with contractors who carry out construction and installation work and bear responsibility for environmental impact and other factors. A detailed description of environmental management in real estate development can be found in LSR Group Sustainability report 2018.

The environmental protection data below cover our Building Materials segment only (except for energy use and environmental protection costs data which account for the entire LSR Group). LSR Group's Building Materials segment is responsible for the most significant environmental impact due to the nature of its industrial and technological processes.

In the reporting year, LSR Group spent a total of RUB 88,148 thousand on environmental protection activities, including RUB 22,104 thousand within the Building Materials segment. There were seven external environmental inspections of the Building Materials segment facilities in 2019. The inspecting authorities issued one warning and one improvement notice without significant fines.

No accidents with environmental impact (peak or emergency emissions or discharges, major spills of petroleum products) have been registered within the Building Materials segment in 2019.





Environmental protection

Responsibility
<ul style="list-style-type: none"> ■ Structural subdivisions of LSR Group or specific positions established to take charge of environmental protection
Key activities
<ul style="list-style-type: none"> ■ Development and revision (if necessary) of local regulations ■ Regular monitoring of changes in legislation ■ Developing and approving regulatory and permitting documentation in due time ■ Operational control in the field of environmental protection in accordance with the approved Programme including monitoring of the following parameters: <ul style="list-style-type: none"> ■ Ambient air protection ■ Water body protection and use (including treatment facility control) ■ Waste disposal ■ Gas cleaning performance control ■ Laboratory tests of air at the boundaries of buffer zones ■ Development and implementation of water protection plans; water body monitoring ■ Monitoring compliance with the established requirements for temporary waste storage facilities and timely waste removal from such facilities ■ Timely training of managers and specialists
Reporting and performance analysis
<ul style="list-style-type: none"> ■ Quarterly and annual reports in accordance with the effective laws ■ External inspections and audits

Energy

Responsibility
<ul style="list-style-type: none"> ■ Chief Power Engineer or Chief Engineer Services of each entity
Key activities
<ul style="list-style-type: none"> ■ Development and update (if necessary) of local regulations and design documentation ■ Regular monitoring of changes in legislation ■ Periodic tests of power quality, electrical measurements of power grids and mechanisms, inspections for compliance with occupational health and industrial safety requirements ■ Introductory, induction, refresher, ad hoc, and targeted briefings ■ Gas, water, electricity metering ■ Timely training of managers and specialists ■ Regular testing of electrical personnel for their knowledge of electrical safety rules, heating equipment operation rules and occupational safety rules for heating equipment operation
Reporting and performance analysis
<ul style="list-style-type: none"> ■ Preparing and publishing reports in accordance with legislative requirements ■ External inspections and audits

CLIMATE STRATEGY AND ENERGY EFFICIENCY

LSR Group shares the global community's concerns about climate change and recognises the importance of addressing this issue.

As a construction and building materials industry player, we recognise the role we have in making a significant contribution to the development of a low-carbon economy in Russia. According to the International Energy Agency,¹ buildings and the construction industry account for approximately 36% of global energy consumption and 39% of carbon dioxide (one of the main greenhouse gasses) emissions.

LSR Group seeks to reduce both direct greenhouse gas (GHG) emissions from our production processes and own heat and electricity generation, and indirect emissions from our purchased energy and from energy use by our customers in the buildings and apartments purchased from LSR Group. We are improving our climate risk management as well as designing and deploying a system to support regular estimation (calculation) and analysis of GHG emission volumes.

LSR Group devotes significant attention to monitoring its use of energy resources and improving energy efficiency. Implementing energy-efficient technologies is important both for making effective use of non-renewable energy resources, as well as for managing climate risks. The use of fossil fuels in energy generation and consumption is a key source of GHG emissions into the atmosphere. In order to reduce its electricity consumption, LSR Group strives to optimise its production processes and reviews opportunities to use alternative energy sources.

LSR Group is a top energy efficient company

In November 2019, LSR Group received a silver award in the Business Leader: Energy Efficiency category of the Russian energy efficiency rating. The rating was compiled by RAEX based on 2018 performance.

In 2019, LSR Group's companies used the following types of fuel resources: natural gas, diesel fuel, petrol and heating oil. Some of LSR Group's companies have their own boiler plants which use small quantities of natural gas and heating oil to generate heat. This energy in the form of steam or hot water is used in production processes and to provide heating and hot water supply to commercial and residential consumers. Brick kilns are the largest consumer of natural gas at LSR Group. Some facilities have diesel power plants as permanent or backup power supply.

In 2019, our energy use decreased across all types of fuel resources (except for heating oil, for which consumption remained flat). This progress was largely due to our efforts to optimise our production capacities and processes, vehicle fleet and transport routes.

¹ International Energy Agency (IEA): Global Status Report for Buildings and Construction, 2019.

² GHG emissions from stationary sources were estimated in accordance with Order of the Ministry of Natural Resources and Environment of the Russian Federation No. 300 On the Approval of the Methodology and Guidance for Quantitative Assessment of Greenhouse Gas Emissions by Organisations Engaged in Business and Other Activities in the Russian Federation, dated 30 June 2015 (excluding emissions from the production of ceramic products not related to fuel combustion, which are not included in the calculation); GHG emissions from mobile sources were estimated in accordance with the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

LSR Group's total consumption of fuel in 2019

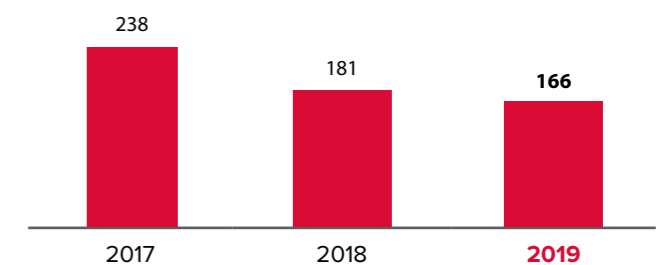
Fuel	Consumption
Petrol	709 thousand litres
Diesel fuel	29 million litres
Natural gas	65 million cubic metres
Heating oil	0.3 thousand tonnes

The majority of our electricity comes from central power grids. LSR Group's companies regularly record, monitor and analyse their energy consumption. Due to optimised production processes and changes in its production asset portfolio, LSR Group reduced its electricity consumption in 2019 by 8% to 166 million kWh and heat consumption by 22% to 28 thousand Gcal. LSR Group's entities continue phased implementation of energy-saving light sources and optimisation of power distribution.

LSR Group's total electricity and heat consumption in 2017–2019

Energy type	2017	2018	2019
Electricity, million kWh	238	181	166
Heat, thousand Gcal	71	36	28

LSR Group's electricity consumption in 2017–2019, million kWh



The first-ever estimation (calculation) of the volumes of LSR Group's direct GHG emissions was performed for the Building Materials segment for the year 2019. The GHG emissions volume estimate included the most significant stationary and mobile emission sources, such as kilns, boilers, diesel-fired power plants, road and off-road vehicles, waterborne and rail transport.² The direct GHG emission calculation did not include emissions from ceramic manufacture not related to fuel combustion.

CONTRIBUTION TO ENVIRONMENTAL PROTECTION

Direct GHG emissions from the companies within the Building Materials segment, tonnes of CO₂- equivalent

GHG emission source category	Direct GHG emissions in 2019
I. Stationary combustion of fuel	103,780
II. Mobile combustion of fuel	60,193
- Road transport	3,160
- Off-road transport and equipment	35,813
- Rail transport	1,227
- Waterborne transport	19,993
TOTAL:	163,973

MATERIAL RESOURCE MANAGEMENT

An important goal for LSR Group is to monitor the quality of the material resources that it uses and to reduce the material intensity of production, while maintaining product quality.

LSR Group's companies within the Building Materials segment use the following key resources as their raw materials: sand, clay, granites and granite gneisses, crushed granite, and cement. Whereas sand, clay, granites, and granite gneisses (which are used to produce crushed granite) are produced from LSR Group's own deposits, we buy cement from third-party suppliers.

LSR Group's companies comprise a single production chain within which products of one entity are the material resources used by another. Thus, clay is a raw material for making bricks; granites and granite gneisses are used to make crushed stone; and produced marine and quarry sands are a finished product – sand. Crushed granite and sand are used to produce ready-mixed concrete. Finished products such as bricks, aerated concrete, and ready-mixed concrete are, in turn, used in the next link of the production chain – the construction of buildings and structures.

Production of resources by the companies within the Building Materials segment under subsoil use licences in 2017–2019, thousand tonnes

Material type	2017	2018	2019
Granites and granite gneisses, thousand cubic metres	6,682	8,579	8,243
Sand	10,855	19,471	13,852
Clay	801	710	792

Consumption of key material resources for production by the companies within the Building Materials segment in 2017–2019, thousand tonnes

Material type	2017	2018	2019
Granites and granite gneisses used to produce crushed granite, thousand cubic metres	6,682	8,579	8,243
Sand	12,409	21,018	15,303
Crushed granite	1,060	1,150	1,054
Cement, including Portland cement	618	640	533
Clay used to make bricks (produced internally and purchased)	830	743	798
Metal	10	10	0
Lime	42	28	27
Gypsum stone	14	7	7
Aluminium powder	0.8	0.7	0.7
Gypsum	20	22	20
Slag	7	4	43

In 2019, the companies within the Building Materials segment reduced its consumption of many resource types, which was mainly due to the sale of LLC LSR. Reinforced Concrete and the segment's lower output.

Sand consumption, at approximately 15 million tonnes in 2019, was reduced the most, while the consumption of crushed granite, cement (including Portland cement), granites, granite gneisses, lime, and plaster also decreased. At the same time, slag consumption increased as it was used to partially substitute cement consumption.

The use of sand as raw material decreased mainly due to the completion of land reclamation works (raising elevations and surface stabilisation) in St. Petersburg in 2018.

LSR Group's entities regularly take measures to reduce the material intensity of production. In the reporting year, LSR Group continued optimising production processes, upgrading equipment and developing new product compositions.

LSR Group's approach to the quality control of material resources is described in LSR Group [Sustainability report 2018](#) (page 73).

Reuse of materials

Some LSR Group's facilities reuse products or semi-finished products that did not pass quality control. Among such examples are brick and aerated concrete chips.

REDUCING THE BURDEN ON WATER BODIES

LSR Group's companies are committed to using water resources as efficiently as possible and to minimising the burden on water bodies by reducing water withdrawal rates, increasing the quality and reducing the quantity of wastewater discharge, and by implementing measures to minimise and reverse the impact on flora and fauna in the affected water habitats.

Water withdrawal

One important objective with respect to water usage is to reduce water withdrawal from natural sources. Plans for the multiple reuse of water in production processes have been implemented at several LSR Group's companies. At other entities, where the nature of the production process does not allow water recycling or reuse, LSR Group specialists are looking for new technological solutions to optimise water use.

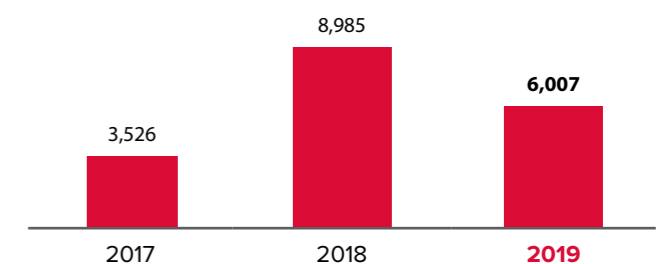
The total water withdrawal by the companies within the Building Materials segment from different sources during the reporting period was 6,996 thousand cubic metres,¹ much less than in 2018, due to the completion of land reclamation works that involved hydraulic filling on St. Petersburg's Vasilyevsky Island.

Approximately 86% of all water resources used in LSR Group's operations are withdrawn from a surface water body (the Neva Bay in the Gulf of Finland). Around 11% is provided by municipal water supply systems.

Volume of water withdrawal by the companies within the Building Materials segment in 2019, by withdrawal source¹, thousand cubic metres

Source	Withdrawal volume	Proportion of total withdrawal, %
Water provided by organisations (municipal water supply systems)	797	11.4
Groundwater	192	2.7
Surface water, including	6,007	85.9
- River and lake water	0	0
- Sea and ocean water	6,007	85.9
Total	6,996	100.0

Water withdrawal from surface sources by the companies within the Building Materials segment in 2017–2019, thousand cubic metres



¹ Excluding precipitation.

CONTRIBUTION TO ENVIRONMENTAL PROTECTION

High water withdrawal was due to large amounts of dredged sand extracted from subsea deposits in the Gulf of Finland and hydraulically transferred to an onshore storage facility. Accordingly, priorities for the environmental teams at LSR. Aggregates, an LSR Group's company, include monitoring of fisheries, minimisation of negative impact on the habitats of aquatic flora and fauna, and implementing organisational measures to replenish and grow aquatic resources in water bodies.

Preserving biodiversity in the Gulf of Finland

The Gulf of Finland is a site not only of national, but also of international importance. Industrial operations in its waters are therefore subject to special requirements set down in maritime legislation, including the provisions of the international Convention on the Protection of the Marine Environment of the Baltic Sea Area, signed in 1992. These special requirements include full cessation of operations of any kind during fish spawning periods and the obligation to rectify damage to water-based biological resources.

LSR Group's LSR. Aggregates, which produces sand from the Gulf of Finland under a subsoil use licence, regularly contracts specialised aquaculture farms to implement compensatory measures under the oversight of Russia's Federal Agency for Fishery. Since 2012, more than 340 thousand young trout, whitefish and brook trout have been released into the waters of the Gulf of Finland, together with approximately 2.6 million pikeperch larvae.

Wastewater

The companies within the Building Materials segment of LSR Group discharge wastewater both into urban wastewater disposal systems (under contracts with water utilities) and into surface water bodies after treatment (under governmental resolutions granting use of water bodies).

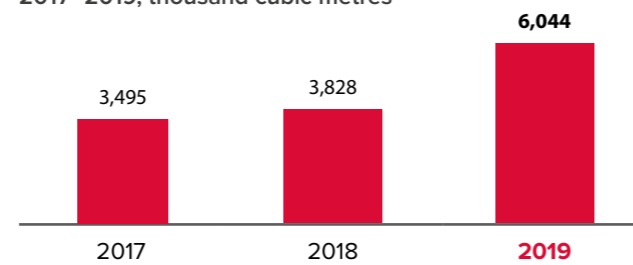
LSR Group pays special attention to wastewater treatment prior to its discharge into water bodies. Dedicated specialists at LSR Group's companies regularly monitor the operation of water treatment facilities and explore various options for upgrading our wastewater treatment systems. Third-party accredited laboratories have been contracted to monitor the quality of wastewater discharged into surface water bodies and sewers and to evaluate the performance of process wastewater and surface runoff treatment facilities.

A total of 6,231 thousand cubic metres of wastewater was discharged by the companies within the Building Materials segment in 2019.¹ Over 97% of this wastewater met the criteria for 'clean to standard' (not requiring any treatment) or 'treated to standard'.

Water discharge volumes in the companies within the Building Materials segment in 2019, by discharge destination, thousand cubic metres¹

	Discharge volume	Proportion of total discharge volume, %
Total for the Company	6,231	100
Into surface water bodies, including marshes, rivers and lakes	6,044	97
Into sewers of other organisations (municipal wastewater systems)	187	3

Wastewater discharge into surface water bodies by the companies within the Building Materials segment in 2017–2019, thousand cubic metres¹



Increased discharge along with lower water withdrawal in 2019 compared to the preceding year are due to the fact that land reclamation works that involved hydraulic filling on St. Petersburg's Vasilyevsky Island were completed in 2018 (hydraulic filling involved water withdrawal and no discharge) and larger volumes of sand produced from underwater deposits were placed into an onshore storage facility (this activity involves both water withdrawal and discharge).

IMPACT ON THE ATMOSPHERE

LSR Group's entities seek to minimise their adverse impact on the atmosphere, reduce pollutant emissions, and ensure effective operation and timely maintenance of their gas cleaning facilities.

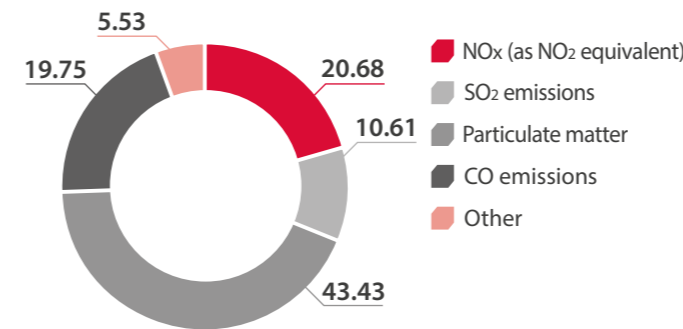
In 2019, pollutant emissions from the companies within the Building Materials segment totalled 2,998 tonnes,² with particulate matter accounting for about 43% of the total and CO (carbon oxide) for approximately another 20%.

In the reporting year, emissions decreased year-on-year due to the sale of LLC LSR. Reinforced Concrete and lower output.

Atmospheric emissions from the companies within the Building Materials segment in 2019, by pollutant, tonnes

Pollutants	Emissions	Share of total emissions, %
NOx emissions (with NO expressed as NO ₂ equivalent)	620	20.68
SO ₂ emissions	318	10.61
Particulate matter	1,302	43.43
CO emissions	592	19.75
Other	166	5.53
Total	2,998	100.00

Proportion of different pollutants in atmospheric emissions from the companies within the Building Materials segment in 2019, %



WASTE MANAGEMENT

LSR Group's entities are committed to minimising waste generation. All waste from our operations is delivered to third-party waste management contractors duly licensed to engage in waste collection, transportation, treatment, recycling, decontamination, and disposal. In order to reduce environmental footprint, LSR Group's entities look for new licensed waste treatment and recycling contractors on a regular basis.

Reducing construction waste

LSR Group's entities employ the latest construction technologies that enable them to use building materials efficiently and to minimise waste generation. Key measures of waste reduction include the following:

- Reduction of manufacturing defects
- Highly industrialised manufacture of structures and minimum construction time (for large-panel construction)
- Monitoring the material intensity of buildings and structures under design and design solution optimisation through a tailored approach

In 2019, the total volume of waste generated within the Building Materials segment was reduced to 3,665 tonnes, mostly due to the sale of LLC LSR. Reinforced Concrete and lower output. LSR Group's entities are constantly exploring opportunities for converting production waste into non-waste products throughout the production process. For example, JSC LSR. Aggregates issues certificates of conformity for used motor oil and rechargeable batteries, which allows them to be sold to consumers.

The largest part of the waste generated by the Building Materials segment in 2019 (about 39%) was hazard class 3 (moderately hazardous). Its generation decreased in 2019 due to reduced activity (hydraulic filling in St. Petersburg was completed in 2018, which led to reduced activity of vessels producing sand from underwater deposits in the Gulf of Finland and transporting to onshore storage). Hazard class 4 waste accounted for 31% of total; class 5 waste 30%. Both classes posed low or no hazard to the environment. LSR Group's entities within the Building Materials segment generated virtually no highly hazardous waste.

¹ Excluding any surface runoff and drainage water.

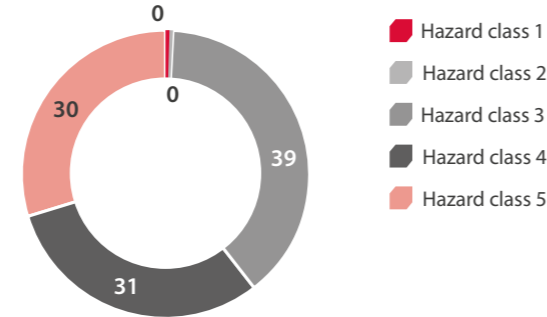
² Methods used to calculate pollutant emissions in 2018 and 2019 were amended.

CONTRIBUTION TO ENVIRONMENTAL PROTECTION

Waste generated by the companies within the Building Materials segment in 2019, by waste class

Class	Amount of waste generated, tonnes	Proportion of total waste, %
Hazard class 1 ¹	1	0
Hazard class 2 ²	0	0
Hazard class 3	1,417	39
Hazard class 4	1,152	31
Hazard class 5	1,095	30
Total	3,665	100

Proportions of different hazard classes in waste generated by the companies within the Building Materials segment in 2019, %³

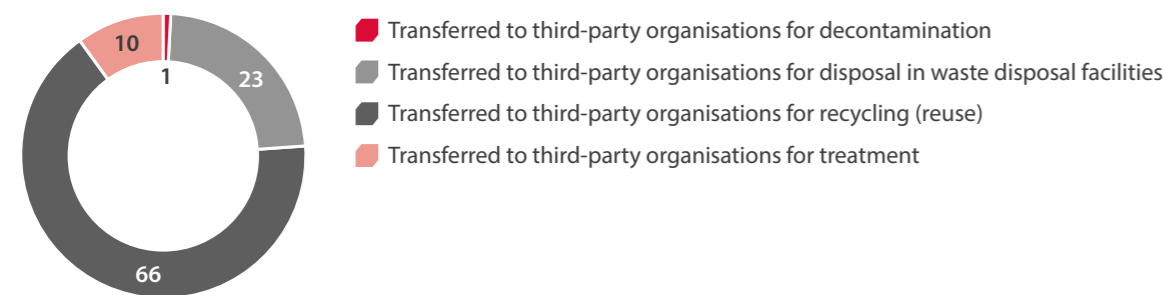


As the largest share of waste generated fell within hazard class 3 (moderately hazardous), most of the waste transferred to third-party organisations (about 66%) was recycled.

Waste disposal methods employed by the companies within the Building Materials segment in 2019, by hazard class, tonnes

	Total in 2019	Hazard class				
		1	2	3	4	5
Waste disposal including:	3,665	1 ⁴	0 ⁵	1,417	1,152	1,095
Transferred to third-party organisations for decontamination	30	1	0 ⁶	15	10	4
Transferred to third-party organisations for disposal in waste disposal facilities	847	0	0	2	747	98
Transferred to third-party organisations for recycling (reuse)	2,430	0 ⁷	0	1,400	78	952
Transferred to third-party organisations for treatment	358	0	0 ⁸	0	317	41

Waste disposal methods employed by the companies within the Building Materials segment in 2019, %



¹ Amount of hazard class 1 waste was rounded off to 1 tonne. Actual amount is 1.09 tonne (share of total is 0.03%).
² Amount of hazard class 2 waste was rounded off to 0. Actual amount is 0.12 tonne (share of total is 0.003%).
³ Proportions of waste of hazard classes 1 and 2 were rounded off to 0%, with actual proportions equal to 0.03% and 0.003%, respectively.
⁴ Rounded off to 1 tonne, actual value is 1.09 tonne.
⁵ Rounded off to 0, actual value is 0.12 tonne.
⁶ Rounded off to 0, actual value is 0.02 tonne.
⁷ Rounded off to 0, actual value is 0.09 tonne.
⁸ Rounded off to 0, actual value is 0.1 tonne.



RASSVETNY, Yekaterinburg

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ABOUT THE REPORT

Developing non-financial reporting

This PJSC LSR Group Sustainability report 2019 is the third non-financial report in LSR Group's history. The Report covers the key results of LSR Group's economic, social and environmental activities in the period between 1 January and 31 December 2019.

Annual preparation and publication of non-financial reports is an important part of LSR Group's commitment to social responsibility and informational transparency for all stakeholders. The 2018 Sustainability report was published in July 2019. Electronic versions of all reports are available on LSR Group's corporate website at www.lsrgroup.ru/en/sustainability/sustainability-reports. Additional information is also available on the corporate website in the Sustainability section at www.lsrgroup.ru/en/sustainability/strategy-and-management.

This Report has been prepared in accordance with the GRI Sustainability Reporting Standards (GRI Standards): Core option. The following guidelines were also taken into account when preparing the Report:

- GRI's Construction and Real Estate Sector Supplement
- International standard ISO 26000:2010 Guidance on Social Responsibility, and the similar Russian standard GOST R ISO 26000-2012
- European Public Real Estate Association (EPRA) Sustainability Best Practices Recommendations (sBPR)

As LSR Group has joined the UN Global Compact, this Report includes information on the compliance with the UN principles on human rights, labour relations, environmental protection, and countering corruption. In addition, the Report reflects LSR Group's contribution to the Sustainable Development Goals adopted by the UN in 2015 and set out in the document Transforming our World: The 2030 Agenda for Sustainable Development.

Material topics and reporting boundaries

In order to determine the content of the Report, a materiality assessment was carried out to identify the most significant economic, environmental and social impacts of the LSR Group, along with aspects that have the most substantive influence on the assessments and decisions of stakeholders.

Material topics to be disclosed are determined based on the recommendations of the GRI Standards. In 2019, the procedure comprised three key stages.

Stages for determining material topics

1ST STAGE. ANALYSIS OF INTERNAL AND EXTERNAL SOURCES

- Analysis of the internal reporting on LSR Group's activities
- Analysis of publicly available information on LSR Group
- Comparative analysis of material topics disclosed by foreign construction and development companies

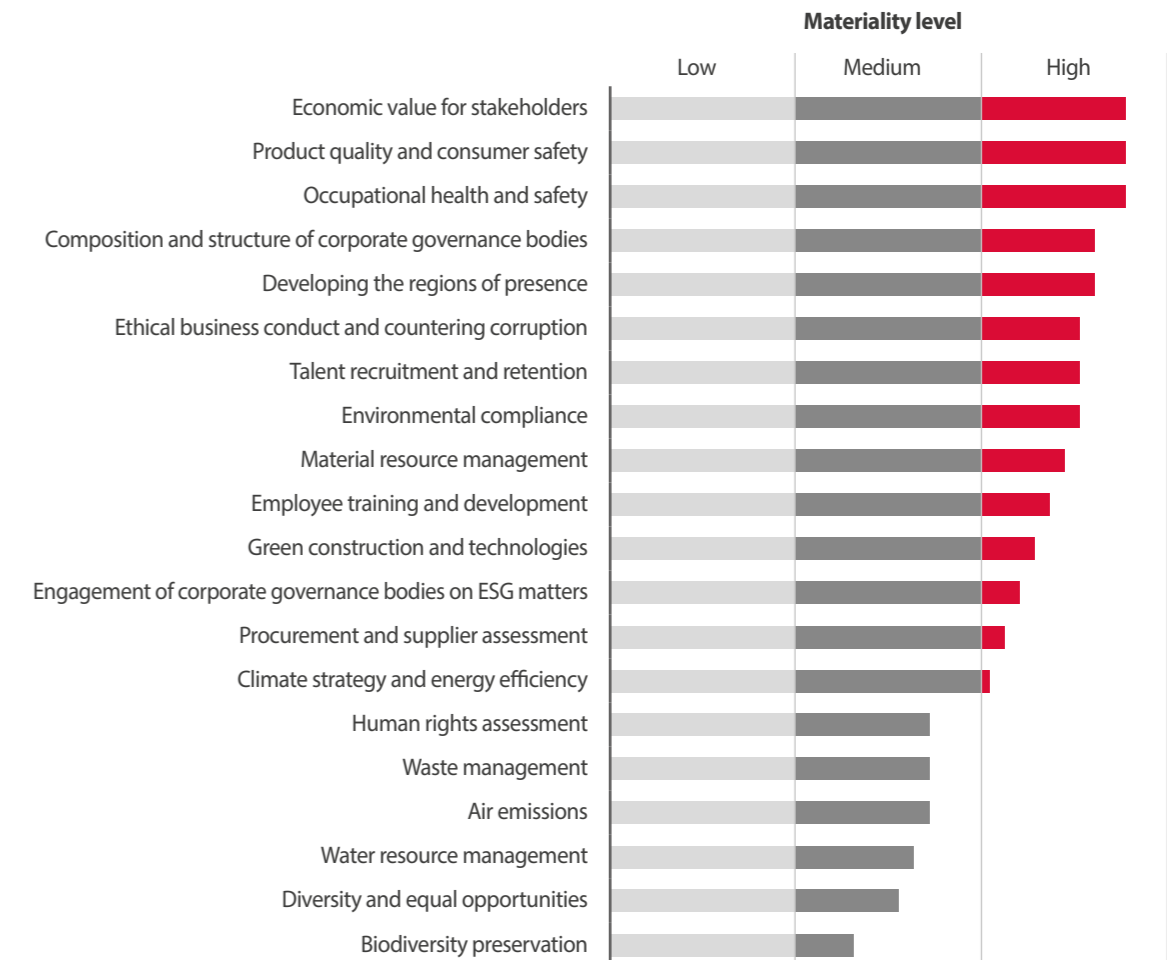
2ND STAGE. ANALYSIS OF STAKEHOLDER OPINIONS

- Surveys on material ESG topics for internal and external stakeholders: heads of LSR Group's centralised functions involved in the preparation of the Report, and investors
- Interviews with representatives of LSR Group's centralised functions and LSR Group entities
- Analysis of requests from investors and ESG analysts

3RD STAGE. MAKING A LIST OF MATERIAL TOPICS

- Making a preliminary list of material topics based on the analysis
- Approval of the preliminary list of material topics by responsible LSR Group representatives

Survey results



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Based on the materiality assessment data, the list of topics disclosed in last year's Report was updated and supplemented with aspects that are most important for our stakeholders. The final list includes 19 topics recognised as material for both internal and external stakeholders.

List of material topics and their boundaries

Category	Material topics	Material topics' boundary		
		Building materials: <ul style="list-style-type: none"> ■ LSR. Aggregates ■ LSR. Concrete ■ LSR. Wall Materials ■ LSR. Tower Cranes 	Property and construction <ul style="list-style-type: none"> ■ LSR. Real Estate and Construction — North-West ■ LSR. Real Estate — Moscow ■ LSR. Real Estate and Construction — Urals 	Other (included in IFRS statements)
Corporate governance	Economic value for stakeholders	✓	✓	✓
	Composition and structure of corporate governance bodies	✓	✓	✓
	Ethical business conduct and countering corruption	✓	✓	✓
	Engagement of corporate governance bodies on ESG matters	✓	✓	✓
	Procurement and supplier assessment	✓	✓	✓
Environmental aspect	Climate strategy and energy efficiency	✓	✓	✓
	Environmental compliance	✓		
	Material resource management	✓		
	Waste management	✓		
	Water resource management	✓		
	Pollutant emissions	✓		
Social aspect	Occupational health and safety	✓	✓	✓
	Employee training and development	✓	✓	✓
	Contribution to regional development	✓	✓	✓
	Talent recruitment and retention	✓	✓	✓
	Diversity and equal opportunity	✓	✓	✓
	Human rights assessment	✓	✓	✓
Other	Green construction	✓	✓	✓
	Product quality and consumer safety	✓	✓	✓

The financial information and the majority of the non-financial information presented in the Report reflect LSR Group's performance in accordance with its IFRS consolidated financial statements for 2019.¹ Quantitative environmental protection data refer to the Building Materials business segment (except for energy use and environmental protection costs data which account for the entire LSR Group). LSR Group's Building Materials segment is responsible for the most significant environmental impact due to the nature of its industrial and technological processes. When disclosure boundaries differ from the above, the covered companies are additionally indicated in the Report.

¹ The list of subsidiaries is available in IFRS consolidated financial statements.

Data preparation methodology

The non-financial information disclosed in the Report was gathered from internal management reports and official state statistical reporting forms, as well as special information-gathering forms based on the requirements of the GRI Standards and materiality assessment results. The Report has been prepared in line with the Directive On the Preparation of LSR Group Sustainability Report 2019, which outlines the approved schedule of actions, specifying owners and timelines. In 2019–2020, the following actions were carried out as per the Directive: materiality assessment, gathering of information through interviews and information requests, development and approval of the Report's content, translation, layout design, and publication of the Report.

Following LSR Group's efforts to improve its approach to non-financial reporting, calculation methodology was revised for a number of indicators, and data for previous reporting periods was recalculated accordingly where necessary. Information on changes in the methodology and recalculations is presented in commentaries to relevant indicators.

Approval of the Report

This Report was reviewed and approved by the Board of Directors of PJSC LSR Group (Minutes № 5/2020 dated 26.03.2020).

External assurance of the Report

In the reporting year, KPMG conducted an independent external audit of the Report and according to its results issued an assurance report.

PARTICIPATION IN INDUSTRY ASSOCIATIONS AND EXTERNAL INITIATIVES

LSR Group is a member of the following associations and initiatives:

- Russian Union of Builders (national cross-industry association of employers)
- Union of Construction Associations and Organisations
- Association of Designers (self-regulating organisation)
- Construction Sector of the Leningrad Region Association (self-regulating organisation)
- Association of Surveyors (self-regulating organisation)
- Interregional Association of Builders (self-regulating organisation)
- Interregional Union of Designers (self-regulating organisation)
- Russian Guild of Property Managers and Developers (non-commercial partnership)
- Association of Builders of Ural (self-regulating organisation)
- Interregional Union of Cadastral Engineers (self-regulating organisation)
- Association of Builders of the Sverdlovsk Region (association of employers)
- National Association of Autoclaved Aerated Concrete Producers
- Association of Builders of St. Petersburg (self-regulating organization)
- Association of Designers of the Sverdlovsk Region (self-regulating organization)
- Construction Industry Union of the Sverdlovsk Region (self-regulating organization)
- Construction Industry Union of the Sverdlovsk Region (regional industry association of employers)
- Union of Design, Scientific, and Survey Organisations of the Sverdlovsk Region

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ACHIEVEMENTS AND AWARDS

In 2019, LSR Group, its entities and development projects, as well as senior managers won major Russian awards.

Awards received by LSR Group:

- The highest reliability rating among Russian real estate developers: A1 — A1 - "A class of companies with excellent (very high) reliability" according to the Rating Agency of Construction Industry (R.A.C.I.)
- Second Golden Trezzini Awards for Architecture and Design: the Ceramic Trezzini special prize for active contribution to the ceramic industry and using ceramics in the Company's projects
- Third prize in the Best Investor Relations Practice, Small-Cap Company category, of the prestigious award set up by the Moscow Exchange and Institutional Investor magazine
- RAEX: silver prize in the Business Leader: Energy Efficiency category

Awards received by entities:

- LLC LSR. Construction – North-West won the Grand Prix in the Best Team category of the Stroymaster contest
- JSC LSR. Aggregates was ranked first in the Leading Producer of the Northwestern Federal District category of the Enterprise of the Year award set up by the influential newspaper Delovoy Peterburg
- Spetsializirovanny zastroishchik LSR.Nedvizimost-Ural was awarded a Reliable Developer of Russia 2019 golden badge

Awards received by LSR Group's development projects:

- FIABCI Prix d'Excellence 2019 was awarded to Russky Dom in the Residential (Mid Rise) category, RIVIERE NOIRE in the Best Architectural Project category, and Civilisation on the Neva in the Master Plan category
- Tyufelova Roscha and Russky Dom won the International Architecture Awards 2019 by the Athenaeum Museum of Architecture and Design in Chicago
- The Shuvalovsky residential project won the Grand Prix of the Excellence in Construction contest
- The Leningradka 58 residential project won in the Premier of the Year category of RREF AWARDS
- The Luchi (comfort class) and ZILART (business class) residential projects topped the Buyer's Choice category of Urban Awards 2019
- The Smolny Park elite project was named the Best Residential Project for Car Owners within the Recognition & Influence award by Fontanka.ru and Gorod 812
- The Tsvetnoy Gorod residential project (19th building) won the KAISSA award as the Best Economy and Comfort Class Residential Housing Project

Personal awards received by LSR Group senior managers:

- Vitaly Podolsky, member of the Board of Directors of PJSC LSR Group, won the 14th Director of the Year National Trophy as the Best Independent Director
- Dmitry Goncharov, Chairman of the Board of Directors, was ranked among the Top 25 board chairmen within the 14th Director of the Year National Trophy
- Elena Chistyakova, LSR Group's Corporate Secretary, was listed among the Top 25 corporate secretaries within the 14th Director of the Year National Trophy
- Andrey Molchanov, CEO and Chairman of PJSC LSR Group's Executive Committee, was included in the Top 10 most influential persons in the business community of St. Petersburg and ranked first among the top developers according to Fontanka.ru, St. Petersburg's leading newspaper
- Andrey Molchanov, CEO, Chairman of PJSC LSR Group's Executive Committee and member of the Board of Directors, was also recognised as the Best Top Manager 2019 in the Residential Construction category by the Delovoy Peterburg newspaper
- Andrey Molchanov, Chairman of PJSC LSR Group's Executive Committee and member of the Board of Directors, won the Philanthropist of the Year award in the Karelia's Golden Heart category
- Sergey Begoulev, CEO of JSC LSR. Aggregates, was recognised the Best Top Manager 2019 in the Production of Building Materials category by the Delovoy Peterburg newspaper
- Vladimir Kritsky, CEO of Spetsializirovanny zastroishchik LSR.Nedvizimost-Ural, won in the Developer of the Year category of the Person of the Year award by the Delovoy Kvartal publication
- Alexander Zilbert, Director for Information Policy and Corporate Communications of LSR Group, joined the Top 1000 Russian Managers rating as the Best Director for Public and Corporate Relations in the Construction Industry
- Dmitry Kutuzov, Chief Financial Officer and member of PJSC LSR Group's Executive Committee, and Polina Golubeva, HR Director, won the Reputation industry award

GRI CONTENT INDEX

Disclosure	Section/Comment	Page	EPRA	External assurance
GRI 102 GENERAL DISCLOSURES				
1. ORGANISATIONAL PROFILE				
GRI 102-1 Name of the organisation	LSR Group today	8		
GRI 102-2 Activities, brands, products and services	LSR Group today Geographical reach	8 9		
GRI 102-3 Location of headquarters	LSR Group today	8		
GRI 102-4 Location of operations	Geographical reach	9		
GRI 102-5 Ownership and legal form	LSR Group today	8		
GRI 102-6 Markets served	Geographical reach LSR Group's structure	9 8		
GRI 102-7 Scale of the organisation	LSR Group's structure Personnel structure Stakeholder engagement PJSC LSR Group Annual Report 2019	8 44 18		✓ ¹
GRI 102-8 Information on employees and other workers	Personnel structure	44		
GRI 102-9 Supply chain	Responsible supply chain management	26		
GRI 102-10 Significant changes to the organisation and its supply chain	Responsible supply chain management	26		
GRI 102-11 Precautionary Principle or approach	Comment: LSR Group follows the precautionary principle when managing risks and planning environmental protection initiatives			
GRI 102-12 External initiatives	About the Report Participation in industry associations and external initiatives Strategy and contribution to global Sustainable Development Goals	64 67 11		
GRI 102-13 Membership of associations	About the Report Participation in industry associations and external initiatives	64 67		
2. STRATEGY				
GRI 102-14 Statement from senior decision-maker	Statement from the Chief Executive Officer	6		
GRI 102-15 Key impacts, risks and opportunities	Corporate governance	14		
3. ETHICS AND INTEGRITY				
GRI 102-16 Values, principles, standards, and norms of behaviour	Approach to ethical business conduct	51		
GRI 102-17 Mechanisms for advice and concerns about ethics	Developing a culture of zero tolerance towards corruption Countering -corruption performance	52 53		

¹ Average number of employees at LSR Group.

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Disclosure	Section/Comment	Page	EPRA	External assurance
4. GOVERNANCE				
GRI 102-18 Governance structure	Corporate governance	14		
GRI 102-20 Executive-level responsibility for economic, environmental and social topics	Corporate governance	14		
GRI 102-22 Composition of the highest governance body and its committees	Corporate governance PJSC LSR Group Annual Report 2019	14	Gov-Board	
GRI 102-26 Role of highest governance body in setting purpose, values and strategy	Corporate governance	14		
GRI 102-29 Identifying and managing economic, environmental and social impacts	Corporate governance	14		
5. STAKEHOLDER ENGAGEMENT				
GRI 102-40 List of stakeholder groups	Stakeholder engagement	18		
GRI 102-41 Collective bargaining agreements	Comment: In 2019, trade unions were active at four LSR Group companies (JSC LSR. Tower Cranes – North-West, LLC LSR. Wall Materials, LLC LSR. Construction – North-West, LLC LSR. Construction – Urals). No collective bargaining agreements were in place in 2019.			
GRI 102-42 Identifying and selecting stakeholders	Stakeholder engagement	18		
GRI 102-43 Approach to stakeholder engagement	Stakeholder engagement	18		
GRI 102-44 Key topics and concerns raised	Stakeholder engagement Countering corruption results	18 53		
6. REPORTING PRACTICE				
GRI 102-45 Entities included in the consolidated financial statements	PJSC LSR Group Annual Report 2019 Consolidated financial statements for the year ended 31 December 2019 and independent auditors' report			
GRI 102-46 Defining report content and topic boundaries	About the Report	64		
GRI 102-47 List of material topics	About the Report	64		
GRI 102-48 Restatements of information	About the Report	64		
GRI 102-49 Changes in reporting	About the Report Comment: There were no material changes in the disclosure boundaries versus the previous reporting period.	64		
GRI 102-50 Reporting period	About the Report	64		
GRI 102-51 Date of most recent report	About the Report	64		
GRI 102-52 Reporting cycle	About the Report	64		
GRI 102-53 Contact point for questions regarding the report	Contact information	82		

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GRI 102-54 Claims of reporting in accordance with the GRI Standards	About the Report	64		
GRI 102-55 GRI content index	GRI content index	69		
GRI 102-56 External assurance	About the Report	64		
MATERIAL TOPICS				
ENVIRONMENTAL ASPECT				
CLIMATE STRATEGY AND ENERGY EFFICIENCY				
GRI 103 Management approach	Approach to energy efficiency and environmental protection management Climate strategy and energy efficiency	55 57		
GRI 302-1 Energy consumption within the organisation	Climate strategy and energy efficiency	57	Elec-Abs DH&C-Abs Fuels-Abs	
GRI 302-4 Reduction of energy consumption	Climate strategy and energy efficiency	57		
GRI 305-1 Direct (Scope 1) GHG emissions	Climate strategy and energy efficiency	57	GHG-Dir-Abs	✓
MATERIAL RESOURCE MANAGEMENT				
GRI 103 Management approach	Approach to energy efficiency and environmental protection management Material resource management	55 58		
GRI 301-1 Materials used by weight or volume	Material resource management	58		
GRI 301-2 Recycled input materials used	Material resource management	58		
WATER RESOURCE MANAGEMENT				
GRI 103 Management approach	Approach to energy efficiency and environmental protection management Reducing the burden on water bodies	55 59		
GRI 303-1 Interactions with water as a shared resource	Reducing the burden on water bodies Comment: Water is withdrawn from the Neva Bay in the Gulf of Finland (Bolshaya Turukhtannaya Gavan) and mainly discharged to the following water bodies: Tosna River, Neva River, Lake Molotok, Krasnenkaya River, Vokhonka River, tributary of Klyazma River, Chernaya River, tributary of Neva River, drainage canal in Vuoksa River basin, drainage canal in Perovka River basin, water-filled quarry, tributary of Myslinka River, drainage canal in Bolshaya Izhorka River basin, Sertolovsky Creek, canal between Lake Kuznechnoye and Lake Maloye Borovskoye, unnamed creek in Lake Ladoga basin, Bezymyanny Creek	59		
GRI 303-2 Management of water discharge-related impacts	Reducing the burden on water bodies	59		
GRI 303-3 Water withdrawal	Reducing the burden on water bodies	59		
GRI 303-4 Water discharge	Reducing the burden on water bodies	59		
GRI 303-5 Water consumption	Comment: Total water consumption by the companies within the Building Materials segment in 2019: 6,996 thousand cubic metres.		Water-Abs	

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Disclosure	Section/Comment	Page	EPRA	External assurance
POLLUTANT EMISSIONS				
GRI 103 Management approach	Approach to energy efficiency and environmental protection management Impact on the atmosphere	55 61		
GRI 305-6 Emissions of ozone-depleting substances (ODS)	Comment: No ODS emissions were released by the companies within the Building Materials segment in the reporting period.			
GRI 305-7 Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions	Impact on the atmosphere	61		✓
WASTE MANAGEMENT				
GRI 103 Management approach	Approach to energy efficiency and environmental protection management Waste management	55 61		
GRI 306-2 Waste by type and disposal method	Waste management	61	Waste-Abs	✓
GRI 306-3 Significant spills	Comment: No significant spills occurred at entities within the Building Materials segment in the reporting period.			
GRI 306-4 Transport of hazardous waste	Comment: Entities within the Building Materials segment do not transport, import, export or process waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and IV.			
ENVIRONMENTAL COMPLIANCE				
GRI 103 Management approach	Approach to energy efficiency and environmental protection management	55		
GRI 307-1 Non-compliance with environmental laws and regulations	Approach to energy efficiency and environmental protection management	55		
SOCIAL ASPECT				
OCCUPATIONAL HEALTH AND SAFETY				
GRI 103 Management approach	Approach to occupational health and safety management	37		
GRI 403-1 Occupational health and safety management system	Approach to occupational health and safety management	37		
GRI 403-2 Hazard identification, risk assessment and incident investigation	Approach to occupational health and safety management Injury prevention	37 39		
GRI 403-3 Occupational health services	Occupational health	41		
GRI 403-4 Worker participation, consultation and communication on occupational health and safety	Developing a safety culture	38		
GRI 403-5 Worker training on occupational health and safety	Developing a safety culture	38		
GRI 403-6 Promotion of worker health	Occupational health	41		
GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Developing a safety culture Injury prevention	38 39		

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GRI 403-8 Workers covered by an occupational health and safety management system	Approach to occupational health and safety management	37		
GRI 403-9 Work-related injuries	Injury prevention	39	H&S-Emp	✓
GRI 403-10 Work-related ill health	Occupational health	41	H&S-Emp	
EMPLOYEE TRAINING AND DEVELOPMENT				
GRI 103 Management approach	Approach to HR management Training and development	43 46		
GRI 404-2 Programmes for upgrading employee skills and transition assistance programmes	Training and development	46		
GRI 404-3 Percentage of employees receiving regular performance and career development reviews	Training and development	46		
CONTRIBUTION TO REGIONAL DEVELOPMENT				
GRI 103 Management approach	Approach to building sustainable cities Charity programmes	25 33		
GRI 203-1 Infrastructure investments and services supported	Charity programmes	33		
GRI 203-2 Significant indirect economic impacts	Approach to building sustainable cities	25		
GRI 413-1 Operations with local community engagement, impact assessments and development programs	Charity programmes	33	Comty-Eng	
TALENT RECRUITMENT AND RETENTION				
GRI 103 Management approach	Approach to HR management Talent acquisition	43 45		
GRI 401-1 New employee hires and employee turnover	Talent acquisition	45	Emp-Turnover	✓
Recruitment and onboarding success	Talent acquisition	45		✓
PROTECTION OF HUMAN RIGHTS				
GRI 103 Management approach	Corporate governance	14		
GRI 405-1 Diversity of governance bodies and employees	Corporate governance Personnel structure	14 44	Diversity-Emp	
GRI 412-1 Operations that have been subject to human rights reviews or impact assessments	Corporate governance Countering -corruption performance Comment: Matters of human rights are covered by regular labour law and occupational health and safety compliance audits.	14 53		

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Disclosure	Section/Comment	Page	EPRA	External assurance
CORPORATE ASPECT				
COMPOSITION AND STRUCTURE OF CORPORATE GOVERNANCE BODIES				
GRI 103 Management approach	Corporate governance	14		
Share of independent directors on the Board of Directors	Corporate governance	14		
ENGAGEMENT OF CORPORATE GOVERNANCE BODIES ON ESG MATTERS				
GRI 103 Management approach	Corporate governance	14		
Share of meetings of the Board of Directors where sustainability matters were reviewed	Comment: Sustainability matters were reviewed at 31% (4 out of 13) of meetings of the Board of Directors and at 32% (6 out of 19) of meetings of the Executive Committee.			
ETHICAL BUSINESS CONDUCT AND COUNTERING CORRUPTION				
GRI 103 Management approach	Approach to ethical business conduct	51		
GRI 205-1 Operations assessed for risks related to corruption	Countering corruption results	53		
GRI 205-2 Communication and training about anti-corruption policies and procedures	Developing a culture of zero tolerance towards corruption	52		
GRI 205-3 Confirmed incidents of corruption and actions taken	Countering corruption results	53		✓
ECONOMIC VALUE FOR STAKEHOLDERS				
GRI 103 Management approach	Stakeholder engagement	18		
GRI 201-1 Direct economic value generated and distributed	Stakeholder engagement	18		
GRI 201-4 Financial assistance received from government	Comment: financial assistance from the Russian government in 2019 totalled RUB 241 million.			
PROCUREMENT AND SUPPLIER ASSESSMENT				
GRI 103 Management approach	Responsible supply chain management	26		
Share of construction and installation contracts featuring environmental and social requirements for contractors	Responsible supply chain management	26		
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GRI 103 Management approach	High product quality and consumer safety	28		
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GREEN CONSTRUCTION AND TECHNOLOGIES				
GRI 103 Management approach	Green construction	31		
CRE8 Buildings and structures certified or rated as sustainable	Green construction	31	Cert-Tot	

ABBREVIATIONS AND DEFINITIONS

Abbreviations and definitions	
EPRA	European Public Real Estate Association
ESG	environmental, social and governance
GRI	Global Reporting Initiative
HR	human resources
AR	absentee rate
ETP	electronic trading platform
FA	fatal accidents
GHG	greenhouse gas
GRI Standards	Global Reporting Initiative Sustainability Reporting Standards
IFRS	International Financial Reporting Standards
LSR Group	PJSC LSR Group and its subsidiaries
PJSC LSR Group	Public Joint Stock Company LSR Group
LTAFR	lost time accident frequency rate
LTI	lost time injuries, the number of employees temporarily disabled due to workplace injuries
LTIFR	lost time injury frequency rate
RAEX	rating agency Expert RA
Report	PJSC LSR Group Sustainability report 2019
Reporting period	1 January–31 December 2019
SR	severity rate
UN	United Nations



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Independent Practitioner's Limited Assurance Report on the PJSC LSR Group's Sustainability Report for 2019

To the Management of PJSC LSR Group

Introduction

We were engaged by the Management of PJSC LSR Group ("the Management") to report on certain non-financial indicators in the PJSC LSR Group's ("the Company") Sustainability Report for 2019 ("the Report") in the form of a limited assurance conclusion that, based on our work performed nothing has come to our attention that causes us to believe that the Management's Statement that such non-financial indicators in the Report are prepared, in all material respects, based on the Global Reporting Initiative Sustainability Reporting Standards ("the GRI Standards") and are free from material misstatement, is not fairly stated.

Our conclusion covers only the following non-financial indicators in the Report (the "selected non-financial indicators"):

Section of the Report	Indicator
Contribution to safe working conditions	Total number of on-site accidents
	Number of people injured as a result of on-site accidents (total number of injuries), including: <ul style="list-style-type: none"> — Fatal accidents — Number of people injured resulting in lost time (LTI)
	Lost time injury frequency rate (LTIFR)
Contribution to decent working conditions	Average headcount of LSR Group
	Staff recruitment, termination due to turnover, staff turnover and voluntary turnover across LSR Group
	Average recruitment and onboarding success rate across LSR Group
Contribution to countering corruption	Absence of confirmed incidents of corruption within LSR Group

Engaging entity: Public Joint Stock Company LSR Group
 Registration No. in the Unified State Register of Legal Entities 5067847227300.
 Saint-Petersburg, Russian Federation

Audit firm (Practitioner): JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registration No. in the Unified State Register of Legal Entities 1027700125628.

Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 12006020351.



PJSC LSR Group

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Contribution to environmental protection	Direct GHG emissions from the companies within the Building Materials segment
	Atmospheric emissions with the breakdown by pollutants from the companies within the Building Materials segment
	Waste generated by the companies within the Building Materials segment and waste disposal methods with the breakdown by waste hazard class

Management's Responsibilities

Management is responsible for the preparation and presentation of the Report that is free from material misstatement in accordance with the GRI Standards, and for the information and statements contained therein.

This responsibility includes designing, implementing and maintaining internal control system relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error. It also includes: determining the Company's objectives in respect of sustainable development performance and reporting, including the identification of key stakeholder groups and their material issues; selecting applicable requirements of the GRI Standards; preventing and detecting fraud; identifying and ensuring that the Company complies with the laws and regulations applicable to its activities; selecting and applying appropriate policies; making judgments and estimates that are reasonable in the circumstances; maintaining adequate records in relation to the information included in the Report; ensuring that staff involved in the preparation of the Report are properly trained, information systems are properly updated and that any changes in the reporting system encompass all key business units.

Our Responsibilities

Our responsibility is to perform procedures to obtain evidence in respect of the selected non-financial indicators in the Report prepared by Management and to report thereon in the form of a limited assurance conclusion regarding Management's Statement in respect of the selected non-financial indicators in the Report based on the evidence obtained.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

ISAE 3000 requires that we plan and perform our procedures to obtain a meaningful level of assurance in respect of the selected indicators about whether Management's Statement that the Report is prepared, in all material respects, based on the GRI Standards and is free from material misstatement, is fairly stated.

Our Independence and Quality Control

We have complied with the independence and ethical requirements established by the *Rules on Independence of Auditors and Audit Firms* and the *Code of Professional Ethics for Auditors* approved by the Audit Council of the Ministry of Finance of the Russian



Federation and by the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants, which are based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply the *International Standard on Quality Control 1*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures Performed

The procedures selected, and our determination of the nature, timing and extent of these procedures, depend on our judgment, including the assessment of risk of material misstatement during the preparation of the Report, whether due to fraud or error, our understanding of the Company's activities, as well as other engagement circumstances.

In making these risk assessments, we considered internal control system relevant to the Company's preparation of the Report in order to design procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control.

Our engagement also included: assessing the appropriateness of the information included as part of the selected non-financial indicators in the Report, the suitability of the criteria used by Management in preparing the selected non-financial indicators in the circumstances of the engagement; evaluating the appropriateness of the methods, policies and procedures used in the preparation of the selected non-financial indicators in the Report and the reasonableness of estimates made by Management.

The procedures we developed based on the performed risk assessment are a combination of inspections, recalculations, analytical procedures and inquiries.

Our procedures included, but were not limited to, the following:

- Inspection of the processes used by the Company to identify topics and issues material to the Company's key stakeholder groups, with the purpose of understanding such processes in the Company;
- Interviews with Management representatives and officers at corporate headquarter level regarding the sustainable development strategy and policies regulating material issues in areas of importance for the Company, stage of implementation of such policies, and procedures for collecting information on sustainable development;
- Visit to the subsidiary AO "LSR. Bazovye", which was selected based on a risk analysis using qualitative and quantitative criteria;
- Interviews with staff at the subsidiary responsible for providing the information regarding the selected non-financial indicators in the Report;
- Comparing the information presented in the Report in part of the selected non-financial indicators with data from other sources to determine its completeness, accuracy and consistency in respect of the selected non-financial indicators;
- Assessing the completeness of qualitative and quantitative information on sustainable development against recommendations of the GRI Standards;
- Reading and analysing information on sustainable development included in the Report to determine whether it is in line with our understanding and knowledge of the Company's sustainable development activity;



- Recalculation of quantitative data and inspection of underlying documentation regarding the selected non-financial indicators.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Criteria Used

To evaluate the Report, GRI Standards were used which are available at the link:

<https://www.globalreporting.org/standards/>

Management's Statement

Management states that the selected non-financial indicators in the Report, as listed in the "Introduction" section of this report, are prepared, in all material respects, based on the GRI Standards and are free from material misstatement.

Inherent Limitations

Due to the limitations inherent in any internal control structure, it is possible that errors or irregularities in the information presented in the Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal control system over the preparation and presentation of the Report, as the engagement has not been performed continuously throughout the reporting period, and the procedures were performed on a test basis.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and described in this report, nothing has come to our attention that causes us to believe that Management's Statement that the selected non-financial indicators in the Report, as listed in the "Introduction" section of this report, are prepared, in all material respects, based on the GRI Standards and are free from material misstatement, is not fairly stated.

Misiura E. I.
 JSC "KPMG"
 Moscow, Russia
 May 21, 2020



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