



WIRED FOR SUSTAINABLE GROWTH

SUSTAINABILITY
REPORT 2020



THIS PJSC LSR GROUP SUSTAINABILITY REPORT FOR 2020 (THE “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 FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2020.

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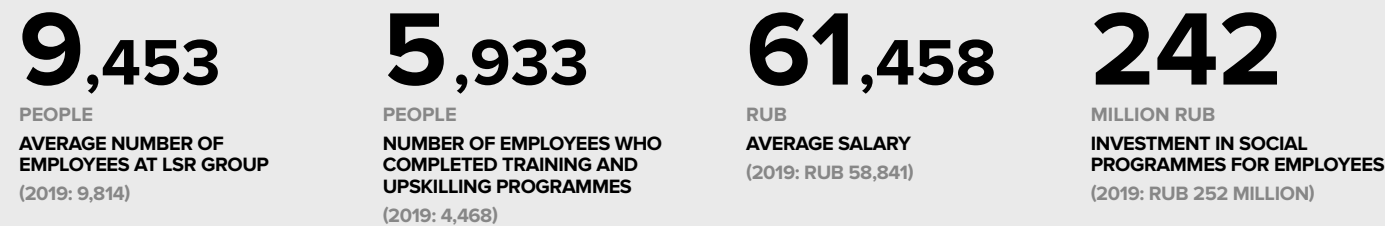
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KEY FIGURES AND RESULTS FOR 2020

FINANCIAL AND OPERATING RESULTS



EMPLOYEES



ETHICAL BUSINESS CONDUCT AND COUNTERING CORRUPTION



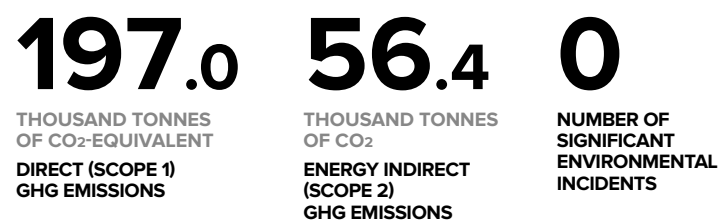
OCCUPATIONAL HEALTH AND SAFETY



DEVELOPING THE REGIONS OF OPERATION



ENVIRONMENTAL PROTECTION¹



¹ Among the companies within the Building Materials segment and production facilities of the Real Estate and Construction segment.

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER



Andrey Molchanov

CEO, Chairman of the Executive Committee of PJSC LSR Group

Dear shareholders, colleagues and partners!

It is my pleasure to present PJSC LSR Group's Sustainability report for the year 2020, which has been prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards. As always before, we continue to implement and follow global standards and principles of sustainable development, thus proving our leadership in corporate governance and information transparency. LSR Group is a signatory to the UN Global Compact, contributing to the global Sustainable Development Goals (SDGs). In line with the global climate agenda, we place major emphasis on meeting the TCFD recommendations for voluntary climate-related financial disclosures.

Last year, all of us faced numerous challenges brought about by the COVID-19 pandemic. To tackle them, we had to strengthen HR management, protect the health and safety of our employees and contractors, and prop up customer relations. In addressing these tasks, we set up a dedicated working group to plan and promptly implement pandemic response initiatives. Apart from sanitary and preventive measures, we invested a lot of effort in remote work and training arrangements for our employees. On top of that, we expanded the use of our online services to sell housing and building materials. Clearly, at LSR Group, we have demonstrated our commitment to doing our best to contain COVID-19, avoid business disruptions, and ensure the safety and well-being of our stakeholders.

In 2020, the government introduced a number of anti-pandemic programmes to support the population, the economy and the construction industry in particular. These measures along with the traditionally stable demand for our products enabled LSR Group to report strong sales in 2020 – 826 thousand square metres of real estate. In the reporting year, LSR Group's total revenue went up by 7% to reach RUB 118.1 billion. Adjusted EBITDA margin rose to 23%, compared to 19% in the previous year.

Alongside operational and financial results, we also consider our performance across key areas of sustainable development. We build high-quality and safe housing and construction materials, pay special attention to social infrastructure and comprehensive area improvement, and support residents, our own employees, and the environment. This way we create value for people and society in general, contributing significantly to sustainable cities.

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. In 2020, LSR Group took an important decision to establish a Sustainable Development Committee of the Board of Directors. The Committee is expected to enhance non-financial management, including developing a sustainability and ESG strategy for LSR Group.

Efforts to bolster sustainable development practices helped us move up in ESG ratings. In 2020, MSCI upgraded our ESG rating to 'BBB', while Sustainalytics lowered our ESG risk level to 23.8 (medium). We maintain a constant dialogue on ESG matters with investors, shareholders, analysts, and other market participants.

Achieving a zero injury rate is among our key sustainability priorities. In the reporting period, we continued to improve the safety standards for LSR Group's construction projects, as well as our occupational health, industrial and fire safety compliance system and safety culture. In 2020, LSR Group's companies had 16 accidents, with the majority of them (13 out of 16) related to minor injuries. We regret to report one fatality, that of a tower crane operator as a result of a crane falling over during extreme weather conditions. To mitigate the risk of future accidents, LSR Group has developed and implemented a number of measures, including ad hoc inspections, additional trainings, and holding those responsible liable.

We continued with our drive to ensure decent working conditions in 2020, by improving our recruitment processes, providing employee training and development, continuing to offer competitive pay, and developing employee social support programmes. LSR Group completed its survey to gauge employee engagement and satisfaction. The results indicated high engagement (78%) and an average high satisfaction and loyalty level (73% and 76%, respectively). We invested RUB 242 million in social programmes for employees.

Another priority for us is fostering a culture of zero tolerance towards corruption among LSR Group's employees and communicating our anti-corruption policies to contractors and partners. All business units at LSR Group regularly perform corruption risk assessment, develop appropriate mitigation measures, and ensure compliance with the principles of honest, transparent, and ethical business conduct. 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 also focused on building long-term and productive relationships with suppliers and contractors based on the principles of responsible business conduct. We continued developing our own e-procurement platform in 2020 to further enhance the effectiveness and transparency of our procurement processes. We closely monitor our contractors who are carrying out construction and installation works to ensure the reliability, quality and safety of the houses we build.

LSR Group is continuously improving its environmental protection management approaches, introducing best practices to reduce any conceivably negative environmental impact, ensure the sustainable use of natural resources, and manage climate change. In 2020, we completed the first stages of the projects to automate the collection and consolidation of LSR Group's relevant quantitative data and deploy a regular measurements system for direct and indirect GHG emissions. In the reporting year, the Company launched a comprehensive climate management initiative, including assessment of relevant risks and opportunities, with a view to updating LSR Group's climate strategy. Our total investment in environmental protection activities in 2020 was RUB 66.7 million. We remain focused on energy efficiency, using, among other things, energy-saving technologies as an important element of green construction.

The Group supports charity initiatives aimed at improving 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 424 million in charity projects in 2020. Despite the pandemic, the Company continued working closely with charity foundations and associations, developing and launching initiatives in new formats. In 2020, we carried on with our support for Assisted Living Homes, and thanks to our ongoing partnership with the Children Are Waiting charity foundation, 302 orphaned children found a family.

I would like to thank all of LSR Group's employees and partners for their joint effort and contribution to our strong performance in the face of an enormously challenging year. Our strong market and financial position makes us confident about our business outlook and allows us to continue creating value for our stakeholders.

Andrey Molchanov

CEO, Chairman of the Executive Committee of PJSC LSR Group

ABOUT LSR GROUP

LSR GROUP TODAY

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 27 years and is one of the largest 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 businesses – real estate and construction, production of building materials – complement each other, creating a synergistic effect. Thanks to well-coordinated collaboration mechanisms, LSR Group's companies 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

LSR GROUP MANAGES ITS COMPANIES BY CONSOLIDATING THEM INTO BUSINESS UNITS ACCORDING TO THEIR AREA OF ACTIVITY AND PRODUCT OFFERING.

LSR Group's business units form two key segments:

- 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

Segments	Business unit	Description
REAL ESTATE AND CONSTRUCTION	■ LSR. Real Estate and Construction – North-West	Development projects in the elite, business class and mass market segments, commercial real estate; construction of buildings for LSR Group's development companies; transportation of building materials.
	■ LSR. Real Estate – Moscow	
	■ LSR. Real Estate and Construction – Urals	
BUILDING MATERIALS	■ LSR. Basic Materials	Production of building materials, including crushed granite, bricks, ready-mixed concrete and cement mortars, concrete products, aerated concrete blocks; extraction of sea and quarry sand; fleet services.
	■ LSR. Ready-mix Concrete	
	■ LSR. Wall Materials	
	■ LSR. Cranes	
		The LSR. Cranes business unit provides tower crane services and manages tower crane operation.

GEOGRAPHICAL REACH

LSR Group's key regions of operation:

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

REGIONS OF OPERATION AND BUSINESSES OF LSR GROUP

Region of operation	Segment
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, clay and crushed granite)
	■ Production of building materials (bricks, ready-mixed concrete and cement mortars, aerated concrete)
	■ Production of reinforced concrete products for industrial housing construction
	■ Tower crane rental services ²
MOSCOW AND THE MOSCOW REGION	■ Implementation of construction projects as an investor or developer
	■ Clay extraction and production of building materials (bricks)
	■ Tower crane rental services
YEKATERINBURG AND THE SVERDLOVSK REGION	■ Mass market real estate development and construction
	■ Production of reinforced concrete products for industrial housing construction



TOTAL POPULATION ACROSS LSR GROUP'S REGIONS OF OPERATION. THE LEVEL OF ECONOMIC DEVELOPMENT IN THESE REGIONS IS SIGNIFICANTLY HIGHER THAN ANYWHERE ELSE IN RUSSIA

* Rosstat estimate as at 1 January 2021.

¹ Public joint-stock company LSR Group ("PJSC LSR Group") and its subsidiaries ("LSR Group's companies", "LSR Group's entities"), collectively "LSR Group".

² Tower crane rental services include lifting equipment services.

STRATEGY AND SUSTAINABILITY MANAGEMENT

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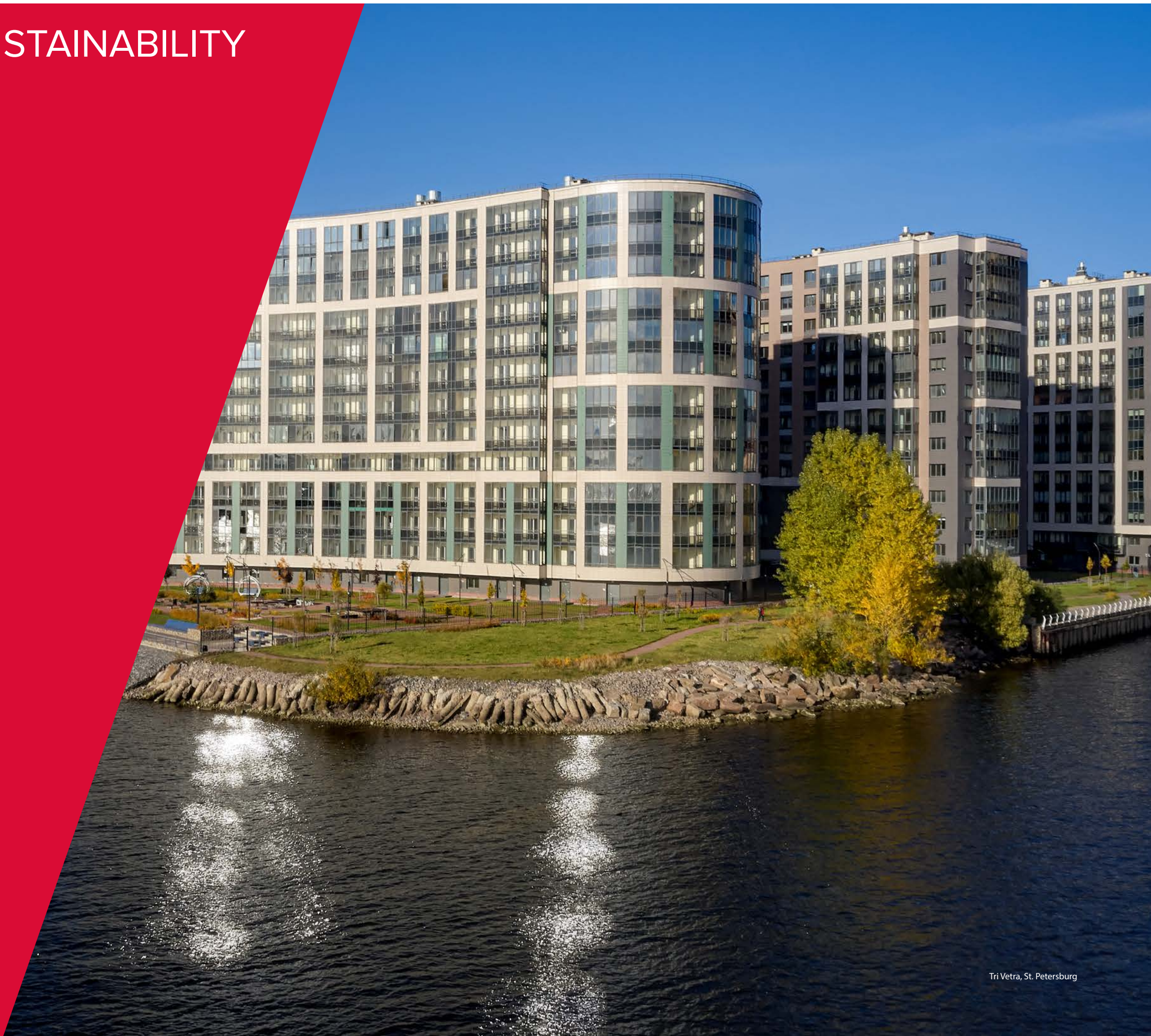
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“ Compliance with sustainability principles is one of our fundamental pillars. We are confident that strong corporate governance, social responsibility and environmental protection are key to the Company’s sustainable development ”

Igor Levit,
 First Deputy CEO,
 Chairman of the Sustainable Development Committee



STRATEGY AND CONTRIBUTION TO THE GLOBAL SUSTAINABLE DEVELOPMENT GOALS

OUR VISION

WE ARE COMMITTED TO BUILDING HIGH-QUALITY AND COMFORTABLE HOUSING WHICH HELPS IMPROVE THE QUALITY OF LIFE AND ENSURE SAFETY, WHILE ALSO CREATING A FAVOURABLE SOCIAL AND CULTURAL ENVIRONMENT.

OUR APPROACH

Social and environmental responsibility is an important element of our approach to business. Investing in human capital, ensuring decent and safe working conditions, improving the social environment and quality of life in key regions of operation, and minimising our environmental footprint are just as important to us as achieving operational and financial success.

Our business philosophy is not limited to achieving the set profit targets. We care about the welfare of the society at large. 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 communities.

LSR Group's approach to managing the economic, environmental and social aspects of its operations is grounded in global best practices in sustainability. In all our business processes, we seek to take into account the needs and expectations of our stakeholders and protect the environment.

LSR Group supports the Sustainable Development Goals (SDGs) adopted by the UN General Assembly in 2015 to tackle significant economic, social, and environmental issues. LSR Group contributes to the achievement of the SDGs by conducting business in a responsible manner, reducing negative environmental impact and running charitable and social support projects.

Since January 2019, LSR Group has been a member of the UN Global Compact committed to integrating UN human rights, labour, environmental and anti-corruption principles into its strategy and corporate culture, and disclosing its sustainability performance.

KEY AREAS OF SUSTAINABLE DEVELOPMENT

In line with [PJSC LSR Group's Sustainability Policy](#), our efforts focus on four key areas:


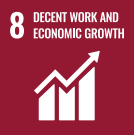





- providing decent and safe working conditions (occupational health and safety, human resources);
- ethical business conduct and countering corruption;
- facilitating the development of regions of operation;
- environmental protection.



STRATEGY AND CONTRIBUTION TO THE GLOBAL SUSTAINABLE DEVELOPMENT GOALS

Key areas of sustainable development

Sustainability performance, targets and objectives

Key areas for LSR Group	Sustainable Development Goals	UN Global Compact Principles	Targets and objectives	Indicators	2020	2021 target
PROVIDING DECENT AND SAFE WORKING CONDITIONS (OCCUPATIONAL HEALTH AND SAFETY, HUMAN RESOURCES)	 	<p>Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.</p> <p>Principle 2. Businesses should make sure that they are not complicit in human rights abuses.</p> <p>Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</p> <p>Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour.</p> <p>Principle 5. Businesses should uphold the effective abolition of child labour.</p> <p>Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.</p>	Reduce work-related injuries	Lost time injury frequency rate (LTIFR) among employees Number of work-related accidents among employees Including number of work-related fatalities among employees	0.98 16 1	0.5 or below 8 or below 0
			Reduce the occupational disease rate	Occupational disease rate	0.07	0
			Safety control	Percentage of LSR Group's construction projects and companies that have undergone internal occupational, industrial and fire safety audits	100%	100%
			Recruit and retain talent	Voluntary turnover rate	19%	25% or below
				Average recruitment and onboarding success rate	84%	70% or higher
			Talent training and development	Number of employees who completed training and upskilling programmes	5,933	At least 4,000
			Ensure social security and develop corporate culture	Investment in social programmes for employees	RUB 242 million	At least RUB 200 million
				Employee satisfaction survey	Complete	—
				Number of confirmed incidents of human rights violations	0	0
			ETHICAL BUSINESS CONDUCT AND COUNTERING CORRUPTION		<p>Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.</p>	Ethical conduct of business
Countering corruption	Number of confirmed incidents of corruption Number and percentage of employees and counterparties informed about anti-corruption policies and procedures Percentage of business units assessed for corruption risks	0 100% (9,453 employees and 9,501 counterparties ¹) 100%				0 100% 100%
Ensure fair competition among counterparties	Percentage of standard contracts with counterparties that contain anti-corruption clauses	100% ²				100%
Build a responsible supply chain	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%
Ensure the sustainable use of natural resources and mitigate the negative environmental impact	Deployment of a GHG calculation and analysis system Deployment of a centralised automated system to record environmental data	First stage (direct and indirect energy-related emissions) complete First stage (Waste, Emissions) complete				Second stage (other indirect emissions) to start Second stage (Greenhouse Gases) to start
ENVIRONMENTAL PROTECTION	   	<p>Principle 7. Businesses should support a precautionary approach to environmental challenges.</p> <p>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.</p> <p>Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.</p>	Ensuring environmental safety	Number of significant environmental incidents	0	0
			Facilitating the development of regions of operation	Percentage of construction and installation contracts featuring environmental, occupational health, fire and industrial safety requirements for contractors	100%	100%

¹ Number of organisations that based on their 2020 scores were assigned customer-submitted ratings and certified as suppliers within the internal corporate information system at the new contract signing stage.

² Standard contracts signed with counterparties in 2020. When renewing previously signed contracts, LSR Group makes sure the anti-corruption clause is in place and included in the existing contracts/agreements.

CORPORATE GOVERNANCE

At the heart of LSR Group's operations lies an effective corporate governance system. This system is continuously fine-tuned, enabling LSR Group to achieve its strategic goals and improve its operational and financial efficiency.

Our corporate governance system 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 Moscow Exchange for public companies, and international requirements for public companies listed on the London Stock Exchange.

Corporate governance principles:

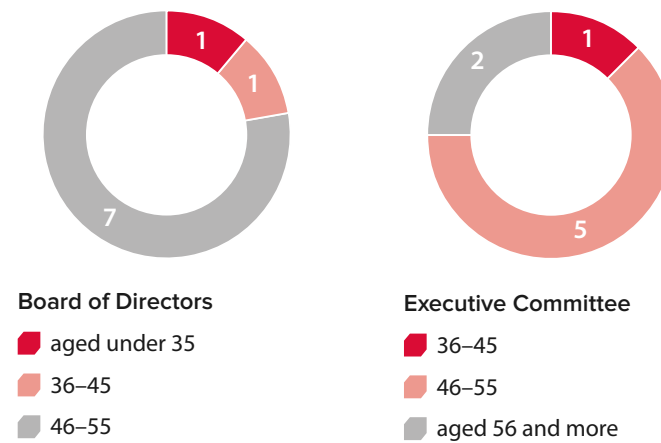
- Equal treatment of all shareholders
- Protection of the rights and interests of all shareholders
- Compliance with legislation in all aspects of business
- Independence of the Board of Directors in decision-making
- Transparency of information
- Equal access to the information
- Efficient risk management and internal control system
- Corporate responsibility and compliance with business ethics.

LSR Group seeks to enhance the transparency of its operations in line with global best practices. Information on LSR Group's operations is available in materials and reports that are regularly posted on the Group's official website (www.lsrgroup.ru/en/), including in quarterly reports, financial and operating updates, annual and sustainability reports, press releases, notices of material facts, and lists of affiliated persons.

GOVERNANCE STRUCTURE

LSR Group considers a broad set of factors in selecting the members of its Board of Directors, including their qualifications, business experience and other skills. This helps improve the performance of the Board. LSR Group does not impose any age, gender or diversity-related restrictions on candidates seeking to join the Board of Directors or the Executive Committee.

Composition of the Board of Directors and the Executive Committee by age (as at 31 December 2020)



Board of Directors

- aged under 35
- 36-45
- 46-55

Executive Committee

- 36-45
- 46-55
- aged 56 and more

LSR Group pays particular attention to developing the role of independent directors. We are confident that their involvement contributes to efficient and unbiased work on part of the Board of Directors, and helps protect the rights and interests of our shareholders. As at 31 December 2020, the Board of Directors consisted of nine members, including four independent directors:

Dmitry Gontcharov	Chairman of the Board of Directors, Chairman of the Strategy, Investor Relations and Capital Markets Committee
Andrey Molchanov	member of the Board of Directors, CEO
Igor Levit	Chairman of the Sustainable Development Committee, member of the Strategy, Investor Relations and Capital Markets Committee
Alexey Makhnev	independent director, member of the Audit Committee, member of the Strategy, Investor Relations and Capital Markets Committee
Vitaliy Podolskiy	independent director, Chairman of the Human Resources and Compensation Committee, member of the Audit Committee, member of the Sustainable Development Committee
Natalia Nikiforova	independent director, member of the Human Resources and Compensation Committee
Alexander Prsyazhnyuk	independent director, Chairman of the Audit Committee, member of the Human Resources and Compensation Committee, member of the Sustainable Development Committee
Evgeny Yatsyshin	member of the Strategy, Investor relations and Capital Markets Committee
Egor Molchanov	member of the Strategy, Investor relations and Capital Markets Committee

From 1 January to 29 April 2020, the Board of Directors consisted of seven members, including:

- four independent directors,
- two non-executive directors,
- one executive director.

From 29 April to 31 December 2020, the Board of Directors consisted of nine members, including:

- four independent directors,
- two non-executive directors,
- three executive directors.

AWARDS RAKED IN BY LSR GROUP'S TOP MANAGEMENT

LSR Group's top managers are regularly included in some of the most reputable rankings. For example, Andrey Molchanov, the CEO of LSR Group, was recognised as the best top manager of 2020 by the annual TOP 100 rating compiled by the influential Delovoy Peterburg daily. He is the only manager to win the top prize twice.

As published in the annual Top 1,000 Russian Managers rating for 2020 presented by the Russian Association of Managers, Andrey Molchanov, the CEO of LSR Group, was once again recognised as one of the best senior managers. Dmitry Kutuzov, the Chief Financial Officer of LSR Group, was included in the list of Russia's Top 100 CFOs. For the second year running, Alexander Zilbert, Director for Information Policy and Corporate Communications at LSR Group, topped the ranking of the leading PR and IR managers in Russia's construction industry.

In 2020, sustainability issues were reviewed by the meetings of the Board of Directors and the Executive Committee (nine meetings in total), as well as the meetings of the Board committees. Among other things, the reviews focused on the incentive programme for LSR Group's managers, long-term incentive programmes for LSR Group's managers, Personnel Report, establishment of the Sustainable Development Committee under the Board of Directors, Sustainability Report, reports on compliance with occupational health and industrial and fire safety requirements at LSR Group's entities, approval of the most deserving candidate to receive the Best-in-LSR gold medal badge of merit, and the response of LSR Group's entities to the spread of the new coronavirus infection.

The Board of Directors and the Executive Committee are planning to remain actively engaged in the management, coordination and control of a wide range of sustainability issues.

APPROACH TO SUSTAINABILITY MANAGEMENT

Sustainability management is part of LSR Group's existing corporate governance framework integrated at 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. The dedicated function is set up to coordinate and monitor LSR Group's sustainability activities. Relevant centralised structural subdivisions of LSR Group are responsible for setting up and implementing specific sustainability objectives and initiatives, including those that are in the realm of occupational health and industrial safety, HR management, etc.

The heads of LSR Group's entities also take responsibility for various aspects of sustainable development. The functional structural subdivisions of LSR Group's entities reporting directly to the heads of LSR Group's entities are held liable for the implementation of said goals.

ESTABLISHMENT OF THE SUSTAINABLE DEVELOPMENT COMMITTEE UNDER THE BOARD OF DIRECTORS

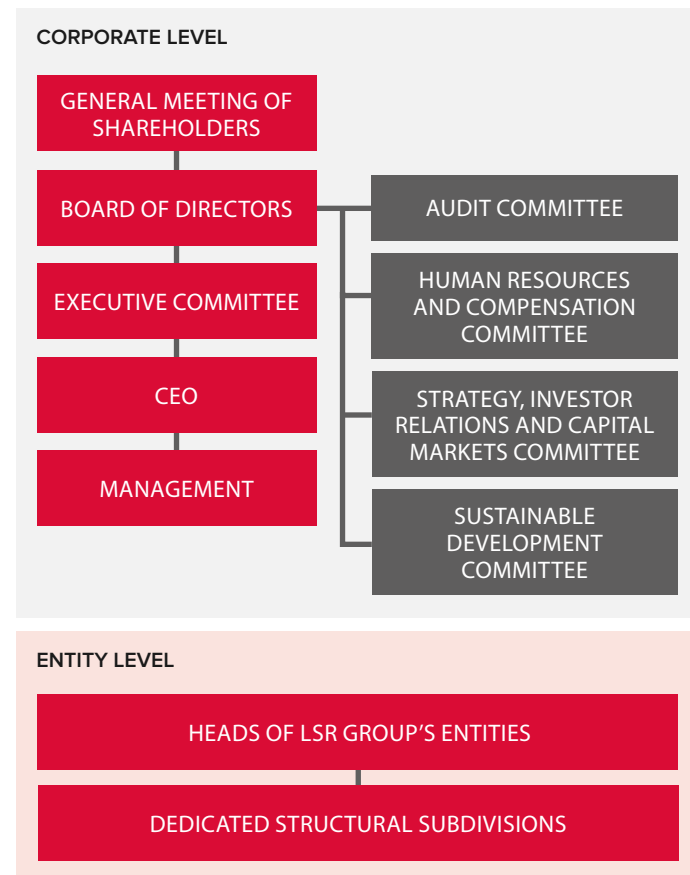
In 2020, the Board of Directors adopted an important resolution aiming to put in place a new committee under the Board of Directors – the Sustainable Development Committee. Igor Levit, First Deputy CEO of LSR Group and member of the Board of Directors, was appointed to be the Chairman of the Committee, with his tasks including the coordination of all sustainability efforts at the level of the Board of Directors and the Executive Committee.

Establishment of a dedicated sustainable development committee is fully in line with the best global practices in the realm of corporate governance. The Committee is tasked with strengthening LSR Group's sustainability management system, including the enforcement of sustainability compliance, and boosting the Group's sustainability position as a way to increase the shareholder value in the long term.

In 2020, the Committee determined its key operating priorities, while also approving the concept for sustainability reporting, the climate risk assessment strategy, and the ESG work plan.

CORPORATE GOVERNANCE

Corporate governance system



LSR Group has adopted the [Sustainability Policy](#) and a number of other internal regulations governing the Group's sustainability pursuits.

All of the Group's entities have local regulations which incorporate the requirements and recommendations set out in the Group-wide corporate documents, while also reflecting the distinctive nature and characteristics of every given entity.

In 2020, we started work on LSR Group's sustainability strategy with an aim of setting near-, mid- and long-term goals for each focus area in the realm of sustainability. The list of key relevant regulations is provided below in the sections focusing on the main lines of LSR Group's sustainability efforts.

MANAGEMENT OF SUSTAINABILITY RISKS

Timely identification, assessment and management of risks, including those related to sustainability, help deliver LSR Group's objectives and goals, while also contributing to its long-term success.

LSR Group has a multi-tiered risk management and internal control system designed to improve the robustness of the corporate structure. The Board of Directors is responsible for the general administration of the risk management and internal control processes.

LSR Group has the [Risk Management Policy](#) in place. Operational risk management is carried out by LSR Group's entities in line with the Group-wide principles and procedures as well as the local regulations. LSR Group's centralised departments perform additional risk management activities depending on their roles and duties.

LSR Group has identified a number of key risks that may have a negative impact on the achievement of relevant goals and

objectives. For details on the risks associated with LSR Group's operations see the [Annual Report of LSR Group for 2020](#).

As part of the corporate risk management activities, we pay special attention to the risks and challenges associated with LSR Group's pursuits in the realm of sustainability.

Key sustainability risks

Risk areas	Description	Risk mitigants
Occupational health and industrial safety risks	The risk of accidents, workplace injuries and fatalities, and occupational diseases	<ul style="list-style-type: none"> Compliance with the occupational health and industrial safety laws Upholding the corporate ethics and safety culture Occupational health and industrial safety audits and inspections
Risks associated with legal changes	Risks associated with obtaining all the necessary licences, permits or approvals and risks arising from legal changes, including those leading to tighter legal requirements	<ul style="list-style-type: none"> Regular monitoring of legal changes Adoption of resolutions on the response of LSR Group and its entities to changes and filtering relevant information down to the responsible officers and subdivisions
HR risks	Risks related to the acquisition, retention and motivation of qualified employees and a drop in productivity among remote workers	<ul style="list-style-type: none"> Maintaining competitive salaries and incentive programmes Development and implementation of training and upskilling programmes, including distance training and performance improvement programmes for remote workers Employee assessment Social support initiatives for employees Joint programmes with educational institutions aimed at attracting young talent Development of convenient and efficient internal communication channels
Risks arising from breaches of ethics and corruption	Risks arising from unethical business conduct, corruption-related crimes, fraud, commercial bribery or disclosure of insider information	<ul style="list-style-type: none"> Employee commitment to compliance with the Code of Ethics Inclusion of anti-corruption clauses in employment contracts Personnel training, awareness raising initiatives for employees, contractors and partners Regular assessment of corruption risks Rotation of employees with a high level of exposure to corruption risks Trust hotline Improvements in the procurement efficiency and transparency and promotion of fair competition
Environmental risks	Risks of causing environmental damage or exceeding statutory environmental impact limits	<ul style="list-style-type: none"> Compliance with environmental laws Obtaining the required regulatory paperwork and environmental permits Initiatives to mitigate the environmental impact
Risks arising from climate change	Risks arising from climate change and its impact on buildings and structures, the expanding range of statutory requirements, emission charges and climate change regulations, and potential reputational damage	<ul style="list-style-type: none"> Improvements in the energy efficiency of production processes Reduced consumption of fossil fuels Introduction of regular calculation of direct and indirect GHG emissions Construction of highly energy efficient buildings with the use of energy saving technologies Development and implementation of a strategy for climate risk management Building a system for climate risk management and improving disclosures Compliance with the applicable laws and international standards <p>For more details on climate risks and opportunities see the Annex "TCFD Disclosure".</p>
Customer experience risks	Risks arising from a failure to live up to the customer expectations with ensuing drops in sales, financial losses and reputational damage	<ul style="list-style-type: none"> Regular upgrades of customer experience tools and development of new feedback channels Compliance with customer focus principles and improvements in employee skills Grievance management, product and service offering improvements Introduction of new and improvement of existing sales tools (including distance selling)
Supplier and contractor risks	Risks arising from the poor quality of products and delays in supplies	<ul style="list-style-type: none"> Assessment of the supplier and contractor qualifications and reliability Improvement of internal procedures in the realm of procurement Inclusion of additional clauses in contracts

CORPORATE GOVERNANCE

HUMAN RIGHTS

Respect for human rights is one of the fundamental principles underpinning the operations of LSR Group. It is enforced both in Russia and globally, including, as follows:

- the laws of the Russian Federation;
- the UN Global Compact;
- the Universal Declaration of Human Rights;
- the ILO Declaration on Fundamental Principles and Rights at Work;
- the United Nations Guiding Principles on Business and Human Rights.

LSR Group recognises the importance of respecting the human rights of both its employees and external stakeholders impacted by LSR Group's operations or products, including its partners, suppliers, contractors, customers and people living in the regions of its operation. This means that the principles of respect for human rights are integrated in all the key activities of LSR Group and include the following clauses:

- zero tolerance towards stakeholder discrimination, including discrimination by gender, race, skin colour, nationality, language, origin, property status, familial or social position, job, age, place of residence, religion, convictions, affiliation/non-affiliation with civic associations or any other social groups;
- offering equal opportunities to LSR Group's employees during recruitment, hiring, assessment, promotion, development, discipline enforcement, remuneration and termination of employment contracts;
- zero tolerance towards all forms of child and forced labour;
- promotion of safe and comfortable working conditions.

LSR Group has its [Human Rights Policy](#) in place. The respect for human rights is also enshrined in the fundamental internal regulations of LSR Group governing personnel and contractor management and the regulation of social and other issues. A list of key documents can be found in the relevant sections of the Report.

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 on human rights violations. No human rights violations were identified through the operation of the hotline in 2020. For more details on the mechanism for submitting complaints and requests can be found in the [Contribution to Countering Corruption](#) section of this Report.



Kalina Park, St. Petersburg

STAKEHOLDER ENGAGEMENT

“ We pay special attention to fostering long-lasting and mutually beneficial relations with our employees, shareholders, customers, local communities, government authorities, media, and NGOs. Our approach builds on trust, respect, information transparency and commitment to our obligations ”

Alexander Zilbert,
Director for Information Policy and Corporate Communications

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

LSR Group's priority is to strike a balance between the interests of different stakeholders, and to respond promptly to their expectations, needs and concerns. For this purpose we employ relevant tools and mechanisms that help us maintain highly effective and sustainable cooperation with each group. LSR Group also operates the Trust hotline, which any stakeholder can use anonymously to bring forward any concerns to LSR Group.

In 2020, we further developed online communication tools, including those for selling flats, rendering associated services, employee training and conferences, while also setting up our own YouTube expert platform. On top of that, we started updating our official website to make it more user-friendly for everybody.

Noteworthy is the relaunch of our official Telegram channel, the only social media resource dedicated to LSR Group operations. By the end of the year, it boasted the biggest number of subscribers among Russian developers' official channels.



Reinforced concrete production, St. Petersburg

Key stakeholder groups and engagement mechanisms

Stakeholder group	Focus area	Engagement practices
Shareholders and investors	<ul style="list-style-type: none"> ■ Growth in LSR Group's capitalisation and business sustainability ■ 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 ■ LSR Group participation 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"> ■ LSR Group compliance with legislative requirements ■ Charitable activities and development of socio-cultural environment in the regions of operation ■ Minimising LSR Group's environmental footprint 	<ul style="list-style-type: none"> ■ Preparing and publishing reports in accordance with legislative requirements ■ Internal checks and inspections by government authorities ■ Acting on comments and improvement notices ■ LSR Group participation in law-making processes and initiatives ■ Implementing charitable projects and building social infrastructure
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 efficient internal communication channels 	<ul style="list-style-type: none"> ■ Supporting internal communication channels (the corporate magazine, 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 training in occupational health and safety ■ Holding sporting, charitable, 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 ■ Holding initiatives to boost employee satisfaction
Customers	<ul style="list-style-type: none"> ■ Ensuring high quality and accessibility of products (real estate, building materials) ■ Timely performance of obligations ■ User-friendly and effective communication channels ■ Convenient and advanced purchase tools, including online 	<ul style="list-style-type: none"> ■ Product quality checks ■ Surveying preferences and satisfaction of housing buyers ■ Loyalty programme including product promotions and discount offerings ■ Claim settlement ■ Measures to improve customer experience (e.g. providing information, reduction of paperwork and office hours extension) ■ Handling, reviewing, and responding to reports received via all feedback channels ■ Staging meetings of the LSR Group management with activist and resident groups ■ Communications via the media and other channels ■ Offering online purchase tools and maintaining a mobile app ■ Maintaining corporate websites

STAKEHOLDER ENGAGEMENT

Stakeholder group	Focus area	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 and bidder screening and due diligence Assessing product compliance with safety and quality standards Regular contractor checks to ensure product compliance with relevant requirements
Local communities	<ul style="list-style-type: none"> LSR Group contribution to the social and economic development of key regions of operation Aligning the Group's operations with the interests of local communities Developing infrastructure Restoring and preserving Russia's cultural heritage Supporting vulnerable social groups 	<ul style="list-style-type: none"> Collaborating with charity foundations and other not-for-profit organisations to implement social and charitable projects Supporting the construction of social infrastructure Organising cultural and entertainment events across regions of operation Holding management meetings with the representatives of local communities to discuss current issues Supporting projects to preserve architectural monuments and cultural initiatives
Media	<ul style="list-style-type: none"> Providing stakeholders with complete, reliable, and up-to-date information about LSR Group activities 	<ul style="list-style-type: none"> Publishing press releases about key events Holding briefings, presentations, and conferences for the media Arranging for personal meetings and interviews Regular support to the media and industry periodicals Creating LSR's own YouTube expert platform Cooperation with regulators in the media
Public organisations	<ul style="list-style-type: none"> Matters related to the construction industry and lobbying for its interests LSR Group's contribution to regional development Promoting professions in the construction industry Developing green construction standards 	<ul style="list-style-type: none"> Participating in industry associations Participating in industry conferences, seminars, and forums Participating in professional and other industry competitions Taking part in the development of professional standards in the construction industry Membership in sustainability, in particular green construction, organisations

ECONOMIC EFFICIENCY

To consistently create and increase value for its stakeholders, LSR Group invests a lot of effort into improving its operational and economic efficiency. By doing this, we leverage our efficient business model, gain insight into customer needs and develop risk management tools while also ensuring timely response to external circumstances and strengthening our competitive edge.

In 2020, thanks to government support packages focused on social benefits, economic growth and the construction industry, we saw robust consumer demand. We signed new contracts for 826 thousand sq m, with a total value of RUB 95 billion, which represents a 12% increase compared to 2019. LSR Group's total revenue reached RUB 118.1 billion.

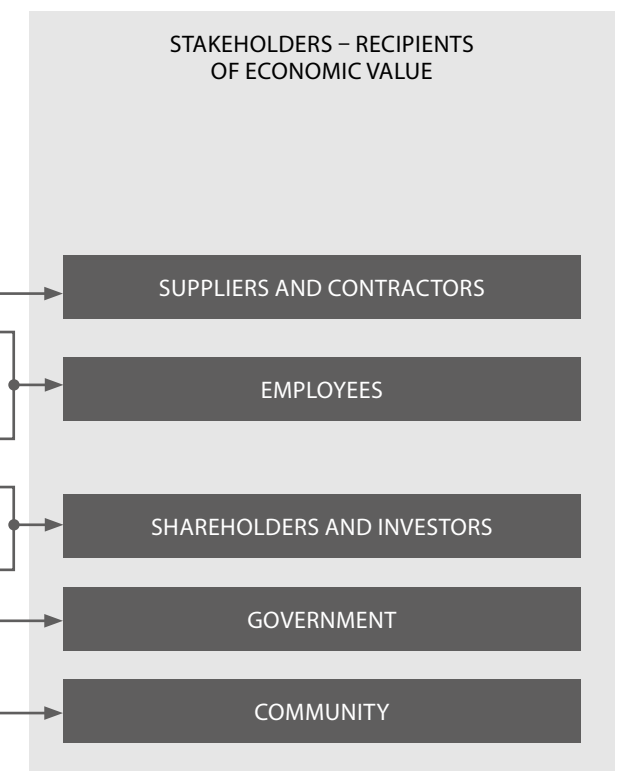
Taking into account the 2020 revenue, the direct economic value generated was RUB 121,494 million, of which RUB 90,285

million were distributed to LSR Group's key stakeholders. The Group's contractors and suppliers of materials, equipment and services accounted for the largest share of cash payments made as part of operating costs. A significant portion of the economic value created was distributed in the form of employee wages and salaries (RUB 12,681 million) and dividends to shareholders (RUB 5,031 million).

In generating tangible value for our stakeholders, we contribute both to our own growth and the economic development of the regions in which we operate. We intend to continue strengthening our competitive advantages, pursuing our strategy, and fostering 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

Indicator	2020
Direct economic value created	121,494
Revenue	118,052
Revenues from financial investments	2,816
Revenues from sales of tangible assets	626
Distributed economic value	90,285
Operating costs	61,154
Employee wages and salaries	12,681
<i>including employee wages and salaries net of social security contributions</i>	9,634
Other payments and benefits to employees	14
Payments to providers of capital	11,302
<i>including dividends paid</i>	5,031
<i>including interest payments made to providers of loans</i>	6,271
Payments to the government	4,710
Community investments	424
Undistributed economic value	31,209



STAKEHOLDER ENGAGEMENT

INVESTOR RELATIONS

LSR Group places a special emphasis on its relations with current and potential shareholders and investors, all of whom comprise 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 an ongoing contact with our shareholders and investors using the following tools:

- regular disclosure of LSR Group's financial and operating statements and results [on the corporate website](#), Interfax news portal and in the London Stock Exchange news feed;
- results conference calls;
- investor presentations;
- press releases and news;
- roadshows and capital markets days;
- interaction with debt investors to secure low borrowing rates;
- participation in investor conferences;
- site visits for investors and analysts;
- communication with rating agencies;
- response to investor queries using IR@lsrgroup.ru and a feedback form at our Telegram channel;
- working with buy-side and sell-side analysts;
- publishing and updating a comprehensive databook and landbank valuation report.

Our relations with shareholders and investors have been built on openness and information transparency. We believe that the timely and accurate communication of important LSR Group's news and events is key to strengthening trust in us as a business partner.

We work with a wide range of Russian and international investors, holding one-on-one and group meetings to directly engage with institutional investors. LSR Group actively attends major investor conferences to update investors on our activities and performance and to answer their questions. Due to the 2020 coronavirus pandemic, most events took place in an online format. In 2020, LSR Group took part in four investor conferences across Europe and Russia (such as the SBER CIB Conference and VTB Capital's RUSSIA CALLING! Investment Forum) and held over 150 meetings with existing and potential investors.

LSR Group's credit ratings

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

IR AWARDS

According to the 2020 survey of investors and analysts held by the Institutional Investor magazine, LSR Group was named best among construction and real estate companies in the following categories: Best IR Programme, Best IR Team (claimed first two places), Best ESG (Environmental, Social and Governance) Indicators.

We also came second in the Best Investor Relations Practice, Small-Cap Company category of the prestigious award set up by the Moscow Exchange and Institutional Investor magazine.

LSR Group put in place communication channels for shareholders and investors to ask questions and get prompt responses. The contact details of the Corporate Secretary and Director of Investor Relations and Sustainable Development are available on our [corporate website](#).

An important tool for enhancing our investment case is working with the international rating agencies. The Group boasts a stable outlook from the top rating agencies, which helps strengthen our image as an attractive partner for long-term investments.

ESG MATTERS

When interacting with current and potential shareholders and investors, we place a strong focus on ESG matters, which continue to gain traction. With our sustainability practices enhanced over the recent years, we have succeeded in improving our ESG ratings. In particular, MSCI upgraded our rating from BB to BBB (on the AAA-CCC scale where AAA is the top score), while Sustainalytics lowered the Group's ESG risk level to 23.8 (medium).

We maintain a constant dialogue on ESG matters with investors, shareholders, dedicated rating agencies, analysts, and other stakeholders using the following tools:

- regular disclosure of reports and results in the Sustainability section of our corporate website;
- ESG-related investor presentations, press releases and news;
- conference calls and roadshows covering the ESG agenda, among other things;
- publishing and updating an ESG Databook;
- participating in ESG and sustainability conferences.



Tri Vetrā, St. Petersburg

RESPONSE TO COVID-19

LSR Group takes the spread of COVID-19 seriously and is aware of the social and economic impact the situation is having on its employees, contractors, customers and communities. LSR Group invests every effort in minimising the risk of spreading COVID-19 and ensuring the business continuity, safety and well-being of stakeholders.

Since early 2020, LSR Group has been keeping a close eye on the pandemic. We set up a dedicated working group for fast pandemic-related decision-making and regular strategic and action planning. The working group comprises experts from the Economic Security, Human Resources and Legal Affairs departments.

We also implemented in full (and sometimes beyond the required scope) all the required statutory measures and have continued to do so. LSR Group's key measures include:

- drafting and implementing internal documents establishing new rules and guidelines in the wake of the pandemic;
- taking steps to maintain business continuity amid the coronavirus restrictions;
- rolling out actions to get LSR Group's entities better prepared for stringent restrictions (a complete lockdown);
- delivering preventive interventions to ensure the safety and well-being of our staff, including hygiene protocols and remote working;
- developing and introducing online property sales technologies;
- providing access to complete and reliable information about the measures which LSR Group takes to protect its employees, customers and other stakeholders.

COVID-19 guidelines and procedures

LSR Group regularly updates its policy and internal regulations to align them with the recommendations and requirements of the global, national and regional authorities. To this end, heads of LSR Group's entities have been instructed to prepare the relevant internal documents. The key ones are described below:

- **Business continuity plans**
These plans were developed and approved based on different restrictions scenarios by each LSR Group's entity in March 2020, before the official restrictions were put in place. They comprise measures that need to be taken before, during, and after the restrictions and are aimed at maintaining business continuity across LSR Group and preventing infections among employees.
- **Safety Standards, including those addressing sanitary and hygienic safety to prevent the spread of COVID-19**
These standards were developed and approved by each LSR Group's entity in April 2020. They comprise measures that must be taken by all employees (regulated access to offices and procedures regarding workplace meals, PPE procurement, etc.) and are aimed at preventing the spread of COVID-19 among staff members.

LSR GROUP'S RESILIENCE TO COVID-19-RELATED RISKS

LSR Group has been in the market for over 27 years. Its operations span different segments in three major regions. LSR Group has its own building material business. All this makes it highly resilient to various external shocks.

In spring 2020, to tackle the COVID-19 threat, many countries, including Russia, imposed lockdowns, which resulted in business disruptions and greater economic uncertainty. On top of that, building operations were suspended in the Moscow region (though continued in St. Petersburg and Yekaterinburg).

As part of the timely approved strategies and action plans, LSR Group made sure all its entities implemented sanitary and preventive measures and were duly prepared for stringent restrictions (a complete lockdown). Below are the key actions LSR Group took:

- working groups were established to take charge of equipment maintenance;
- plans were developed to address the suspension of operations and reallocation of capacities;
- sufficient materials were stockpiled;
- steps were taken to mitigate liability if restrictions were imposed;
- greater on-site security and other measures were introduced.

The mortgage interest subsidy programme approved by the Russian government was instrumental in supporting the construction industry through the pandemic.

Importantly, LSR Group was not affected by the entry ban for foreign nationals — all its contractors continued to meet their contractual obligations. Moreover, LSR Group is traditionally less prone to risks of untimely deliveries of building materials because it has its own building materials business.

All of the above allowed LSR Group to deliver robust sales in 2020. Thanks to prompt response and efficient planning, we were able to catch up with the minor delays in the construction schedule caused by the suspension of building operations in the Moscow region.

Given that human and financial resources have to be carefully planned during a crisis, LSR Group takes a long term approach to putting such key details in place. A sufficient liquidity cushion, healthy balance sheet, availability of financial resources and extensive continuity measures provide LSR Group with a strong base to emerge from the crisis without being severely affected.

STAFF SAFETY MEASURES

To contain the spread of COVID-19, in the reporting year, LSR Group introduced a range of new measures to protect its employees and prevent infection. They were set out in internal documents that all employees were required to read.

The main sanitary and preventive measures in response to COVID-19 include:

- regulated access to offices, including changes in working hours to avoid crowds;
- testing and adopting the remote working format;
- reduced face-to-face contacts between employees in daily business;
- daily health checks at workplaces, including temperature checks and other measures to identify infection;
- releasing symptomatic employees from work, isolating them in special rooms and sending them to healthcare facilities;
- employer-reimbursed COVID-19 testing for certain staff categories;
- sanitising of all spaces, disinfecting touchpoints, devices and equipment in work spaces;
- providing employees with PPE, including masks, gloves and hand sanitisers.

Some of the measures implemented at LSR Group's entities went above and beyond the required scope. For example, to ensure staff safety, employer-reimbursed coronavirus testing was made available not only to the employee categories specified in the regulations, but also to some other categories including employees who have been in close recent contact with someone who has tested positive, employees who return to office after self-isolation, staff of commercial services who have regular face-to-face contact with customers, etc.

Since the start of the pandemic, we have been keeping count of COVID-19 cases among our employees. Infection and health reports are submitted weekly to the executive director and then forwarded to the CEO. In 2020, there were 549 COVID-19 cases reported at LSR Group's entities. A peak of 175 cases per month was seen in December¹.

The absence of localised coronavirus outbreaks among employees that start with a single infection is the most important indication of the effectiveness of LSR Group's efforts. It is also worth stressing that the percentage of infections at LSR Group is significantly lower than across the country.

THE REMOTE WORKING PROGRAMME

LSR Group implemented the statutory guidance on remote working across its operations. The first phase of staff transition to remote working in compliance with the regulatory requirements took place in April 2020. During the second phase, we went even further and launched a Remote Working programme on 1 September 2020.

It is worth noting that a move to remote working is challenging for most our entities due to the specific nature of their businesses and the need for the physical presence of staff at workplaces. That is why this programme was primarily geared towards the employees whose role can actually be carried out remotely.

The participants were moved to remote working for a three-month period that was then extended as the lockdown restrictions remained in place. To make sure our staff feel comfortable with the new working conditions, we organised online training for employees and their managers. The webinars were intended to provide staff with hands-on guidance and advice.

The pilot programme aims to improve remote working practices and examine whether it can be extended to other staff. In December 2020, the effectiveness of the programme was assessed based on, among other things, a survey of the managers. Following the assessment, it was resolved that remote working can be introduced for a number of LSR Group's employees involved in its regular operations.

¹ A case is counted after a positive COVID-19 test has been reported.

RESPONSE TO COVID-19

CARING FOR CUSTOMERS AND EXPANDING ONLINE SERVICE

In March-April 2020, the market conditions changed dramatically as the imposed restrictions prompted a shift to online communication between developers and customers, with property viewings, reservations and purchases all moving online.

LSR Group's entities were very quick to adapt to the new reality. The top priority was to ensure the safety of customers and their relatives. It should be noted that it was back in 2019 when LSR Group first introduced the option to book and buy a flat online. A visit to the developer's office was only required in order to finalise the transaction and sign the certificate of acceptance.

Due to the challenging epidemiological situation, all LSR Group's offices and advisory centres were temporarily closed while sales departments carried on working remotely. LSR Group took all practicable steps in a timely manner to deliver the highest levels of comfort and safety for its customers. It is now possible to sign contracts remotely using a digital signature. For LSR Group's customers, the digital signature is generated free of charge. Moreover, during the lockdown, we offered our customers extra discounts on the price of the flat.

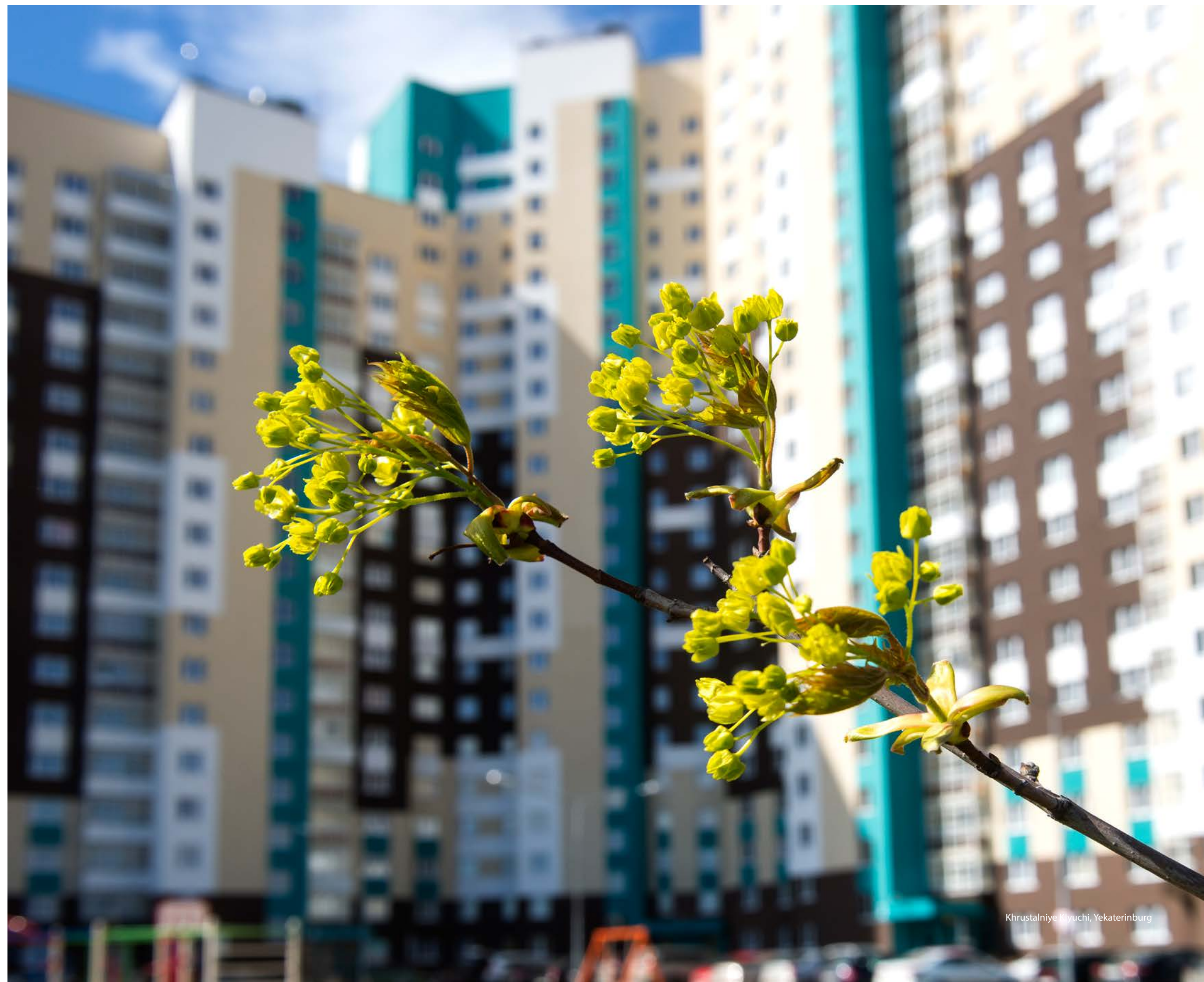
On top of that, in 2020, we continued to develop the possibility of buying a flat remotely under a trade-in programme. As part of the programme, we give our customers the best purchase conditions along with a number of other benefits such as lock-out agreement, dealings only with trusted agents and lower marketing costs. Selling and buying a flat online certainly adds to this list.

ONLINE SHOPPING

Online shopping is available for flats in any of LSR Group's residential developments. The following activities can be now carried out online:

- selecting property at www.lsr.ru or in LSR mobile app (AppStore and GooglePlay);
- booking the flat you like to lock in the price;
- signing a contract with the developer online using digital signatures;
- opening an account with a service for secure settlements and paying the transaction price via an online acquiring platform;
- paying statutory registration charges at www.gosuslugi.ru or using online payment systems of major banks;
- receiving the registered document in an electronic format online or by email.

A step-by-step guidance on online shopping is available on LSR Group's official websites. In March 2020, LSR Group signed its first online deal with a self-isolating customer. In 2020, the share of online deals (deals with the electronic registration) made up more than 50% of total deals per year (amounting to 18,330).



CONTRIBUTION TO BUILDING SUSTAINABLE CITIES

- Approach to building sustainable cities 18
- Responsible supply chain management 18
- High product quality and consumer safety..... 20
- Customer satisfaction 21
- Green construction..... 23
- Charity programmes 24



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



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 charitable 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 economic sectors

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

LSR Group's supply chain management includes approximately 16 thousand existing and potential suppliers¹ with whom we have built 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

To ensure a unified approach to procurement, LSR Group has issued regulatory documents describing the principles and methods for working with suppliers. LSR Group's Regulation on Procurement also requires that counterparties follow the principles of transparent and fair business conduct and provides for 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.

PROCUREMENT AUTOMATION

LSR Group carries out all its procurement via its own e-procurement platform – zakupki.lsr.ru. In 2019, we launched a procurement information system that supports the operation of the e-procurement platform, integration with internal regulations, and other relevant systems.

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
- 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 2020, with changes aimed at providing an easier procedure for submitting bids for construction and installation, improving the quality and transparency of procurement, and offering the possibility to make procurements on the basis of price lists.

¹ Counterparties registered at our e-procurement platform as at 31 December 2020.

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

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.

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 those of 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 Russian legislation and by LSR Group's internal standards. Our sourcing policy seeks to limit potential negative effects on people and the environment.

During supplier assessment and selection, goods and products are evaluated for risks associated with the mentioned effects. Suppliers of finishing materials, for example, are asked to provide quality certificates and test protocols verifying compliance with sanitary and epidemiological requirements. This helps us make sure that flats built by LSR Group are safe and comfortable.

Bidders unhappy with our procurement framework or decisions can use our hotline or reach out to the organisers for explanations.

If a supplier that had signed a contract failed to provide a product of the agreed quality, deliver it in due time or meet the integrity and equality standards for counterparties, LSR Group would investigate the reasons (including by visiting the supplier's operating facilities), develop recommendations and act according to the Regulation on Procurement.

KEY RESULTS IN PROCUREMENT

LSR Group's 2020 procurement decreased by 2% year-on-year to RUB 73.5 billion. The majority of the procurement (60%) was contractor work, 30% was procurement of goods and other services, and 10% was procurement of monopoly services.

There is an increasing interest by counterparties in e-procurement. In 2020, LSR Group engaged with over 5 thousand of potential suppliers. LSR Group prefers open forms of competitive procurement. Over 76% of 2020 procurement procedures were open-form, of which 44% were tenders with limited participation under Russian law among eligible participants who had passed the open pre-qualification selection.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY OF OUR CONTRACTORS

Contractors hired for construction and installation work operate directly at LSR Group sites. This is why we rigorously demand that our contractors use responsible business practices.

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 penalties for violating safety requirements and environmental and sanitary standards.

LSR Group's 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 complies with the established requirements. If violations are identified, improvement notices are issued to the contractors and penalties are imposed in accordance with the contract; and in the event of serious violations that endanger lives or health, the work is suspended and may only be resumed once the necessary improvements are made. For more information on the control system and the inspections conducted in 2020, see the [Contribution to Safe Working Conditions section](#).

In 2020, LSR Group also developed a safety standard for its construction facilities. We expect to introduce it in 2021 for our own entities and contractors alike. It will specify and extend the key legislative requirements and best practices for safe work.



HIGH PRODUCT QUALITY AND CONSUMER SAFETY

LSR Group places 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.

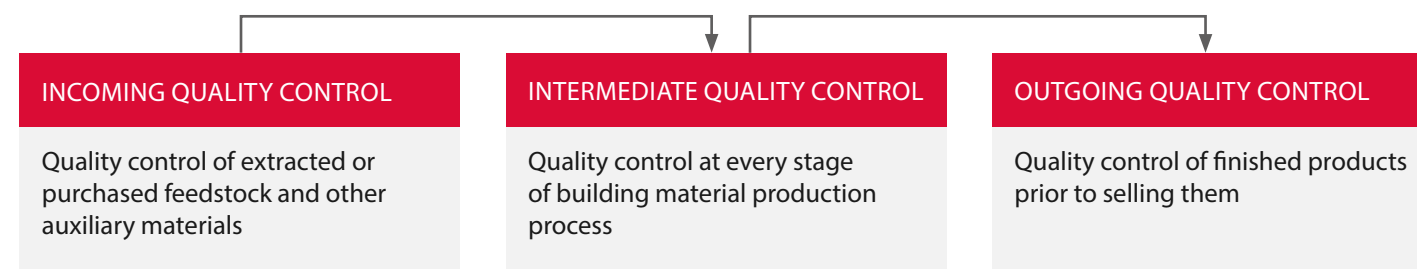
QUALITY CONTROL OF MANUFACTURED BUILDING MATERIALS

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.

Types of quality control stages of production process



LSR Group puts a particular focus on selecting and producing environmentally friendly building materials, both those used in the construction of our residential projects and those 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 human health.

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 local regulations, 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) 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. For more details on key activities carried out as part of the construction control, see High Product Quality and Consumer Safety Section in the [LSR Group's Sustainability Report 2019](#).

DIGITALISATION OF CONSTRUCTION QUALITY CONTROL PROCESSES

LSR Group consistently studies, rolls out and enhances the IT component of its business processes. The Group's entities operate a data system for construction quality control covering the process of real property transfer from contractor to developer. The developer's head office generates an inspection request, and its respective representatives on site, upon receiving the request, record the inspection results on their tablets. A framework was organised to record defects and monitor their elimination.

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.

OUR ACHIEVEMENTS IN QUALITY ASSURANCE

Excellence in Construction 2020 contest

The jury of the Excellence in Construction 2020 contest held in St. Petersburg gave high praise to LSR Group's four ongoing projects. First-degree certificates were awarded to two business class projects – Morskaya Naberezhnaya residential development and the NEOPARK apartment complex. Ruchyi and Zapovedny Park mass market residential projects won a second-degree certificate.

The Excellence in Construction contest has been held since 2011 among constructors and developers of the North-West with the support of the Government of St. Petersburg and Administration of the Leningrad Region. It is not the first time LSR Group has received an award at the event. 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.



The Nikolsky Brick Plant, St. Petersburg

CUSTOMER SATISFACTION

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

DEVELOPMENT OF COMMUNICATION CHANNELS

Effective customer relations channels strengthen the brand by building the image of a reliable real estate developer, that builds high-quality housing. It has a positive impact on sales and enables us to handle customer requests faster and in a more efficient way.

KEY CHANNELS AND FORMATS OF COMMUNICATION WITH CUSTOMERS:

announcements and advertisements of LSR Group's residential projects, including in the real estate databases, on official websites, in a mobile app, at construction sites/in the streets/on the underground/on the radio/on TV;

sales outlets in each region and in residential developments, where potential customers communicate with the sales manager;

customer services, being the main aftersales communication channel, which includes call centres, customer service departments, and processing of applications sent via a personal account or mobile app or submitted by home-buyers in person;

customer complaints and warranty claims handling departments, which receive complaints and claims by phone, to corporate mailbox, or in person at the companies' head offices or via the management company;

social media groups – Facebook, Instagram and VK groups in each region of operation; a general Telegram channel of LSR Group and separate Telegram channels for handling Moscow requests;

LSR Group's telephone number and mailbox for general inquires, and the Trust hotline, which sometimes receive customer requests.

LSR Group's experts regularly evaluate the effectiveness of various customer relations channels and develop action plans to improve communication. One example is mystery shopper checks in the sales offices. In 2020, these checks were run by a third-party contractor across all sales offices in St. Petersburg and Yekaterinburg and resulted in the new checklists containing guidelines and new rules of customer communication for all sales offices.

Customer services, and specifically call centres, are the key and most efficient channel intended to receive and process requests of existing customers. At the same time, we are also developing alternative communications channels, such as our groups in VK, Instagram and Facebook where anyone can comment or send a personal message with an inquiry. LSR Group has also created separate Telegram channels for Moscow requests. Customers are welcome to use them to send a message and ask anything they might be interested in.

A separate work stream involves designing and implementing tools based on modern digital technology to respond to increased customer sophistication. The year 2020, due to the pandemic and temporary lockdown in Russia, saw widespread use of online services covering all stages of finding, booking and buying LSR Group's products and services, including flats and building materials. For details on buy-a-flat online services see the [Response to COVID-19 section](#).

Since 2019, an LSR mobile app launched by LSR Group as a one-stop solution for its customers has been functioning. The app integrates features ranging from finding and booking a flat, to using services after the building has been completed and managing utility bills.

COMMUNICATIONS CHANNELS' IMPACT ON LSR GROUP'S BRAND STRENGTH

Annually, LSR Group participates in the Assessment of Primary Residential Property Market, a syndicated survey carried out by KANTAR in Moscow and St. Petersburg twice a year, in spring and in autumn. A separate section of the report is dedicated to the evaluation of communications channels' efficiency. The survey enables us to evaluate the communications channels that have the most impact on the brand, and to determine those that require improvement.

It should be noted that social media discussions and forum threads play a greater role for LSR Group than for its peers in general (construction companies operating in Moscow and St. Petersburg), which confirms the efficiency of our efforts in this area.

COMMUNITIES OF OWNERS

Building inner communities is an established practice among owners of flats in LSR Group's residential developments. Such communities help promote communications between neighbours, organise various events, and resolve common issues.

In 2020, the Friendly Neighbours club was active. It comprises owners of flats in ZILART, a flagship Moscow residential development constructed by LSR Group. Despite the pandemic, members of the community were arranging various events (celebrations, meet-ups, workshops), while observing all the required restrictions. LSR Group did not merely get involved in these initiatives, but also held its own campaigns to promote friendly relations within the local communities. For instance, in 2020 it arranged tree planting events for residents of Moscow's Luchi and ZILART and St. Petersburg's Novaya Okhta.

Fostering communications between LSR Group and flat owners communities generates a positive customer experience, creates positive newsfeeds in independent media, expands the loyal audience among residents, and increases the number of customers willing to recommend LSR Group's flats to their friends and acquaintances.

CUSTOMER PREFERENCES AND CUSTOMER SATISFACTION SURVEYS

Every year, LSR Group conducts surveys of the real estate market, potential customers' preferences and the level of satisfaction of those who have already bought a flat from LSR Group.

LSR Group has marketing departments in all three regions of operation. These departments arrange for customer monitoring activities, polls and surveys. Surveys are often conducted in partnership with third parties or use data collected as part of independent surveys.

The key surveys summarised in 2020 included the following:

- KANTAR's Assessment of Primary Residential Property Market covering two LSR Group's regions of operation – Moscow and St. Petersburg. The report is prepared twice a year (2020 only had the autumn survey wave due to the pandemic) and represents an exclusive consolidated real estate market survey that looks at buyer behaviour, including COVID-19 impact on flat purchases, the efficiency of communications channels, the image of developers, and customer loyalty.
- A survey of satisfaction with various life domains conducted, for the first time ever, in five LSR Group's residential developments in St. Petersburg.
- Moscow marketing surveys: Identifying Potential Buyers' Preferences in Terms of a Flat in a Business Class Residential Development and a similar survey on mass market residential properties.
- A joint survey of Raiffeisenbank and LSR Group dedicated to the preferences of millennials who plan on buying a flat in the near future.

Furthermore, surveys are regularly conducted in all regions in order to build separate target audience profiles for mass market properties and business class properties. Surveys are carried out in LSR Group's sales offices among those who have bought or are planning to buy a flat from the Company. They are based on a questionnaire gathering information about socio-demographic, geographical and behavioural characteristics of customers, as well as their buying motives. The most important outcome of the survey is that the target audience is divided into groups, depending on the issues resolved through buying a flat as seen through the eyes of a customer (e.g., purchase of the first flat, purchase of a better/bigger home, investment purposes, moving homes, etc.). Different strategies and communications approaches are then developed for different customer groups.

CUSTOMER SATISFACTION

CUSTOMER SATISFACTION SURVEY CONDUCTED ACROSS RESIDENTIAL DEVELOPMENTS IN ST. PETERSBURG

In 2020, we conducted our first-ever survey of satisfaction with various life domains among those who got keys for their flats in 2019. The survey covered five residential projects in St. Petersburg and was carried out in collaboration with Social Information Agency.

Target audience: residents of the surveyed properties aged 18 and older who are owners / members of the owner's family. Sample size: 1,000 respondents (200 people in each residential development).

The survey addressed the following aspects:

- quality of a purchased flat (quality of life, construction quality, management company performance);
- quality of finishing works;
- developer image: strengths and weaknesses;
- customer loyalty.

The overall score of the quality of a purchased flat was 8.4 on a 10-point scale (quality of life – 7.2, construction quality – 8.0, management company performance – 8.0). The finishing works were rated 7.7, and the overall convenience of a flat layout scored 8.6.

According to respondents, LSR Group's strengths are: well-equipped and comfortable children's playgrounds, compliance with the construction deadlines, convenient layouts, well thought-out entrance spaces, landscaping, value for money.

As part of the survey, we also analysed factors that affect customer loyalty and identified reasons why some customers are not ready to return to LSR Group. Based on the feedback, key customer expectations are as follows: social infrastructure needs to be developed and commissioned together with the residential estate, finishing of flats and common areas requires improvement.

The survey shows that the majority of customers are happy with the flat they bought from LSR Group: 92% of respondents are ready to return to the developer as the need arises; 77% of respondents rated their willingness to recommend buying a flat with LSR Group to their friends or co-workers as 8 to 10. The NPS (Net Promoter Score) was 42%.

LSR Group uses the above-mentioned customer relations channels, as well as the real estate market and customer loyalty surveys to develop and regularly adjust communications plans for target customer groups. In addition, incoming requests and key survey results are reported to senior management of LSR Group's entities and are factored into decision-making. All of the above improve the quality of communications and services, thus having a positive effect on customer satisfaction.



GREEN CONSTRUCTION

Green construction is a vital part of LSR Group's sustainability agenda. We are convinced that buildings which have a minimum environmental footprint throughout their life cycle 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 energy-efficient and energy-saving buildings
- Utilising water-saving technology in buildings
- Introducing advanced separate waste collection for subsequent treatment, recycling, decontamination, or disposal
- 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 JOINS THE GREEN BUILDING COUNCIL

In September 2020, LSR Group became an honorary member of the [Green Building Council](#). The Green Building Council is a non-profit organisation seeking to develop and introduce the most advanced eco-friendly building technologies in Russia.

Joining the Green Building Council is in line with LSR Group's principles of the implementation of and adherence to the standards of green construction and building materials production, as well as environmental protection. This step will allow the Company to expand its ties with the professional community, as well as its green construction knowledge base. Such collaboration will also strengthen LSR Group's efforts to implement sustainable development standards.

LSR Group pays particular attention to improving energy efficiency of buildings we construct. LSR Group applies the standards of statutory energy efficiency requirements to all its heated buildings, regardless of the completion stage¹, as well as expending additional energy-saving efforts and implementing energy-efficient technologies. 31 out of the 59 projects from LSR Group's total project portfolio include buildings/structures of A, A+, A++, B, B+ or B++ energy efficiency classes, which accounts for over 80% of the projects with a determined energy efficiency class.²

Energy-efficient seamless façades 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 façades 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 that automatically optimise their performance depending on the weather by adjusting the heating agent temperature and flow rate.

WET AND SUSPENDED FAÇADES REDUCE HEAT LOSSES BY UP TO 30%

Advanced façade finish approach implemented in LSR Group's Luchi mass market residential development allows its residents to save on heating. The solutions we apply reduce the total heat losses of a residential building by 30%.

Wet and suspended façades are the two technologies used in the façade finish of Luchi. Both solutions not only reduce heat losses but also provide additional soundproofing and save space within a flat due to the external insulation of its walls. Moreover, a suspended façade protects the building from severe weather. Wet and suspended façades coupled with top-quality materials are exactly what ensures the durability and attractiveness of buildings in the long run.

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. The first buildings are scheduled to be commissioned in 2021.

An equally important area of sustainable construction for LSR Group is comprehensive landscaping of the areas surrounding our buildings and the creation of a pleasant social and cultural environment. All LSR Group's projects take these aspects into account and include them in the landscaping design. Projects also involve construction of educational and other community and cultural facilities.

CONSTRUCTION OF ALL-INCLUSIVE RESIDENTIAL DEVELOPMENTS

The COVID-19 pandemic intensified the neighbourhood improvement trends in residential construction. Nowadays, people want to get modern infrastructure at a walking distance: educational facilities (nurseries, schools), shops, cafes, underground parking spaces, parks, as well as sports and recreational areas. LSR Group incorporated neighbourhood improvement principles long before the pandemic, when erecting its all-inclusive residential developments in the Moscow region.

For its projects, LSR Group chooses sites next to urban woodlands, and if there is no such zone in the vicinity, the Company creates new green spaces near the buildings (e.g., Tyufeleva Roshcha Park and Marc Chagall Embankment in the ZILART quarter).

All courtyard spaces created as part of all LSR Group's Moscow projects are centred around absolute safety and security. They are car-free and equipped with video surveillance and remote access control systems. In addition, all residential developments have underground multi-storey parking facilities. Courtyard improvement, including landscaping, was completed using the same stylistic ideas as those implemented in the architectural concept of the buildings.

All our Moscow residential developments are located within walking distance of schools and pre-school educational establishments. During the reporting period, LSR Group constructed 15 nurseries and three schools. A school with a capacity of 2,500 pupils is already operating in the ZILART quarter.

The ground floors of all residential developments are designed for shopping, recreational and community service facilities. A variety of floor spaces makes it possible to open stores, shopping malls, pharmacies, polyclinics, post offices and bank outlets, sports centres, beauty salons, and offices.

The all-inclusive concept allows for comfortable and safe living of the residents and caters to needs of today's customers in the best way possible.

LSR Group reviews and implements various technologies and standards allowing us to speed up the construction of buildings, all the while maintaining the safety and quality of the work. Thus, when building our premium-class 150-metre-high skyscraper ZILART TOWER (the work is carried out by STRABAG, one of the world's best construction companies), we provide wind protection for monolithic structures using special 7.5-metre-tall screens. These screens improve the safety of installation work carried out at a height of 50 metres or more, mitigate the effects of precipitation and wind gusts, and ensure specific temperature conditions necessary for correct concrete setting at heights in the shortest time possible. Furthermore, to build internal floors, we use easily modifiable formwork which helps complete the work three times faster, as compared to standard solutions.

Among other advanced technologies that expedite construction, we should mention a slurry wall. It makes it possible to accelerate the construction by 15–20%. Moreover, this technology reduces the noise at a construction site. LSR Group applies this method to its LENINGRADKA 58 business class residential development. In a constrained urban environment, a slurry wall allows for large-scale construction of high-rise buildings without causing damage to surrounding facilities. This technology reduces the scope of earthwork and enables us to carry out construction on two levels (underground and overground) simultaneously, thus reducing the timeline to completion of the project.

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

INNOVATIVE ABB-WELCOME DOOR ENTRY SYSTEMS TO ENSURE SAFETY AND COMFORT IN ZILART

All of the eight phase 1 buildings in ZILART business class residential quarter are equipped with ABB-Welcome smart door entry system. Individual home intercom solutions may provide extra security to ZILART residents. For instance, an additional station on their floor helps the residents to see visitors who are heading upstairs towards their doors. A video door entry system enables them to watch what is happening near the entrance in real-time mode directly from their smartphones.

If connected to a home router, ABB-Welcome enables the residents to receive calls via Internet to an Android or iOS-based smartphone or tablet. ABB-Welcome has an intercom functionality, so the flat owners can immediately get in touch with housing and utility services or neighbours.

ABB-Welcome is an impressive one-stop solution that not only supplements the modern architecture of ZILART, but also maintains a high level of comfort for its residents.

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.

¹ 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.

² The projects included in this metric, consisting of one or more buildings or structures (for example, residential projects), 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 2020, prepared by Knight Frank.

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.

The sudden onset of pandemic-induced lockdowns proved difficult for everybody. Many events, meetings and training programmes were hosted remotely, online or otherwise. The primary beneficiaries of LSR Group's charity work are socially vulnerable population groups, so there was also the issue of not everyone having the resources to attend online. LSR Group was additionally determined to provide material support to children, adults and foster teens, as well as identify the groups most affected by the pandemic and deliver them social help.

In 2020, LSR Group invested a total of RUB 424 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

EDUCATION SUPPORT

In addition to the initiatives mentioned above, in 2020 LSR Group also made a significant contribution to the development of regional universities (Ural Federal University and a number of others).

The reporting year also saw LSR Group continue to help fund the St. Petersburg Foundation for Supporting Innovations and Youth Initiatives. The organisation's mission is to support strategic initiatives of the city's communities and people, unlock St. Petersburg's innovative potential, contribute to HR and education programmes for the city and local communities, and to seek out and recruit motivated and active people to be part of project groups, and support volunteering.

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 2020

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 and Okhta On the River assisted living service
- In the Steps of Korney Chukovsky creative workshops
- Creating new jobs under disability employment quotas

Cooperation with the Children Are Waiting charitable 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 Adaptation Centre providing comprehensive support to foster families at all stages of the fostering process
- The Nursing Care project to support orphaned children at medical treatment and preventive care facilities
- The Mom is Near project to support single women with young children in difficult life situations
- Children's photography sessions for adoption and the Own 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 (RGSAI)

- Providing the disabled with the access to adequate higher education in arts

LSR Group took a number of active steps to support the fight against COVID-19:

- purchasing tablets for kids from multi-child and low-income families to help them through distance learning
- paying for medical masks for the Leningrad Region's residents
- paying for meals for a regional hospital's staff
- paying for meals for the employees of Maternity Hospital No. 16
- financing the installation of a system for detecting elevated body temperature (at a Leningrad Region hospital)

For the past several years, LSR Group has also been sponsoring sports events. In 2020, LSR Group rendered support to the Boxing Star Foundation for the Development and Promotion of Boxing, the Modern Pentathlon Federation of Moscow, and the Table Tennis Federation. We also made big donations to the Special Olympics Committee, which helps the disabled, and provided support in the hosting of a training camp in the run-up to the 19th Winter Deaflympics.



The Development collaborative children's art centre, Yekaterinburg

CHARITY PROGRAMMES

COLLABORATION WITH THE CHILDREN ARE WAITING CHARITABLE FOUNDATION

We have been supporting the work of the Children Are Waiting charitable 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 2020, 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 2020, thanks to our joint efforts, 302 children found their loving parents, bringing the total number to 3,946 since the launch of the project.

One of the major collaborative projects revolves around the support for the Family Adaptation Centre. In 2020:

- 181 people completed their training at the School of Adoptive Parents;
- 1,230 consulting sessions were conducted by the Foster Family Assistance Service psychologists with potential foster parents and those who have already adopted;
- 27 online and 24 in-person meetings with foster families and specialists were held by the Foster Family Assistance Service psychologists;
- 212 children aged 2–18 were part of sessions at the Family Adaptation Centre;
- 5,410 hours of tutoring was organised for children based on the school curriculum.

In 2020, one of the Family Adaptation Centre's priorities was helping children and teenagers with disabilities integrate into their social environment, develop communication skills, and build confidence in their social and personal value. Children were taught how to learn online. This gave the participants a chance to communicate with each other and try their hand at different activities and forms of interaction in a safe environment.

THE NOVAYA OKHTA AND OKHTA ON THE RIVER ASSISTED LIVING SERVICE

The Novaya Okhta and Okhta On the River assisted living projects are the first services of their kind in Russia, providing supported accommodation as a viable alternative to care homes for people with disabilities. The project is being carried out by the non-profit League of Public Associations of Parents of Children with Disabilities (GAOORDI) in collaboration with the business community (LSR Group) and the government.

The first assisted living home was launched in St. Petersburg in June 2017, and the second one opened its doors in August 2019. At present, there are 19 people aged 18 to 54 living in each home, and servicing them are 24 employees working in shifts. Thanks to LSR Group's support, the staff get a monthly bonus.

In 2020, the employees of both homes carried on with their work without any disruption, ensuring utmost comfort of the patients. In summer, they accompanied the residents to the countryside in the Solnechnoye settlement.

In honour of Social Worker Day on 8 June, President Vladimir Putin held a video meeting with the people engaged in the social sector across different Russian regions. He was joined by the GAOORDI President and Novaya Okhta residents.

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 society's most vulnerable groups, 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 been taking an active role in projects which aim to develop Russian culture and preserve the nation's historical and artistic heritage. In 2020, LSR Group continued to support the renovation of architectural monuments, allocating the needed 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. LSR Group regularly sponsors concerts for socially vulnerable groups and people with disabilities. In light of the pandemic, some events scheduled for 2020 were cancelled and some were moved online.



Rassvetny, Yekaterinburg

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“ Our people’s health and safety will remain our top priority. We are working to achieve zero injuries and reduce an occupational disease rate by mitigating risks and preventing situations endangering employees life and health ”

Alexey Mochalov,
Director for Economic Security

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. They operate in line with their internal Regulation on the Occupational Health Management System and Regulation on the Organisation and Implementation of Industrial Monitoring of Compliance with Health and Safety Requirements at Hazardous Industrial Sites. For details on our management system see the [Annex "Approaches to management."](#)

The 2020 developments forced both the Group and the world at large to focus on creating safe workplace conditions amid the COVID-19 pandemic. In the reporting year, LSR Group introduced a range of new measures to protect its employees and contractors from the spread of the infection. The key ones are sanitary and preventive measures, remote work arrangements, distant learning and other steps to ensure business continuity. For details on the response measures see [the Response to COVID-19 section](#).

As part of the regulatory guillotine project to revise effective laws, including those on safety, current in Russia during the year, LSR Group's entities worked to align internal regulations with the new statutory requirements.

We also actively develop and implement additional internal standards in line with industry best practices. In 2020, we drafted a safety standard for our construction facilities, which combined key legal requirements and recommendations for construction work and the best safety practices. As the Group decided to integrate it into standard construction and installation contracts, the approval and implementation timelines were moved to 2021.

Key regular initiatives

- Development and implementation of programmes to prevent work-related injuries and promote healthy lifestyle
- Regular assessment and analysis of hazards that could negatively affect employees' life and health
- Assessment of LSR Group's potential impact on employees' life and health at the stage of pre-project and project documentation preparation
- Providing information, briefings and training to employees
- Inclusion of safety requirements into contracts with penalties for non-compliance
- Purchasing and providing 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 technical audit of LSR Group's industrial sites
- Ensuring the availability of grievance mechanisms
- Reporting and performance analysis:
 - Internal checks and audits of occupational health, industrial and fire safety to monitor compliance with applicable requirements at LSR Group's entities
 - Monthly and quarterly reporting on compliance with occupational health, industrial and fire safety requirements
 - Preparing occupational health, industrial and fire safety reports subject to review by the Executive Committee
 - Preparing and submitting quarterly proposals on occupational health, industrial and fire safety improvements subject to review by the Executive Committee

FOSTERING A SAFETY CULTURE

We are committed to fostering a safety culture where each employee is personally accountable both for their own life and the life and health of their colleagues. Our employees regularly receive information on hazards and risks, and are trained in health, industrial and fire safety.

In 2020, corporate centres trained and tested the knowledge of 2,618 employees. On average, each employee had eight hours of training (based on the LSR Group's average headcount). On top of that, the Group's entities have their own programmes in this area and commissions to conduct comprehensive knowledge checks.

Amid the 2020 pandemic, our safety efforts focused mainly on promoting compliance with sanitation and hygienic guidelines to prevent the COVID-19 spread. We informed and educated our staff to help them quickly adapt to new working conditions and requirements.

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

- prioritising employee life and health over LSR Group's performance;
- holding managers responsible for safe working conditions;
- holding LSR Group employees and contractors accountable for personal and collective safety, with the right to intervene in the event of non-compliance with requirements;
- engaging all employees in activities designed to reduce the number of accidents and occupational injuries and diseases;
- prioritising preventive measures in all aspects of occupational health, industrial and fire safety.

Every LSR Group employee has the right to refuse to work in case of a 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 threat to life or health has been eliminated. This provision and the relevant operating procedure are set out in the documents of LSR Group's entities that are mandatory for familiarisation against signature by employees at the time of hiring or adoption of such documents.

INCENTIVES AND MANAGEMENT KPIS

When calculating bonuses and the variable component of staff salaries, the Company takes into account their compliance with safety requirements. Penalties are applied not only to offenders but also to their supervisors if the accident is caused by unsafe working conditions.

The procedure for calculating bonuses payable to the management based on injury and accident rates is set out in the internal regulations of the Group's entities. 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.

Various mechanisms are in place at LSR Group for dealing with complaints and reports from persons engaged in its operations. We promptly respond to any issues concerning safe working conditions or protecting the health of LSR Group employees, and ensure that all new employees are aware about whistleblower channels as part of their induction briefing.

Grievance mechanisms in occupational health and safety

LABOUR DISPUTE COMMISSIONS AT EACH BUSINESS UNIT

Compliance with labour law, including safe working conditions

OCCUPATIONAL HEALTH AND SAFETY COMMISSIONS AT EACH ENTITY

Occupational health complaints submitted by authorised representatives of employees

HOTLINES OF OCCUPATIONAL HEALTH AND SAFETY DEPARTMENTS AT EACH ENTITY

Accepting reports from all employees

CONTRACTOR SAFETY

All contractors engaged in construction at LSR Group sites must comply with statutory health and safety requirements and LSR Group's internal documents (guidelines and regulations) as regards access to facilities. LSR Group organises safety briefings prior to allowing the contractors to access its sites.

On top of that, safety requirements are integrated in all construction and installation contracts as a separate annex (Party coordination protocol on safe working practices). All contracts also provide for the liability of contractors (penalties) in case of a breach of health and safety (including fire safety) requirements.

An important milestone in 2020 was the drafting of a safety standard for LSR Group's construction facilities to be embedded in contractors' construction and installation activities. While implementing the standard in 2021, LSR Group will oblige its contractors to adhere to more stringent safety rules.

Compliance is monitored as part of regular checks (for more details see below in this section). In case of breaches, the Company may suspend relevant operations and take appropriate measures with respect to such contractors and their employees.

Contractors have an obligation to inform LSR Group's entities about severe accidents, group accidents and fatalities and fatalities, with minor injuries also subject to reporting.

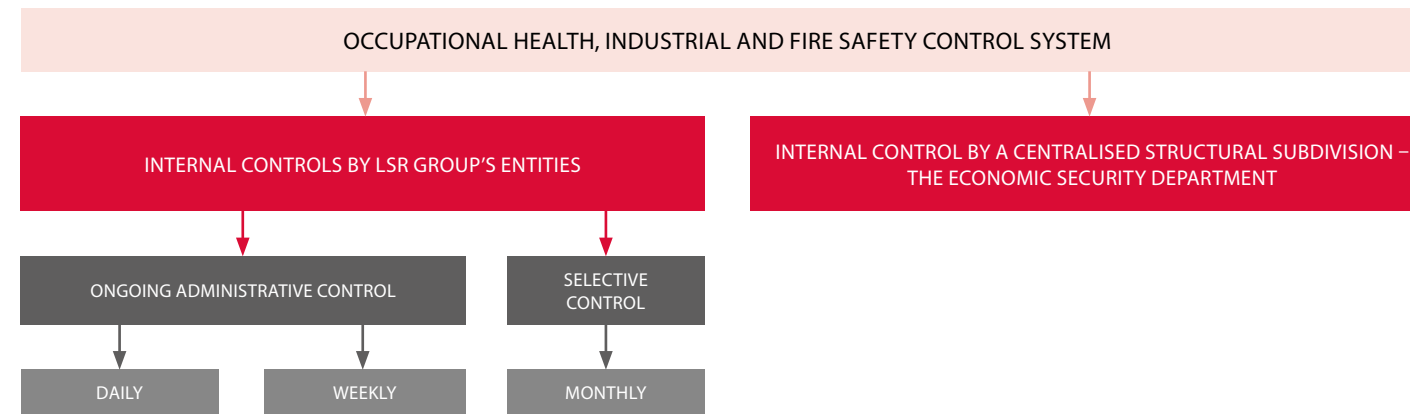
INJURY PREVENTION

In the previous years, LSR Group has paid special attention to selecting injury prevention mechanisms, ensuring that they meet or in some cases exceed regulatory requirements. LSR Group's entities design and implement programmes to prevent work-related injuries.

In 2020, we continued to run the occupational health, industrial and fire safety control system launched in 2019. Thanks to regular checks and monitoring, including the follow-up on improvement notices, the system and employees in charge of safety on sites operate more effectively.

All the Group's entities and construction facilities are subject to regular audits by the centralised structural unit in line with the approved schedule. We consistently enhance control over safety compliance by counterparties engaged in construction.

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



In 2020, LSR Group's entities had 16 accidents, with the majority of them (13 out of 16) related to minor injuries and LTIFR standing at 0.98. The Group sets up ad hoc commissions to investigate the causes of all workplace accidents in line with the applicable laws and takes steps to prevent similar accidents in the future.

CONTROL RESULTS IN 2020

The Group has put in place controls primarily designed to identify and eliminate hazardous production factors likely to cause harm to our people and other stakeholders. It is a common fact that the first step in solving any problem is recognising there is one. In this context, we think it important that the heads of structural units responsible for controls identify and act on such problems. In 2020, monthly checks helped reveal 2 thousand safety breaches and gaps among employees and contractors, which means we detected and prevented around 2 thousand potential incidents.

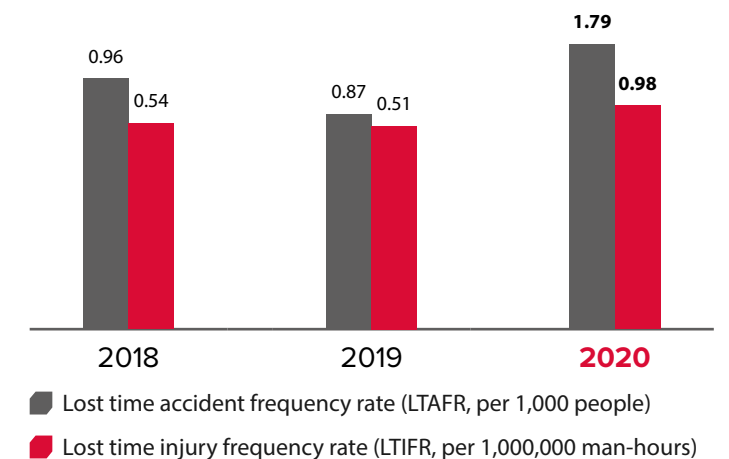
Work-related injuries¹ at LSR Group in 2018–2020

Indicator	2018	2019	2020
Total number of on-site accidents	10	8	16
Number of people injured as a result of on-site accidents (total number of injuries)	10	8	16
Including:			
<i>Fatal accidents</i>	0	0	1
<i>Number of people injured resulting in lost time (LTI)</i>	10	8	15
Injury rate (IR, per 1,000,000 man-hours)	0.54	0.51	1.05
Injury severity rate (SR), excluding occupational diseases	58.20	66.00	66.60
Absenteeism rate (AR, %)	0.04	0.06	0.03

We regret to report a fatality of a tower crane operator as a result of a crane falling over at AO LSR.Krany-SZ. The accident took place due to a sudden worsening of weather conditions (strong wind, thunderstorm and rain). The investigation revealed improper work management, with no steps taken to stop the crane which was inadequately fixed. Measures taken to mitigate the risk of future accidents include communicating the circumstances to the business unit's employees, ad hoc knowledge tests for tower crane operators, checking the operability of all LSR.Krany-SZ lifting equipment, and holding liable those persons who committed violations identified during the investigation.

The human factor remains the main cause of work-related injuries, which includes non-compliance with safety instructions by employees and negligence at work. Therefore, our plans for further improving safety management approaches and mechanisms remain focused on promoting safety culture among LSR Group employees and contractors. Going forward, we will also implement, and ensure compliance with, the safety standard for our construction facilities.

LSR Group LTAFR and LTIFR² rates in 2018–2020



¹ Calculation methods:

IR = total injuries / man-hours worked x 1,000,000 man-hours;
 SR = total days of temporary incapacity resulting from on-site accidents, with sick note confirming incapacity / total on-site injuries sustained by employees;
 AR = days of actual absence from the workplace (over the entire period) / total scheduled days of work in the reporting period x 100 percent.

² Calculation methods:

LTIFR = number of lost-time injuries / number of man-hours worked x 1,000,000 man-hours;
 LTAFR = number of accidents / average number of employees over the reporting period x 1,000 employees.

OCCUPATIONAL HEALTH

Caring for the health of our people and taking steps to prevent and reduce the incidence of overall and work-related ill health have always been top priorities for LSR Group. Annual measures include medical examinations for employees, "Health Days", and sports events. LSR Group's entities have operational control programmes in place that require compliance with sanitary regulations and the implementation of anti-epidemic (preventive) measures.

Some of them also provide medical insurance programmes including emergency care, annual vaccination of employees, and first-aid stations or contractual services provided by nearby medical institutions.

In 2020, due to the pandemic, we had to reduce the number of sports contests, football tournaments, bike rides and other events intended to cultivate a healthy lifestyle, while other measures to ensure business continuity remained in force and even got expanded, especially as regards medical check-ups, insurance and assessment of harmful and hazardous workplace factors. For details on the response measures see the [Response to COVID-19 section](#).

Another focus area is preventing and reducing the incidence of occupational diseases which LSR Group employees are at risk of developing. In 2020, we identified a new case of occupational illness at AO LSR. Bazovye.

To minimise the risk of occupational diseases, we pay special attention to applying and enhancing individual and collective protective measures, conducting professional screening and expert assessments of fitness for work, improving the effectiveness of preliminary and periodic medical examinations, and taking steps to automate the production process.



CONTRIBUTION TO DECENT WORKING CONDITIONS

- Approach to HR management31
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- Training and development33
- Employee motivation33
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We make consistent efforts to create an optimal environment for our people to unlock their personal and professional potential. To improve employee satisfaction, we regularly enhance our management approaches and quickly respond to external challenges. After all, we owe our successes first and foremost to our people – one of our key strategic resources”

Polina Golubeva,
HR Director



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. As we deliver on these objectives, it helps maintain robust productivity and staff performance and fuels LSR Group's future growth.

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 in line with business profile. For details on our management system see [the Annex "Approaches to management"](#).

The reporting year saw many changes to our HR management approach mainly caused by the COVID-19 pandemic. The circumstances required immediate response. Apart from sanitary and preventive measures, we invested a lot of effort in remote work arrangements, distance learning, and more effective internal communications. In addition, in the reporting year, each of LSR Group's entities approved its own Safety Standards based on the nature of their operations. For details on the response measures see [the Response to COVID-19 section](#).

Every year, the Group runs initiatives to streamline corporate HR management processes and boost HR experts' performance. For example, in 2020, we held trainings for employees of the Human Resources Department to share experience and develop best practices in the HR domain.

During 2020, we implemented a project for the transition to electronic employment record book in accordance with new laws initiated by the Pension Fund. As part of the project, applications were collected from employees to choose the format for keeping their employment record books, and some employees (7%) gave up their paper employment record books and switched to the electronic format.

Internal and external inspections are another mechanism for improving HR management processes. In 2020, general recommendations were developed to improve the existing HR record management system based on internal inspections conducted by the Human Resources Department. The State Labour Inspectorate did not schedule audits of LSR Group in 2020.

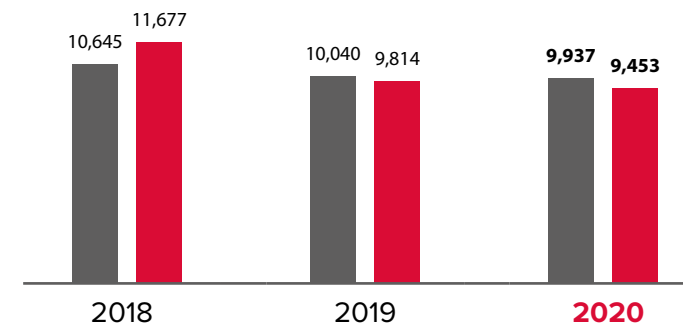
Key regular initiatives

- Development and revision (if necessary) of the 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
- Trust hotline
- Reporting and performance analysis
 - Weekly meetings to discuss operations and meetings of HR managers to discuss annual performance
 - Assessing the effectiveness of existing HR procedures and developing measures to improve them
 - Preparation of reports on key HR metrics: on a weekly, quarterly and annual basis
 - Conducting inspections and audits

PERSONNEL STRUCTURE

LSR Group is one of the largest employers both in its sector and in the regions of its presence. In 2020, LSR Group employed an average of 9,453 people¹ (down 4% year-on-year), with the headcount as at 31 December 2020 totalling 9,937 employees (a decrease of 1% year-on-year). Most of employees work at LSR Group's entities located in the Northwestern region, and the remaining 22% in other regions of operation.

Number of LSR Group's employees in 2018–2020



■ Headcount as at 31 December
■ Average headcount

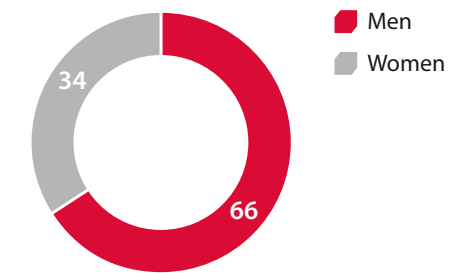
AUTOMATION OF HR MANAGEMENT PROCESSES

In the reporting year, we continued our project of transition to an updated version of the 1C: Payroll and HR Management software. 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.

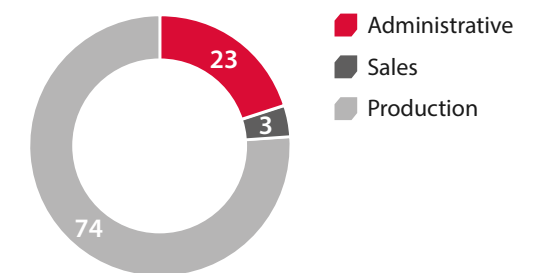
On top of that, we initiated the introduction of two new modules of the software: Recruitment and Training. The new functional modules and tools enable the set-up and automation of collection of performance metrics in these fields. The Training module is implemented jointly with occupational safety staff, because mandatory OHS trainings and briefings account for a significant share of LSR Group's employee trainings. In the second half of the year, we tested the new modules, and in 2021, we are planning to fine-tune them based on the results.

Given the nature of LSR Group's activities, 66% of our employees are male. The share of the production workforce was virtually flat in 2020 compared to 2019 and amounted to 74% of total employees. Our administrative staff and sales force accounted for 23% and 3% of the total, respectively.

Gender balance at LSR Group in 2020, %



LSR Group personnel breakdown by category in 2020, %



LSR Group benefits from an age-diverse workforce, with young professionals (26–35 years) and middle-aged employees (36–45 years) accounting for 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.

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

TALENT ACQUISITION

Attracting new talent is among our top priorities. Most of the newly recruited personnel at LSR Group are blue-collar workers. We are particularly keen to attract skilled workers such as electricians, welders, and maritime workers, as well as lower-skilled workers, offering them further training and development opportunities at LSR Group's training centres.

One of the HR function's key performance indicators is the efficiency of recruitment and onboarding. This metric evaluates the success of recruitment in meeting the demand of LSR Group's entities for skilled personnel and shows the percentage of staff hired within the reporting period who successfully adapted to and stayed with LSR Group. In 2020, the average recruitment and onboarding success rate across LSR Group stood at 84%¹.

LSR GROUP AS THE MOST ATTRACTIVE EMPLOYER

In 2020, LSR Group was ranked as the most attractive employer in the construction industry according to the ANCOR magazine, based on the results of a study by Randstad Employer Brand Research (REBR).

The researchers asked 13,500 Russians aged 18 to 65 to evaluate 342 companies. In the construction industry, LSR Group scored the highest in the following categories: an employer with a good reputation, providing financial stability, providing opportunities for career growth and interesting work, and guaranteeing employment.

The attractiveness of LSR Group increased by 5% compared to 2019. The HR brand awareness among respondents was 10%, which is a mandatory requirement for receiving the award.

Due to the pandemic-related restrictions, cooperation with educational institutions to attract young specialists was limited in the reporting period, and site visits aimed at promoting construction professions were postponed to the next year. LSR Group continued limited participation in job fairs, round tables and other events for students of specialised educational institutions in new formats.

In the reporting year, LSR Group continued cooperation with Profstazhirovki 2.0, an all-Russian student competition that provides opportunities to be invited to do an internship.

The number and share of new hires and employees who left due to turnover, and turnover rates in LSR Group in 2018–2020

Indicator	2018	2019	2020
New hires	3,004	2,323	2,076
New hires, %	28	23	21
Employees who left due to turnover	2,929	2,698	2,210
Turnover, %	28	27	23
Voluntary turnover, %		22	19²

EMPLOYMENT OF PEOPLE WITH DISABILITIES

LSR Group provides employment opportunities for people with disabilities. Apart from recruitment to LSR Group's entities, since 2019 an agreement has been in effect with the St. Petersburg Association of Public Associations of Parents of Children with Disabilities to help provide jobs for people with disabilities. The programme allows such people to fulfil their potential in various fields.

EMPLOYMENT OF PEOPLE STRUGGLING TO FIND JOBS

In 2020, a regulation was passed to oblige companies to hire people struggling to find jobs. This includes single parents, parents with three or more children, soon-to-be-retired people, refugees, displaced persons and others. LSR Group's entities have always provided equal opportunities for all population groups and have been compliant with requirements of the new document voluntarily even before its publication.

In the reporting year, we also introduced new effective methods of remote recruitment and changed the format of job interviews. All new hires undergo a special onboarding procedure aimed at reducing the adaptation time, and increasing engagement and loyalty. They also take part in an introductory training, which in 2020 was held primarily online.

PROMOTING LSR GROUP'S HR BRAND

In 2020, we continued to develop LSR Group's HR brand. As part of the project, LSR Group's entities assessed the engagement and satisfaction of some 2 thousand employees selected by position, experience, age and gender. The results indicated high engagement (78%) and an average high satisfaction and loyalty level (73% and 76%, respectively). The highest grades were given for satisfaction with the responsibilities, focus on efficiency, acceptance of corporate culture, and intracorporate interaction.

Apart from that, a study was conducted to evaluate LSR Group's HR image among external candidates. The survey showed that 70% of respondents would like to work for LSR Group, noting reputation, reliability, the ability to work in a professional team, and official employment. HR brand awareness averaged 86% (96% in St. Petersburg, 75% in Moscow, 98% in Yekaterinburg).

The two studies also helped identify areas that require special attention. Initiatives were planned and developed to raise stakeholder awareness and improve efficiency in different aspects of HR management.

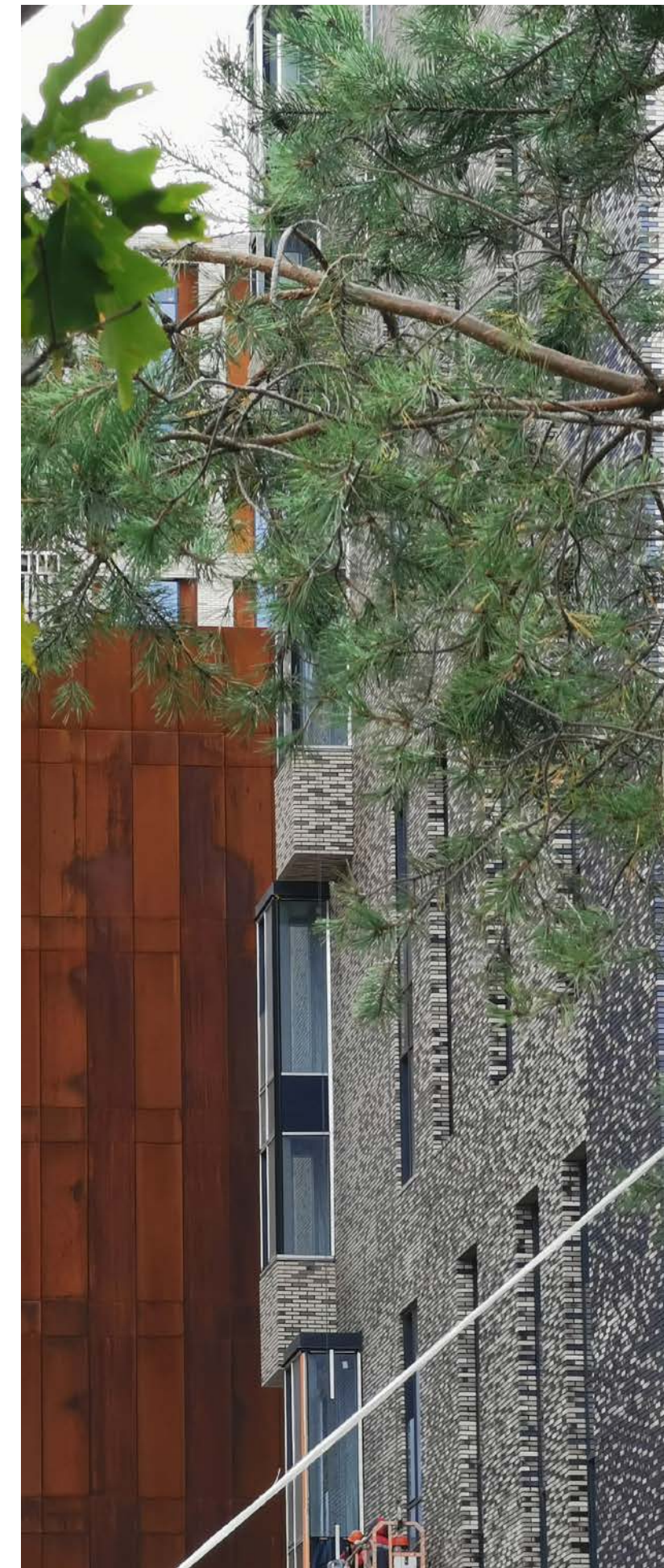
¹ Average recruitment and onboarding success rate is calculated as the average of the indicator for all LSR Group's entities. For each company, the metric is calculated as: Recruitment and onboarding success rate = 100 - 100 x Number of people who left the company / Number of new hires for the period, where:

The number of new hires for the period is the number of employees who started their primary employment in the reporting period (excluding employees who had been providing services under civil law contracts for more than a year and were hired for newly vacated positions);

The number of people who left the company is the number of dismissed employees in a given period who had their primary employment with the company and were hired within a specified time-frame (excluding dismissals of employees hired for the navigation season).

Hires and dismissals do not include intragroup transfers, employees hired under fixed-term employment contracts, hired and dismissed during the reporting period, as well as those whose employment depends on the validity of their permits (e.g. foreign nationals).

² Since 2019 the voluntary turnover rate has been calculated as: Number of voluntarily dismissed employees in all business units / Average headcount.



TRAINING AND DEVELOPMENT

Competitive landscape, volatile external environment, and technology developments underscore 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. Due to the COVID-19 pandemic we changed the traditional training offering and its format, holding most of the sessions remotely and developing new courses and lectures relevant in the new market environment created by external challenges.

We completed the following mid-term programmes in the conventional format:

- Data Analysis and Excel Modelling
- Fundamentals of Marketing
- Fundamentals of Construction

The following webinars were held online:

- Effective Leadership Workshop
- Tools for Effective Operations
- Presentation Skills for Everyone
- Fundamentals of Power Point

The Competent Manager, a long-term corporate programme, was held in a mixed format for the first time ever.

The distance learning format increased the number of employees covered by these programmes because this form of training is more accessible, with employees from business units in Moscow, Yekaterinburg and St. Petersburg participating in the same group.

A series of webinars for managers and their subordinates starting to work remotely was organised to make the transition more effective. A total of over four hundred people took part. Webinars were arranged for LSR Group's top executives on topics related to the specific nature of management in a remote working environment. We also held the Orator's Armour training session.

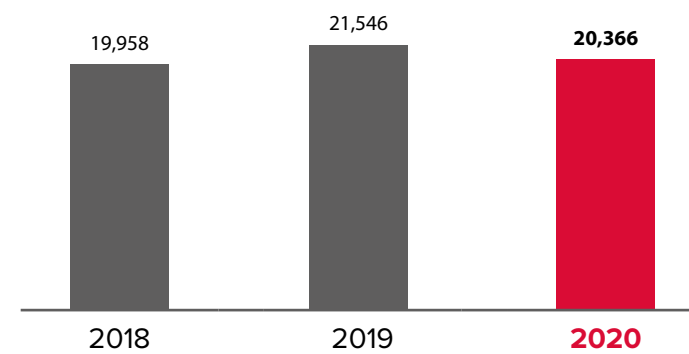
In addition to these activities, lectures by academics from Peter the Great St. Petersburg Polytechnic University on the key topics of the Fundamentals of Construction programme were recorded to make them available in the corporate distance learning system.

Next year, the Corporate HR Assessment and Development Centre will focus on implementing the distance learning system as a separate platform and offering up-to-date content on its basis. This will make distance learning more effective, improve the quality of training and the number of employees trained.

LSR Group operates two licensed educational centres providing training for blue-collar workers and implementing programmes in upskilling and mandatory training required by law. Where necessary, LSR Group arranges personnel training at third-party educational institutions.

A total of 5,900 employees of LSR Group's entities, including 3 thousand blue-collar workers, completed various training and upskilling programmes in 2020. The Group spent a total of RUB 20,366 thousand on training.

Investment in training programmes in 2018–2020, RUB thousand

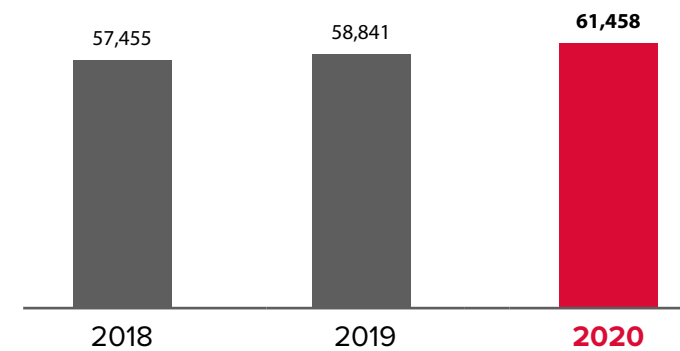


EMPLOYEE MOTIVATION

LSR Group has a well-developed, performance-based system of financial incentives 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 61,458 in 2020. Net of social benefits, total payroll was approximately RUB 9.6 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 targets.

Average salary of LSR Group's employees in 2018–2020, RUB



The remuneration system serves to boost employees' personal contribution to the achievement of LSR Group's plans and business targets. Blue-collar employees are paid a piece rate wherein performance determines the amount, while specialists and line managers have a fixed and a variable (incentive) part in their salary. The variable part is based on the role and performance during the reporting period. This links the remuneration amount to performance.

Under the incentive programmes for senior managers, the remuneration amount is dependent on the achievement of LSR Group's strategic goals and individual KPIs. The key indicator for the remuneration to be paid is the achievement of the net profit target. Along with net profit, we look at margins, achievement of completions and sales targets, etc.

In 2020, the total number of employees whose remuneration included a performance-based variable (incentive) part was 710 (executives, 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 reached.

This programme serves to improve the incentive system, keep the strongest possible management team, and align its interests with those of shareholders while helping to achieve LSR Group's long-term objectives.

As a part of its non-financial motivation programme, LSR Group twice a year presents corporate awards to employees who have achieved excellent operational results. LSR Group's awards were presented to 202 employees in 2020, including one who received LSR Group's highest accolade: the Best in LSR golden pin.

LSR Group's employees also receive various public, regional, departmental and government awards for their achievements in construction, industry, or in the building materials sector. 80 employees received these awards in 2020.

In addition, LSR Group employees participated in an external professional skills competition for construction engineers, demonstrated solid results at the regional and federal stages and won the Best Construction Manager and Best Safety Expert awards. Such competitions are organised to raise the prestige of the construction trades and develop professional guidance for young talent.

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 our social policy:

- Financial assistance to 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 LSR Group-made building materials
- Discounts on furniture, fitness, foreign language courses, theatre and museum tickets and many more offered to the Group employees by its partners under the corporate loyalty programme

Social policy standards and budget limits are communicated via an annual information letter on developing a social policy budget. A total of RUB 242 million was allocated for LSR Group's social programmes in 2020, including approximately RUB 10 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. It is a popular programme: 143 employees used the discount to buy flats in 2020.

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

In 2020, we conducted 14 events as part of the programme, including cultural, creative, and educational competitions, as well as workshops, including online ones. We also arrange social events at LSR Group's entities and construction sites for LSR Group's partners and clients.

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.

We have a partner loyalty programme that in 2020 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.

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 via the corporate television.

DEVELOPMENT OF INTERNAL COMMUNICATION CHANNELS

The corporate television, which was piloted the year before gained momentum in 2020. After the piloting was completed, we conducted a survey to assess the impact of the corporate TV and find out how well the message from this internal communication channel reaches the target audience.

Following a positive response, we approved the LSR TV development plan and, in accordance with this plan, purchased and installed 20 panels at various LSR Group's entities, including those located in the most remote areas. Currently, LSR TV broadcasts synchronised corporate content updated on a regular basis (at least once a week). LSR TV is also distributed in specialised social networks for employees.

In addition, the corporate portal for employees was completely revised, with its interface made more convenient and user-friendly, the approach to content creation changed, and new services added. The effect of the changes is evidenced by statistics showing the growth of the audience using our corporate portal.



CONTRIBUTION TO COUNTERING CORRUPTION

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Developing a culture of zero tolerance towards corruption.....36

Countering corruption results37

“

LSR Group recognises and shares the common interests of the business, the government, and the global community in combating corruption. In our daily operations, we are guided 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



APPROACH TO ETHICAL BUSINESS CONDUCT

LSR Group embraces a policy of zero tolerance to bribery and is committed to transparent, ethical, and responsible business conduct. Our efforts in countering corruption cover all core business activities of LSR Group, including major processes such as recruitment and procurement.

The Group's anti-corruption procedures comply with the local regulations, effective laws, international treaties signed by the Russian Federation, and other applicable regulations.

LSR Group is also developing its own unified internal standards and corporate code of conduct to prevent conflicts of interest and unlawful practices. For details on our management system see [the Annex "Approaches to management"](#).

LSR Group is committed to an open and transparent procurement process, and promotes fair competition. As part of our anti-corruption principles, we inform the contractors, partners, and the general public of LSR Group's standards on combating corruption.

Key regular initiatives

- Developing action plans on preventing corrupt and other illegal activity, to be drafted on an annual basis and approved by LSR Group's management team and heads 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
- Assessing and analysing corruption risks on a regular basis
- Raising awareness and introducing 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 to collect and process information about potential conflicts of interest among employees
- Ensuring proper regulation of pricing mechanisms, which helps to prevent abuse
- Ensuring effective operation of the Trust hotline
- Preparing reports and analysing performance
 - LSR Group's entities annually reporting on their operations and submitting the reports to the Economic Security Department for review
 - Reporting on ad hoc audits to managers of relevant functions

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. The key tools used by LSR Group on an ongoing basis are as follows:

- conducting regular meetings, preventive discussions and internal conferences with managers and employees of LSR Group's entities;
- informing our contractors and partners about anti-corruption issues;
- organising special trainings for employees;
- introducing anti-corruption clauses in all standard contracts and agreements to be signed by 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, we hold annual awareness events for employees to explain LSR Group's zero-tolerance policy towards any form of corruption and to inform them of any changes or innovations in this area.

In light of the pandemic, some events scheduled for 2020 were held online, and some were postponed or cancelled.

MANAGEMENT'S COMMITMENT

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

In 2020, we organised regular meetings with the CEO and all key Deputy CEOs to discuss existing initiatives and future efforts to mitigate corruption risks. Managers at other levels also held scheduled and ad hoc meetings on combating corruption.

LSR Group's dedicated specialists continue to attend special training courses on anti-corruption tools.

We also hold regular internal conferences where attendees discuss relevant issues and innovations and employees and external experts present their reports.

It is equally important to keep our contractors and partners informed about anti-corruption issues. For example, in 2020 anti-corruption policies and procedures were communicated to a total of 9,501 counterparties and business partners.

Informing stakeholders about existing anti-corruption policies and measures at LSR Group in 2020

Stakeholder group	Number of informed people
Members of the key corporate governance bodies (Board of Directors, Executive Committee)	14
Employees	9,453
Business partners (counterparties)	9,501

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 our employees to economic security students of the Faculty of Economics at the RANEP North-West Institute of Management contribute to training and building a strong talent pool. Unfortunately, no lectures were given in 2020 due to the pandemic.

COUNTERING CORRUPTION RESULTS

Our key measure to prevent corruption and fraud is regular risk assessments. We collect and consolidate data on corruption risks using advanced information systems and information gathering methods. Risk assessment is a multi-stage procedure, which allows us to properly evaluate the potential negative consequences of these risks and improve the existing approaches to preventing corruption.

Despite the pandemic-related restrictions that added to the complexity of certain processes, all the activities related to the identification, evaluation and prevention of risks were carried out in full, including all the on-site audits and inspections. In the reporting year, corruption risks were assessed across the entire LSR Group. There were no confirmed incidents of corruption identified across LSR Group in 2020.

During the year, we also improved our corruption prevention processes in terms of IT. Due to a forced switch to remote working, LSR Group provided its employees with access to their intranet accounts and all necessary devices and equipment to work from home. Moreover, selected operators of information systems changed settings to ensure easier access to resources and lifted certain user restrictions to speed up issue solving in new conditions.

Our anti-corruption activities extend to our contractors as well. Every contract includes an anti-corruption clause. In 2020, we assessed 6,753 counterparties for corruption, financial and reputational risks. Of them, 1,178 seemed unreliable due to financial instability, bad reputation or other factors. Breaking ties with them helped LSR Group's entities lower potential adverse effects.

In 2020, we continued improving our procurement processes using LSR Group's e-procurement platform and information system to ensure maximum transparency and openness and prevent corruption and unfair competition practices.

We also use an international electronic platform to screen all counterparties and partners of LSR Group against sanctions lists.

We intend to continue implementing effective measures to counter corruption in the next reporting periods. We also plan to pursue our anti-corruption targets by using advanced technologies and methods aimed at preventing corruption and fraud risks and enhance the existing practices.

TRUST HOTLINE

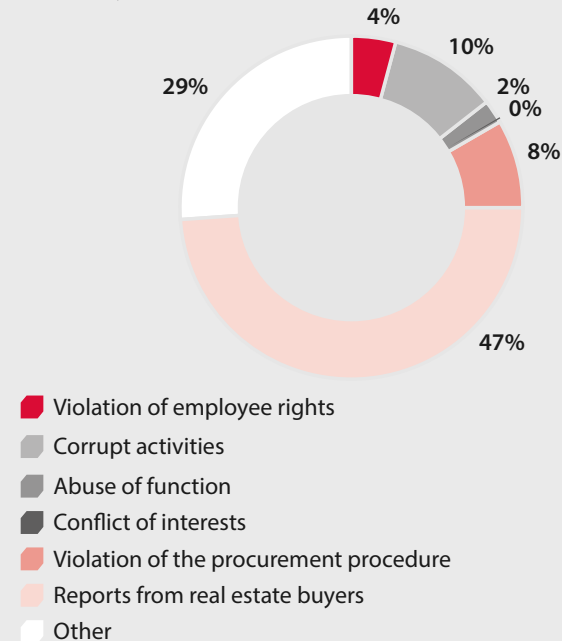
LSR Group operates the Trust hotline service, a tool for collecting and analysing information related to potential corruption or fraud, unethical conduct and other forms of misconduct. The Trust hotline's contact number and email address (trust@lsrgroup.ru) can be found on the LSR Group website and at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

The hotline callers can either speak personally with an operator or leave an anonymous voice message. Any individual may report a suspected wrongdoing to the service. What is more, an anonymous message option is available to both LSR Group employees and our contractors.

LSR Group experts review all reports and provide feedback to every caller.

In 2020, the number of reports in all categories dropped by 35% year-on-year to 51, including two reports on corruption. However, neither of the corruption cases were confirmed during the follow-up investigation. No violations of employee rights or conflicts of interest among LSR Group's employees were identified in 2020.

Distribution of messages received by the Trust hotline service in 2020 by topic



Kalina Park, St. Petersburg

CONTRIBUTION TO ENVIRONMENTAL PROTECTION

- Approach to energy efficiency and environmental management39
- Climate strategy and energy efficiency40
- Material resource management41
- Land restoration41
- Reducing the burden on water bodies42
- Biodiversity preservation.....42
- Impact on the atmosphere43
- Waste management43

LSR Group operates in several regions of Russia under varying environmental conditions and recognises the importance of sustaining local environmental well-being. In accordance with LSR Group’s Environmental Policy, our key priorities in this area are sustainable use of natural resources and mitigating any negative environmental impact.



APPROACH TO ENERGY EFFICIENCY AND ENVIRONMENTAL MANAGEMENT

Environmental management at LSR Group is founded on strict compliance with the requirements of the environmental legislation, with the Group's entities keeping track of changes in relevant laws on an ongoing basis. Valid regulatory paperwork and permits are in place and all personnel comply with the relevant limits and standards regarding emissions, discharges, and waste. Allowable limits and volumes are assigned depending on the category of facilities exerting a negative impact on the environment, as well as the types of their activities. LSR Group has all the licences in place for activities that require licensing.

For details on the environmental management system at LSR Group's entities and real estate development projects see [the Annex "Approaches to management"](#) and [LSR Group's Sustainability Report for 2019](#).

LSR Group pays close attention to improvements in the environmental management system, including those achieved through the automation of information collection and consolidation processes for quantitative environmental data. In 2020, we started developing and rolling out an information system for Non-Financial Reporting (NFR IS). The reporting year saw the development, testing and completion of the information system's sections focusing on air emission and waste generation volumes and waste treatment approaches. In 2021, we expect to complete the development of the Direct GHG Emissions section.

In this report, the scope of the environmental disclosure was expanded beyond that of last year's report. The data comparable to last year's report is presented in [the Annex "Non-financial metrics"](#). The environmental protection data below cover our Building Materials segment and production facilities of the Real Estate and Construction segment, but the energy use and environmental protection costs are shown for the entire LSR Group. LSR Group's production operations are the biggest contributor to our environmental impact due to the nature of the industrial and technological processes involved.

In the reporting year, LSR Group spent a total of RUB 66,731 thousand on environmental protection activities, including RUB 38,884 thousand spent within the Building Materials segment.

In 2020, no accidents with a material environmental impact (peak or emergency emissions or discharges, major spills of petroleum products) were registered at entities belonging to the Building Materials segment and production facilities of the Real Estate and Construction segment.

Key regular environmental initiatives

- Development and revision (where necessary) of local regulations
- Regular monitoring of legal changes
- Timely development and approval of regulatory documents and permits
- Operational environmental control performed in accordance with the approved Programme, including monitoring of the following parameters
 - Ambient air protection
 - Water body protection and use (including treatment facility control)
 - Waste management
- Gas cleaning performance control
- Laboratory tests of air at the boundaries of buffer zones
- Development and implementation of water protection plans, and water body monitoring
- Monitoring compliance with the requirements imposed on temporary waste storage facilities and controlling timely waste removal from such facilities
- Timely training of managers and specialists
- Preparation of reports and performance analysis
 - Preparation of quarterly and annual reports in accordance with the effective laws
 - External inspections and audits

Key regular energy management initiatives

- Development and revision (where necessary) of local regulations and design documentation
- Regular monitoring of legal changes
- Recurrent tests of power quality, electrical measurements at power grids and mechanisms, inspections to identify breaches of occupational health and industrial safety
- Introductory, induction, refresher, ad hoc, and targeted briefings
- Gas, water, electricity metering
- Timely training of managers and specialists
- Regular testing of electrical engineering personnel for their knowledge of power safety rules, heating equipment operational standards and occupational safety requirements imposed on operators of heating equipment
- Preparation of reports and performance analysis
 - Preparation and publishing of reports in accordance with applicable laws
 - External inspections and audits



CLIMATE STRATEGY AND ENERGY EFFICIENCY

Climate change has become a major challenge of our time, and the global community recognises the growing need for companies to step up to curb this trend. LSR Group shares the concerns of the global community regarding climate change and its consequences, and realises the importance of responding to emerging risks and opportunities. We support the global goals to achieve carbon neutrality by the mid-21st century as set out in the Paris Climate Agreement, signed by 195 countries and ratified by the Russian Federation.

We understand that global climate change has significant implications for both the real estate and building materials industries and the operation of buildings and structures. Construction industry uses carbon-intensive products such as cement and metals (the cement and metal industries contribute 3% and 7.2%, respectively, to global greenhouse gas emissions), while heating and energy supply of buildings during their operation generates significant GHG emissions (17.5% of global emissions)¹.

LSR Group places a focus on both direct GHG emissions from our production processes and our own heat and electricity generation, and indirect energy-related emissions from purchased electricity and heat and energy use by our customers in the buildings and flats purchased from LSR Group. We are improving our climate risk management, including the deployment of a system for regular measurements of direct and indirect GHG energy-related emissions. For details on the climate risk management see the Annex "TCFD Disclosure".

One of the important tasks is to control power consumption and improve energy efficiency. The use of fossil fuels in energy generation and consumption is a key source of GHG emissions into the atmosphere. We are implementing a number of measures to reduce energy consumption, including optimisation of production processes, vehicle fleets, transportation routes, and upgrade of lighting systems and equipment.

LSR GROUP CONTINUES THE UPGRADE OF THE YEKATERINBURG REINFORCED CONCRETE PLANT

As part of the technical upgrade of its reinforced concrete plant in Yekaterinburg, LSR Group has reconstructed the ready-mix concrete unit creating a stand-alone cement warehouse with a capacity of 360 tonnes. The new equipment helps minimise dust emissions into the atmosphere, substantially reduces energy consumption and increases the efficiency of the unit.

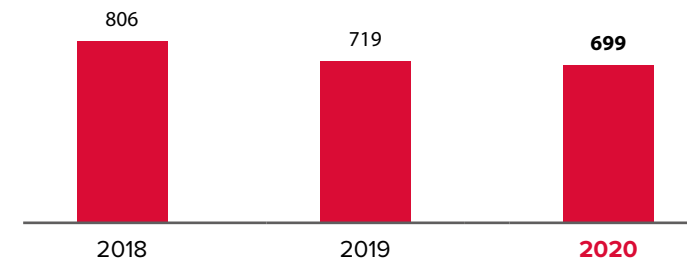
The majority of our electricity comes from central power grids. LSR Group's entities regularly record, monitor and analyse their energy consumption. In 2020, LSR Group's electricity consumption slightly increased (by less than 2% compared to 2019) and amounted to 169 million kWh. LSR Group also managed to reduce heat consumption by 25% to 21 thousand Gcal. Our entities continue phased implementation of energy-saving light sources and optimisation of power distribution. Some facilities have fully transitioned to energy-efficient sources of indoor lighting.

In 2020, LSR Group's entities consumed the following types of fuel resources: petrol, natural gas, diesel fuel, and heating oil². Some of them have their own boiler plants which use natural gas and heating oil to generate heat. This energy in the form of steam or hot water goes into production processes, while also serving 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 and/or backup power supply. In 2020, we reduced the use of all types of energy resources except for natural gas, whose consumption remained flat. Our entities continue their efforts to optimise our vehicle fleet, transportation routes and production processes.

LSR Group's energy consumption in 2018–2020

Type	2018	2019	2020
Electricity, million kWh	181	166	169
Heat, thousand Gcal	36	28	21
Petrol, thousand litres	772	709	585
Diesel fuel, million litres	36	29	26
Natural gas, million cubic metres	71	65	65
Heating fuel, thousand tonnes	0.3	0.3	0.2

LSR Group's energy consumption in 2018–2020, thousand GJ



In 2020, direct GHG emissions (Scope 1) from the Building Materials segment and production facilities of the Real Estate and Construction segment were estimated at 196,962 tonnes of CO₂ equivalent, including 170,282 tonnes of CO₂ equivalent contributed by the former. This estimate included ceramics production along with stationary and mobile emission sources, such as kilns, boilers, diesel-fired power plants, road and off-road vehicles, vessels and railway locomotives.³

Direct GHG emissions (Scope 1) from the Building Materials segment and production facilities of the Real Estate and Construction segment, tonnes of CO₂ equivalent

GHG emission source category	2020
I. Ceramics production	9,300
II. Stationary combustion of fuel	127,229
III. Mobile combustion of fuel	60,433
Road transport	8,345
Off-road transport and equipment	35,597
Rail transport	1,793
Water transport	14,698
TOTAL	196,962

This report provides an expanded disclosure for the indicator as compared with the previous year. The table presents expanded data only. The data comparable to the last year's report is available in the Annex "Non-financial metrics".

The reporting year saw LSR Group make its first ever calculation of indirect GHG energy-related emissions (Scope 2) from its Building Materials segment and production facilities of the Real Estate and Construction segment. The estimate relied on the data regarding the consumption of purchased electricity and heat. In 2020, indirect emissions from LSR Building Materials segment and production facilities of the Real Estate and Construction segment amounted to 56,407 tonnes of CO₂, including 41,046 tonnes of CO₂ contributed by the former.

Indirect energy-related GHG emissions (Scope 2) from the Building Materials segment and production facilities of the Real Estate and Construction segment, tonnes of CO₂

Indicator	2020
Indirect energy-related GHG emissions from electricity consumption	48,562
Indirect energy-related GHG emissions from heat consumption	7,845
Total	56,407

¹ According to global GHG emissions inventory, Climate Watch, the World Resource Institute via Our World in Data, Global Change Data Lab (2020).

² The reporting year saw the boiler house, the only consumer of heating oil, put out of operation at the end of the heating period.

³ GHG emissions from ceramics production and stationary sources were calculated in accordance with Order No. 300 of the Ministry of Natural Resources and Environment of the Russian Federation 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 (in accordance with the 2006 IPCC Guidelines for National Greenhouse Gas Inventories); GHG emissions from mobile sources were estimated in accordance with the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

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 comprise a single production chain within which products of one entity are the material resources used by another. For example, clay is a raw material for making bricks; granites and granite gneisses are used to make crushed stone; and sands that are extracted from deposits constitute a finished product. Crushed granite and sand are used to produce ready-mix concrete. Finished products such as bricks, aerated concrete, ready-mix concrete and reinforced concrete are, in turn, used in the next link of the production chain – the construction of buildings and structures.

LSR Group's Building Materials segment and production facilities of the Real Estate and Construction segment utilise the following key resources as raw materials: sand, clay, granites and granite gneisses, crushed granite, cement and metals. LSR Group produces sand, clay, granites, and granite gneisses (which are used to produce crushed granite) at its own deposits and buys cement and some other materials from third-party suppliers.

Production of resources by the Building Materials segment companies under subsoil use licences in 2018–2020, thousand tonnes¹

Material type	2018	2019	2020
Granites and granite gneisses, thousand cbm	8,579	8,243	8,557
Sand	19,471	13,852	10,402
Clay	710	792	908

In the reporting year, 25% less sand was produced compared to 2019 due to no sand dredging from offshore deposits.²

REUSE OF MATERIALS

Some LSR Group facilities reuse products or semi-finished products that did not pass quality control. Examples include brick and aerated concrete chips.

A third-party organisation recycles unmarketable reinforced concrete products and technical remnants of concrete into secondary concrete crushed stone which is used at construction sites of the enterprise (backfilling of temporary roads, the foundations for temporary storage facilities and construction camps).

¹ Only companies in the Building Materials segment engage in extraction works.

² Sand is extracted from quarries and offshore deposits.

³ Previously disclosed as separate items.

Consumption of key material resources for production by the Building Materials segment and production facilities of the Real Estate and Construction segment in 2020, thousand tonnes

Material type	2020
Granites and granite gneisses for crushed granite production, thousand cbm	8,557
Sand	11,970
Crushed granite	1,148
Cement, including Portland cement	597
Clay used to make bricks (produced internally and purchased)	808
Metal	19
Lime	41
Gypsum and gypsum stone ³	36
Aluminium powder and paste	0.9
Slag	43
Thermal insulation materials, thousand cbm	11
Fibreglass reinforcement, thousand pieces	22

In this report, the scope of this indicator disclosure was expanded compared to last year's report. The table provides data on the expanded scope only. The data comparable to last year's report is presented in the Annex "Non-financial metrics".

In 2020, there were changes in consumption of certain resources, in large part due to changes in the finished product output. Sand consumption, at approximately 12 million tonnes in 2020, was reduced the most, with the use of crushed granite and cement (including Portland cement) also decreasing.

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](#).

LAND RESTORATION

According to the applicable legislation and the terms of licenses, the Group is required to restore land when quarrying is complete. Extraction works are carried out by two companies in the Building

Materials segment – LSR. Basic Materials and LSR. Wall Materials. For details see [the Consolidated Financial Statements for the year ended 31 December 2020](#).



Kuznechnoye Quarry (Granite-Kuznechnoye)

REDUCING THE BURDEN ON WATER BODIES

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

WATER WITHDRAWAL

An important objective with respect to water usage is to reduce water withdrawal. Some of LSR Group's entities utilise atmospheric precipitation in production processes and reuse water in multiple cycles of the technological process. At other entities, where the nature of production does not allow water recycling or reuse, LSR Group experts are looking for new technological solutions to optimise water usage.

In 2020, the volume of water withdrawn by the Building Materials segment from various sources amounted to 1,001 thousand cubic metres¹, a significant year-on-year decrease achieved as a result of no sand dredging from offshore deposits in 2020. In the reporting period, the total volume of water withdrawn by the Building Materials segment and production facilities of the Real Estate and Construction segment amounted to 1,100 thousand cubic metres.¹

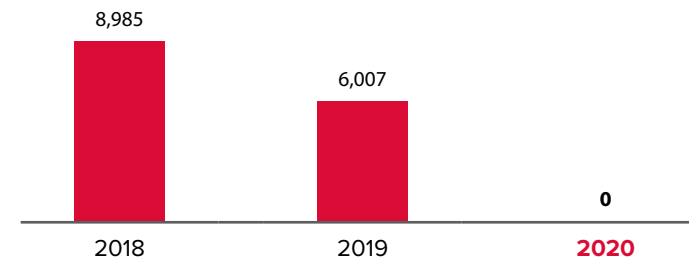
About 64% of all water resources used in production are withdrawn from municipal systems, and some 36% are derived from groundwater sources.

Water withdrawal by the Building Materials segment and production facilities of the Real Estate and Construction segment in 2020 by sources¹, thousand cubic metres

Source	Withdrawal volume	Share of total withdrawal, %
Third-party water resources (municipal water supply)	708	64
Groundwater	392	36
Surface water, including	0	0
River and lake water	0	0
Sea and ocean water	0	0
Total	1,100	100

This report provides an expanded disclosure for the indicator as compared with the previous year. The table presents expanded data only. The data comparable to the last year's report is available in [the Annex "Non-financial metrics"](#).

Water withdrawal from surface sources by the Building Materials segment and production facilities of the Real Estate and Construction segment in 2018–2020, thousand cubic metres



This report provides an expanded disclosure for the indicator as compared with the previous year. The table presents expanded data only. The data comparable to the last year's report is available in [the Annex "Non-financial metrics"](#).

In 2018 and 2019, surface water was consumed by the Building Materials segment, mainly by AO LSR. Bazovye. In this period, water withdrawal from surface water sources was attributable to the hydraulic transfer of dredged sand extracted from sub-sea deposits in the Gulf of Finland to an onshore storage facility, as well as land reclamation works that involved hydraulic filling on St. Petersburg's Vasilyevsky Island (the project was completed in 2018). The absence of water withdrawal from surface water bodies in 2020 is due to zero sand extraction at sub-sea deposits.

WASTE WATER

The Building Materials segment and production facilities of the Real Estate and Construction segment discharge wastewater both into urban wastewater disposal systems (under contracts with water utility companies) and into surface water bodies after treatment (under government resolutions permitting the use of water bodies).

LSR Group pays special attention to wastewater treatment prior to its discharge into water bodies. Dedicated experts at LSR Group's entities regularly monitor the operation of water treatment facilities and explore various options for upgrading the system. We also contracted third-party certified laboratories to monitor the quality of wastewater discharged into surface water bodies and sewers and evaluate the performance of wastewater treatment facilities.

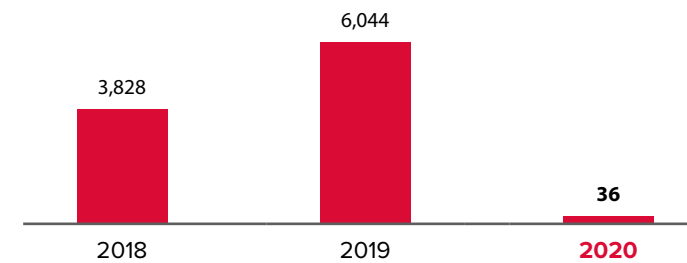
In 2020, total water discharged by the Building Materials segment and production facilities of the Real Estate and Construction segment amounted to 283 thousand cubic metres², including 195 thousand cubic metres² contributed by the former.

Water discharge of the Building Materials segment and production facilities of the Real Estate and Construction segment in 2020 by discharge destination², thousand cubic metres

Indicator	Discharge volume	Share of total discharge, %
Total for the Company	283	100
Into surface water bodies, including marshes, rivers and lakes	36	13
Into sewers of other organisations (municipal wastewater systems)	247	87

This report provides an expanded disclosure for the indicator as compared with the previous year. The table presents expanded data only. The data comparable to the last year's report is available in [the Annex "Non-financial metrics"](#).

Water discharge into surface water bodies by the Building Materials segment and production facilities of the Real Estate and Construction segment in 2018–2020, thousand cubic metres³



This report provides an expanded disclosure for the indicator as compared with the previous year. The table presents expanded data only. The data comparable to the last year's report is available in [the Annex "Non-financial metrics"](#).

Wastewater was discharged into surface water bodies by the Building Materials segment. In 2020, the significant decrease in discharges into surface water bodies was due to no sand extraction at sub-sea deposits and hydraulic transfer to an onshore storage facility.

BIODIVERSITY PRESERVATION

As regards sand extraction at sub-sea deposits of the Gulf of Finland for the purpose of land reclamation and hydraulic filling on St. Petersburg's Vasilyevsky Island, as well as further hydraulic transfer to the onshore storage facility, the environmental team at AO LSR. Bazovye has the following priorities:

- monitoring of fisheries,
- minimising negative impact on the habitats of aquatic flora and fauna,
- 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 of both national and international importance. Industrial operations in its waters are therefore subject to special requirements set out 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.

Dedicated experts from AO LSR. Bazovye, which extracts sand from the Gulf of Finland under a subsoil use licence, regularly implement compensatory measures overseen by Russia's Federal Agency for Fishery. Since 2012, more than 352 thousand young brown trout, whitefish and brook trout have been released into the waters of the Gulf of Finland, together with approximately 2.6 million pike-perch larvae.

The cost of compensation measures in 2020 amounted to RUB 9,291 thousand (advance payment). No compensatory measures were carried out in 2020.

¹ Excluding precipitation, quarry, drainage and transit waters.

² Excluding surface runoff, quarry, drainage and transit waters.

³ Excluding surface runoff, quarry and drainage waters.

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 gas cleaning facilities.

In 2020, pollutant emissions from the Building Materials segment and production facilities of the Real Estate and Construction segment totalled 2,976 tonnes, with solid pollutants and CO (carbon oxide) accounting for accounting for about 47% and 19% of the total volume, respectively. The Building Materials segment contributes 2,936 of the 2,976 tonnes.

Atmospheric emissions from the Building Materials segment and production facilities of the Real Estate and Construction segment in 2020, by pollutant, tonnes

Pollutants	Emissions	Share of total emissions, %
NOx (with NO expressed as NO ₂ equivalent)	678	23
SO ₂	216	7
Solids	1,398	47
CO	566	19
Other substances ¹	118	4
Total for the Company	2,976	100

This report provides an expanded disclosure for the indicator as compared with the previous year. The table presents expanded data only. The data comparable to the last year's report is available in [the Annex "Non-financial metrics"](#).

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 their environmental footprint, LSR Group's entities continuously look for new licensed waste treatment and recycling contractors.

REDUCING CONSTRUCTION WASTE

To use building materials efficiently and minimise waste generation, LSR Group's entities use the latest construction technologies. Key waste reduction initiatives include:

- minimising manufacturing defects;
- highly industrialised manufacturing of structures and minimum construction time (for large-panel housing);
- monitoring the material intensity of designed buildings and structures and leveraging tailored approaches to optimise design solutions.

In 2020, waste generated by the Building Materials segment and production facilities of the Real Estate and Construction segment totalled 11,318 tonnes, with the bulk of waste (58% or 6,513 tonnes) attributable to hazard category V (almost non-hazardous to the environment). Most of this waste (around 83%) is handed over to third-party contractors for recycling. That said, of the total amount of category V waste, over 50% is metal waste transferred for recycling to duly licensed third-parties.

Hazard category IV and III (low-hazard and moderate hazard) waste account for around 38% and less than 5% of the total volume, respectively. In 2020, the volume of hazard category III waste decreased significantly due to less intensive fleet operations on the back of zero sand extraction at the sub-sea deposits. The Building Materials segment and production facilities of the Real Estate and Construction segment generate no radioactive and biological waste, and practically no highly hazardous waste (hazard category I and II).

LSR Group's entities are constantly exploring opportunities for converting waste into products at the production stage. For example, some entities issue certificates of conformity for used motor oil and rechargeable batteries, which can be sold to consumers. A third-party organisation recycles unmarketable reinforced concrete products and concrete waste into crushed concrete used at construction sites for backfilling temporary roads and building foundations for temporary storage facilities and construction camps, according to specifications approved by the entity.

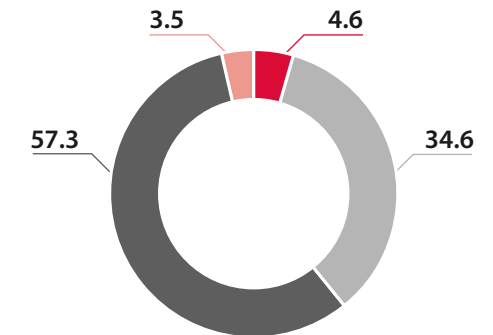
¹ Other substances include volatile organic compounds (VOC), hydrocarbons without VOC, other gaseous and liquid substances.
² Hazard category I waste includes used lamps accumulated at facilities.
³ Rounded to 2 tonnes, the actual value is 2.1 tonnes.
⁴ The percentage of hazard category I waste is rounded to 0.0%, the actual percentage is 0.02%.
⁵ Hazard category II waste includes used rechargeable batteries accumulated at facilities.
⁶ Rounded to 0 tonnes, the actual value is 0.1 tonnes.
⁷ The percentage of hazard category II waste is rounded to 0.0%, the actual percentage is 0.0009%.
⁸ Rounded to 6,513 tonnes, the actual value is 6,513.1 tonnes.

Waste generated by the Building Materials segment and production facilities of the Real Estate and Construction segment in 2020, by hazard category, tonnes

Hazard category	Waste generated	Share of total waste, %
I ²	2 ³	0.0 ⁴
II ⁵	0 ⁶	0.0 ⁷
III	512	4.5
IV	4,291	37.9
V	6,513 ⁸	57.6
Total for the Company	11,318	100.0

This report provides an expanded disclosure for the indicator as compared with the previous year. The table presents expanded data only. The data comparable to the last year's report is available in [the Annex "Non-financial metrics"](#).

Waste management methods employed by the Building Materials segment and production facilities of the Real Estate and Construction segment in 2020, %



- Transferred to third parties for decontamination
- Transferred to third parties for disposal at dedicated facilities
- Transferred to third parties for recycling (reuse)
- Transferred to third parties for treatment

This report provides an expanded disclosure for the indicator as compared with the previous year. The table presents expanded data only. The data comparable to the last year's report is available in [the Annex "Non-financial metrics"](#).

Waste management methods employed by the Building Materials segment and production facilities of the Real Estate and Construction segment in 2020, by hazard category, tonnes

Indicator	Total	Hazard category				
		I	II	III	IV	V
Waste generated	11,318	2 ³	0 ⁶	512	4,291	6,513 ⁸
Transferred to third parties for decontamination	523	2	0	54	466	1
Transferred to third parties for disposal at dedicated facilities	3,912	0	0	5	2,797	1,110
Transferred to third parties for recycling (reuse)	6,481	0 ⁶	0 ⁶	453	626	5,402
Transferred to third parties for treatment	402	0	0	0	402	0 ⁶

This report provides an expanded disclosure for the indicator as compared with the previous year. The table presents expanded data only. The data comparable to the last year's report is available in [the Annex "Non-financial metrics"](#).

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Novaya Okhta, St. Petersburg

ABOUT THE REPORT

DEVELOPING NON-FINANCIAL REPORTING

This Sustainability Report is the fourth 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 2020.

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 2019 Sustainability Report was published in May 2020. Electronic versions of all reports are available on LSR Group's [corporate website](#). Additional information is also available on the corporate website in the [Sustainability section](#).

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
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- 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

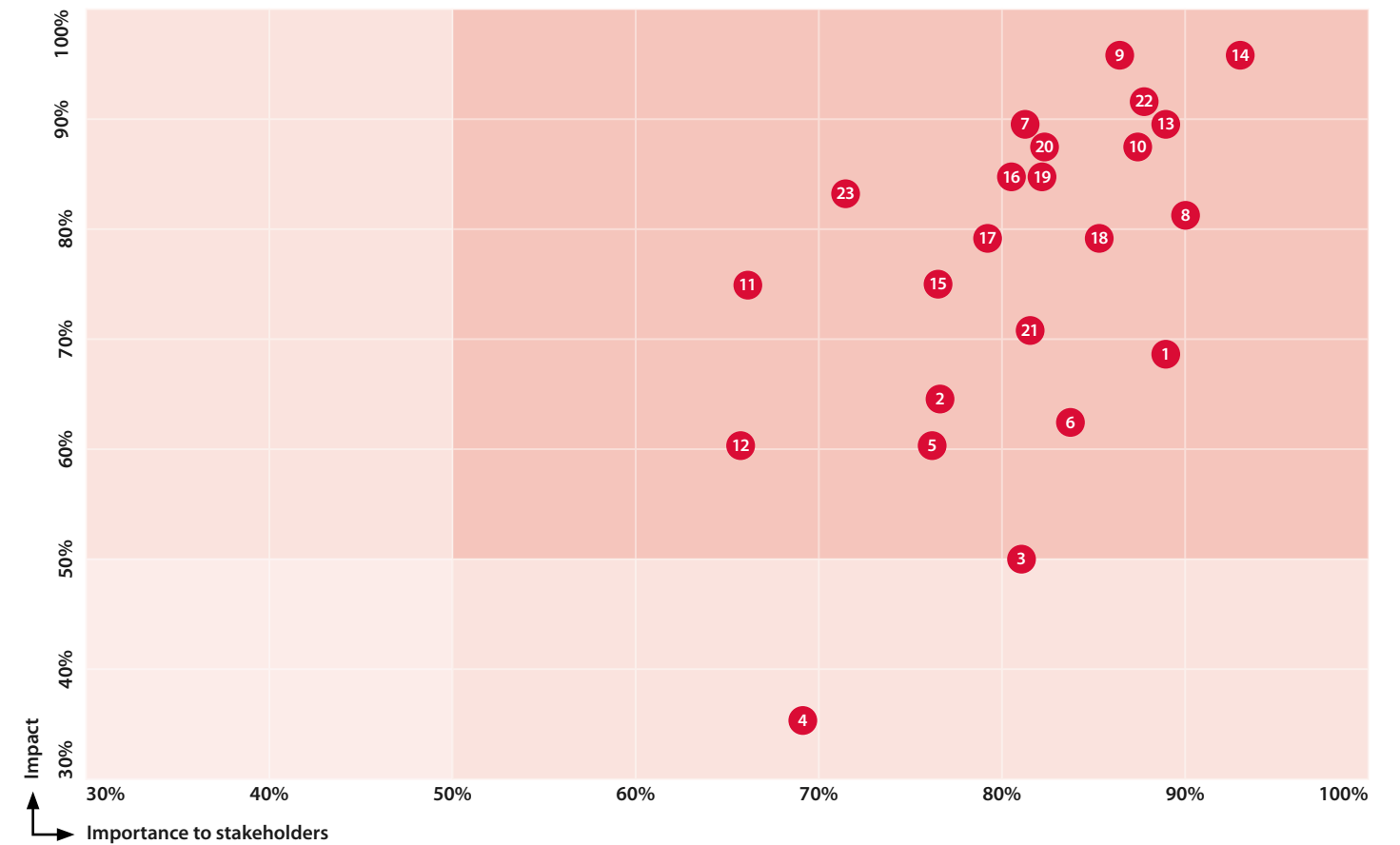
Before making this Report, we carried out a materiality assessment and identified the Group's most significant economic, environmental and social impacts along with the aspects that had the most substantive influence on the assessments and decisions of stakeholders.

The disclosable material topics were determined based on the GRI Standards. In 2020, the procedure comprised three key stages.

Stages for determining material topics

1 ST STAGE. ANALYSIS OF INTERNAL AND EXTERNAL SOURCES
<ul style="list-style-type: none"> ■ Analysis of the internal reporting on LSR Group's activities ■ Analysis of publicly available information on LSR Group, including mass media ■ Comparative analysis of material topics disclosed by foreign construction and development companies
2 ST STAGE. ANALYSIS OF STAKEHOLDER OPINIONS
<ul style="list-style-type: none"> ■ Surveys on material ESG topics for internal and external stakeholders ■ Interviews with representatives of LSR Group's centralised functions and LSR Group's entities ■ Analysis of requests from rating agencies, ESG analysts and investors
3 ST STAGE. MAKING A LIST OF MATERIAL TOPICS
<ul style="list-style-type: none"> ■ Making a preliminary list of material topics based on the analysis ■ Approval of the preliminary list of material topics by responsible LSR Group representatives

Materiality matrix¹



- | | |
|--|---|
| 1 Material resource management | 13 Product quality and consumer safety |
| 2 Climate strategy and energy efficiency | 14 Customer satisfaction |
| 3 Water resource management | 15 Developing the regions of operation |
| 4 Biodiversity preservation | 16 Composition and structure of corporate governance bodies |
| 5 Air emissions | 17 Engagement of corporate governance bodies on ESG matters |
| 6 Waste management | 18 Economic value for stakeholders |
| 7 Environmental compliance | 19 Ethical business conduct and countering corruption |
| 8 Talent recruitment and retention | 20 Procurement and supplier engagement |
| 9 Occupational health and safety | 21 Green construction |
| 10 Employee training and development | 22 Advanced construction techniques |
| 11 Diversity and equal opportunity | 23 Response to COVID-19 |
| 12 Human rights assessment | |

¹ The list of topics reflected in the materiality matrix is based on the results of the stakeholder survey. The final list of material topics of the Report based on the results of the entire materiality assessment process is presented further.

ABOUT THE REPORT

In 2020, we improved our materiality assessment approach and reached out to more internal and external stakeholders as part of our surveys. Seven stakeholder groups were covered as opposed to two in 2019, with customers, contractors, employees, industry associations and top managers added to investors and subdivision heads. A total of 124 respondents filled out our online questionnaires.

The surveys determined how important each topic was to the respondents. In addition, top management and the Sustainable

Development function assessed the impacts of LSR Group's business on these potentially material topics. The results were used to build a materiality matrix.

Based on the materiality assessment data, the list of topics disclosed in last year's sustainability report was updated and supplemented with aspects that are most important to our stakeholders. The final list includes 21 topics recognised as material for both internal and external stakeholders.

List of material topics and their boundaries

Category	Indicator	Material topics' boundaries		
		Building materials: <ul style="list-style-type: none"> ■ LSR. Basic Materials ■ LSR. Ready-mix Concrete ■ LSR. Wall Materials ■ LSR. Cranes 	Real estate 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 engagement	✓	✓	✓
Environmental aspect	Climate strategy and energy efficiency	✓	✓	✓
	Environmental compliance	✓	✓ ¹	
	Material resource management	✓	✓ ¹	
	Waste management	✓	✓ ¹	
	Water resource management	✓	✓ ¹	
Social aspect	Pollutant emissions	✓	✓ ¹	
	Occupational health and safety	✓	✓	✓
	Employee training and development	✓	✓	✓
	Contribution to regional development	✓	✓	✓
	Talent recruitment and retention	✓	✓	✓
	Diversity and equal opportunity	✓	✓	✓
	Human rights	✓	✓	✓
	Response to COVID-19	✓	✓	✓
Other	Customer satisfaction	✓	✓	✓
	Green construction and technologies	✓	✓	✓
	Product quality and consumer safety	✓	✓	✓

¹ Construction companies only (LSR.Construction-Urals Ltd and OOO LSR.Stroitelstvo-SZ).

² The list of subsidiaries is available in IFRS consolidated financial statements.

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 2020². The boundaries for quantitative environmental protection data were extended beyond Building Materials segment to production facilities of the Real Estate and Construction segment, but the energy use and environmental protection costs are shown for the entire LSR Group, whose production facilities are the biggest contributor to our environmental impact due to the nature of industrial and technological processes involved. When disclosure boundaries differ from the above, the covered companies are additionally indicated in the Report.

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 from 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 2020, which outlines the approved schedule of actions, specifying owners and timelines. In 2020–2021, 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.

APPROVAL OF THE REPORT

This Report was reviewed and approved by the Board of Directors of PJSC LSR Group (Minutes No. 7/2021 dated 21 May 2021).

EXTERNAL ASSURANCE OF THE REPORT

Since 2019, LSR Group's sustainability reports have been subject to audits.

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



Ruchyi, St. Petersburg

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)
- Green Building Council, an association that promotes standards and principles for sustainable construction ([Green Building Council](#));
- Union of Construction Associations and Organisations
- St. Petersburg Foundation for Supporting Innovations and Youth Initiatives
- 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)
- Concrete and Reinforced Concrete North-West (association of concrete product manufacturers)
- National Association of Autoclaved Aerated Concrete Producers
- Association of Builders of St. Petersburg (self-regulating organisation)
- Association of Designers of the Sverdlovsk Region (self-regulating organisation)
- Construction Industry Union of the Sverdlovsk Region (self-regulating organisation)
- Construction Industry Union of the Sverdlovsk Region (regional industry association of employers)
- Union of Design, Scientific, and Survey Organisations of the Sverdlovsk Region

LSR GROUP PARTICIPATES IN AND SUPPORTS THE FOLLOWING GLOBAL INITIATIVES:

- UN Global Compact
- UN Sustainable Development Goals
- International standard ISO 26000:2010 Guidance on Social Responsibility, and the similar Russian standard GOST R ISO 26000-2012
- Global Reporting Initiative (GRI) sustainability reporting standards
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- European Public Real Estate Association (EPRA) Sustainability Best Practices Recommendations (sBPR)

ACHIEVEMENTS AND AWARDS

IN 2020, LSR GROUP, ITS ENTITIES AND DEVELOPMENT PROJECTS, AS WELL AS SENIOR MANAGERS WON SOME MAJOR AWARDS.

Awards received by LSR Group:

- Most attractive employer in the construction industry according to Randstad Award
- Winner of the Most Transparent Company award among the best construction companies in St. Petersburg according to the Delovoy Peterburg newspaper
- Second 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
- Number one in the Construction and Real Estate sector of the EMERGING EMEA EXECUTIVE TEAM 2020 rankings in the following categories: Best IR Programme, Best IR Team (claimed first two places), Best ESG (Environmental, Social and Governance) Indicators
- Came second in the RAEX-600 ranking of the largest construction companies
- Highest reliability rating among Russian real estate developers confirmed: A1 – “A class of companies with excellent (very high) reliability” according to the Rating Agency of Construction Industry (R.A.C.I.)

Awards received by LSR Group's development projects:

- Civilization and Rusky Dom were recognised as the best development projects in St. Petersburg over the past five years by the influential Delovoy Peterburg newspaper.
- NEOPARK business class project, Morskaya Naberezhnaya business class residential project, and Ruchyi and Zapovedny Park mass market residential projects won awards at the Excellence in Construction contest as the Best Residential Developments.
- ZILART, the Group's flagship project in Moscow, was recognised as the Top Residential Development in Russia by the National Association of Housing Developers. The same contest saw the Michurinsky residential project in Yekaterinburg recognised as the Best Newbuild Residential Development in the Sverdlovsk Region among mid-rise buildings.
- NEOPARK residential development won the KAISSA award in the Best Apartment Building and Invest Hotel Development Project category.
- Novy Balchug business centre won Moscow's Best Completed Construction Project contest among office buildings and business centres.

Awards received by entities:

- LSR. Construction - North-West won the Best Corporate Citizenship award in the Stroymaster 2020 professional contest
- LSR. Nedvizimost-Ural received a Reliable Developer of Russia golden badge for the fifth time

Personal awards received by LSR Group senior managers:

- Andrey Molchanov, LSR Group's CEO and Chairman of the Executive Committee, was awarded a Medal of the Order for Merit to the Fatherland, First Class.
- Andrey Molchanov, LSR Group's CEO and Chairman of the Executive Committee, was recognised as the best top manager of 2020 by the influential Delovoy Peterburg newspaper. He is the only manager to win the top prize twice.
- Andrey Molchanov, LSR Group's CEO and Chairman of the Executive Committee, and Dmitry Kutuzov, LSR Group's CFO, were recognised the Best CEO and the Best CFO, respectively, in the Construction and Real Estate Sector in the EMERGING EMEA EXECUTIVE TEAM 2020 rankings.
- Vladimir Kritsky, CEO of LSR. Nedvizimost-Ural, was awarded the Recognition special prize in the Construction Triumph contest.
- According to the annual Top 1,000 Russian Managers rating, Andrey Molchanov, LSR Group's CEO, became one of the best senior managers, and Alexander Zilbert, LSR Group's Director for Information Policy and Corporate Communications was recognised as the Best Director for Public and Corporate Relations in the Construction Industry. Dmitry Kutuzov, LSR Group's CFO, joined the Top 100 Russian chief financial officers.

APPROACHES TO MANAGEMENT

OCCUPATIONAL HEALTH AND SAFETY

EXTERNAL REGULATORY DOCUMENTS
<ul style="list-style-type: none"> Labour Code of the Russian Federation Federal Law No. 116-FZ On the Safety of Hazardous Industrial Facilities Federal Law No. 69-FZ On Fire Safety Federal Law No. 52-FZ On Public Sanitary and Epidemiological Well-Being Industry regulations for occupational health and industrial and fire safety at construction and industrial facilities
INTERNAL REGULATORY DOCUMENTS
<ul style="list-style-type: none"> Occupational Health and Industrial and Fire Safety Policy PJSC LSR Group CEO's Directive On Occupational Safety and Industrial and Fire Safety PJSC LSR Group CEO's Directive On Accidents
RESPONSIBILITY
<ul style="list-style-type: none"> Expert and Analytical Department, Economic Security Department Labour Dispute Commission at each entity Management of each entity Occupational health and industrial safety department at each entity Specialised commissions for occupational health and industrial safety at each entity

HR MANAGEMENT

EXTERNAL REGULATORY DOCUMENTS
<ul style="list-style-type: none"> Labour Code of the Russian Federation
INTERNAL REGULATORY DOCUMENTS
<ul style="list-style-type: none"> Internal Workplace Regulations Regulations on Employee Remuneration and Financial Incentives Code of Ethics Personnel Selection and Recruitment Regulations Employee Onboarding Regulations Regulation on Corporate Awards Regulation on Housing Programmes Information letter (annual letter on the social policy budget development) Human Rights Policy Each entity's own Safety Standards
RESPONSIBILITY
<ul style="list-style-type: none"> Human Resources Department

COUNTERING CORRUPTION

EXTERNAL REGULATORY DOCUMENTS
<ul style="list-style-type: none"> United Nations Convention against Corruption Council of Europe Criminal Law Convention on Corruption OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions United Nations Convention against Transnational Organised Crime Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime Federal Law No. 273-FZ On Countering Corruption
INTERNAL REGULATORY DOCUMENTS
<ul style="list-style-type: none"> Code of Ethics Human Rights Policy Declaration of the Board of Directors on Countering Bribery Regulation on Conflicts of Interest Principles for Countering Corruption Directive from the CEO of LLC LSR on specific Measures for the implementation of the Federal Law On Countering Corruption
RESPONSIBILITY
<ul style="list-style-type: none"> Economic Security Department Management of LSR Group's entities

APPROACHES TO MANAGEMENT

ENVIRONMENTAL PROTECTION

Environmental protection	Energy
EXTERNAL REGULATORY DOCUMENTS	
<ul style="list-style-type: none"> Federal Law No. 7-FZ On Environmental Protection Federal Law No. 96-FZ On Ambient Air Protection Federal Law No. 89-FZ On Industrial and Consumer Waste Russian Federation Water Code International Convention on the Protection of the Marine Environment of the Baltic Sea Area SanPin 2.2.1/2.1.1.1200-03 Buffer Zones and Sanitary Classification of Production and Other Facilities and Structures 	<ul style="list-style-type: none"> Federal Law No. 35-FZ On Electric Power Industry Federal Law No. 261-FZ On Energy Saving and Energy Efficiency and Amendments to Some Legislation of the Russian Federation Federal Law No. 190-FZ On Heat Supply Resolution of the Government of the Russian Federation No. 644 On the Approval of the Rules for Cold Water Supply and Discharge and Amendments to Some Acts of the Government of the Russian Federation, dated 29 July 2013
INTERNAL REGULATORY DOCUMENTS	
<ul style="list-style-type: none"> Order appointing persons responsible for environmental management and safety Instructions on hazardous waste handling Regulatory and permitting documentation on emissions, discharges and waste Industrial Environmental Monitoring Programme (the Programme) 	<ul style="list-style-type: none"> Order appointing persons responsible for gas, electric and heating equipment and their deputies Orders approving lists of work performed as part of day-to-day operation, under orders or work permits Instructions for operation, occupational health, industrial and fire safety, accident prevention, and testing electrical personnel for the knowledge of rules and regulations Electrical personnel training programme Schedule and log for electrical safety testing of electrical personnel, and for heating equipment
RESPONSIBILITY	
<ul style="list-style-type: none"> Structural subdivisions of LSR Group or specific positions established to take charge of environmental protection 	<ul style="list-style-type: none"> Chief Power Engineer or Chief Engineer Services of each entity

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

4
QUALITY EDUCATION

Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Targets:

4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

4.7 By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development

- Our contribution**
- Training and upskilling of LSR Group's employees, including training for blue-collar workers
 - Close cooperation with educational institutions to attract young, skilled talent
 - Promoting construction jobs
 - Raising awareness of, and conducting training in sustainable development

- Related programmes and events**
- LSR Group's Corporate HR Assessment and Development Centre where specialists and line managers receive training, including under programmes taught by external trainers and coaches
 - Two licensed educational centres providing training for blue-collar workers and implementing programmes in upskilling and mandatory training required by law
 - Arranging for personnel training at third-party educational institutions (if necessary)
 - Participating in job fairs for students of industry educational institutions, round tables and professional skills competitions
 - Holding tours to LSR Group's facilities and public lessons (not in 2020 due to the pandemic)
 - Cooperation with Profstazhrovki 2.0, an all-Russian competition where students receive offers of internships or placements
 - An onboarding programme and an induction training course for new hires
 - Adding various sustainability clauses to contracts with counterparties

2020 highlights

5,933 people – number of employees who completed training and upskilling programmes, including 3 thousand blue-collar workers

RUB 20,366 thousand – total spending on training programmes

2,618 people – number of employees who received safety training and completed the knowledge tests

8
DECENT WORK AND ECONOMIC GROWTH

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Targets:

8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services

8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

- Our contribution**
- Promoting decent employment and creating meaningful jobs
 - Respect for human rights, including the labour rights of every employee
 - Providing for a comfortable and safe work environment
 - Employment of people with disabilities and people struggling to find jobs

- Related programmes and events**
- A well-developed system of financial incentives for staff that ensures competitive and fair compensation
 - Corporate awards for strong operational performance
 - Corporate social programmes: financial assistance to employees and their families; health insurance; housing programme; corporate events and programmes for employees' children, etc.
 - A mechanism for submitting and processing employee complaints and requests, including via the Trust hotline
 - Surveys to gauge employee engagement and satisfaction across LSR Group
 - Safety compliance checks both at LSR Group's entities and contractors engaged at its construction sites

2020 highlights

9,453 people – average headcount

78% – level of employee engagement across LSR Group

84% – the average recruitment and onboarding success rate across LSR Group

RUB 242 million – investment in social programmes for employees

0 – number of confirmed incidents of human rights violation

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Targets:

9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

- Our contribution**
- Constructing roads and other urban infrastructure
 - Constructing healthcare and educational facilities as part of social infrastructure
 - Upgrading production facilities, including the improvement of resource-use efficiency and adopting more clean and environmentally sound technologies
- Related programmes and events**
- Building roads and crosswalks in ZILART
 - Building a river pier on the Marc Chagall Embankment
 - Building a school for 1,650 students in Civilization
 - Building a kindergarten in Tsvetnoy Gorod that accommodates 190 children and has a pool
 - Building a student dormitory for the Ural Federal University (including effective infrastructure for people with reduced mobility) to replace the old hazardous building
 - Upgrade of the reinforced concrete plant in Yekaterinburg, which helped minimise dust emissions into the atmosphere and substantially reduce energy consumption

11 SUSTAINABLE CITIES AND COMMUNITIES

Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable

Targets:

11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

11.3 By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries

11.4 Strengthen efforts to protect and safeguard the world's cultural and natural heritage

11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities

- Our contribution**
- Constructing high-quality, safe and comfortable housing and infrastructure
 - Applying resource-saving technology to real estate construction (green construction)
 - Planting trees and landscaping
 - Building parks and other public spaces for sports and recreation
 - Investing in cultural heritage projects
- Related programmes and events**
- Internal and external inspections for compliance with quality and safety requirements in construction works
 - Joining the Green Building Council
 - Utilising energy-efficient seamless façade fit-out, advanced heating systems, as well as wet and suspended façades in construction
 - Implementing modern systems of separate waste collection in newly constructed buildings
 - Constructing buildings using environmentally safe building materials
 - Survey of satisfaction in various areas of life conducted at five LSR Group residential developments in St. Petersburg
 - Arranging a recreational area of more than six thousand square metres in Civilization on the Neva
 - Building and landscaping the Tyufeyeva Roshcha Park in ZILART
 - Supporting the St. Sergius of Radonezh Fund (Arkhangelskolye Estate museum and Nikolo-Korelsk Monastery of the Diocese of Arkhangelsk)
- 2020 highlights**
- 80% – share of projects that include buildings and structures with the A, A+, A++, B, B+ or B++ energy efficiency classes (out of LSR Group's total project portfolio¹ with a defined energy efficiency class)
- 100% – share of completed projects that have undergone external audits for compliance with quality and safety standards

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Goal 12. Ensure sustainable consumption and production patterns

Targets:

12.2 By 2030, achieve the sustainable management and efficient use of natural resources

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

- Our contribution**
- Ensuring sustainable use of natural resources and mitigating the negative environmental impact
 - Responsible approach to waste management
 - Building a responsible supply chain
- Related programmes and events**
- Operational control in environmental protection
 - Ensuring operation of wastewater treatment systems
 - Measures to replenish and grow aquatic bio-resources in the Gulf of Finland
 - Transferring waste to third parties for treatment, placement, disposal and recycling
 - Reuse of production materials (for instance, brick and aerated concrete chips and remnants of concrete)
 - Adding provisions on waste management, natural resource consumption and prevention of air pollution to construction and installation contracts

- 2020 highlights**
- RUB 66,731 thousand - total spending on environmental protection activities
- 1,100 thousand cubic metres – water withdrawal by the Building Materials segment and production facilities of the Real Estate and Construction segment. In 2020, LSR Group's business units did not withdraw water from surface sources
- 11,318 tonnes – waste generated by the companies within the Building Materials segment and production facilities of the Real Estate and Construction segment. 58% of the waste is classified as hazard category V waste (almost non-hazardous waste)
- 100% – share of construction and installation contracts featuring environmental, occupational health, fire and industrial safety requirements for contractors

13 CLIMATE ACTION

Goal 13. Take urgent action to combat climate change and its impacts

Targets:

13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

- Our contribution**
- Reduction of GHG emissions
 - Improving the energy efficiency of production processes
 - Applying resource-saving technology to real estate construction
- Related programmes and events**
- A project to improve climate risk management
 - Climate risk assessment
 - Implementing a system for regular measurement of direct and indirect GHG emissions
 - Disclosure of climate change information in line with the TCFD recommendations
 - Optimisation of production processes, vehicle fleet and transportation routes, and upgrade of lighting systems and equipment to reduce energy consumption
 - Utilising energy-efficient seamless façade fit-out, advanced heating systems, as well as wet and suspended façades in construction
 - Upgrade of the reinforced concrete plant in Yekaterinburg, which helped minimise dust emissions into the atmosphere and substantially reduce energy consumption
- 2020 highlights**
- 197.0 thousand tonnes of CO₂-equivalent – direct GHG emissions from the Building Materials segment and production facilities of the Real Estate and Construction segment
- 56.4 thousand tonnes of CO₂ – indirect energy-related GHG emissions (Scope 2) from the Building Materials segment and production facilities of the Real Estate and Construction segment
- 699 thousand GJ – LSR Group's total energy consumption

¹ The projects included in this metric, consisting of one or more buildings or structures (for example, residential projects), may include buildings and structures with other energy efficiency classes. The project list is based on the valuation report for the LSR Group real estate portfolio as at 31 December 2020, prepared by Knight Frank.

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS



Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Targets:

- 16.3 Promote the rule of law at the national and international levels and ensure equal access to justice for all
- 16.5 Substantially reduce corruption and bribery in all their forms
- 16.6 Develop effective, accountable and transparent institutions at all levels
- 16.10 Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements

Our contribution

- Detecting and preventing corruption activities
- Developing a culture of zero tolerance towards corruption among our employees and counterparties
- Cooperation with construction industry players on countering corruption

Related programmes and events

- Regular assessment and analysis of corruption risks
- Conducting regular meetings, preventive discussions and internal conferences with LSR Group managers and employees
- Informing our counterparties and partners about anti-corruption activities
- Rotation of employees who hold positions associated with a high risk of corruption
- Maintaining a database for identifying and consolidating information about potential conflicts of interest among employees
- Ensuring that price-setting processes are properly regulated, which helps prevent misconduct
- Maintaining the efficient operation of the Trust hotline
- Adding anti-corruption clauses to all standard contracts and agreements to be signed with employees and counterparties of LSR Group

2020 highlights

- 0 – number of confirmed incidents of corruption
- 100% – share of business units assessed for risks related to corruption
- 100% – share of standard contracts with counterparties that contain anti-corruption clauses
- 9,453 employees and 9,501 counterparties – number of employees and counterparties to whom we have communicated our anti-corruption policies and procedures

TCFD¹ DISCLOSURE

Climate change has become a major challenge of our time, and the global community recognises the growing need for companies to step up to curb this trend. LSR Group shares the concern about climate change and its consequences, and is conscious of the importance of responding to emerging risks and opportunities.

Disclosure of information in line with the TCFD recommendations is aimed at informing stakeholders about LSR Group’s approach to climate strategy, climate risk management and adaptation amid global transition to a low-carbon economy.

CORPORATE GOVERNANCE

Sustainability management, including climate change management, is part of LSR Group’s existing corporate governance framework integrated at all organisational levels.

LSR Group’s 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 climate change efforts. Established in 2020, the Sustainable Development Committee of the Board of Directors is responsible for implementing and overseeing sustainability and climate change initiatives, as well as for developing a relevant strategy, its scope and objectives. The Committee’s plans for 2021 include reviewing interim results of climate risk assessment and approving measures to handle these risks.

Just as before the Committee was created, certain issues related to the impact of climate risks on LSR Group’s activities continue to be considered as part of production and construction business processes, including when preparing design documents, assessing risks, and developing energy efficiency measures.

The heads of the Group’s entities are responsible for integrating climate aspects into the operations of their enterprises. The functional structural subdivisions of LSR Group’s entities reporting directly to the managers are held liable for the implementation of said goals.

The Sustainable Development function is in charge of coordinating and monitoring LSR Group’s climate change and climate risk-related activities, and preparing the relevant agenda. Various aspects of climate change and its consequences, together with goal setting and implementation, are reviewed by the centralised functions as well as LSR Group’s entities’ functional subdivisions in charge of occupational safety, industrial and fire safety, environmental protection, energy, initial permits, finance, HR, legal matters, anti-corruption activities, information security, and corporate communications.

CLIMATE STRATEGY

In late 2020, LSR Group adopted a comprehensive approach to climate strategy and launched a project to assess climate risks and opportunities. We identified the key potential impacts of climate change on LSR Group’s performance across the main regions of operation and prepared risk maps and scenario analysis.

Scenario analysis

Scenarios are used by companies and international organisations, such as the Intergovernmental Panel on Climate Change (IPCC) or the International Energy Agency (IEA), to model global developments going forward. The climate change impacts on LSR Group were analysed within three scenarios, each of them including Representative Concentration Pathways (RCPs) and Shared Socioeconomic Pathways (SSPs). The scenarios were selected according to their coverage, granularity of study and reliability of sources. Several sets of scenarios were included in the analysis to better account for LSR Group’s regional and industry specifics.

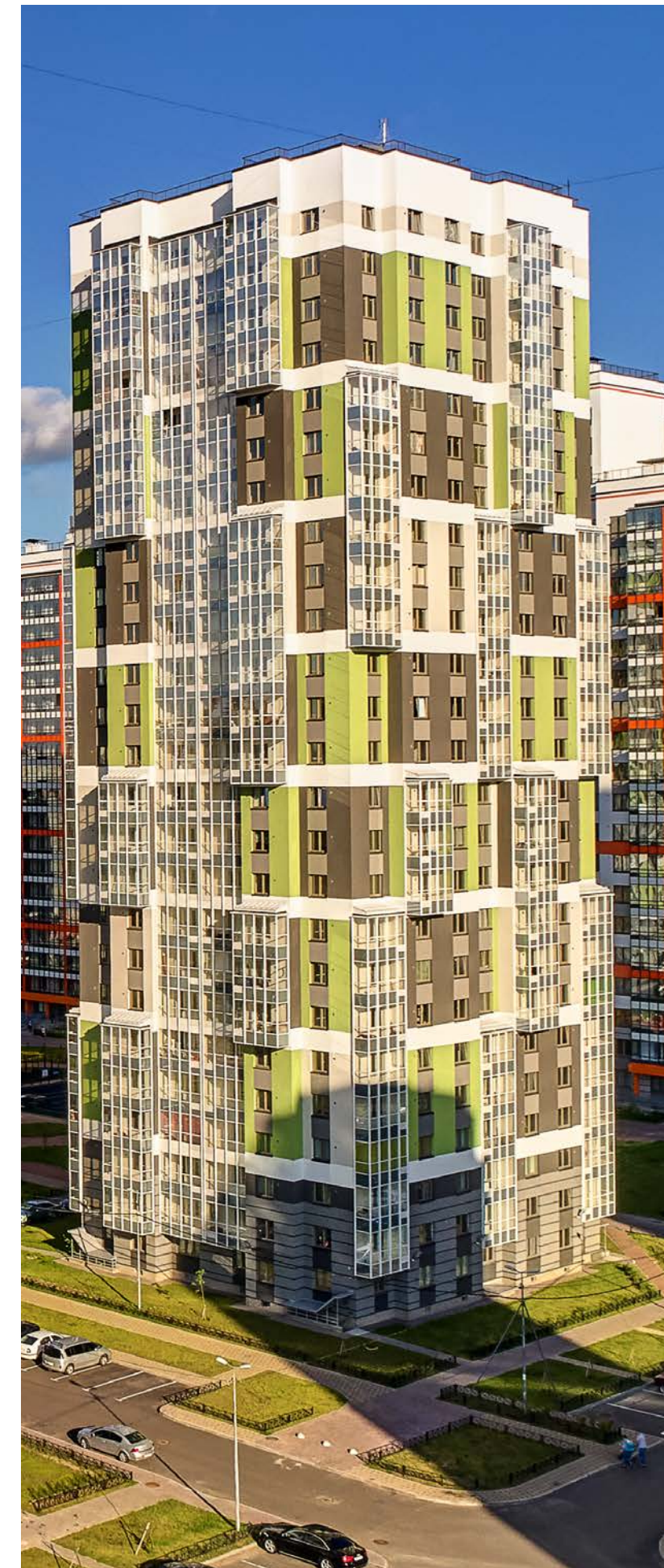
The analysis included the following scenarios:

■ **RCP scenarios**

These scenarios describe physical climate changes depending on the concentration of greenhouse gases in the atmosphere (physical risks). RCP scenarios are science-based, detailed and widely used by international organisations for climate risk analysis (IPCC, TCFD²). Out of four main RCP scenarios, we considered the three most polarised – a low-carbon scenario, a high-carbon scenario and a consensus scenario under the Paris Agreement. These scenarios were used to assess physical risks.

■ **SSP scenarios and scenarios of international organisations, e.g. the IEA**

These scenarios describe the transition to a low-carbon economy depending on changes in the global energy balance, carbon prices and other trends. They are paramount for assessing the transition risks associated with socio-economic changes: more stringent climate policies worldwide affecting LSR Group.



Kalina Park, St. Petersburg

¹ Task Force on Climate-related Financial Disclosures.

² TCFD recommends using several scenarios, including the 2°C scenario.

TCFD DISCLOSURE

The table below shows scenarios corresponding to various increases in temperature.

Average temperature increase above pre-industrial by 2100	Global temperature increase by 2050 compared to the mean level of late 20 th century ¹	Global temperature increase by 2100 compared to the mean level of late 20 th century ¹	Global rise in sea levels by 2100 compared to the mean level of late 20 th century ²	Climate scenario	Corresponding socioeconomic scenario
~1.5°C	0.4–1.6°C	0.3–1.7°C	+0.45 m	Representative Concentration Pathway 2.6	Shared Socioeconomic Pathway 1
~2.0°C	0.9–2.0°C	1.1–2.6°C	+0.55 m	Representative Concentration Pathway 4.5	Shared Socioeconomic Pathway 2
>4.0°C	1.4–2.6°C	2.6–4.8°C	+0.75 m	Representative Concentration Pathway 8.5	Shared Socioeconomic Pathway 5

Climate-related risks and opportunities

The analysis helped identify physical and transition risks relevant to LSR Group's operations as well as opportunities stemming from climate trends.

In line with the TCFD recommendations, risks are divided into physical and transition categories.

Transition risks cover large-scale political, legal, technology, and market changes associated with transition to a low-carbon economy. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations.

Physical risks relate to events or chronic changes in the operating environment resulting from climate change. Physical risks may have financial implications, such as direct damage to assets and indirect impacts from supply chain disruption. Organisations' financial performance may also be affected by changes in water availability and quality; and extreme temperature changes affecting organisations' premises, operations, supply chain, transport needs, and employee safety.

Climate risks were assessed for each of LSR Group's lines of business (Construction³, Building Materials⁴, Real Estate⁵) in order to account for differences in technology as well as regional and industry specific climatic risks.

A preliminary risk register was compiled in line with the TCFD classification and broken down by key drivers and causes. Each risk was rated according to probability and impact under the three scenarios of global temperature increase by 2023, 2030 and 2050.

Preliminary results of the scenario analysis suggest that climate risks bear no significant threat to LSR Group's finances and operations in the short and medium term.

In the short term, a stronger focus is required on transition risks, including stricter investor requirements for climate disclosure and introduction of GHG emission charges, which may lead to higher operating costs. Another concern is the risk of carbon regulation in the supply chain, which may lead to higher electricity and heat costs.

In the long term, transition risks become more significant and physical risks have greater impact, with the above 4.0°C scenario carrying most frequent and serious consequences. LSR Group is exposed to the impact of climate change, in particular extreme heat and changing wind strength, as well as erosion in coastal areas and rising sea levels.

In 2021, we will continue with project, update the register and potential impacts, and assess the financial consequences of climate risks.

Apart from risks, climate change offers new opportunities. LSR Group notes that climate change may lead to a longer construction season and navigation period, which could reduce construction times and operating costs. In addition, the new decarbonisation regulation will, in the long term, drive consumer demand for modern housing and energy efficient building materials, creating additional market for LSR Group.

Given the growing importance of both physical and transition risks, LSR Group intends to set climate-related goals and strives to promote low-carbon development through the construction of energy-efficient buildings and the production of building materials that reduce greenhouse gas emissions along the supply chain.

CLIMATE RISK MANAGEMENT

LSR Group identifies, assesses and manages risks across its business units and regions of operation in a timely manner. An effective risk management and internal control system is one of LSR Group's corporate governance principles. With a view to enhancing risk management procedures, the Risk Management Policy was adopted to regulate the overall approach, responsibilities of risk owners, structure and scope of risk management, as well as information support and interaction guidelines. LSR Group's entities have adopted relevant in-house regulations, which govern their key business processes. For a detailed overview of the risk management system, see the Annual Report of LSR Group for 2020.

Climate risks are part of the key sustainability risks. LSR Group's climate risk management strategies include measures to reduce (mitigate), transfer, accept or avoid the risks. LSR Group monitors changes in climate legislation, investor requirements and market environment, as well as the physical impact of climate change on its assets. Climate risk management is part of such operations as preparing design documents and developing of energy and resource efficiency projects. Long-term management is aimed at reducing climate risk through decarbonisation, i.e. by switching to renewables, protecting employees and assets from potential consequences of physical risks, and improving ESG disclosure.

The interim results of the project launched in 2020 and aimed at in-depth analysis and assessment of climate risks contain an expanded list of measures to handle climate risks. The list will be reviewed and approved by LSR Group's key corporate governance bodies.

We will continue to improve our climate risk management framework, including the development of a climate strategy, updating the register of climate risks and measures, and monitoring the effectiveness of climate risk management. In 2021, LSR Group intends to conduct a quantitative assessment of the impact of climate change and the potential consequences of the transition for our financial stability, so that the management will be equipped to analyse the impact of climate risks on such key financial and management indicators as revenue and EBITDA in more detail.

CLIMATE METRICS AND TARGETS

Gross GHG emissions is the key metric used to assess LSR Group's impact on the climate LSR Group now calculates direct and indirect energy emissions (Scopes 1 and 2). The calculation covers the Building Materials segment and production facilities of the Real Estate and Construction segments and is being gradually expanded. Additional information on greenhouse gas emissions is available in the Climate Strategy and Energy Efficiency section of the Report.

In 2021, LSR Group plans to start automating the calculation of direct greenhouse gas emissions from operations, which would contribute to high-quality and reliable reporting on LSR Group's carbon footprint and effective future assessment of the carbon intensity of operations. Further plans include emissions monitoring for all business processes, as well as the monitoring of other indirect emissions (Scope 3), the handling of which will require closer cooperation with business partners and contractors. Later on, LSR Group will set emission reduction targets and determine its contribution to the global goals of the Paris Agreement – limiting global warming in the 21st century to well below 2°C and pursuing efforts to limit it to 1.5°C above pre-industrial levels.

¹ Fifth Assessment Report of the Intergovernmental Panel on Climate Change, IPCC (2014).

² Ten Facts about the Economics of Climate Change and Climate Policy. Joint Report by The Hamilton Project and Stanford Institute for Economic Policy Research (2019).

³ The Construction line of business includes risks that are directly related to the construction of real estate.

⁴ The Building Materials line of business includes risks associated with the extraction and storage of sand and crushed granite, production of bricks, ready-mixed concrete and mortars, production of aerated concrete and reinforced concrete products.

⁵ The Real Estate line of business covers the processes related to the sales and marketing of completed buildings. As a result, this segment was mainly focused on market and sales risks. Construction risks were not considered.

EU TAXONOMY

In 2020, the European Commission released the final version of EU Taxonomy for sustainable activities (the EU Taxonomy).

LSR Group is not among the companies required to disclose information under the EU Taxonomy. Despite that, LSR Group recognised the importance of studying global environmental trends, including those related to climate change. We are improving our climate risk management, including the deployment of a system for regular measurements of direct and indirect GHG emissions. Additional information about the climate risk management system is available in [the Annex "TCFD Disclosure"](#).

LSR Group has also taken the first steps to analyse the EU Taxonomy criteria and reflect them in its non-financial reports. Key segments of LSR Group's operations include real estate development, construction, and production of building materials.

The information below relates to the Real Estate and Construction segment only, which corresponds to the Construction of New Buildings segment of the EU Taxonomy. The segment's revenue amounted to RUB 96,083 million.

The EU Taxonomy is based on two overarching principles – a substantive contribution and no significant harm. In order to comply with the EU Taxonomy, economic activities must make a substantive contribution to at least one of the environmental objectives and do no significant harm to the other objectives, as well as meet minimum safeguards.

The current disclosure is not in strict compliance with the EU Taxonomy. The information included in this section primarily aims at providing financial market participants with additional data for analysing LSR Group's activities and making further decisions. LSR Group plans to develop a methodology for calculating metrics that would take into account the national regulations as well as the requirements of the EU Taxonomy.

Indicator	Comment
Contribution to climate change mitigation	
Criterion and threshold	<p>The net primary energy demand of new construction must be at least 20% lower than the primary energy demand according to the near zero energy buildings (NZEB) requirement, which is mandatory in all EU member states starting 2021.</p> <p>LSR Group pays particular attention to improving energy efficiency of buildings we construct. LSR Group applies the standards of statutory energy efficiency requirements to all its heated buildings, regardless of the completion stage¹, as well as expends additional energy-saving efforts and implements energy-efficient technologies.</p> <p>31 out of the 59 projects from LSR Group's total project portfolio² include buildings/structures of A, A+, A++, B, B+ or B++ energy efficiency classes, which accounts for over 80% of the projects with a determined energy efficiency class.</p> <p>NEVA HAUS is the first elite 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.</p>
Description	<p>New buildings designed to minimise energy consumption and carbon emissions throughout their life cycle can make a significant contribution to climate change mitigation by avoiding a significant portion of the carbon emissions that would be associated with traditional buildings.</p>

¹ 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.

² The projects included in this metric, consisting of one or more buildings or structures (for example, residential projects), 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 2020, prepared by Knight Frank.

Indicator	Comment
Do no significant harm	
Sustainable use and protection of water and marine resources	<p>All water systems (showers, taps, toilets, etc.) must have one of the two highest water efficiency ratings according to the EU Water Label.</p> <p>LSR Group builds houses using technologies that help residents save water.</p>
Transition to a circular economy	<p>At least 80% of non-hazardous construction and demolition waste (by weight, excluding materials of natural origin) generated at the construction site must be prepared for reuse or sent for recycling or other types of waste management.</p> <p>To manage waste, LSR Group's entities use the latest construction technologies, which enable them to use building materials efficiently and minimise waste generation.</p> <p>All waste generated in our operations is delivered to contracted third-party waste management organisations duly licensed to engage in waste collection, transportation, treatment, recycling, decontamination, and disposal.</p> <p>Reuse of materials: some LSR Group's facilities reuse products or semi-finished products that did not pass quality control. Examples include brick and aerated concrete chips.</p> <p>For one of the LSR Group's entities, a third-party organisation recycles unmarketable reinforced concrete products and technical remnants of concrete into secondary concrete crushed stone, which is used at construction sites of the enterprise for backfilling of temporary roads, foundations for temporary storage facilities and construction camps.</p>
Pollution prevention and control	<p>Ensuring that building components and materials do not contain asbestos or substances of particular concern (as per REACH).</p> <p>If new construction takes place at a brownfield site, it should be investigated for potential contaminants, for example using BS 10175.</p> <p>LSR Group ensures that the real estate we build complies with modern quality and safety requirements. In accordance with the Russian legislation, the quality and safety of buildings and structures is ensured through mandatory assessment for compliance of the construction works with the technical regulations, other regulations, and design and detailed engineering documentation.</p> <p>In 100% of our completed buildings all internal and external inspections for compliance with quality and safety requirements were passed successfully.</p> <p>LSR Group is focused 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.</p> <p>Before designing construction projects, LSR Group carries out engineering and environmental surveys, collects soil and air samples from the future construction site and prepares a report which describes the soil and air, as well as the measures necessary to ensure that the land meets the construction and living standards, including sanitary and epidemiological requirements. The report also covers the need for reclamation.</p>
Protection of ecosystems	<p>Construction should not be initiated in protected natural areas (reserves, national parks, etc.), on arable land or lands with a recognised high level of biodiversity, or on lands that serve as habitats for endangered species (flora and fauna) included in the European Red List and/or IUCN Red List.</p> <p>LSR Group does not build in protected natural areas, on lands with a recognised high level of biodiversity, or on lands that serve as habitats for endangered species (flora and fauna).</p>

EU TAXONOMY

SOCIAL BENEFITS

In accordance with the EU Taxonomy, economic activities must comply with minimum safeguards.

Since January 2019, LSR Group has been a member of the UN Global Compact and committed to integrating UN human rights, labour, environmental and anti-corruption principles into its strategy and corporate culture, and disclosing its sustainability performance on an annual basis.

Respect for human rights is one of the fundamental principles of our work. LSR Group has a [Human Rights Policy](#) in place. The respect for human rights is also enshrined in the fundamental internal regulations of LSR Group governing personnel and contractor management and the regulation of social and other issues.

LSR Group remains committed to ensuring safe working conditions, achieving zero injuries and reducing the occupational disease rate. 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.

One of the most important elements in this area is the availability of an effective mechanism for submitting and processing employee 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 2020.



Manushkino quarry

NON-FINANCIAL METRICS

ENVIRONMENTAL INDICATORS

The environmental protection data below covers the operations of the Building Materials segment facilities and the industrial facilities of the Real Estate and Construction segment (except for several indicators that have respective comments). LSR Group's industrial facilities are responsible for the most of the Group's environmental impact due to the nature of its industrial and technological processes.

MATERIAL RESOURCES	UNITS	2018	2019	2020
1. Consumption of key material resources for production				
LSR. Building Materials + LSR. Real Estate and Construction				
Total consumption of key material resources for production, including:				
Granites and granite gneisses	thousand cubic metres	8,579	8,243	8,557
Sand	thousand tonnes	21,238	15,462	11,970
Crushed stone	thousand tonnes	1,443	1,301	1,148
Cement, including Portland cement	thousand tonnes	750	627	597
Clay used to make bricks (produced internally and purchased)	thousand tonnes	743	798	808
Metal	thousand tonnes	31	17	19
Lime	thousand tonnes	28	27	41
Gypsum and gypsum stone	thousand tonnes	29	27	36
Aluminium powder and paste	thousand tonnes	0.7	0.7	0.9
Slag	thousand tonnes	4	43	43
Insulation materials	thousand cubic metres	14	9	11
Fibreglass reinforcement	thousand pcs	53	33	22
LSR. Building Materials				
Total consumption of key material resources for production, including:				
Granites and granite gneisses used to produce crushed stone	thousand cubic metres	8,579	8,243	8,557
Sand	thousand tonnes	21,018	15,303	11,788
Crushed stone	thousand tonnes	1,150	1,054	868
Cement, including Portland cement	thousand tonnes	640	533	491
Clay used to make bricks (produced internally and purchased)	thousand tonnes	743	798	808
Metal	thousand tonnes	10	0	0
Lime	thousand tonnes	28	27	41
Gypsum and gypsum stone	thousand tonnes	29	27	36
Aluminium powder and paste	thousand tonnes	0.7	0.7	0.9
Slag	thousand tonnes	4	43	43
Insulation materials	thousand cubic metres	0	0	0
Fibreglass rebar	thousand pcs	0	0	0

NON-FINANCIAL METRICS

EMISSIONS	UNITS	2018	2019	2020
2. Atmospheric emissions				
LSR. Building Materials + LSR. Real Estate and Construction				
Total atmospheric emissions	tonnes	2,694	3,041	2,976
NOx emissions (with NO expressed as NO ₂ equivalent)	tonnes	477	635	678
SO ₂ emissions	tonnes	285	318	216
Particulate matter	tonnes	1,315	1,308	1,398
CO emissions	tonnes	507	611	566
Other	tonnes	110	169	118
LSR. Building Materials				
Total atmospheric emissions	tonnes	2,629	2,998	2,936
NOx emissions (with NO expressed as NO ₂ equivalent)	tonnes	447	620	664
SO ₂ emissions	tonnes	285	318	216
Particulate matter	tonnes	1,308	1,302	1,394
CO emissions	tonnes	482	592	547
Other	tonnes	107	166	115
3. Direct (Scope 1) GHG emissions				
LSR. Building Materials + LSR. Real Estate and Construction				
Total direct GHG emissions, including:	tonnes of CO ₂ -equivalent	no disclosure	no disclosure	196,962
Ceramics production	tonnes of CO ₂ -equivalent	no disclosure	no disclosure	9,300
Stationary combustion of fuel	tonnes of CO ₂ -equivalent	no disclosure	no disclosure	127,229
Mobile combustion of fuel	tonnes of CO ₂ -equivalent	no disclosure	no disclosure	60,433
Road transport	tonnes of CO ₂ -equivalent	no disclosure	no disclosure	8,345
Off-road transport and equipment	tonnes of CO ₂ -equivalent	no disclosure	no disclosure	35,597
Rail transport	tonnes of CO ₂ -equivalent	no disclosure	no disclosure	1,793
Waterborne transport	tonnes of CO ₂ -equivalent	no disclosure	no disclosure	14,698
LSR. Building Materials				
Total direct GHG emissions, including:	tonnes of CO ₂ -equivalent	no disclosure	163,973	170,282
Ceramics production	tonnes of CO ₂ -equivalent	no disclosure	no disclosure	9,300
Stationary combustion of fuel	tonnes of CO ₂ -equivalent	no disclosure	103,780	106,310
Mobile combustion of fuel	tonnes of CO ₂ -equivalent	no disclosure	60,193	54,672
Road transport	tonnes of CO ₂ -equivalent	no disclosure	3,160	2,893
Off-road transport and equipment	tonnes of CO ₂ -equivalent	no disclosure	35,813	35,288
Rail transport	tonnes of CO ₂ -equivalent	no disclosure	1,227	1,793
Waterborne transport	tonnes of CO ₂ -equivalent	no disclosure	19,993	14,698
4. Indirect (Scope 2) GHG emissions				
LSR. Building Materials + LSR. Real Estate and Construction				
Total indirect (Scope 2) GHG emissions, including:	tonnes of CO ₂	no disclosure	no disclosure	56,407
those from electricity consumption	tonnes of CO ₂	no disclosure	no disclosure	48,562
those from heat consumption	tonnes of CO ₂	no disclosure	no disclosure	7,845

EMISSIONS	UNITS	2018	2019	2020
LSR. Building Materials				
Total indirect (Scope 2) GHG emissions, including:	tonnes of CO ₂	no disclosure	no disclosure	41,046
those from electricity consumption	tonnes of CO ₂	no disclosure	no disclosure	40,610
those from heat consumption	tonnes of CO ₂	no disclosure	no disclosure	436
WATER				
UNITS				
5. Volume of water consumption				
LSR. Building Materials + LSR. Real Estate and Construction				
Total volume of water consumption	thousand cubic metres	10,176	7,082	1,100
LSR. Building Materials				
Total volume of water consumption	thousand cubic metres	10,029	6,996	1,001
6. Volume of water withdrawal				
LSR. Building Materials + LSR. Real Estate and Construction				
Total water withdrawal volume	thousand cubic metres	10,176	7,082	1,100
Surface water, including marshes, river and lake water	thousand cubic metres	21	0	0
Surface water, including sea and ocean water	thousand cubic metres	8,964	6,007	0
Groundwater	thousand cubic metres	144	192	392
Water provided by organisations (municipal water supply systems)	thousand cubic metres	1,047	883	708
LSR. Building Materials				
Total water withdrawal volume	thousand cubic metres	10,029	6,996	1,001
Surface water, including marshes, river and lake water	thousand cubic metres	21	0	0
Surface water, including sea and ocean water	thousand cubic metres	8,964	6,007	0
Groundwater	thousand cubic metres	144	192	392
Water provided by organisations (municipal water supply systems)	thousand cubic metres	900	797	609
7. Water discharge volume				
LSR. Building Materials + LSR. Real Estate and Construction				
Total water discharge volume	thousand cubic metres	4,391	6,313	283
Into surface water, including marshes, rivers and lakes	thousand cubic metres	3,828	6,044	36
Into surface water, including sea and ocean	thousand cubic metres	0	0	0
Into sewers of other organisations (municipal wastewater systems)	thousand cubic metres	563	269	247
LSR. Building Materials				
Total water discharge volume	thousand cubic metres	4,248	6,231	195
Into surface water, including marshes, rivers and lakes	thousand cubic metres	3,828	6,044	36
Into surface water, including sea and ocean	thousand cubic metres	0	0	0
Into sewers of other organisations (municipal wastewater systems)	thousand cubic metres	420	187	159

NON-FINANCIAL METRICS

WASTE	UNITS	2018	2019	2020
8. Waste generated by hazard category				
LSR. Building Materials + LSR. Real Estate and Construction				
Total waste generated	tonnes	12,382	9,620	11,318
Hazard category I	tonnes	2	2	2
Hazard category II	tonnes	3.2	0	0
Hazard category III	tonnes	2,060	1,467	512
Hazard category IV	tonnes	2,005	1,652	4,291
Hazard category V	tonnes	8,312	6,499	6,513
LSR. Building Materials				
Total waste generated	tonnes	4,933	3,665	3,002
Hazard category I	tonnes	1	1	1
Hazard category II	tonnes	0.2	0	0
Hazard category III	tonnes	2,012	1,417	463
Hazard category IV	tonnes	1,279	1,152	1,208
Hazard category V	tonnes	1,641	1,095	1,330
9. Waste management methods				
LSR. Building Materials + LSR. Real Estate and Construction				
Total waste generated	tonnes	12,382	9,620	11,318
Transferred to third-party organisations for decontamination	tonnes	2,142	140	523
Transferred to third-party organisations for disposal in waste disposal facilities	tonnes	2,068	4,659	3,912
Transferred to third-party organisations for recycling (reuse)	tonnes	8,063	4,358	6,481
Transferred to third-party organisations for treatment	tonnes	109	463	402
LSR. Building Materials				
Total waste generated	tonnes	4,933	3,665	3,002
Transferred to third-party organisations for decontamination	tonnes	2,039	30	22
Transferred to third-party organisations for disposal in waste disposal facilities	tonnes	1,120	847	696
Transferred to third-party organisations for recycling (reuse)	tonnes	1,774	2,430	1,938
Transferred to third-party organisations for treatment	tonnes	no disclosure	358	346
ENVIRONMENTAL COSTS				
UNITS				
10. Costs for environmental protection activities				
LSR Group's total	million rub	no disclosure	88.1	66.7
incl. by the companies within the Building Materials segment	million rub	23.7	22.1	38.9

ENVIRONMENTAL NON-COMPLIANCE	UNITS	2018	2019	2020
11. Non-compliance with environmental laws and regulations				
LSR. Building Materials + LSR. Real Estate and Construction				
Total monetary value of significant fines for non-compliance with environmental laws and regulations accrued in the reporting year	thousand rub	no disclosure	no disclosure	112
Total number of external inspections	pcs	no disclosure	no disclosure	13
Number of improvement notices for non-compliance with environmental laws and regulations	pcs	no disclosure	no disclosure	2
LSR. Building Materials				
Total monetary value of significant fines for non-compliance with environmental laws and regulations accrued in the reporting year	thousand rub	849	no significant fines	112
Total number of external inspections	pcs	22	7	13
Number of improvement notices for non-compliance with environmental laws and regulations	pcs	2	1	2
OTHER				
UNITS				
12. Accidents with significant environmental impacts				
LSR. Building Materials + LSR. Real Estate and Construction				
Accidents with environmental impacts (peak or emergency emissions or discharges, major spills of petroleum products)	pcs	no disclosure	no disclosure	0
LSR. Building Materials				
Accidents with environmental impacts (peak or emergency emissions or discharges, major spills of petroleum products)	pcs	0	0	0

COMMENTS

To Indicator №1.

Prior to 2020, data for "Gypsum and gypsum stone" was disclosed separately for each of the two materials. The data for 2020 is shown according to the adjusted methodology, the data for 2018 and 2019 is also updated accordingly.

To Indicator №2.

The calculation methodology for carbon monoxide (CO) was adjusted when calculating data for 2019. The data for 2020, as well as for 2018 and 2019 is shown according to the adjusted methodology.

To Indicator №3.

GHG emissions from ceramics production and from stationary sources were calculated 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 Determination of Greenhouse Gas Emissions by Organisations Engaged in Business and Other Activities in the Russian Federation dated 30 June 2015 (which follows the requirements of the 2006 IPCC Guidelines for National Greenhouse Gas Inventories); GHG emissions from mobile sources were estimated in accordance with the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

ENERGY INDICATORS

	UNITS	2018	2019	2020
1. Energy consumption in physical terms				
Electricity	million kWh	181	166	169
Heat	thousand Gcal	36	28	21
Petrol	thousand litres	772	709	585
Diesel fuel	million litres	36	29	26

NON-FINANCIAL METRICS

	UNITS	2018	2019	2020
Natural gas	million cubic metres	71	65	65
Heating oil	thousand tonnes	0.3	0.3	0.2
2. Energy consumption in GJ				
Electricity	GJ	653,007	599,137	608,356
Heat	GJ	148,769	116,925	87,354
Petrol	GJ	25	23	19
Diesel fuel	GJ	1,287	1,031	949
Natural gas	GJ	2,411	2,213	2,213
Heating oil	GJ	12	12	7
TOTAL	GJ	805,511	719,341	698,898
3. Energy consumption in monetary terms				
Electricity	million rub	775	778	804
Heat	million rub	73	54	49
Petrol	million rub	27	26	24
Diesel fuel	million rub	1,276	1,077	953
Natural gas	million rub	484	415	398
Heating oil	million rub	4.9	4.9	2.1
4. Energy intensity				
Energy intensity of revenue	GJ/million rub	6	7	6

COMMENTS

Values of energy consumption in physical terms are rounded to whole values, the values in GJ are calculated based on the raw data.

SOCIAL INDICATORS

EMPLOYEES AND SOCIAL PROGRAMMES	UNITS	2018	2019	2020
1. Number of employees				
Average headcount	people	11,677	9,814	9,453
Headcount as at 31 December	people	10,645	10,040	9,937
2. Personnel structure by geography				
Northwestern region	%	81	80	78
Other regions of operation	%	19	20	22
3. Personnel structure by category				
Administrative	%	21	20	23
Sales	%	4	4	3
Production	%	75	76	74
4. Personnel structure by gender				
Men	%	66	66	66
Women	%	34	34	34

EMPLOYEES AND SOCIAL PROGRAMMES	UNITS	2018	2019	2020
5. Personnel structure by employment contract				
Permanent employment contract	%	97	97	98
6. Personnel structure by employment type				
Full-time	%	97	97	98
7. Employee turnover				
Number of new employees	people	3,004	2,323	2,076
Percentage of new employees	%	28	23	21
Number of leaving employees	people	2,929	2,698	2,210
Employee turnover	%	28	27	23
Voluntary employee turnover	%	no disclosure	22	19
8. Recruitment and onboarding effectiveness				
Average recruitment and onboarding success rate	%	no disclosure	78	84
9. Remuneration				
Average salary	rub	57,455	58,841	61,458
10. Social partnership				
Percentage of employees covered by collective bargaining agreements	%	42	0	0
11. Employee training				
Number of employees completed training	people	more than 3.6 thousand	4,468	5,933
Costs for training programmes	thousand rub	19,958	21,546	20,366
12. Costs for social programmes				
Costs for social programmes for employees	million rub	196	252	242
CHARITY				
13. Investments in charity projects				
Investments in charity projects	million rub	670	407	424
OCCUPATIONAL HEALTH AND SAFETY				
14. Work-related injuries among employees				
Total number of on-site accidents	pcs	10	8	16
Number of people injured as a result of on-site accidents (total number of injuries), including:	people	10	8	16
Number of people injured resulting in lost time	people	10	8	15
Fatal accidents	people	0	0	1
Lost time accident frequency rate (LTAFR)	rate	0.96	0.87	1.79
Injury rate (IR)	rate	0.54	0.51	1.05
Lost time injury frequency rate (LTIFR)	rate	0.54	0.51	0.98
Injury severity rate (SR), excluding occupational diseases	rate	58.20	66.00	66.60
Absenteeism rate (AR)	rate	0.04	0.06	0.03
15. Occupational diseases among employees				
Occupational disease rate among employees	rate	no disclosure	0	0.07
Number of cases of occupational diseases (first identified cases)	pcs	3	0	1

NON-FINANCIAL METRICS

OCCUPATIONAL HEALTH AND SAFETY	UNITS	2018	2019	2020
16. Safety control				
Percentage of LSR Group's construction projects and companies that have undergone internal occupational, industrial and fire safety audits	%	no disclosure	100	100
ETHICS AND COUNTERING CORRUPTION				
17. Introduction to the Code of Ethics				
Percentage of employees who have read the Code of Ethics	%	no disclosure	100	100
18. Informing on corruption issues				
Employees informed	people	10,796	9,162	9,453
Representatives of key corporate governance bodies (the Board of Directors, the Executive Committee) informed	people	11	11	14
Business partners (counterparties) informed	people	4,135	3,819	9,501
Percentage of standard contracts with counterparties that contain anti-corruption clauses	%	100	100	100
19. Confirmed incidents of corruption				
Number of confirmed incidents of corruption	pcs	0	0	0
20. Trust hotline service				
Number of messages received by the Trust hotline	pcs	41	78	51
Percentage of responses to reports received via the Trust hotline	%	100	100	100
SUPPLY CHAIN				
21. Supplier base				
Number of existing and potential suppliers included in the supply system	pcs	13 thousand	approx. 12 thousand	16 thousand
22. Procurement volume				
Total procurement volume	billion rub	73.7	74.9	73.5
Procurement of contractor work	%	54	59	60
Procurement of monopoly services	%	12	10	10
Procurement of goods and other services	%	34	31	30
Percentage of open-form procurement procedures	%	no disclosure	88	over 76
23. Social and environmental responsibility				
Percentage of construction and installation contracts featuring environmental, occupational health, fire and industrial safety requirements for contractors	%	no disclosure	100	100
PRODUCT QUALITY AND CONSUMER SAFETY				
24. Product quality and consumer safety				
Percentage of completed projects that have undergone external audits for compliance with quality and safety standards	%	no disclosure	100	100

GREEN CONSTRUCTION	UNITS	2018	2019	2020
25. Green construction				
Number of projects, which include buildings and structures with the A, A+, A++, B, B+ or B++ energy efficiency classes	pcs	no disclosure	33 (out of 56)	31 (out of 59)
OTHER				
26. Participation in external initiatives				
United Nations Global Compact	yes/no	no	yes	yes
Global Reporting Initiative (GRI)	yes/no	yes	yes	yes
Green Building Council	yes/no	no	no	yes

COMMENTS

Indicator №8.

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).

Indicator №14.

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.

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.

Indicator №18.

■ "Business partners (counterparties)" stands for organisations that based on their 2020 scores were assigned reliability categories and buyer-submitted ratings within the internal corporate information system at the new contract signing stage.

■ Indicator "Percentage of standard contracts with counterparties that contain anti-corruption clauses" takes into account standard contracts signed with counterparties in 2020, and the fact that 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.

Indicator №25.

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 2020, prepared by Knight Frank. All buildings or structures are taken into account, including those for which the energy efficiency class is not defined.

NON-FINANCIAL METRICS

CORPORATE GOVERNANCE INDICATORS				
BOARD OF DIRECTORS	UNITS	31.12.2018	31.12.2019	31.12.2020
Composition of the Board of Directors				
Number of directors, including:	people	7	7	9
independent directors	people	4	4	4
<i>percentage of independent directors</i>	%	57	57	44
non-executive directors	people	2	2	2
<i>percentage of non-executive directors</i>	%	29	29	22
executive directors	people	1	1	3
<i>percentage of executive directors</i>	%	14	14	33
Number of women	people	0	0	1
Composition of the Board of Directors by age				
≤ 25 years	people	0	0	0
26-35 years	people	0	0	1
36-45 years	people	2	2	1
46-55 years	people	5	5	7
> 56 years	people	0	0	0
Meetings of the Board of Directors				
Number of meetings of the Board of Directors, including:	pcs	12	13	19
<i>in-person meetings</i>	pcs	6	6	7
<i>number of meetings that addressed sustainable development issues</i>	pcs	no disclosure	4	5
BOARD COMMITTEES	UNITS	31.12.2018	31.12.2019	31.12.2020
Strategy, Investor Relations and Capital Markets Committee (formerly - Strategy and Investment Committee)				
Number of directors, including:	people	3	3	5
independent directors	people	1	1	1
Percentage of independent directors in committee	%	33	33	20
Chairman of committee - independent director	yes/no	yes	yes	no
Audit Committee				
Number of directors, including:	people	3	3	3
independent directors	people	3	3	3
Percentage of independent directors in committee	%	100	100	100
Chairman of committee - independent director	yes/no	yes	yes	yes
Human Resources and Compensation Committee				
Number of directors, including:	people	3	3	3
independent directors	people	3	3	3
Percentage of independent directors in committee	%	100	100	100
Chairman of committee - independent director	yes/no	yes	yes	yes

BOARD COMMITTEES	UNITS	31.12.2018	31.12.2019	31.12.2020
Sustainable Development Committee				
Number of directors, including:	people	not applicable	not applicable	3
independent directors	people	not applicable	not applicable	2
Percentage of independent directors in committee	%	not applicable	not applicable	67
Chairman of committee - independent director	yes/no	not applicable	not applicable	no
Meetings of Board committees				
Number of meetings of Strategy and Investment Committee	pcs	5	7	7
Number of meetings of Audit Committee	pcs	5	7	7
Number of meetings of Human Resources and Compensation Committee	pcs	6	6	9
Number of meetings of Sustainable development Committee	pcs	not applicable	not applicable	1
EXECUTIVE COMMITTEE	UNITS	31.12.2018	31.12.2019	31.12.2020
Composition of Executive Committee				
Number of members	people	6	6	8
Number of women	people	1	1	1
Composition of Executive Committee by age				
≤ 25 years	people	0	0	0
26-35 years	people	0	0	0
36-45 years	people	1	1	1
46-55 years	people	4	4	5
> 56 years	people	1	1	2
Meetings of Executive Committee				
Number of meetings of Executive Committee, including:	pcs	19	19	23
<i>number of meetings that addressed sustainable development issues</i>	pcs	no disclosure	6	7
COMPOSITION OF THE BOARD OF DIRECTORS	Independent	31.12.2019	29.04.2020	31.12.2020
Dmitry Gontcharov	no	✓ Chairman of the Board	✓	✓ Chairman of the Board
Aleksey Makhnev	yes	✓	✓	✓
Andrey Molchanov	no	✓	✓	✓
Andrey Nesterenko	yes	✓		
Vitaliy Podolskiy	yes	✓	✓	✓
Alexander Prysyzhnyuk	yes	✓	✓	✓
Igor Levit	no	✓	✓ Chairman of the Board	✓
Egor Molchanov	no		✓	✓
Natalia Nikiforova	yes		✓	✓
Evgeny Yatsyshin	no		✓	✓

NON-FINANCIAL METRICS

ECONOMIC EFFICIENCY INDICATORS				
DIRECT ECONOMIC VALUE CREATED AND DISTRIBUTED	UNITS	2018	2019	2020
Direct economic value created	million rub	149,071	114,035	121,494
Revenue	million rub	146,376	110,438	118,052
Revenues from financial investments	million rub	2,580	3,410	2,816
Revenues from sales of tangible assets	million rub	115	187	626
Distributed economic value	million rub	134,793	91,293	90,285
Operating costs	million rub	94,407	58,841	61,154
Employee wages and salaries	million rub	12,058	11,364	12,681
<i>out of which: Employee wages and salaries not including social security contributions</i>	million rub	9,673	9,473	9,634
Other payments and benefits to employees	million rub	15	18	14
Payments to providers of capital	million rub	13,083	14,284	11,302
<i>out of which: Dividends paid</i>	million rub	7,984	7,842	5,031
<i>out of which: Interest payments made to providers of loans</i>	million rub	5,099	6,442	6,271
Payments to government	million rub	4,887	6,379	4,710
Community investments	million rub	670	407	424
Undistributed economic value	million rub	14,278	22,742	31,209
FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT	UNITS	2018	2019	2020
Total amount of financial assistance received from the government bodies	million rub	249	241	227

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	5		
GRI 102-2 Activities, brands, products and services	LSR Group today Geographical reach	5 5		
GRI 102-3 Location of headquarters	LSR Group today	5		
GRI 102-4 Location of operations	Geographical reach	5		
GRI 102-5 Ownership and legal form	LSR Group today	5		
GRI 102-6 Markets served	Geographical reach LSR Group's structure	5 5		
GRI 102-7 Scale of the organisation	LSR Group's structure Personnel structure Stakeholder engagement PJSC LSR Group Annual Report 2020	5 31 12		✓ ¹
GRI 102-8 Information on employees and other workers	Personnel structure Comment: LSR Group is committed to offering permanent employment contracts to our employees (98% of LSR Group staff as at the end of 2020). The majority of our staff are also full-time employees (98% of LSR Group staff as at the end of 2020).	31		
GRI 102-9 Supply chain	Responsible supply chain management	18		
GRI 102-10 Significant changes to the organisation and its supply chain	Responsible supply chain management	18		
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 Contribution to Sustainable Development Goals	45 47 49		
GRI 102-13 Membership of associations	About the Report Participation in industry associations and external initiatives	45 47		
2. STRATEGY				
GRI 102-14 Statement from senior decision-maker	Statement from the Chief Executive Officer	4		
GRI 102-15 Key impacts, risks and opportunities	Corporate governance	9		
3. ETHICS AND INTEGRITY				
GRI 102-16 Values, principles, standards, and norms of behaviour	Approach to ethical business conduct	36		
GRI 102-17 Mechanisms for advice and concerns about ethics	Developing a culture of zero tolerance towards corruption Countering corruption results	36 37		

¹ External assurance was carried out for the indicator "Average headcount of LSR Group" (similar to the previous year).

GRI CONTENT INDEX

Disclosure	Section/Comment	Page	EPRA	External assurance
4. GOVERNANCE				
GRI 102-18 Governance structure	Corporate governance	9		
GRI 102-20 Executive-level responsibility for economic, environmental and social topics	Corporate governance	9		
GRI 102-22 Composition of the highest governance body and its committees	Corporate governance PJSC LSR Group Annual Report 2020	9	Gov-Board	
GRI 102-26 Role of highest governance body in setting purpose, values and strategy	Corporate governance	9		
GRI 102-29 Identifying and managing economic, environmental and social impacts	Corporate governance	9		
5. STAKEHOLDER ENGAGEMENT				
GRI 102-40 List of stakeholder groups	Stakeholder engagement	12		
GRI 102-41 Collective bargaining agreements	Comment: In 2020, trade unions were active at four LSR Group's entities (AO "LSR.Krany-SZ", LSR. Wall Materials Ltd, OOO "LSR Stroitelstvo-SZ", LSR.Construction-Urals Ltd). No collective bargaining agreements were in place in 2020.			
GRI 102-42 Identifying and selecting stakeholders	Stakeholder engagement	12		
GRI 102-43 Approach to stakeholder engagement	Stakeholder engagement	12		
GRI 102-44 Key topics and concerns raised	Stakeholder engagement Countering corruption results	12 37		
6. REPORTING PRACTICE				
GRI 102-45 Entities included in the consolidated financial statements	PJSC LSR Group Annual Report 2020 Consolidated Financial Statements for the year ended 31 December 2020 and Independent Auditors' Report			
GRI 102-46 Defining report content and topic Boundaries	About the Report	45		
GRI 102-47 List of material topics	About the Report	45		
GRI 102-48 Restatements of information	About the Report	45		
GRI 102-49 Changes in reporting	About the Report	45		
GRI 102-50 Reporting period	About the Report	45		
GRI 102-51 Date of most recent report	About the Report	45		
GRI 102-52 Reporting cycle	About the Report	45		
GRI 102-53 Contact point for questions regarding the report	Contact information	66		
GRI 102-54 Claims of reporting in accordance with the GRI Standards	About the Report	45		
GRI 102-55 GRI content index	GRI content index	60		
GRI 102-56 External assurance	About the Report	45		

Disclosure	Section/Comment	Page	EPRA	External assurance
MATERIAL TOPICS				
ENVIRONMENTAL ASPECT				
CLIMATE STRATEGY AND ENERGY EFFICIENCY				
GRI 103 Management approach	Approach to energy efficiency and environmental management Climate strategy and energy efficiency	39 40		
GRI 302-1 Energy consumption within the organisation	Climate strategy and energy efficiency	40	Elec-Abs DH&C-Abs Fuels-Abs	
GRI 302-3 Energy intensity	Non-financial metrics	54		
GRI 302-4 Reduction of energy consumption	Climate strategy and energy efficiency	40		
GRI 305-1 Direct (Scope 1) GHG emissions	Climate strategy and energy efficiency	40	GHG-Dir-Abs	✓
GRI 305-2 Energy indirect (Scope 2) GHG emissions	Climate strategy and energy efficiency	40	GHG-Indir-Abs	✓
MATERIAL RESOURCE MANAGEMENT				
GRI 103 Management approach	Approach to energy efficiency and environmental management Material resource management	39 41		
GRI 301-1 Materials used by weight or volume	Material resource management	41		
GRI 301-2 Recycled input materials used	Material resource management	41		
WATER RESOURCE MANAGEMENT				
GRI 103 Management approach	Approach to energy efficiency and environmental management Reducing the burden on water bodies	39 42		
GRI 303-1 Interactions with water as a shared resource	Reducing the burden on water bodies Comment: There was no withdrawal from water bodies in 2020. Water was mainly discharged to the following water bodies: the Tosna River, the Neva River, Lake Molotok, the Krasnenkaya River, the Vokhonka River (the tributary of the Klyazma River), the Chernaya River, the drainage canal in the Vuoksa River basin, the drainage canal in the Perovka River basin, the water-filled quarry (the tributary of the Myslinka River), the drainage canal in the Bolshaya Izhorka River basin, the Sertolovsky Creek, the canal between Lake Kuznechnoye and Lake Maloye Borovskoye, the Bezymyanny Creek, unnamed creek, Lake Travkino.	42		
GRI 303-2 Management of water discharge-related impacts	Reducing the burden on water bodies	42		
GRI 303-3 Water withdrawal	Reducing the burden on water bodies	42		
GRI 303-4 Water discharge	Reducing the burden on water bodies	42		
GRI 303-5 Water consumption	Comment: In 2020, total water consumption by the Building Materials segment and production facilities of the Real Estate and Construction segment: 1,100 thousand cubic metres.		Water-Abs	

GRI CONTENT INDEX

Disclosure	Section/Comment	Page	EPRA	External assurance
POLLUTANT EMISSIONS				
GRI 103 Management approach	Approach to energy efficiency and environmental management Impact on the atmosphere	39 43		
GRI 305-6 Emissions of ozone-depleting substances (ODS)	Comment: In the reporting period, no ODS emissions were released by the Building Materials segment and production facilities of the Real Estate and Construction segment.			
GRI 305-7 Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions	Impact on the atmosphere	43		✓
WASTE MANAGEMENT				
GRI 103 Management approach	Approach to energy efficiency and environmental management Waste management	39 43		
GRI 306-2 Waste by type and disposal method	Waste management	43	Waste-Abs	✓
GRI 306-3 Significant spills	Comment: No significant spills occurred in the reporting period at the Building Materials segment and production facilities of the Real Estate and Construction segment.			
GRI 306-4 Transport of hazardous waste	Comment: The Building Materials segment and production facilities of the Real Estate and Construction 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 management	39		
GRI 307-1 Non-compliance with environmental laws and regulations	Approach to energy efficiency and environmental management Comment: In 2020, there were 13 external environmental inspections of the Building Materials segment and production facilities of the Real Estate and Construction segment. The inspecting authorities issued two orders. Amount of fines imposed totalled RUB 112 thousand.	39		
SOCIAL ASPECT				
OCCUPATIONAL HEALTH AND SAFETY				
GRI 103 Management approach	Approach to occupational health and safety management	39		
GRI 403-1 Occupational health and safety management system	Approach to occupational health and safety management	39		
GRI 403-2 Hazard identification, risk assessment and incident investigation	Approach to occupational health and safety management Injury prevention	39 28		
GRI 403-3 Occupational health services	Occupational health	29		
GRI 403-4 Worker participation, consultation and communication on occupational health and safety	Developing a safety culture	27		
GRI 403-5 Worker training on occupational health and safety	Developing a safety culture	27		
GRI 403-6 Promotion of worker health	Occupational health Response to COVID-19	29 15		

Disclosure	Section/Comment	Page	EPRA	External assurance
GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Developing a safety culture Injury prevention Response to COVID-19	27 28 15		
GRI 403-8 Workers covered by an occupational health and safety management system	Approach to occupational health and safety management	27		
GRI 403-9 Work-related injuries	Injury prevention	28	H&S-Emp	✓
GRI 403-10 Work-related ill health	Occupational health	29	H&S-Emp	
EMPLOYEE TRAINING AND DEVELOPMENT				
GRI 103 Management approach	Approach to HR management Training and development	31 33		
GRI 404-2 Programmes for upgrading employee skills and transition assistance programmes	Training and development	33		
GRI 404-3 Percentage of employees receiving regular performance and career development reviews	Training and development	33		
CONTRIBUTION TO REGIONAL DEVELOPMENT				
GRI 103 Management approach	Approach to building sustainable cities Charity programmes	18 24		
GRI 203-1 Infrastructure investments and services supported	Charity programmes	24		
GRI 203-2 Significant indirect economic impacts	Approach to building sustainable cities	18		
GRI 413-1 Operations with local community engagement, impact assessments and development programs	Charity programmes	24	Comply-Eng	
TALENT RECRUITMENT AND RETENTION				
GRI 103 Management approach	Approach to HR management Talent acquisition	32 32		
GRI 401-1 New employee hires and employee turnover	Talent acquisition	32	Emp-Turnover	✓
The average recruitment and onboarding success rate	Talent acquisition	32		✓
PROTECTION OF HUMAN RIGHTS				
GRI 103 Management approach	Corporate governance	9		
GRI 405-1 Diversity of governance bodies and employees	Corporate governance Personnel structure	9 31	Diversity-Emp	
GRI 412-1 Operations that have been subject to human rights reviews or impact assessments	Corporate governance Countering corruption results Comment: Matters of human rights are covered by regular labour law and occupational health and safety compliance audits.	9 37		
CUSTOMER SATISFACTION				
GRI 103 Management approach	Customer satisfaction Response to COVID-19	21 15		
RESPONSE TO COVID-19				
GRI 103 Management approach	Response to COVID-19	15		

GRI CONTENT INDEX

Disclosure	Section/Comment	Page	EPRA	External assurance
CORPORATE GOVERNANCE ASPECT				
COMPOSITION AND STRUCTURE OF CORPORATE GOVERNANCE BODIES				
GRI 103 Management approach	Corporate governance	9		
Share of independent directors on the Board of Directors	Corporate governance	9		
ENGAGEMENT OF CORPORATE GOVERNANCE BODIES ON ESG MATTERS				
GRI 103 Management approach	Corporate governance	9		
Share of meetings of the Board of Directors where sustainability matters were reviewed	Comment: In 2020, sustainability matters were reviewed at 26% (5 out of 19) of meetings of the Board of Directors and at 30% (7 out of 23) of meetings of the Executive Committee.			
ETHICAL BUSINESS CONDUCT AND COUNTERING CORRUPTION				
GRI 103 Management approach	Approach to ethical business conduct	36		
GRI 205-1 Operations assessed for risks related to corruption	Countering corruption results	37		
GRI 205-2 Communication and training about anti-corruption policies and procedures	Developing a culture of zero tolerance towards corruption	36		
GRI 205-3 Confirmed incidents of corruption and actions taken	Countering corruption results	37		✓
ECONOMIC VALUE FOR STAKEHOLDERS				
GRI 103 Management approach	Stakeholder engagement	12		
GRI 201-1 Direct economic value generated and distributed	Stakeholder engagement	12		
GRI 201-4 Financial assistance received from government	Comment: Financial assistance from the Russian government in 2020 totalled RUB 227 million.			
PROCUREMENT AND SUPPLIER ASSESSMENT				
GRI 103 Management approach	Responsible supply chain management	18		
Share of construction and installation contracts featuring environmental and social requirements for contractors	Responsible supply chain management	18		

Disclosure	Section/Comment	Page	EPRA	External assurance
OTHER TOPICS				
PRODUCT QUALITY AND CONSUMER SAFETY				
GRI 103 Management approach	High product quality and consumer safety	20		
Product and service category assessment for impacts on consumer health and safety	High product quality and consumer safety	20		
GREEN CONSTRUCTION AND TECHNOLOGIES				
GRI 103 Management approach	Green construction High product quality and consumer safety	23 20		
CRE8 Buildings and structures certified or rated as sustainable	Green construction	23		Cert-Tot

ASSURANCE REPORT

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INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON THE PJSC LSR GROUP'S SUSTAINABILITY REPORT FOR 2020

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 2020 ("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 the non-financial indicators are prepared based on the Global Reporting Initiative Sustainability Reporting Standards ("the GRI Standards") and are free from material misstatement, is not, in all material respects, fairly stated.

Our conclusion covers only the following non-financial indicators for 2020 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: — Fatal accidents — Number of people injured resulting in lost time (LTI)
	Lost time injury frequency rate (LTIFR, per 1,000,000 man-hours)
Contribution to decent working conditions	Average headcount
	The number and share of new hires and employees who left due to turnover, and turnover rates in LSR Group
	Average recruitment and onboarding success rate across LSR Group
Contribution to countering corruption	Number of confirmed incidents of corruption
Contribution to environmental protection	Direct GHG emissions (Scope 1) from the Building Materials segment and production facilities of the Real Estate and Construction segment, tonnes of CO ₂ -equivalent
	Indirect energy-related GHG emissions (Scope 2) from the Building Materials segment and production facilities of the Real Estate and Construction segment, tonnes of CO ₂
	Atmospheric emissions from the Building Materials segment and production facilities of the Real Estate and Construction segment, by pollutant, tonnes
	Waste generated by the Building Materials segment and production facilities of the Real Estate and Construction segment, by hazard category, tonnes
	Waste management methods employed by the Building Materials segment and production facilities of the Real Estate and Construction segment, by hazard category, tonnes

Management's Responsibilities

Management is responsible for preparing and presenting the Report that is free from material misstatement in accordance with the GRI Standards and for the information 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 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 on 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 (Revised) 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 Management's statement that the selected non-financial indicators are prepared based on the GRI Standards and are free from material misstatement.

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.

ASSURANCE REPORT

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;
- Remote procedures on the subsidiary OOO "LSR.Stroitelstvo-SZ", which was selected based on a risk analysis using qualitative and quantitative criteria;
- Interviews with staff at the aforementioned 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: 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 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 based on the GRI Standards and are free from material misstatement, is not, in all material respected, fairly stated.



Misiura E. I.
JSC "KPMG"
Moscow, Russia
April 30, 2021

ABBREVIATIONS AND DEFINITIONS

EBITDA	Earnings before interest, tax, depreciation and amortisation
EPRA	European Public Real Estate Association
ESG	Environmental, Social and Governance
EU Taxonomy	EU taxonomy for sustainable activities
GRI	Global Reporting Initiative
HR	Human Resources
AR	Absentee Rate
FA	Fatal Accidents
GHG	Greenhouse gas
GRI Standards	Global Reporting Initiative Sustainability Reporting Standards
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
IT	Information technology
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
NZEB	Nearly zero-energy buildings
OECD	Organisation for Economic Co-operation and Development
OHS	Occupational health and safety
PPE	Personal protective equipment
RAEX	Rating agency Expert RA
Report	PJSC LSR Group Sustainability report 2020
Reporting period	1 January–31 December 2020
RCP	Representative concentration pathways
Scope 1	direct GHG emissions that occur from sources that are controlled or owned by an organisation
Scope 2	indirect GHG emissions from the generation of purchased electricity
Scope 3	other indirect GHG emissions
SDGs	UN Sustainable Development Goals
SR	Severity Rate
SSP	Shared Socioeconomic Pathways
TCFD	Task Force on Climate-related Financial Disclosures
UN	United Nations

CONTACT INFORMATION

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