Approved on

By the Decision of the Executive Committee of PJSC ALROSA

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**SOCIAL POLICY**

**PJSC ALROSA**

**TABLE OF CONTENTS**

1. GENERAL PROVISIONS 3
2. GOALS, OBJECTIVES AND PRINCIPLES OF SOCIAL POLICY 5
3. MAIN DIRECTIONS OF SOCIAL POLICY 5

3.1. Labour Protection 7

3.2. Health Improvement and Recreation for Employees and Their Families program 8

3.3. Health program 12

3.4. Culture and Sports program 14

3.5. Housing program 15

3.6. Non-State Pension Scheme 16

3.7. Support and Development of Social Infrastructure 18

3.8. Regional Development, Charity and Sponsorship program 19

1. SOCIAL POLICY MANAGEMENT 22
2. FINAL PROVISIONS 22
3. **GENERAL PROVISIONS**

Public Joint Stock Company ALROSA (hereinafter―the Company) is one of the global leaders in the diamond mining industry, Russia’s state-owned leading diamond miner and a revenue-generating company with its own resource base, years of technological expertise, and traditions in production. Supported by the state and its work team, the Company focuses on a comprehensive approach to national priorities in resource development.

Since 2019, the Company embodies 40 structural subdivisions operating in the five regions of Russia: Moscow, Republic of Sakha (Yakutia), Irkutsk Region, Primorsky Territory, and abroad: Angola, Mumbai.

*For reference: total number of employees as of 31 December 2018 was 22.8 thousand, with over 94% employed by the Far North subdivisions in the Republic of Sakha (Yakutia) (Fig. 1).*

*Figure 1 – Geographical spread of PJSC ALROSA’s staff, %*

The Company produces diamonds in the most efficient and safe way, contributes to the country’s long-term sustainable economic growth, adds to the industry’s social prestige and business reputation, raises the standard of living and improves the quality of life for its employees, creates new jobs, and contributes to the stable development of the regions and well-being of the local community.

Stability of the Company’s staff based on the confidence in its leadership team, social partnership with the trade union and consistent social policy is one of the basic elements of ALROSA’s successful development as a socially oriented mining company.

ALROSA’s social policy is a set of principles, rules, goals, and methods for their implementation and achievement, activity aimed at the harmonization of relationship between employees, the employer, and the society. Social policy is a part of its corporate strategy.

The Chief Executive Officer – Chairman of the Executive Committee, who determines the Company’s social policy, grants powers of attorney to his deputies for HR and social development for the implementation of the policy.

The Company’s social standard for its employees allows it to stay competitive in the labour market and remain a top-tier employer in the regions where it operates.

The Company’s corporate governance system relies on uniform social standards focused on maintaining transparent corporate relations between the Company, its affiliates, and controlled companies. Its social policy is geared to ensuring, both in the Company and in its affiliates, equal social security treatment for its employees, motivating them to work effectively in the longer term, providing them with benefits, guarantees and compensations, health resort services, various insurance schemes, comfortable and safe working conditions, and supplementary pension plans.

Various Russian and international rating agencies have once and again rated the Company’s achievements in corporate social responsibility. Year on year, independent assessment of the Company’s social responsibility reaffirms the Company as one of the leaders of sustainable development indices, Responsibility and Transparency and Sustainable Development Vector, compiled by the Russian Union of Industrialists and Entrepreneurs. Going through a certification process, the Company confirms its adherence to the social responsibility management system as required by the RJC international standard.

The Company implements its social policy in partnership with Profalmaz Interregional Trade Union of Employees of PJSC ALROSA (hereinafter―Profalmaz Trade Union), state authorities and local governments of the regions where the Company operates.

The Company implements all the directions and programs as part of social policy using the principles of social partnership and social responsibility to its employees, public and municipal authorities, shareholders and investors, and to the society as a whole.

Main characteristics of the Company’s activities in this area:

✓ ALROSA’s activities in the Republic of Sakha (Yakutia) are predominantly town-forming taking into account the geographic isolation of settlements;

✓ ALROSA is one of major revenue-generating companies in the Republic of Sakha (Yakutia);

✓ ALROSA maintains social infrastructure in the Republic of Sakha (Yakutia) to ensure stable life for its employees and local communities in remote regions;

✓ ALROSA’s production is concentrated in the national republic, spurring the Company to focus on the people in uluses (districts) of the “diamond province” and integration of indigenous people into production activities.

The Company’s production involves large-scale transition to underground mining and takes place in a changing economic environment in the Republic of Sakha (Yakutia), which is due to major investment oil, gas and coal production and processing projects, development of iron ore deposits, and development of energy, transport and social infrastructure.

When the Company attracts skilled staff it takes into account the growing competition in the Yakutia’s nascent labour market. Meanwhile, the Company keeps improving corporate social programs and social benefits for its employees, maintaining the stable staff base, contributing to the improvement of the standard of living and quality of life of the Company’s employees, their families and local population, with the ultimate aim of enhancing productivity.

The Agreement for Socio-Economic Development of the Republic of Sakha (Yakutia) signed on March 5, 2011 by ALROSA and the Government of the Republic of Sakha (Yakutia) applies fully to the Company social policy.

This Agreement provides for long-term cooperation between the parties through the Company’s involvement in targeted programs and socio-economic development projects of the Republic of Sakha (Yakutia), as well as cooperation of the parties in mobilizing material and human resources.

1. **GOALS, OBJECTIVES AND PRINCIPLES OF SOCIAL POLICY**

The Company’s social policy, determined through mid- and long-term development plans, aims to increase labour productivity, attract and retain employees, stay competitive in the labour market, create necessary socio-economic environment for job stability.

Key objectives of the Company’s social policy:

✓ improving social and labour relations management in accordance with the Company’s strategic development objectives and taking into account the interests of employees;

✓ developing and constantly improving corporate social programs;

✓ developing corporate culture, creating a healthy psychological environment in the regions where the Company operates;

✓ maintaining social stability within the Company based on the employees’ trust in their leadership, in parallel with responsible decision making and implementing management decisions by its leadership and employees;

✓ developing the system of values where the main and the best management practice is the direct participation of immediate managers in the life of employees they supervise;

✓ interacting with state authorities and local governments to create favourable conditions for the Company’s socio-economic development and to protect the interests of the Company’s employees and local residents.

Fundamental principles of the Company’s social policy:

✓ consistency and transparency of decisions made by the management bodies with respect to providing, preserving, or limiting all types of social support to the Company’s employees;

✓ interests of the majority of employees prevail in decisions of the management bodies, with the exception for the Company’s socially vulnerable employees;

✓ involvement of employees in bringing up social issues through elective trade unions and employees’ organized meetings so that the Company’s authorized management body makes relevant decisions;

✓ legal relevance of decisions being made, non-discrimination, observance of, and respect for human rights.

1. **MAIN DIRECTIONS OF SOCIAL POLICY**

Main directions of the Company’s social policy:

* safe working conditions;
* health care for employees and their families;
* physical culture and health, sports and cultural events;
* health improvement and recreation for children of the Company’s employees in summer at children’s country health camps and day camps (playgrounds);
* better living conditions for employees;
* occupational pensions under the agreement with Non-State Pension Fund (NPF) Almaznaya Osen;
* support and development of the Company’s soft infrastructure;
* participation in the socio-economic development of the regions where the Company operates;
* charity and sponsorship;
* improved employee benefit package, i.e., the system of socio-economic benefits and guarantees in labour payment, time off and training provided by the Company above the requirements of the labour legislation in accordance with the Collective Agreement with a view to increasing the labour productivity and retaining employees in the Company;
* openness and transparency of the Company’s operations, support and development of corporate and local media, promotion of the best labour traditions of the early generations of diamond miners.

The Company voluntarily assumes corporate social responsibility additional to that stipulated by the current Russian legislation.

The Company implements its social policy through the Collective Agreement with its employees acting through their authorized representative―Profalmaz Interregional Professional Trade Union of ALROSA employees, and through corporate social programs, including:

* Health Improvement and Recreation for Employees and Their Families program;
* Health program;
* Culture and Sports program;
* Housing program;
* Non-state Pension Scheme program;
* Regional Development, Charity and Sponsorship program.

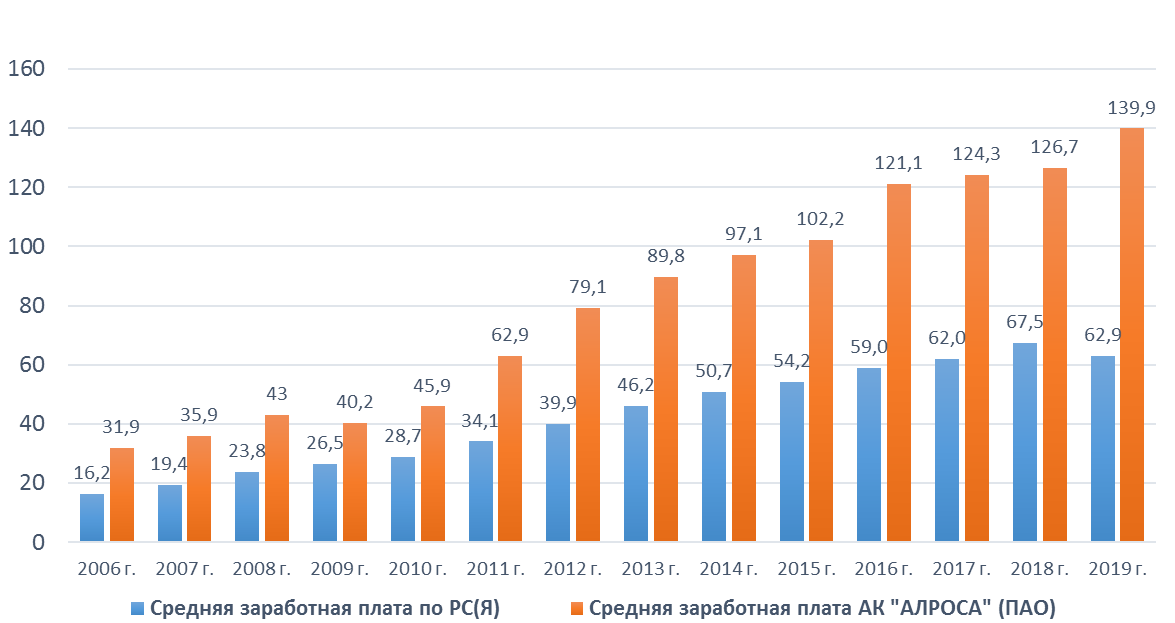
The Company positions its costs of social programs as investments in HR.

Together with Profalmaz Trade Union, the Company takes measures to fulfil mutual obligations under the Collective Agreement. Year over year, the bilateral commission for the regulation of social and labour relations in the Company assesses fulfilment of the parties’ obligations under the Collective Agreement.

One of the Company’s main obligations to employees is to maintain competitive salary. To ensure that the level of salary meets the actual conditions in the consumer goods and services market, the Company indexes the salary in accordance with its internal regulations.

*For reference: In 2019, the planned average salary per the Company’s employee is RUB 139.9 thousand, which is +10.4% against 2018 (Fig. 2).*

*Cost savings and productivity growth are the main sources of increase in salary.*

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2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

**Average salary in the RS(Ya) Average salary in PJSC ALROSA**

25

*Figure 2 – Average monthly salary in PJSC ALROSA and the Republic of Sakha (Yakutia) in 2006-2018*

The Company ensures the principle of “equal pay for equal work”, keeps to the schedule of salary payments twice a month as approved by the Collective Agreement. Employees receive their salary to bank accounts.

**3.1. LABOUR PROTECTION**

The Company’s priority in production activities is to preserve the life and health of its employees.

In the matters of safety, the Company relies on the Regulations on Health and Safety Management System of PJSC ALROSA and the Regulations on Production Control over Compliance with Safety Requirements at Hazardous Production Facilities of PJSC ALROSA developed under the laws of the Russian Federation taking into account generally accepted health and safety management standards.

The Company’s new approaches to the improvement of the industrial safety management system:

* + the Regulations on Production Control over Compliance with Industrial Safety Requirements at Hazardous Production Facilities of PJSC ALROSA were approved;
  + the corporate (temporary) standard Three-level Control over Health and Safety at the Facilities of PJSC ALROSA was developed and launched;
  + the communications plan was developed;
  + conceptualization of special training for internal health and safety coaches was considered;
  + identification and assessment of the Company’s operational (production) risks was organized.

In 2018, the Company developed and approved the Health and Safety Policy, its fundamentals being safety priority, inadmissibility of injuries and accidents, involvement, managerial responsibility, transparency, and honesty.

The Company seeks to create a safe and healthy work environment for its employees and minimize accidents and incidents risks.

Under the Collective Agreement, the Company undertook to provide employees with healthy and safe work conditions, introduce modern safety facilities preventing accidents at work, and ensure sanitation and hygiene preventing occupational diseases of employees.

The Company provides its employees with working clothes, footwear, and other personal protective equipment in accordance with its corporate standards and norms. It consistently improves their quality and organizes timely and sufficient provision of working clothes to employees of the Company’s structural subdivisions.

The Company is socially responsible; it undertakes to provide its employees with social guarantees, including social support to employees who were injured (died) in accidents at work and to their families.

In 2019, in an effort to implement social support measures the Company’s Supervisory Board approved the Standard of social support of the Company’s employees in case of accidents at work (injury/death at work).

Social support ensures the Company’s increased social responsibility, its competitiveness in the labour market, and guarantees that highly skilled staff remains in the Company for a long time. It is achieved through establishing guarantees beyond the legally defined minimum level and volume in the case of an employee’s disability or death as a result of an accident at work.

As part of social support in case of accidents at work, the Company establishes the system of support measures and payments:

* to employees and their families in case of accidents at work, compensation for harm caused to the employees’ life and health while performing their obligations under the employment contract;
* monthly disability payments;
* private pension scheme in case of an employee’s death as a result of an accident at work through the fault of the employer;
* life insurance program for the Company’s employees;
* guarantees to children of the employees who died as a result of an accident at work through the fault of the employer;
* target budgeting for the Welfare Assistance and Sponsorship Commission;
* intangible guarantees to the employees who were injured as a result of an accident at work.

To prevent and eliminate occupational diseases among its employees, the Company allocates special funds for preliminary (upon admission to work) and periodic medical examination of the employees who work in harmful and hazardous conditions. The Company does not allow its employees to work in case of failure to pass medical examination or in case of medical contraindications.

Each employee of the Company is involved in ensuring health and safety. The Company has an in-house system to test the employees’ knowledge in health and safety; it conducts special training sessions, scheduled and unscheduled briefing meetings. There is an institute of public health and safety inspectors established as part of the social partnership with Profalmaz Trade Union.

In order to preserve the employees’ health and improve their efficiency, the Company provides healthy and dietary meals to underground miners and special meals to workers employed in arduous jobs and jobs with harmful and/or dangerous working conditions.

ALROSA’s subsidiary ALROSA-Torg is in charge of the Company’s canteens and catering for its employees, which the Company controls the pricing and stable operation of 40 (forty) catering facilities.

**3.2 HEALTH IMPROVEMENT AND RECREATION FOR EMPLOYEES AND THEIR FAMILIES PROGRAM**

Protection and promotion of employees’ health are the key priorities of the Company’s social policy. Taking into account adverse climatic conditions for human life and activities, harmful and/or dangerous working conditions in the main production, preventive health care, health resort treatment and recreation hold a specific place in the social policy. The Company implements the Health Improvement and Recreation for Employees and Their Families program aiming to cut wasteful expenditure on the employees’ temporary disability and increase labour productivity.

Focus areas of the program:

1. Health resort treatment and recreation:

Health resort treatment and recreation base comprising resorts on the Black Sea coast of Krasnodar region, Russia’s largest resorts, Caucasian Spas, Altai, etc.;

1. Health resort and preventive care:

Own year-round modern health and preventive care resort comprising health resorts at the Company’s production facilities in Western Yakutia;

1. Health improvement and recreation for children:

Own base comprising stationary country health camps for children in Western Yakutia, and those at schools in day camps (playgrounds). Recreation on the Black Sea coast and in other regions favourable for recreation of children outside Western Yakutia.

ALROSA and Profalmaz Trade Union purchase vouchers for the health resort treatment of its employees, recreation and health improvement of their children. About 14 thousand employees, their families and retired employees take advantage of the Company’s health improvement programs every year (Fig. 3).

*Figure 3 - Health improvement indices of the Company’s employees and their children in 2016-2022, specific weight in the total number of vouchers, %*

No more often than once every two years, the Company’s employees can avail of a subsidized voucher for health resort treatment and recreation at health care centres paying 30% of its price, and 20% of a child’s voucher.

The Company provides its employees who are at risk of occupational diseases with free vouchers to health resorts by compensating (partially compensating) their cost through the Russian Federation Social Insurance Fund in accordance with the procedure established by applicable social security regulations and standards.

The general standard limit for the purchase of vouchers for health resort treatment and recreation of employees, their families and retired employees under the Health Improvement and Recreation for Employees and Their Families program is 24% of the average headcount of the Company.

In order to improve the quality and diversity of health care options for its employees and their families, taking account the 2020 results of monitoring of occupational diseases, the Company is expanding the geography of health resorts in the Russian Federation.

Since 2015, the Company has been providing financial assistance to Profalmaz Trade Union to organize recreation and health improvement of the Company’s employees―members of the trade union at the largest resorts in Russia and the CIS under the Trade Union Recreation program. An employee―member of the trade union can pay 30% for a voucher with a 70% discount paid by Profalmaz Trade Union, with the cost of a voucher being limited. The Company allocates vouchers under the Trade Union Voucher program once every two years.

The Company’s general standard limit for the purchase of vouchers for health resort treatment takes into account the number of vouchers under the Trade Union Voucher program.

The established standard limit for the purchase of vouchers to specialized children’s health camps outside the Republic of Sakha (Yakutia) is minimum 1.5% of the average headcount (Table 1).

Table 1 – Forecast indicators of the Health Improvement and Recreation of Employees and Their Families program until 01/01/2023

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Indicator | 2012  report | 2013 report | 2014 report | 2015 report | 2016 report | 2017 report | 2018 report | 2019 plan | Forecast | | | Total 2012- 2022 |
| 2020 | 2021 | 2022 |
| 1. Average headcount of PJSC ALROSA, people | 31,183 | 30,287 | 29,796 | 29,501 | 28,652 | 26,543 | 24,435 | 22,388 | 22,862 | 22,271 | 22,536 | 26,405 |
| 2. Number of vouchers, total (pcs.) | 8,657 | 8,275 | 8,445 | 8,777 | 9,204 | 8,892 | 8,595 | 7,935 | 8,135 | 8,009 | 8,065 | 92,989 |
| *in % of the headcount excluding children's recreation* | *20* | *19* | *20* | *21* | *22* | *23* | *24* | *24* | *24* | *24* | *24* |  |
| 2.1. Number of purchased vouchers for health improvement outside Yakutia (Black Sea coast), total | 5,612 | 5,372 | 5,430 | 5,394 | 5,541 | 5,228 | 5,018 | 4,307 | 3,429 | 3,341 | 3,380 | 52,052 |
| 2.2. Number of purchased vouchers to other health resorts (Caucasus, Altai and others), (pcs.) | 492 | 454 | 490 | 371 | 437 | 479 | 329 | 476 | 1,143 | 1,114 | 1,127 | 6,912 |
| 2.3. Trade Union Voucher―health improvement through Profkurort, Zdravkurort and others |  |  |  | 303 | 463 | 460 | 552 | 550 | 1,000 | 1,000 | 1,000 | 5,328 |
| 2.4. Number of vouchers for recreation and health improvement of children, (pcs.) | 2,553 | 2,449 | 2,525 | 2,709 | 2,763 | 2,725 | 2,696 | 2,602 | 2,563 | 2,554 | 2,558 | 28,697 |
| Costs from profit for recreation and health improvement of employees and their children outside Yakutia, (RUB mln) | 215.0 | 222.3 | 236.6 | 275.6 | 304.4 | 314.0 | 311.7 | 286.0 | 309.0 | 323.3 | 339.4 | 3,137.3 |
| *- including Profalmaz Trade Union* |  |  |  | *25.0* | *25.0* | *25.0* | *25.0* | *25.0* | *50.0* | *52.0* | *54.0* | *281.0* |

Based on the analysis of the morbidity structure in the Company, situation in the health resort market, results of sociological questionnaires and polls within the Company, meetings with employees and primary trade union organizations of Profalmaz Trade Union, the Company generates optimal and feasible indicators in terms of purchased vouchers. These indicators serve to best meet the employees’ need for recreation, achieve optimal health effect and reduce morbidity, taking into account the need to distribute all vouchers among the Company’s structural and separate subdivisions, and avoid inefficient and inappropriate use of funds. The Company may consider the possibility to increase the number of vouchers for health improvement, recreation and treatment of employees and their families.

The minimum number of vouchers to health care centres at the production sites in Western Yakutia for the Company’s employees is 70% of the total number of vouchers. Employees working in harmful and/or hazardous conditions and employees with chronic and occupational diseases, work-related injuries, have a priority right to vouchers.

Table 2 – Forecast indicators of Health Resort Preventative Treatment of Employees program until 01/01/2023

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Indicator | 2012  report | 2013 report | 2014 report | 2015 report | 2016 report | 2017 report | 2018 report | 2019 plan | Forecast | | | Total 2012-2022 |
| 2020 | 2021 | 2022 |
| ALROSA average headcount, people | 31,183 | 30,287 | 29,796 | 29,501 | 28,652 | 26,543 | 24,435 | 22,388 | 22,862 | 22,271 | 22,536 | 26,405 |
| Number of vouchers to health resorts and health care centres | 4,382 | 4,791 | 4,996 | 5,198 | 5,205 | 5,248 | 5,019 | 4,842 | 3,040 | 3,040 | 3,040 | 48,401 |
| Costs from profit for health resort and preventive treatment (RUB mln) | 255.1 | 310.2 | 320.0 | 320.6 | 396.2 | 380.6 | 385.1 | 338.9 | 195.1 | 202.9 | 211 | 3,315.7 |

\* *Note: 2020-2022 periods are calculated using the forecast inflation index 1.04*

The Company approves the discounted price of vouchers to health resorts and preventive care centres for its employees in the price register when forming its budget for the relevant calendar year. It sets the price of vouchers to health resorts and preventive care centres for its employees by room categories taking into account the conditionally variable costs for the period of treatment refunded by its employees.

The Company provides health improvement and recreation for children of its employees during the summer period at stationary country health camps and day camps (playgrounds).

Every year, the Company sets the discounted price of vouchers to Orlenok and Almaz health camps for its employees in the price register when forming its budget for the relevant calendar year. It is based on the salary growth forecast for the planned period, while taking into account the amount compensating conditionally variable costs for the period of recreation.

The minimum number of vouchers for children of the Company’s employees to stationary country health camps and day camps in Western Yakutia is 85% of the total number of vouchers.

Table 4 – Forecast of discounted price of vouchers to stationary country camps under the Health Improvement and Recreation for Employees’ Children program until 2023

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Indicator** | **2012 report** | **2013 report** | **2014 report** | **2015 report** | **2016 report** | **2017 report** | **2018 report** | **2019 plan** | **Forecast** | | | **Total 2012- 2022** |
| **2020** | **2021** | **2022** |
| Number of vouchers to children’s health camps in Yakutia, total | 1,539 | 1,573 | 1,573 | 1,548 | 1,562 | 1,482 | 1,451 | 1,440 | 1,440 | 1,440 | 1,440 | 16,457 |
| *Maintenance costs, RUB mln* | *126.4* | *122.1* | *121.3* | *140.5* | *165.4* | *163.6* | *170.9* | *160.5* | *164.2* | *170.8* | *177.6* | *1,683.3* |

*Note:\* 2020-2022 periods are calculated based on scheduled indexation of salary of the Company’s employees*

The Company aims to improve recreation at children’s full-time summer camps and daytime playgrounds to ensure the development of children according to their needs, interests of family, society and state, and education of intellectually, emotionally, spiritually and well-integrated personality.

To maintain efficiency, protect and promote employees’ health, extend professional life, the Company shall:

* develop and improve the system of corporate health resorts and health care centres, health treatment and improvement institutions (including those for employees’ children);
* send employees working in harmful conditions for preventive treatment at health resorts and health care centres in accordance with relevant medical reports once a year or more often (if prescribed by a workshop doctor), organize health resort treatment for such employees on a priority basis at the Company’s health resorts and at specialized health resort centres using the funds from the Social Security Fund;
* organize health improvement, health resort and preventive treatment for other employees of the Company and their families (including children);
* promote, support and boost activities aimed at strengthening the employees’ motivation to maintain health and healthy lifestyle.

Provision of vouchers for health resort treatment and recreation to employees and their families at a discounted price, organization of summer holidays for children, compensation of travel expenses to the place of vacation and back according to the Collective Agreement, all these support measures address vital needs of the people who live in the Far North, determine the targeted use of funds, and motivate employees to improve their health while on vacation.

**3. HEALTH PROGRAM**

The medical support system for the Company’s employees is an integral part of the common core of managerial, economic, social, and other measures related to the support of the Company’s employees.

The purpose of medical support for the Company’s employees is to improve the efficiency of the Company’s production by maintaining health, improving performance, and increasing professional longevity of employees.

Medical support covers more than 22 thousand employees, 94% of them work in the Republic of Sakha (Yakutia), one the regions of the Far North. Medical support is also available for the Company’s retired veterans, employees’ minor children (under 18), in accordance with the procedure established by the Company’s internal regulations and directives.

The Company uses 65 health care and preventive treatment centres, health resorts, sports and recreational facilities providing primary and secondary preventive health care services for employees.

To preserve and strengthen physical and mental health, improve performance and prevent morbidity, the Company shall systematically:

* finance measures and events aimed at labour protection;
* implement corporate standards of medical care at work;
* monitor morbidity;
* strive to achieve the maximum coverage of employees with preventive medical examinations and wellness checks, increase efficiency and quality of medical examinations;
* implement common diseases and health improvement programs for its employees, including preventive vaccination and health resort treatment;
* ensure coverage of all the Company’s employees by wellness checks and health screening;
* organize rational, balanced, highly nutritious, and enriched meals for its employees;
* promote healthy and nutritious food for the Company’s employees;
* introduce a modern automated digital system of healthy and dietary meals.

To improve the efficiency of the Company’s Medical Service, upgrade its structure and ensure a unified approach to comprehensive health protection of the Company’s employees, in April 2012, the Company established a new structural subdivision―Medical Centre of PJSC ALROSA.

Medical Centre of PJSC ALROSA comprises health resorts and health care centres offering rehabilitation treatment.

To provide employees with qualified and specialized medical care, the Company implements its comprehensive Health program through voluntary health insurance programs (VHI).

Leading prevention and treatment facilities and medical centres that have contracts with the insurance organization, the Company’s insurer, provide additional medical support.

The Health program aims to provide high quality medical care, including medical examination and treatment of the Company’s employees, retired employees, employees’ minor children (under 18) in Russia’s leading clinical hospitals and medical centres. Workers engaged in main production activities receive treatment as a matter of priority; their share in the number of employees sent for examination and treatment should be 70% minimum.

The Health program also includes morbidity prevention among employees who go through regular medical check-ups (minimum 93%) and get vaccinated during seasonal outbreaks of influenza and acute respiratory infections (minimum 40%).

Since 2017, the Medical Centre has been successfully implementing screening programs for timely detection and further reduction of morbidity. More than 9,000 of the Company’s employees passed through medical screening programs in 2018.

The Company is constantly improving the public health care system in the territory where it operates, focusing on an action plan aimed at the improvement of the current model of health care and improvement of the employee’s health by increasing quality and accessibility of health care for the Company’s employees, strengthening diagnostic capacities, and introducing new medical services.

*For reference: Every year over 2,500 people go through medical examination and treatment at medical centres of the Republic of Sakha (Yakutia) and the Russian Federation at the Company’s expense. About 300 people are non-working pensioners―ALROSA veterans, about 100 people are children of the Company’s employees.*

Table 5 – Forecast indicators of the Health program until 01/01/2023

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Indicator** | **2012**  **report** | **2013 report** | **2014 report** | **2015 report** | **2016 report** | **2017 report** | **2018 report** | **2019 plan** | **Forecast** | | | **Total 2012-2022** |
| **2020** | **2021** | **2022** |
| ALROSA average headcount, people | 31,183 | 30,287 | 29,796 | 29,501 | 28,652 | 26,543 | 24,435 | 22,388 | 22,862 | 22,271 | 22,536 | 26,405 |
| Initial tariff rate of grade 1 of the Unified Tariff System of PJSC ALROSA, RUB | 5,810 | 6,195 | 6,585 | 7,345 | 8,175 | 8,505 | 8,845 | 9,199 | 9,567 | 9,950 | 10,348 | 8,229 |
| Health program, RUB mln | 196.7 | 235.6 | 268.5 | 245.5 | 289.0 | 399.4 | 386.5 | 369.7 | 396.9 | 402.2 | 423.1 | 3,613.1 |
| *RUB per 1 person* | 6,308 | 7,779 | 9,011 | 8,322 | 10,087 | 15,047 | 15,817 | 16,513 | 17,362 | 18,058 | 18,775 |  |

To ensure that the Health program is effective, the Company and its insurer under the VHI keep monitoring the quality of health care provided to its employees by medical institutions.

**3.4 CULTURE AND SPORTS PROGRAM**

A healthy lifestyle of employees is one of the keystones of effective and productive work, increased labour discipline and reduced crime in the region. Aiming to create a healthy environment at work, the Company implements its Culture and Sports program. The program helps reducing morbidity, preserving ability to work, improving employees’ cultural and educational level.

The Company’s special structural subdivision―the Cultural and Sports Complex (hereinafter – the CSC) organizes and coordinates cultural, sports and recreation activities. It combines and organizes work of all the Company’s cultural and sports facilities.

Through its activities, the CSC ensures involving the Company’s employees and their families in the spiritual, cultural and sports life, and contributes to the upbringing of a healthy and harmoniously developed generation.

In Western Yakutia where the Company operates, it has 6 Palaces of Culture and clubs, 2 museums, 2 recreation centres, 13 sports institutions for cultural and sports events.

The Company’s annual expenses for cultural and sports facilities exceed RUB 1 billion.

About 12 thousand people attend more than 175 clubs and sections within the CSC.

The Company uses the price of a single visit to the CSC’s cultural and sports facilities and a differentiated approach to calculate the discounted cost of services that the CSC renders to people and organizations. The prices of visits to the facilities are subject to annual indexation in the parameters of planned indexation of salary of the Company’s employees.

The Company shall establish:

* + payment for visiting the CSC’s sections and clubs for children under 12 in the amount of 50% of the cost of established price register for children over 12;
  + payment for visiting the CSC’s sections and clubs for disabled children and disabled teenagers under 16 in the amount of RUB 100 per month, regardless of the club/section type;
  + payment for visiting the CSC’s sections and clubs for children from large and low-income families under 16 in the amount of RUB 100 per month, regardless of the club/section type.

The Company is engaged in the budget planning of financial and business operations of the Cultural and Sports Complex, coordinates its price policy. In the med-term, the Company will continue implementing measures to improve the CSC’s cost recovery, improve cost management, optimize production assets, and create the budget based on the principles of social services commissioning.

The Company will continue the financing of the Culture and Sports program taking into account the inflation rates (Table 6).

Table 6 – Forecast indicators―implementation costs of the Culture and Sports program until 01/01/2023

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Indicator** | **2012**  **report** | **2013 report** | **2014 report** | **2015 report** | **2016 report** | **2017 report** | **2018 report** | **2019 plan** | **2020 forecast** | **2021 forecast** | **2022 forecast** | **Total 2012 - 2022** |
| Implementation costs of the Culture and Sports program, RUB mln. | 151.1 | 138.0 | 150.4 | 208.5 | 146.9 | 226.3 | 147.4 | 168.6 | 175.3 | 182.4 | 189.7 | 1,884.5 |

The Company’s prime objectives of further development of the Culture and Sports program:

* promotion and popularization of Olympic sports, national sports and sports practiced at the CSC’s sections and clubs;
* involvement of the broader range of the Company’s employees, their families in physical culture and sports activities aiming to reduce morbidity, minimize periods of employees’ temporary disability, and increase labour productivity;
* ensuring accessibility and attractiveness of cultural facilities aiming to improve the educational, spiritual and general cultural level of employees and their children;
* development of mass sports, including football and national sports among employees and their families, growing number of regular members of clubs and sports sections;
* expansion of preventive and health improvement work with the Company’s employees;
* corporate organization of leisure for employees and their families;
* invitation of employees and their families to participate in the spiritual, cultural and sports life, creating conditions for harmonic development of the personality;
* support the commitment of employees and their children to cultural development;
* improvement and development of the CSC’s facilities and resources.

To improve health, reduce morbidity and form a healthy lifestyle, the Company aims to develop and implement the Healthy Lifestyle program in 2019-2020. Main directions of the program for the Company:

* promoting the systematic participation of the Company’s employees in physical training and sports activities at all sports grounds;
* interacting with the Company’s medical centre within the scope of diagnostics, preventive health care, physical therapy, implementation of adaptive physical training at workplaces;
* promoting a healthy lifestyle in the Company’s subdivisions through introducing new types of health improving physical therapy at the CSC’s facilities (aerobics, yoga, Nordic walking, ski walking, TRP standards, etc.), industrial gymnastics;
* engaging more Company’s employees in sports: from 15% up to 50% by 2022.

**3.5 HOUSING PROGRAM**

The Housing program aims to improve the living conditions of the Company’s employees through the mechanisms stipulated by the Company’s Regulations. As of 31/12/2018, 296 employees who need better housing conditions and residential premises are registered at the Company’s production sites.

The Housing program comprises new approaches to housing relations management and aims to attract and retain the Company’s skilled staff, provide employees with wider opportunities to improve their living conditions by using personal savings based on corporate instruments stipulated by the Company’s norms and standards, including:

* special-purpose housing stock;
* corporate support for the Company’s employees who acquire ownership of residential premises;
* relocation of the Company’s retired employees and veterans who leave the regions of the Far North.

To settle housing issues of invited and young specialists in a more rapid way, the Company can form a special-purpose housing stock in the places where its production facilities are located.

*For reference: In 2015, the Company commissioned a 340-place residential building in Mirny for the temporary accommodation of young specialists (the investments totalled RUB 696 million); in 2018 – a 130-apartment residential building (including apartments with housing bed spaces) was commissioned for temporary accommodation of employees of Verkhne-Munskoye deposit of Udachny MPD (the investments totalled RUB 680 million)*.

The Company owns the residential premises of the special-purpose housing stock and can provide them to its employees under a contract while they are employed by the Company.

The Company considers the creation of a special-purpose housing stock as a tool for temporary solution of the employees’ housing issues.

When the contract for residential premises expires, employees should vacate residential premises of the special-purpose housing stock. They can either solve the issues relating to improving their living conditions using the Company’s corporate forms of support in the purchase of residential premises or address such issues themselves.

The Company proceeds from the need to reduce the staff turnover and ensure the employees long-term retention by involving them in corporate housing programs.

Corporate support for the Company’s employees who purchase housing at their own expense:

* refund of mortgage loan interest expenses for the purchase of residential premises;
* sale of residential premises from the Company’s own housing stock to its employees who reside there under hire purchase agreements with real estate mortgage (except for residential premises in dormitories);
* the Company’s employees exchange residential premises that belong to them by right of ownership to the premises owned by the Company as part of barter transactions.

The Company’s management takes a separate decision about corporate support to its employees when they purchase residential premises. The planned limit of the annual use of funds shall be maximum 25% of the tariff rate of grade 1, category 4 of RSS (managers, specialists and office workers) tariff rates per 1 average employee of the Company as at 1 January of the relevant year.

Mortgage lending for the Companies’ employees is the major form of corporate support aimed to retain the Company’s highly skilled staff by providing mortgage loans to employees through credit institutions on favourable conditions in terms of interest rate, loan term, and possibility to reimburse mortgage interest costs.

To solve a strategic task of attracting skilled staff, the Company relocates its retired employees and veterans from the Far North to the places more favourable for living. The houses vacated by the Company’s retired employees and veterans allow the Company to form a special-purpose housing fund for solving production issues on the terms determined by the Company’s administrative documents.

Since 2017, the annual limit of apartments for relocation of the Company’s retired employees and veterans to other regions of the Russian Federation is 0.5% of the Company’s average headcount.

**3.6 NON-STATE PENSION SCHEME**

The non-state pension program for the Company’s employees is one of vital components of the Company’s social policy.

The Company forms a pension program based on a unified approach, common goals and principles for all sectors of its social policy. The Company has been implementing the non-state pension program since 1998 to ensure both a decent standard of living for its employees after retirement, and the engagement, retention and motivation of staff for long-term and effective work in the Company.

Payments stipulated by the Company’s non-state pension scheme for its employees:

1. For all the Company’s employees, regardless of the length of service:

* non-state award pension;
* non-state survivor pension in case of a work-related accident.

1. For the Company’s employees who have worked 15 and more years as of 01/07/2017 – non-state seniority pension.
2. For employees who have worked less than 15 years in the Company as of 01/07/2017 – non-state pension on a parity basis.

The parity pension program is a modern model of non-state pension scheme that the Company has been implementing since 01/07/2017.

The objective of the parity program is to form the employees’ future non-state pension together with the Company in equal shares. Participation in the parity program is voluntary. When an employee retires, the amount of the non-state pension depends on accumulated contributions paid in equal shares by the employee and the Company, as well as the investment income received by the Non-State Pension Fund Almaznaya Osen during the period of participation in this program.

The amount of the employees’ pension contribution depends on their gender and age when they joined the pension parity scheme. The pension contribution was calculated for the comparability of conditions of the Company’s pension scheme that was in effect until 01/07/2017 with the length of service equal to 15 years.

The employee can choose the parity pension scheme, lifelong payments or payments during a number of years. The employee can also choose the frequency of receipt (every month, every quarter, every six months, or once a year).

Every year, the Non-State Pension Fund Almaznaya Osen indexes pensions depending on the profitability of the Fund based on the performance in the previous year.

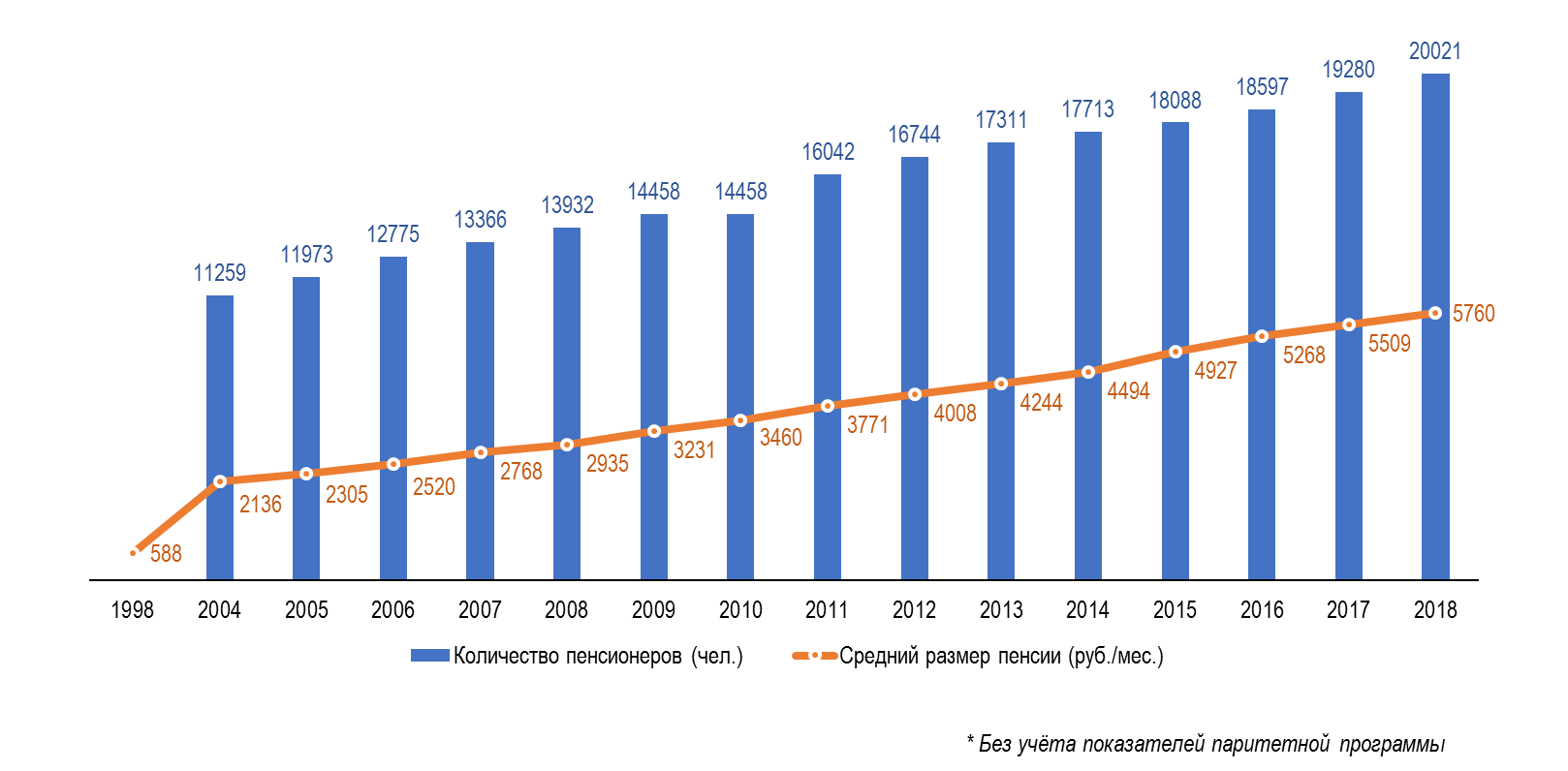
The existing multi-component system of the employees’ non-state pension provision allows the Company to solve the key tasks of HR policy for the long run:

* attracting and retaining highly skilled employees;
* creating long-term motivation of staff for effective work;
* strengthening the employees’ confidence in the employer;
* protecting employees’ families in the event of unfavourable circumstances.

Every year, a separate item in the Company’s annual budget provides the funds for the non-state pension scheme.

In accordance with the Regulations on Non-State Pension Provision for the Company’s employees, non-state pension provision for the Company’s former employees is carried out under concluded agreements through the corporate Non-State Pension Fund Almaznaya Osen.

The tasks of the Non-State Pension Fund Almaznaya Osen, whose shareholders are the Company and Profalmaz, are the timely payment of non-state pensions to the Company’s retired employees, preservation of pension assets that consist of the Company’s and employees’ contributions, and obtaining investment income no lower than inflation rates on a long-term horizon.



Number of retired employees (people)  Average amount of pension (RUB/month)

*Figure 4 Corporate pension scheme indices 2004-2018*

*For reference: The social policy of the Company, which became the first and the main investor of the Fund, played a decisive role in the formation of the Fund’s image. While creating its own pension program, the Company’s management added two key points that made ALROSA’s pension program one of the most socially oriented among Russian companies:*

* *all the Company’s veterans (who have worked minimum 15 years in the Company), including those who retired before 1998, received the right to a lifetime non-state pension;*
* *annual indexation of the non-state pension: the average pension was RUB 588 in 1998, RUB 5,760 in 2018 (Fig. 4).*

*The average assigned parity pension in 2018 was RUB 17,510 a month (taking into account the award of pension for a certain number of years), more than 2 thousand people decided to join the parity pension scheme.*

**3.7 SUPPORT AND DEVELOPMENT OF SOCIAL INFRASTRUCTURE**

The Company is interested in ensuring that its employees live in comfortable conditions―in comfortable cities and towns, with a well-established lifestyle, a range of services provided by health care, education, culture and sports institutions, and childcare facilities. This is particularly important for employees of subdivisions located in remote and harsh climate areas.

On 05/03/2011, the Company entered into an Agreement with the Government of the Republic of Sakha (Yakutia) for socio-economic development of the Republic of Sakha (Yakutia) until 2021.

One of the directions of the Agreement for socio-economic development of the Republic of Sakha (Yakutia) was preserving the Company’s obligations to finance the costs related to maintenance and servicing of housing facilities in Udachny until 01/07/2014, Aikhal – until 01/01/2015, Mirny and adjacent settlements until 01/01/2016.

To elaborate on the parties’ mutual obligations under the Agreement for socio-economic development of the Republic of Sakha (Yakutia), on 23/10/2012, the Company concluded an Agreement to transfer its housing stock to the municipalities of Mirninsky district and to finance the maintenance costs. The Agreement fixed the size of the Company’s financial liabilities for 2012-2015 as RUB 2.9 billion for the maintenance of housing facilities: overhaul and routine repairs, installation and replacement of elevators, resettlement of people from dilapidated and substandard housing, physical demolition of dilapidated housing, and installation of building-level energy-metering devices. To implement the Agreement, in the period up to 2021 the Company will continue financing the programs of dilapidated housing demolition in Mirninsky district according to the scheduled plan for RUB 2.0 billion approved by the Government of the Republic of Sakha (Yakutia).

To provide social support to the Company’s employees who have come to work to the newly created municipal structures for maintenance of the housing stock in Mirninsky district and to prevent drastic growth in residential utility rates, the Company assumed social liabilities for 2014-2020 to finance the costs of services for maintenance and repairs of the common property of apartment buildings. The Company’s expected expenses for the fulfilment of 5-year obligations would amount to RUB 1.0 billion.

In pursuance of the Agreement for socio-economic development of the Republic of Sakha (Yakutia), to ensure the compliance with the license terms of activity, organizational and methodological consistency, formation of a uniform standard of services for pre-school education, in 2013, the Company established the autonomous non-profit preschool educational organization Almazik (hereinafter referred to as Almazik), consisting of 27 kindergartens located in Mirninsky and Lensky districts.

In 2018, the Company reached agreements with the administrations of Mirninsky and Lensky districts to implement the decisions specified in the Agreement for socio-economic development of the Republic of Sakha (Yakutia) on the financing of kindergartens from local budgets. Since 2019, two municipal kindergartens in Lensk have been passed for financing to the municipality Lensky district. Since 2019, the founder’s contributions of the Company and the municipality Mirninsky district will finance 30 kindergartens in Mirninsky district under the co-sponsorship contract. Until 2019, the Company’s employees paid 10% of the cost of preschool educational services (parental payments), since 2019, services in kindergartens will be available at municipal rates.

**3.8 REGIONAL DEVELOPMENT, CHARITY AND SPONSORSHIP PROGRAM**

The Company is implementing the Regional Development, Charity and Sponsorship comprehensive program, an effective tool of social interaction with its employees and the population of the regions where the Company operates. The Company renders assistance to its current and retired employees, pre-school and educational institutions, public legal institutions, and community organizations.

The Company’s participation in the programs of socio-economic development of the regions relate closely to charity. The Agreement for socio-economic development of the Republic of Sakha (Yakutia) dated 05/03/2011 for the period 2011-2020 provides special purpose donation agreements of gratuitous transfers to the budget of the Republic of Sakha (Yakutia) for the construction of educational, health care, culture, and sports facilities. In 2011 to 2018, the government fund Non-profit organization Target Fund for Future Generations of the Republic of Sakha (Yakutia) financed the construction of more than 30 social facilities―two houses, five schools and educational institutions, ten sports facilities, five facilities of culture and aesthetics, three memorial sites and museums, five rehabilitation and health centres, three hospitals. These facilities are located in 17 uluses (districts) of the Republic―Abyisky, Amginsky, Verkhoyansky, Verkhnekolymsky, Gorny, Zhigansky, Mirninsky, Megino-Kangalassky, Neryungrinsky, Nyurbinsky, Namsky, Suntarsky, Tattinsky, Tomponsky, Churapchinsky, city of Yakutsk, Ust-Aldansky, and others. The financing takes place under the Development and Assistance target programs with long-term plans of interaction with the Company.

In December 2018, the Company signed the Agreement for socio-economic cooperation with Nyurbinsky district of the Republic of Sakha (Yakutia) in 2019-2021 with the purpose of socio-economic development in the exercising of the Company’s right to use subsurface resources in Nyurbinsky district. Every year, the Company will allocate funds for the construction and overhaul of social facilities (kindergartens, schools, sports facilities, roads and bridges, water treatment facilities, hospitals, and others). The Company determines their list in accordance with the development strategy of Nyurbinsky district agreed with the Government of the Republic of Sakha (Yakutia). Until 2019, PJSC ALROSA-Nyurba provided financial assistance for socio-economic development of Nyurbinsky district every year.

In 2018, the Company signed an Agreement for socio-economic cooperation with the municipal district Oleneksky Evenkiysky National District of the Republic of Sakha (Yakutia) in 2019-2023 with the purpose of socio-economic development in the exercising of the Company’s right to use subsurface resources of Verkhnyaya Muna deposit in Oleneksky district. Every year, the Company will finance the construction and repairs of social facilities, development of domestic reindeer husbandry, indigenous small-numbered peoples of the North, and traditional hunting.

Table 9 – Forecast indicators―charity and sponsorship costs until 01/01/2023, RUB mln.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Indicator** | **2012**  **report** | **2013**  **report** | **2014 report** | **2015 report** | **2016 report** | **2017 report** | **2018 report** | **2019 plan** | **Forecast** | | | **Total 2012-2022** | |
| **2020** | **2021** | **2022** |  |  |
| *Charity and sponsorship costs* | *2,432.5* | *2,248.7* | *2,422.4* | *2,655.6* | *3,653.2* | *3,408.7* | *2,974.7* | *3,077.5* | *3,000* | *3,000* | *3,000* | *31,873.3* | |

Principles of the Company’s consistent regional policy in the municipalities (uluses), the Company’s shareholders:

* high responsibility for the socio-economic situation in the region where it operates;
* employment and increasing the standard of living of the population of the Republic of Sakha (Yakutia).

As part of its regional development program, the Company pays great attention to the support of tribal communities of herders and fishermen in Yakutia’s northernmost regions. The Company provides charitable assistance to uluses of the “diamond province” in agriculture and traditional fishing, holds charity events for children in sponsored uluses, thus contributing to the employment of the people and increase in their revenue, and making the significant contribution to the social stability in the diamond-mining region.

The Company concluded the agreements for mutual cooperation until 2021 with the nine districts of the “diamond province” – Mirninsky, Verkhnevilyuisky, Oleneksky, Anabarsky, Suntarsky, Vilyuisky, Lensky, Nyurbinsky, Kobyaysky. The annual funding determined under these agreements should be not lower than the costs of the previous period (Table 9).

Table 10 – Forecast indicators―regional development costs until 01/01/2023, RUB mln.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Indicator** | **2012**  **report** | **2013 report** | **2014 report** | **2015 report** | **2016 report** | **2017 report** | **2018 report** | **2019 plan** | **Forecast** | | | **Total 2012-2022** |
| **2020** | **2021** | **2022** |
| *Regional development costs* | *74.0* | *83.3* | *83.2* | *81.7* | *83.2* | *83.2* | *114.5* | *83.25* | *83.25* | *83.25* | *83.25* | *936.0* |

In order to provide the population of the Vilyui group of districts with clean drinking water, in 2019, the Company will launch the financing of the state program of the Republic of Sakha (Yakutia) Development of Water Supply Systems in the Vilyui Group of Uluses in 2019-2024. The forecast funding of the program will amount to RUB 1.9 billion and will be formed from the municipal budgets, the state budget of the Republic of Sakha (Yakutia), extra-budgetary sources and funds of the non-governmental organization Target Fund for Future Generations of the Republic of Sakha (Yakutia), formed by the Company’s contributions (over the 6-year period the Company plans to allocate RUB 0.8 billion to the fund if and after the Supervisory Board makes a decision for the planned period).

**The Company’s social responsibility to the society**

The Company is interested in creating a favourable social environment in the territory of its main production activities, which is important not only for increasing labour productivity, ensuring staff satisfaction, but also for attracting new human resources to the Far North, which, in the case of the unconditional implementation of corporate social programs, will inevitably result in reduced social risks and ensure the Company’s sustainable development.

The Company makes every effort to collaborate and develop business relations with local municipalities and communities.

In line with corporate social responsibility principles, the Company has self-imposed commitments of socially responsible participation in the public life. Taking into account its status of a town-forming enterprise in the settlements in Western Yakutia, the Company is responsible in its approach to interaction with regional and municipal authorities, with the population and representatives of the indigenous ethnic group.

Taking into account interests of the local population, the Company preserves and supports the traditions of national tolerance and benevolence, respects national traditions, implements environmental programs, contributes to the funding of construction of new educational institutions, supports preschool institutions, healthcare, science, culture, and sports.

Realizing that the Company’s competitiveness depends on the level and development of research and technology, and quality of the employees’ professional training, the Company keeps developing the scientific potential and improving the quality of education through:

* financing of design, survey and research in diamond mining;
* providing financial assistance to educational institutions and special educational programs;
* upgrading the facilities of the Company’s HR Training Centre and its training workshops;
* upgrading the facilities of specialized educational institutions North-East Federal University named after M.K. Ammosov in Mirny and in Yakutsk; GAPOU Regional Technical College in Mirny, Udachny and Aikhal; GBPOU Svetlinsky Industrial Technical School;
* providing organizational and financial support to scientific and technical conferences among young scientists and specialists;
* assisting the indigenous population in accessing vocational training and higher education.

Recognizing the need to form a civil society, the Company provides financial and organizational support to:

* public organizations of the Great Patriotic War veterans and veterans of other categories;
* movement to counter drug addiction;
* public youth organizations and associations, in order to promote the spiritual and patriotic education of the younger generation;
* public associations and their initiatives in favour of orphans.

**4. SOCIAL POLICY MANAGEMENT**

Major principles of the Company’s social policy management are the unity of command and social partnership with Profalmaz Trade Union, public authorities and local government bodies in the regions where the Company operates, based on the Company’s regulatory documents, laws of the Russian Federation and the Republic of Sakha (Yakutia).

The Company’s management bodies make decisions relating to the development, implementation, and financing of certain areas of social policy, social projects and programs in accordance with the Company’s internal documents.

The Chief Executive Officer – Chairman of the Executive Committee has the right to submit private or general issues of social policy, draft documents in social policy for consideration and approval of the Executive Committee, the Company’s collegial executive body.

1. **FINAL PROVISIONS**

The Company’s Social Policy is the fundamental HR management document complying with the laws of the Russian Federation and the Republic of Sakha (Yakutia).

Provisions of the Social Policy are binding upon the Company, all its structural subdivisions, and employees.

**Developed by**:

PJSC ALROSA Social Security and Regional Development Department

Yakutniproalmaz Institute

PJSC ALROSA Committee for Regulatory Documents