

COMMUNICATION ON PROGRESS (COP) PJSC PIK SHb

1. STATEMENT OF CONTINUED SUPPORT BY THE CHIEF EXECUTIVE OFFICER (OWNER OR PRESIDENT IN THE CASE OF SMALL BUSINESSES)

To our stakeholders:

I am pleased to confirm that PIK Group reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Yury Ilin

Vice president for corporate markets and corporate finance

PIK Shb

2. DESCRIPTION OF ACTIONS

Human Rights

PIK complies with international norms in human rights protection, as well as the provisions of the Code of Ethics. This is one of the underlying principles of the Group's Sustainability Policy. Issues of protecting employees' interests and rights are managed by the HR department and the Personnel Evaluation, Training and Development Department, and are also monitored by the trade union organizations.

The Company took actions to help the society during the pandemic. For example, the Company participated in the construction of hospitals in many regions: both in the construction from scratch and in re-equipping existing premises for combating COVID-19 in a record period of time. In total, PJSC «PIK SHb» allocated about RUB 700 million for measures to combat the spread of the COVID-19 pandemic and minimize its consequences.

Labour

- The principles of labour rights are stated in the Group's Sustainability Policy

In relations with employees, the PIK Group adheres to the following ethical principles enshrined in the Code of Ethics:

- compliance with all requirements of labor legislation and the terms of the employment agreement;
- respect for personal freedom and human rights;
- support and respect for the protection of internationally declared human rights;
- provision of equal opportunities to all and inadmissibility of discrimination in labor and hiring;
- standing for the elimination of all forms of forced and compulsory labor;
- creation of conditions for employees' professional development;
- rejection of child labor in operations;
- preservation of confidentiality and guarantees of the integrity of employees' personal data.

Due to the effective requirements of Russian legislation that do not allow women to perform hazardous industrial work, and also due to the operational specifics of the Company's activity, the share of women in the Company is 37%. At the same time, women predominate in the positions of specialists (68%). In the reporting year, the share of men among managers and workers was 71% and 80%, respectively. The majority of employees (77%) are aged 30-50 years.

One of the most important factors of the Company's success is the professionalism of its employees. In order to create conditions for efficient teamwork, the Company annually invests in professional development and training of employees. In 2020, total investments in training amounted to RUB 29.5 million. The number of employees trained was 26,833 and the average number of training hours per employee was 40.1.

In order to make the management of human resources more effective, employees' performance is evaluated to determine their need for training and further career opportunities. The evaluation is conducted once per year, and includes employees' professional competencies and their personal, business, and managerial qualities.

Environment

PIK's commitment to treat the environment with care is enshrined in its Sustainability Policy. An Environmental Program is developed and approved for each enterprise of PIK's industrial and construction segment on an annual basis.

The measures under this program cover the priority areas of the Company's environmental activities:

- air protection and reduction of pollutant emissions into the air;
- management of production and consumption waste and increasing the share of recycled waste;
- water management, including wastewater generation and discharge. For example, PIK-Industry enterprises implemented the following measures under their Environmental Programs in 2020:
- reconstruction of roof ventilation that helped reduce pollutant emissions and ensure compliance with applicable environmental laws;
- return of XPS foam waste to the supplier for recycling and use of plastic (more durable material) instead of plywood to prepare the master model, which made it possible to minimize the total amount of waste;
- repair of storm water drainage networks, wells, manholes, necks of on-site sewage systems, which prevented gross solids from getting in storm water drainage networks and reduced the concentration of pollutants in production wastewater.

In 2020, the cost of environmental protection measures amounted to RUB 5.94 million, which is RUB 3.20 million more than in the previous reporting period.

1. Water consumption

PIK-Industry withdraws water from underground water bodies; water for consumption is also provided by third parties. In 2020, the total water withdrawal by PIK-Industry enterprises amounted to 817,360 m³, which is 41% less compared to 2019. This change is explained by suspension of production processes because of the spread of COVID-19 and a decrease in total production in view of liquidation of facilities of OZ ZhBK.

2. Waste management

PIK implements measures to stop using materials that could potentially have a negative effect. PIK enterprises use fewer or no luminescent and mercury lamps and switch to other light sources (such as LED), which helps reduce the amount of hazardous waste that cannot be further treated. As at the end of 2020, AZ ZhBK replaced 70% of mercury lamps with other light sources; the same indicator for NZ ZhBK is more than 95%.

For the most part, PIK-Industry uses materials that do not have toxic properties (such as sand, crushed stone, cement). PIK-Industry only consumes non-renewable materials due to the specifics of its production process.

In 2020, its enterprises used 726,680.49 metric tons of material resources.³¹ In terms of waste management, PIK-Industry focuses on two aspects:

- reduction of waste generation;
- increased share of production and consumption waste recycled and reused.

The most significant waste management initiative implemented in the reporting period was sending defective reinforced concrete for reuse. In 2020, the Company searched for partners to sell them defective reinforced concrete for its subsequent use in construction. The initiative resulted in significant savings for PIK-Industry on transportation of defective reinforced concrete to the landfill.

3. Energy consumption

PIK recognizes that rational use of energy resources is an important aspect of production operations and manages its energy consumption to improve energy efficiency. PIK's approach to managing energy conservation and energy efficiency is based on the following principles regulated in its Sustainability

Policy:

- control over consumption of energy resources and their losses;
- monitoring and assessment of implementation of the Energy Conservation Program initiatives;
- involvement of all the Company's employees in energy conservation and efficiency processes;
- implementation of measures to reduce energy intensity;
- introduction of innovative energy-efficient technologies;
- assessment and management of the risk that the Energy Conservation Program initiatives may have a negative impact on the Company's financial and operating performance;
- compliance with legislative, industrial and corporate requirements related to energy conservation and energy efficiency

Anti-Corruption

In accordance with the principles followed by PIK, the Company's representatives are prohibited from offering, accepting or supporting corruption during any business interaction.

Anti-corruption activity is supported by a systematic approach, which implies regular monitoring of violations, as well as collection and verification of messages related to illegal actions of the Company's employees or PIK's subsidiaries. The following communication channels can be used for sending relevant messages: a 24-hour hotline, a special form on the Company's website, e-mail security@pik.ru and regular mail.

Corruption-related risks are assessed on a regular basis for all the Company's divisions. Significant risks include risks related to the operations of contractors and subcontractors. In 2020, all cases of corruption were prevented before they could be committed.

To reduce the risk of corruption and ensure PIK's high standards, all employees engaged in all business processes must sign a Non-Disclosure Agreement and Regulations on Trade Secrets and Information Security

In August 2021 PIK has implemented a new anti-corruption policy

3. MEASUREMENT OF OUTCOMES

Human Rights

Combating COVID-19

In 2020, PIK-Industry implemented a wide range of measures aimed at preventing the spread of COVID-19 and maintaining the health of employees. These measures included development of safety protocols and disinfection instructions in accordance with the recommendations of Rospotrebnadzor (Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing). To combat COVID-19, PIK-Industry focused on the following initiatives in 2020:

- transportation of employees in the Company's vehicles in face masks and gloves;
- visual inspection and contactless measurement of the body temperature of employees;
- introduction of a ban on employees' going to work if they have a fever (37.0° C and above) and/or signs of an acute respiratory infection;
- introduction of a ban on handshakes, hugs and other contact forms of communication for employees;
- control over maintaining a social distance of at least two meters;
- separation of employees and prevention of congestion of people in eating areas, locker rooms and showers;
- ensuring a five-day supply of disinfectants, personal protective equipment, gloves, rags and cleaning utensils based on the estimated need;
- control over the use of disposable masks by employees and taking measures to prevent their reuse;
- regular airing of working rooms;
- ensuring that a specially designated room with a sink and a dispenser for cleaning hands with skin antiseptics is available at production sites;
- efforts to increase employee awareness of the need to comply with the measures to prevent the spread of COVID-19;
- ensuring that employees are tested for COVID-19

PIK-Industry's costs to prevent the spread of COVID-19 totaled RUB 185 million. In 2020, detailed statistics were collected on employees who had come down with COVID-19. These employees received not only their sick pay, but also their wages under the downtime program. There were no fatalities due to COVID-19 among PIK-Industry's employees.

Safety

In the reporting period, thanks to the efforts made, the key performance indicator related OHS management was achieved – the number of work-related injuries decreased against 2019. In total, 28 workrelated injuries of varying severity were registered at PIK-Industry's enterprises in 2020 (8 serious injuries and 20 minor injuries), which is 5 injuries fewer compared to the previous reporting period (7 serious injuries and 26 minor injuries). The majority of injuries were minor injuries (almost 67% in 2020).

Human resources

Labour

Ratio of base salary of men and women, broken down by categories of employees and by regions of operations in 2020

GRI 405-2

Significant region of operations	Base salary, thousand RUB							
	Managers		Workers		Specialists		Office workers	
	Men	Women	Men	Women	Men	Women	Men	Women
Moscow	40	40	50	50	70	70	80	80
Moscow Region	40	40	50	50	70	70	80	80
Other regions of Russia	40	40	50	50	70	70	80	80

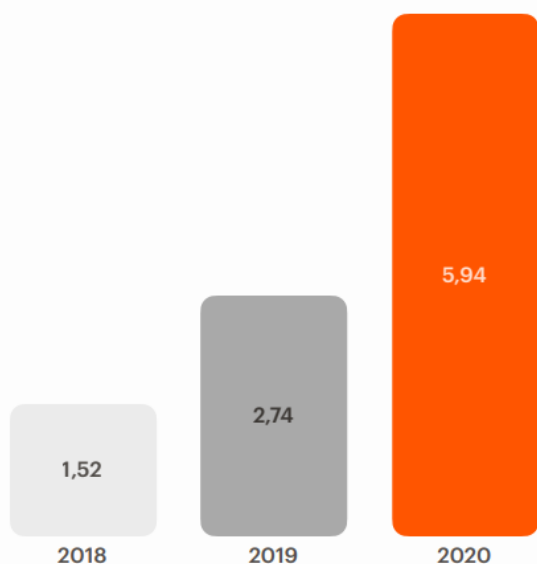
Ratio of bonuses for men and women, broken down by categories of employees and by regions of operations in 2020

Significant region of operations	Bonus, thousand RUB							
	Managers		Workers		Specialists		Office workers	
	Men	Women	Men	Women	Men	Women	Men	Women
Moscow	60	60	50	50	30	30	20	20
Moscow Region	60	60	50	50	30	30	20	20
Other regions of Russia	60	60	50	50	30	30	20	20

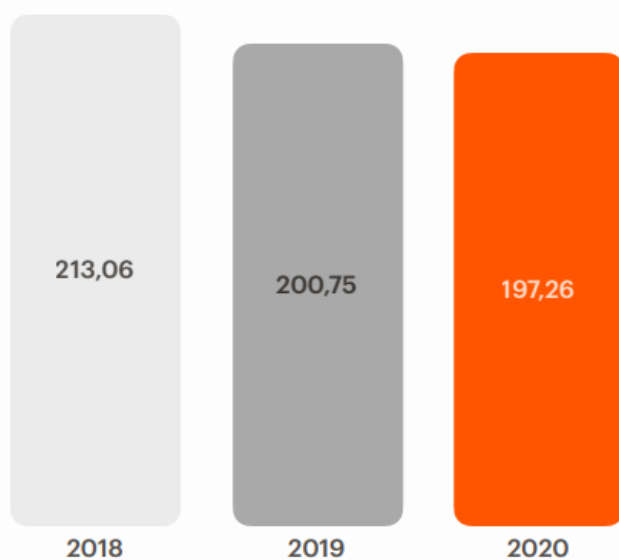
Environment

In 2020, the cost of environmental protection measures amounted to RUB 5.94 million, which is RUB 3.20 million more than in the previous reporting period.

**Expenses to implement environmental protection measures,
2018–2020,²⁰ RUB million**



**Gross air pollutant emissions,
2018–2020, metric tons**



Total water withdrawal of PIK-Industry, including with a breakdown by source, 2018–2020, thousand m³



Anti-Corruption

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