SOCIAL AND ENVIRONMENTAL REPORT 2018



ALROSA

Social and environmental report of the ALROSA Group (PJSC ALROSA, ALROSA, Company, Entity) for the year 2018 includes the results of activities of PJSC ALROSA, and on certain substantial matters, of its diamond mining subsidiaries, together referred to as ALROSA Group.

Terms PJSC ALROSA, ALROSA Group, Group, ALROSA, Company, used herein are regarded equivalents and relate to the entire ALROSA Group, PJSC ALROSA and/or its subsidiaries depending on the context.

PJSC ALROSA is the corporate parent of the ALROSA Group and provides consolidated information on operations and financial activities of strategic business lines for this report. The report is developed according to the review of the operational data of the consolidated figures for IFRS (unless stated otherwise).

In terms of disclosure, the report conforms to the requirements of the Global Reporting Initiative – GRI Standards, "basic" edition.

FORWARD-LOOKING STATEMENTS

This report presents actuals for the past period, as well as some forward-looking statements. Such statements include, but are not limited to, statements of future operational performance, plans and/or forward-looking statements about future economic and financial metrics, development plans, goals and tasks of the Company, including those on products and services.

Statements on future performance include, but are not limited to, information of the forecasted or expected income, profit (loss), net profit (loss), of the shares, dividends, capital structure, and other financial issues. Content of such statements is forward-looking and is expressed through the words “expected”, “supposed”, “planned”, “intended” etc. By nature, forward-looking statements are related to general and particular risks and uncertainties. There is the risk that future actual performance may differ significantly from the plans, goals, expectations, estimates, and intentions expressed in such forward-looking statements, or may fail to be implemented due to a variety of factors.

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MESSAGE FROM CHIEF EXECUTIVE OFFICER – CHAIRMAN OF THE EXECUTIVE COMMITTEE



GRI 102-14

Dear partners, shareholders, and employees!

I am glad to present you the eighth annual social and environmental report for 2018, containing key issues and operational results. Our report has been developed in accordance with the best advanced Russian and international practices and reporting standards in the realm of sustainable GRI development. The report reflects the main performance outcomes of ALROSA in 2018 including financial, production, social and ecological aspects of its operation and sustainable development. Company's management fully accepts and undertakes its liability for the provision of the integrity of the rendered report, created by a large number of specialists and frontline managers.

Observance of sustainable development principles

We see the sustainable development of ALROSA not only as high performance on a regular basis, but we also make a point of developing the regions of our presence, as well as the Company itself. Our priority is to establish in our company-based cities practices, providing citizens with jobs and fair salaries, conforming to levels of Russian cities with a million-plus population, to save the best for next generations – comfortable well-developed infrastructure, social programs, and clean environment.

We approach sustainable development as a continuous process of perfecting in accordance with the best advanced international practices and standards in the realm of sustainable development, incorporated in all aspects of Company's operations and are always considered during strategic decision-making. The importance and relevance of such an approach are strongly supported by the management of ALROSA, as well as representatives of all the parties concerned.

Influence of the commitment to the principles of sustainable development on the corporate strategy of ALROSA

ALROSA has been continuously following the strategy accepted by its shareholders in 2013. Fall 2018 has seen the revision of the strategy considering new trends. However, its principle ideas remain unchanged. The Company will focus on diamond prospecting and mining and will strive to keep and consolidate its status of the global leader in mining and resource base volumes. ALROSA will continue working on quitting its non-core assets, improving its performance in all fields of operation, executing its social responsibilities within regions of presence. Company's activities shall be oriented at the effective management of the socially responsible business with the purpose of executing long-term interests of its shareholders.

In 2018 together with the Development Strategy, the Long-term Development Program of the ALROSA Group for the period of 2018-2024 has been updated. Its main focus is obtaining the strategic goals and it includes 20 program policies, more than half of which relate to sustainable development.

9.3

BILLION RUBLES

SPENT TO SOCIAL INVESTMENTS



Creating value for the concerned parties

Social responsibility is very important for the Company, performing mining activities in challenging northern region. ALROSA-based cities are home to about 50 thousand people. In fact, the Company is Yakutia's region-setting enterprise. 2018 dividend and tax payments by ALROSA to Yakutia amounted to about 80 billion rubles, which comprises almost half of the republic's budget revenue.

Moreover, the Company also sponsors certain environmental and social projects. In 2018 alone ALROSA has forwarded 9.3 bln rubles to social investments. ALROSA stands among the leading Russian companies regarding this factor. It provides execution of about 500 charity and other social initiatives annually.

In 2018, the Company managed to keep its global diamond-mining leadership, as well as perform some crucial steps towards the improvement of its production efficiency and financial stability. ALROSA demonstrated the record-breaking financial performance in spite of reduced activities observed in the diamond market during Q4. Revenues, EBITDA and net profit increased considerably against the previous year.

80

BILLION RUBLES

DIVIDEND AND TAX PAYMENTS OF THE COMPANY TO THE REGIONAL BUDGET OF YAKUTIA

AT LEAST

50%

OF NET INCOME ACCORDING TO IFRS IS SPENT BY THE COMPANY TO PAY DIVIDENDS

46%

TOTAL SHAREHOLDER RETURN FOR 2018

ALROSA successfully implements the program of enhancing the operational efficiency and cost cutting. In 2018, the productivity increased by 17% compared to 2014. 2018 specific operating expenses were reduced by 5% in real terms against the previous year and are supposed to show 2% annual reduction during the next five years.

With revenue growth and business profitability efforts, by results of the year 2018 ALROSA has demonstrated strong financial indicators, while by the end of the year the net profit increased by 15% up to 90 bln rubles. Free cash flow has shown 26% growth and amounted up to 92 bln rubles, which, in its turn, gave options to considerably reduce the debt load.

Diamond mining volume in 2018 totaled 36.7 mln carats. Reduced diamond mining against the year 2017 was expected and was mostly conditioned by production halting at Mir underground mine. This loss was partially compensated through increased ore treatment in other mining sites. Besides, after some years of preparation, the mining in Verkhne-Munskoye deposit was launched past autumn. It is expected to provide about 1.8 mln carats of diamonds per year for more than 20 years.

The operational and financial performance currently demonstrated by ALROSA confirm the efficiency of the development model chosen by the Company. I am sure that further implementation of the current strategy will enable the ALROSA Group to continue improving its leadership at the diamond market, that is to ensure sustainable production growth, increase of the revenues, upscaling its investment attractiveness and shareholder value.

Tough competition, growing segment of synthetic diamonds, changes in consumer preferences – these factors make ALROSA enhance its long-term competitive ability, improve the performance at all stages and all links of the processing chain.

ALROSA Investment Program 2018 reached almost 28 bln rubles. Half of this money was spent on establishing new production facilities. Large-scale technical upgrade at the processing plant No. 12 of the Udachny Mining and Processing Division, where ore from the Verkhne-Munskoye is to be processed, was completed.

Sustainable development achievements of 2018

We retain the leading position in terms of social and environmental responsibility. At the end of 2018, a new revision of ALROSA sustainability and corporate social responsibility policy was approved, once again confirming commitment of the ALROSA Group to meet the highest standards of socially responsible business management. The Company performs its activities in concordance with the best global business practices, most advanced industry standards, Regulatory principles of business operations relative of human rights and UN goals in terms of sustainable development.

Meantime Russia has no strategic document regarding sustainable development. However, the issue of promoting the UN SDG across the nation is widely discussed at the level of state government, as well as country's business-leaders.

The 2030 Agenda for Sustainable Development directly states that active participation of businesses is crucial for the achievement of the UN SDG. Being socially responsible, PJSC ALROSA needs to undertake measures for implementing the 2030 UN SDG into all of the Company's currently effective documents, or develop new ones.

According to the results of 2018, it is the first time we produced the Report on the contribution of PJSC ALROSA to the achievement of the UN Sustainable Development Goals for 2016–2018. The Preparation of the Report on the contribution to the achievement of SDG was conditioned by the need of defining the priority SDG by the UN for ALROSA for the purpose of their further monitoring and evaluating Company's contribution to the achievement of the UN Sustainable Development Goals for the period to 2030.

The ALROSA Group facilitates comprehensive social and economic development in the area of its presence. One of the brightest events held in March 2018 was the launch of the Republican Children's Healthcare Center in Yakutsk. ALROSA spent 1 bln rubles for the construction and equipment.

Social achievements of the Company are highly recognized and appreciated regularly. For example, the State Employment Committee of Yakutia marked ALROSA as the best employer 2018. The Group was acknowledged as one of the leaders of the annual contest "Corporate Charity Leaders" among Russian and international companies and became one of the leaders of two sustainability indices of the Russian Union of Industrialists and Entrepreneurs: "Responsibility and Transparency" and "Sustainability Vector". Besides, ALROSA became one of the leaders of the final ranking of the Environmental and Energy Efficiency of the largest companies of Russia and Kazakhstan, working in the real sector of the economy.

THE REPORT ON UN SDG 2030 IS PERFORMED ACCORDING TO THE RESULTS OF 2018, A NUMBER OF GOALS IS ALREADY INTEGRATED INTO THE ALROSA CORPORATE STRATEGY

1

BILLION RUBLES

SPENT ON CONSTRUCTION AND EQUIPMENT OF THE REPUBLICAN HEALTHCARE FACILITY FOR CHILDREN IN YAKUTSK



One shall specifically note the contribution of ALROSA to the general industry undertakings on digitalization of the diamond-mining industry impact on the social and economical development of the areas of presence. Commissioned by the diamond-mining segment presented by DPA, the independent research agency Trucost, being the part of S&P Dow Jones Indices, for the first time in history of the industry conducted such evaluation. According to the published report, net positive contribution of the industry to the global economy, including ALROSA's massive commitment, was esteemed $16 bln per year.

The performance ALROSA achieved last year became possible due to the efforts of top managers and all employees of the Company as well as support of our shareholders. The Group has once again confirmed itself being an important element of Yakutia's economy, one of the largest industrial corporations of Russia and the leader in the world diamond industry.

Our sustainable development goals for the period to 2024

We plan to adopt some ESG indices and UN goals of sustainable development 2030 being within the direct influence of the Company into our development strategy, and put the responsibility on their implementation to ALROSA management.

Our main focus shall be the indices and goals related to the industrial safety. We are constantly conducting employee trainings on the safe performance directly at the sites, as well as developing and promoting occupational safety policies.

In times to come every Company's manager and every subsidiary director shall be held liable for the provision of labor and health and life safety of ALROSA employees.

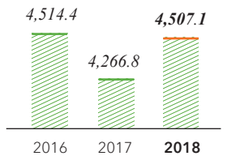
Life of every employee is important to our Company, and personnel safety is our key strategic priority. We will continue the work aimed at reaching ALROSA's strategic goals, strengthening its market and community positions, the growth of industrial, financial indicators and the shareholder value, social and ecological undertakings.

Sergey Ivanov
Chief Executive Officer — Chairman of the Executive Committee
PJSC ALROSA

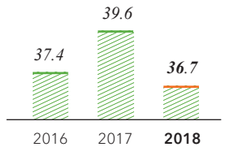
KEY NUMBERS OF 2018

Industry-Specific Indicators

Core Product Sales Revenue, mln USD
↑ 6% against 2017

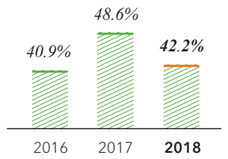


Rough diamond production, mln carats
↓ 7% against 2017

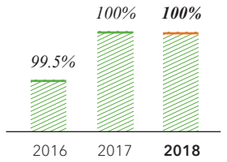


Cost of Sales Share in the Sales Revenue

↓ 13% against 2017

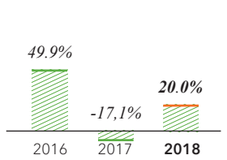


Integral KPI of the Innovations

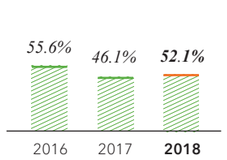


Financial and Economic Performance

Market Return of Shares

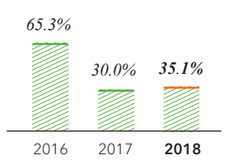


EBITDA margin adj.

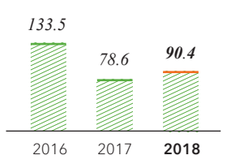


ROE

↑ 17% against 2017



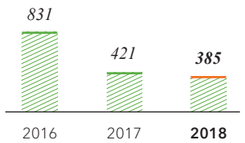
Net profit, bln rubles
↑ 15% against 2017



ESG INDICATORS

Environmental (E)

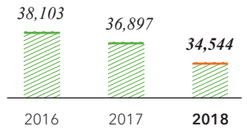
Direct CO_2 emissions, thousand tons
↓ 8,6% against 2017



GRI 305-7

Social (S)

Staff headcount in ALROSA Group, people
↓ 6,4% against 2017



GRI 102-8

Factors for Corporate Governance (G)

Number of independent directors in management bodies,people
not changed against 2017



GRI 102-18, 102-22

Detailed Information on the key indices of the Company's performance is stated in the annual report 2018



Environmental expenses of ALROSA Group, mln rubles
↓ 2.5% against 2017



GRI 403-9

LTIFR

↑ 28.1% against 2017



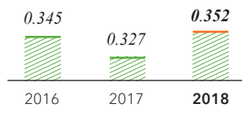
GRI 403-9

Percentage of women in the corporate management,%
↓ 25% against 2017



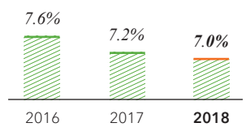
GRI 102-8, 102-18

Energy resources consumption in ALROSA Group, GJ/carat
↑ 7.6% against 2017



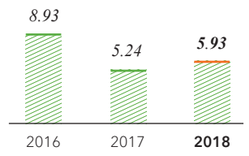
GRI 302-1

Employee turnover ratio PJSC ALROSA
↓ 2.8% against 2017



GRI 401-1b

Dividend payout per share, rubles
↑ 13.2% against 2017



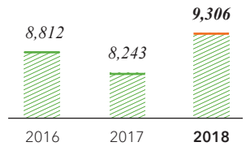
GRI 201-1

Discharge of pollutants into surface water bodies in ALROSA Group, thousand tons
↓ 2.8% against 2017



GRI 306-1

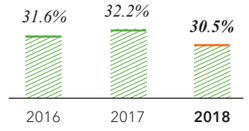
Volume of social expenditures across ALROSA Group, mln rubles
↑ 12.9% against 2017



GRI 403-9

Percentage of women in top management of PJSC ALROSA

↓ 5.3% against 2017



GRI 102-8, 405-1

KEY EVENTS IN 2018

Q1 2018

JANUARY 21

ALROSA completed the list of customers for the new contract period of 2018–2020.

The Company concluded 67 long-terms contracts for sales of gem and industrial diamonds with 65 companies.

JANUARY 25

ALROSA entered into the top-10 of transparent Russian companies

The Company reached one of the highest transparency indices in Corporate Reporting Transparency research prepared by Transparency International – Russia.

FEBRUARY 19

ALROSA sold non-core gas assets at the auction

ALROSA sold its non-core gas assets at the public auction to Geotransgas Joint Stock Company and Urengoy Gas Company LLC. The selling price amounted to 30.3 bln rubles. The money received from sales were spent on strengthening the Company's financial standing and repurchase of shares of PJSC ALROSA-Nyurba.

MARCH 12

ALROSA earlier repaid the bank loans in the amount of $450 mln

ALROSA prematurely paid the bank loan in the amount of $250 mln and the part of the bank loan in the amount of $200 mln borrowed from Rosbank and Raiffeisenbank in December 2017. ALROSA debt was reduced by more than 27% and amounted $1.2 bln. The bank loans were repaid from the money received at the auction held February 2018 to sell ALROSA gas assets.

MARCH 19

Revised Health and Safety Policy of PJSC ALROSA was approved

Preventing injuries and accidents was proclaimed the Company's strategic goal. The document states obligations of the Company's management, as well as core principles every Company employee is to be guided by to reach the set strategic goal.

MARCH 22

Revised ALROSA ALLIANCE Guidelines on Responsible Business Practices were approved

Revisions and updates accepted in the document specify some provisions without changing the voluntary nature of the Principle execution. For instance, Principles' new revision takes into account the provisions of the Code of responsible practices of the Responsible Jewellery Council (RJC). Regulatory principles on eliminating and minimizing the negative environmental impact and managing ecological risks according to the RJC recommendations have been advanced.

The document is published at: http://www.alrosa.ru/wp-content/uploads/2018/03/2018_AA-Guidelines_EN_2nd-edition.pdf

Q2 2018

APRIL 19

ALROSA opened the representative office in Mumbai (India)

The representative office is located at the territory of the Bharat Diamond Bourse. The representative office will not run trading activities and will focus at developing the local market contacts, enhance ALROSA brand awareness in India, extend the customer base, as well as customer consulting.

MAY 7

ALROSA was awarded for environmental management and transparency of ecological information

ALROSA was acknowledged laureate of the competition "100 best Russian organizations. Ecology and Environmental Management", held within the XII all-Russian Conference "Ecology and Production. Perspectives of environment protection measures development". The competition included the projects, being executed by the industrial enterprises and organizations in terms of rational nature management and environment protection. ALROSA was awarded the laureate diploma and the gold medal. The Head of the diamond mining company Sergey Ivanov was also granted the Badge of Honor "Environmental expert 2018" for achievements regarding rational environmental management.

MAY 15

ALROSA claimed its readiness to provide help for Yakutia residents suffered from major flood

The Company prepares construction supplies for sending to the flooded regions. Special focus shall be made on providing help to the villages of Ust-Maysk settlement.

Particularly, we are considering the priority provision of financial help to families, worst hit by the flood.

MAY 22

ALROSA resumed office operations in New York (USA)

ALROSA resumed operations of its office in the world's largest diamond jewelry market. During 2018, two rough diamond auctions and one polished diamond tender were held at the company's trading site in New York. The total revenue from the auctions came up to $20 mln.

MAY 23

Fitch improved the outlook of the default rating of (IDR) ALROSA issued from "stable" to "positive"

The rating is confirmed at BB+ level. ALROSA financial standing is one of the strongest in the mining industry due to its leadership in terms of Company costs, consistent positive free cash flow and low level of facility commitments.

Q2 2018

JUNE 1

More than 40 facilities of Yakutia and Far East participated in the employment fair in Mirny

The employment fair was organized to help find jobs for the residents of Mirny and Mirny district, including part of the former employees of the Mir mine shutdown. More than 40 enterprises of Yakutia and Far East has presented 4.5 thousand job opportunities. During the day, the more than 1200 people attended the fair. The employers offered jobs in the mining, energy, oil and gas, construction and other industries. The number of jobs listed accounted 4,500. 128 people passed interviews and settled tentative agreements with employers.

JUNE 7

ALROSA, entered the top-5 of the pilot sustainable development rating of the Russian companies operating in the Arctic regions "The Polar Index"

The index has been developed by the expert center "Designing office of the Arctic Region development" in cooperation with the department of the nature management economics of the economics faculty of Lomonosov Moscow State University. The Polar Index is the first specialized rating of the companies, which operating geography enters the Arctic regions of Russia.

JUNE 26

The Annual General Meeting of ALROSA Shareholders was held, where:

– the new membership of the Supervisory Board was elected,

– the new annual report and annual financial statements were approved,

– the decision of distributing profit for 2017 was made: it was decided to spend 38.59 bln rubles on dividend payment, or 5.24 rubles per one ordinary share with its nominal value of 50 kopecks,

– the Charter and Regulations on the management and control bodies were amended in order to improve the quality of communications between the corporate relations parties.

Q3 2018

JULY 27

ALROSA increased its share in PJSC ALROSA-Nyurba up to 97.48%

10% of shares were purchased from JSC RIK Plus controlled by the Government of Yakutia. The transaction amount was equal to 12 bln rubles.

JULY 27

S&P improved ALROSA credit rating up to BBB-, with the stable outlook

The agency noted positive trends on the diamond market, a steady-high level of ALROSA's business profitability, the Company's leading position in the global industry, a significant improvement in its financial sustainability, as well as a consistent increase in the Company's operating efficiency and development of its key business.

AUGUST 2

ALROSA started free medical screening

Free medical check-up is being held for the Company's employees in Mirny, Udachny, Lensk and Aikhal settlement under three programs: "Woman's health", "Cardio screening", and "Prevention and early detection of the GIT diseases". a total of more than 10.5 thousand Company's employees were planned to be checked within the screening, which almost doubled the figure of 2017.

Q3 2018

AUGUST 6

ALROSA approved the new dividend policy

The Supervisory Board approved a new revision of the Dividend Policy Regulations and recommended the General Meeting of Shareholders to pay the intermediate dividends according to the results of the Company operations for the first 6 months of 2018 in the amount of at least rubles 5.93 per share. Pursuant to the new revision of the Dividend Policy Regulations:

– payment frequency is increased from one to two times per year (for the first half of the year and for 12 months after the deduction of the dividends paid for the first half of the year),

– the free cash flow that takes into account the cash flow from operations after the investment amount (capital investments) in core production underlies the dividend amount calculation,

– the minimum level of dividend payments is determined as the amount of 50% of the net profit for the period according to IFRS.

AUGUST 15

ALROSA tried contract payment in rubles

Experimentally, the transactions were committed with long-terms customers from China and India.

SEPTEMBER 3

Children's center "Kharyskhal" built at the expenses of ALROSA opened in Mirny

ALROSA allotted 120 mln rubles for the construction of the new building of the children's healthcare center "Kharyskhal". Main objectives of the center shall become family preservation, childhood protection, social orphanhood liquidation, provision of social welfare, medical, psychological services as well as pedagogic work with the troubled youth.

SEPTEMBER 27

ALROSA held its first own auction of natural color diamonds

True Colors auction was held during the Hong Kong Gem & Jewelry Fair. ALROSA sold the colored diamonds for $9 mln. The Company plans to hold True Colors once or twice a year.

SEPTEMBER 30

The decision to pay dividends for half a year was made for the first time

According to the new revision of the Dividend Policy, the Extraordinary General Meeting of Shareholders made the decision to spend 43.7 bln rubles or 70% of the free cash flow on dividend payment by results of the first half of 2018, which is 5 bln rubles more than for 2017 in general. The total dividends paid in 2018 reached the record-breaking milestone of 82.2 bln rubles.

Q4 2018

OCTOBER 9

ALROSA launched the project of enhancing the working capital management efficiency

According to this program aimed to enhance the operating efficiency and business process quality, ALROSA launched the project of rough diamond distribution patterns optimization between different Company divisions. It is aimed to reduce the production cycle, from ore diamond mining to the time of their market-state thus reducing the level of the work in progress.

OCTOBER 16

ALROSA was included in the top-5 companies in terms of corporate governance quality

The Russian Institute of Directors upgraded ALROSA on the rating scale in the National Rating of Corporate Governance (NRCG® to level 8 – Best practices of corporate governance. Besides ALROSA, only four Russian companies have come to this level.

OCTOBER 22

ALROSA shareholders elected the new membership of the Supervisory Board

The Extraordinary General Meeting of Shareholders elected the new membership of the Supervisory Board including Head of the Republic of Sakha (Yakutia) Aysen Nikolaev.

OCTOBER 31

ALROSA launched commercial production at the Verkhne-Munskoye diamond deposit

The deposit is located in the western part of Yakutia, 170 km of the town of Udachny. At present, four kimberlite pipes (Zapolyarnaya, Demos, Novinka and Komsomolskaya Magnitnaya) have been explored. The deposit will bring 1.8 mln carats per year, with its reserves being sufficient for production for more than 20 years. The development of the Verkhne-Munskoye diamond deposit is the largest investment project of ALROSA. At the stage of preparing to production, the investments amounted to 16 bln rubles, while the total investments, including production maintenance until 2042 are estimated 60 bln rubles.

NOVEMBER 16

The Supervisory Board approved the updated Strategy and Long-Term Program of ALROSA Group Development for 2018 – 2024.

Members of the Supervisory Board considered the changes occurred in the global economy and diamond-mining industry in the past years and approved new strategic priorities:

– enhancing sustainability and safety standards,

– improving operational efficiency,

– maintaining leading positions in terms of the resource base size,

– developing marketing operation,

– reasonable distribution of the capital and maximizing the shareholder value.

DECEMBER 11

ALROSA acquired the status of one of the leaders in financing the corporate charity

ALROSA was named one of the leaders in terms of volumes of charity activities financing among Russian and international companies according to the results of the annual contest "Leaders of Corporate Welfare" – common initiative of the grant-giving organizations association The Donor Forum, Vedomosti business newspaper and PwC global audit-consulting firm network. The contest's organizers performed the research based on 47 Russian and international participating companies' nonfinancial reporting. 40 responding companies provided data on the charitable expenses. Their overall expenses volume in 2017 exceeded 50.5 bln rubles

Q4 2018

DECEMBER 13

ALROSA became one of the leaders by two indices of the Russian Union of Industrialists and Entrepreneurs regarding sustainable development

In 2018, ALROSA entered the group of leaders by two indices of corporate sustainability, responsibility and transparency, maintained by the Russian Union of Industrialists and Entrepreneurs.

RUIE regarded ALROSA as one of the leaders in two indices – "Responsibility and transparency" showing volumes and quality of the information released, and "Sustainable Development Vector", indicating the focus of changes and efficiency of the company's activities in terms of sustainable development.

DECEMBER 19

ALROSA joined the ranks of leaders of the environmental and energy efficiency rating

The Company also ranks second in the final ranking of the fundamental (environmental and energy) efficiency of 150 largest companies of Russia and Kazakhstan, working in the real sector of the economy. The unique feature of this rating is that it enables the complex vision of the diverse information on production, power consumption, environmental effects and efficiency dynamics.

DECEMBER 20

ALROSA is recognized as Yakutia's Best Employer 2018

National Committee of the Republic of Sakha (Yakutia) for the population employment noted ALROSA as the best employer 2018 and served the letter of appreciation for rendering assistance in employment of the unemployed, fruitful cooperation on the execution of the "Local workers – to the industry" project.

DECEMBER 27

ALROSA updated the Sustainable Development and Corporate Social Responsibility Policy

The new revision emphasizes that the Company runs business in accordance with the UN Sustainable Development Goals, world best practice and industry tendencies, confirms its commitment to the principles of running business in line with UN human rights and WDC guarantee system. The list of Company obligations under the general corporate social responsibility to the employees was extended, the obligations to the state authorities, business partners and industry community were specified, the list of environmental responsibility principles was extended in accordance with the global standards, the principle of the proper information disclosure on rough/polished diamonds and the statement of product origin were added.

DECEMBER 27

10,000 of ALROSA employees obtained access to the telemedicine services

ALROSA integrated the service of online medical consultations into the corporate healthcare system. At the end of the pilot project, 10 thousand ALROSA employees of the Mirny production site received the unlimited access to telemedicine consultations of Moscow doctors. The service has become the subsequent part of the standard Company's employee benefit plan.

Important Events after the Reporting Date

JANUARY 14

ALROSA announced its readiness to develop partnership relations with Zimbabwe

With support of Zimbabwe government, ALROSA will develop geological exploration and mineral production in new deposits of the country.

FEBRUARY 2

ALROSA resumed the medical check-up of more than 9 thousand employees

ALROSA summed up the results of the screening prevention and early diagnostics of the most common diseases. The doctors of the leading Russian medical centers were carrying out free medical check-up for five months in 2018. Company's expenses totaled 70 mln rubles. In August-December 2018, 9.2 thousand people underwent such check-up in the towns and settlements of the "diamond-province" of Yakutia – Mirny, Udachny, Lensk and Aikhal.

FEBRUARY 19

ALROSA joined the new project on preservation of the tundra populations of the wild reindeer

ALROSA signed an agreement on cooperation with the Directorate on biological resources and natural areas of preferential protection of the Republic of Sakha (Yakutia). The agreement provides for the works on evaluation of the current state of the tundra wild reindeer populations in Yakutia, as well as for performance of actions aimed at the protection and restoration of tundra wild reindeer populations in 2019–2022.

MARCH 4

ALROSA will invest 10.4 bln rubles for the construction of new airport in Mirny

Overall investments volume in the construction of new airport complex Mirny is evaluated at 21.8 bln rubles. Project financing shall be carried out with budgetary and non-budgetary resources. 10.4 bln rubles is planned to be allocated out of the budgets of PJSC ALROSA and Russian Federation each, and 1 bln rubles – out of the budget of State Air Navigation Corporation of the Russian Federation. New modern airport shall be put up in Mirny by 2022.

MARCH 11

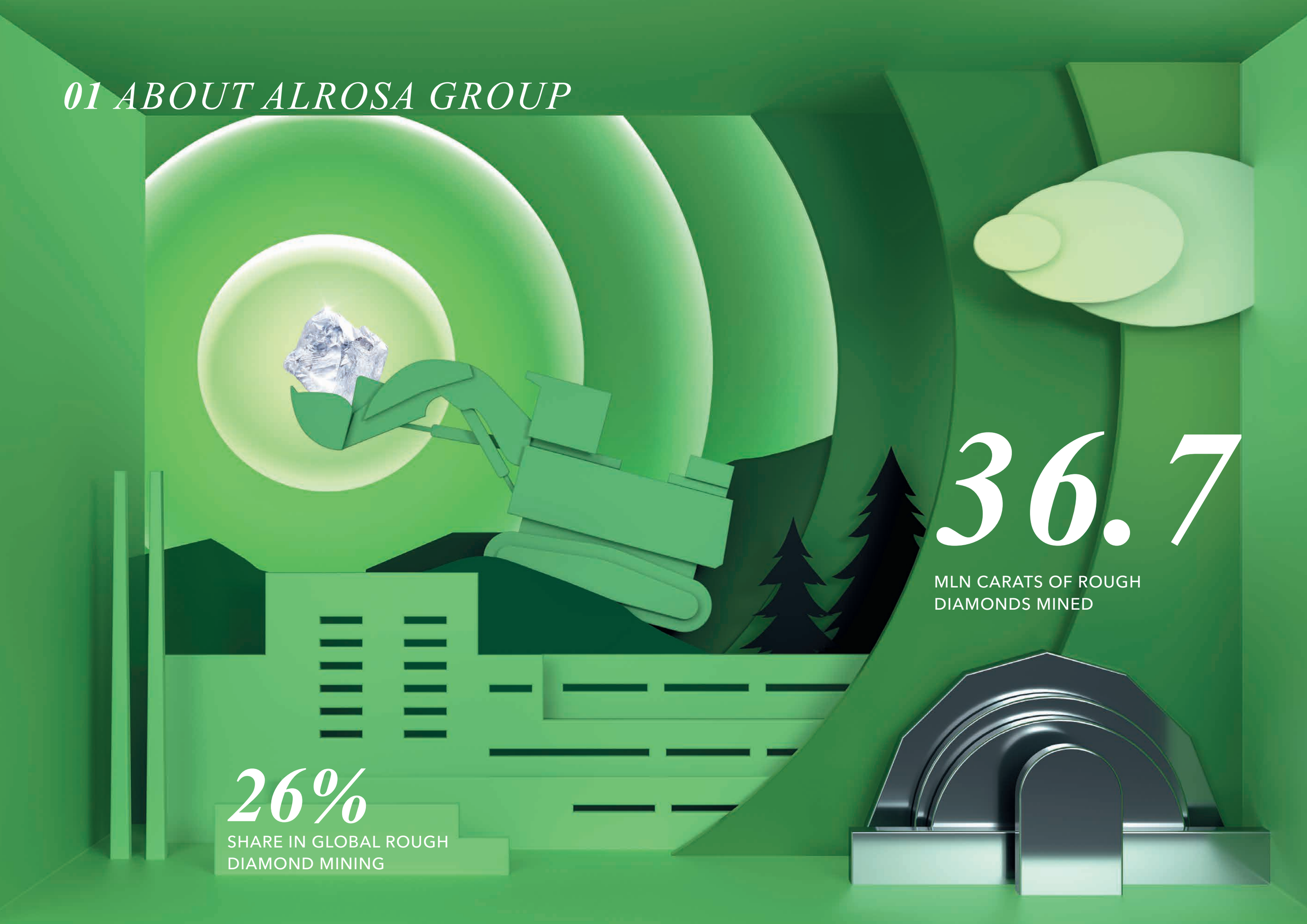
ALROSA launched children's competition "Ancestor language"

ALROSA Ecological center holds the republican amateur talent contest «Ancestor language» for children and teenagers aged 7 to 18.

MARCH 13

ALROSA contributed to the construction of school in Abyi

The settlement Abyi (Yakutia) has seen the grand opening of the new building of Abyi secondary school of A.E. Sleptsov. The Future Generations Fund under the sponsorship of ALROSA built the school. Overall ALROSA's allocation to the school construction through the fund totaled 332 mln rubles, whereof more than 9 mln rubles were spent on the improvement of the adjacent territories.



36.7

MLN CARATS OF ROUGH DIAMONDS MINED

26%

SHARE IN GLOBAL ROUGH DIAMOND MINING

ABOUT ALROSA GROUP

GRI 102-2, 102-4, 102-5, 102-6, 102-10

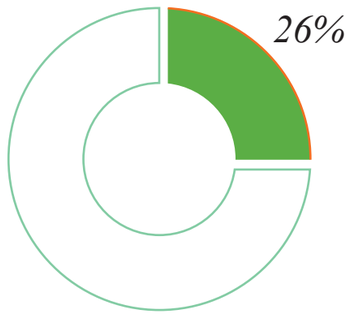
ALROSA is the world's largest diamond mining company. Its main assets are located in Russia – in the Republic of Sakha (Yakutia) and the Arkhangelsk region, as well as the African continent. ALROSA has the world's largest rough diamond reserves (over 1 bln carats)[1].

ALROSA core companies include PJSC ALROSA and its main diamond mining subsidiaries PJSC ALROSA-Nyurba, JSC Almazy Anabara, and PJSC Severalmaz, their production sites are located in the Republic of Sakha (Yakutia) and the Arkhangelsk region. ALROSA Group also includes a cutting and polishing subdivision, international representative offices in 6 countries, auxiliary industrial organizations, utility companies, recreation and treatment centers, trade and transportation units.

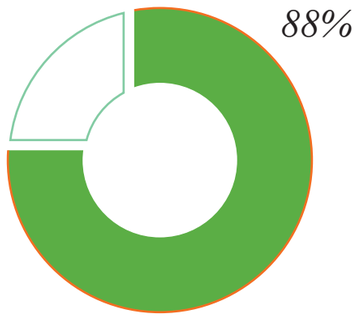
ALROSA is a public company, with its shares traded at the Moscow Stock Exchange. The Company has 34% of shares in free float and 66% owned by the Russian Federation, the Republic of Sakha (Yakutia), and municipal regions of Yakutia. The market capitalization of the Company was 726 bln rubles at the end of 2018 ($10.5 bln).

ALROSA has 34.6 thousand employees, with most of them located in Yakutia. ALROSA is committed to sustainable development and the international standards of corporate social responsibility. The Company's achievements are recognized with high positions and presence held in FTSE4Good, MSCI ESG, Sustainalytics and WWF Russia ratings.

ALROSA's share in the global diamond mining in 2018



ALROSA's share in the Russia's diamond mining in 2018



[1] *according to the State Reserves Committee of the Russian Federation*

ALROSA mission is to maintain the global leadership in the diamond mining industry that consistently delivers long-term interests of the shareholders due to efficient utilization of the production and mineral resources base.

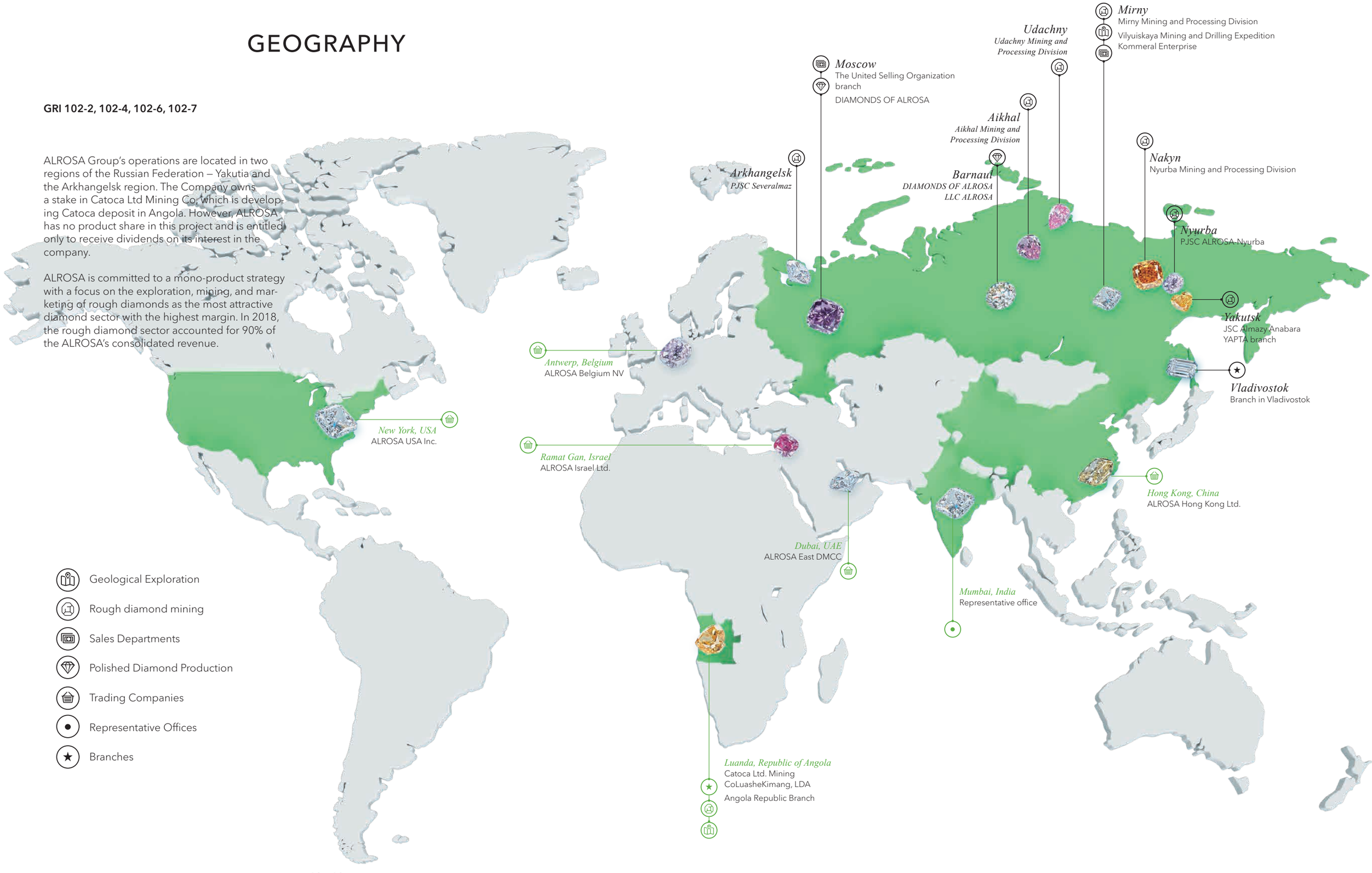


GEOGRAPHY

GRI 102-2, 102-4, 102-6, 102-7

ALROSA Group's operations are located in two regions of the Russian Federation – Yakutia and the Arkhangelsk region. The Company owns a stake in Catoca Ltd Mining Co, which is developing Catoca deposit in Angola. However, ALROSA has no product share in this project and is entitled only to receive dividends on its interest in the company.

ALROSA is committed to a mono-product strategy with a focus on the exploration, mining, and marketing of rough diamonds as the most attractive diamond sector with the highest margin. In 2018, the rough diamond sector accounted for 90% of the ALROSA's consolidated revenue.



PRODUCTION CHAIN

GRI 102-9

ALROSA's production chain includes the full process from exploration and deposit development to the sale of rough and polished diamonds.

Company's Business Model is stated at the annual report for the year 2018 (section "Strategy report", subsection "Business Model")

Exploration

ALROSA is a global leader by diamond resources and reserves.

Maintaining and expanding the resource base is one of ALROSA's key strategic priorities. Economic feasibility of certain mine or site development is determined on the case-by-case basis through the technical solutions that are shaped considering the international market demand on the rough diamonds.

ALROSA's indicated, measured, and inferred resources according to the JORC code dated July 1, 2018

1.064 bln carats

Proved and probable reserves of ALROSA Group according to the JORC code dated July 1, 2018

627.9 mln carats

Reserves of the deposits at the balance of ALROSA Group, by Russian state standards, categories C1+C2 as of January, 1 2019

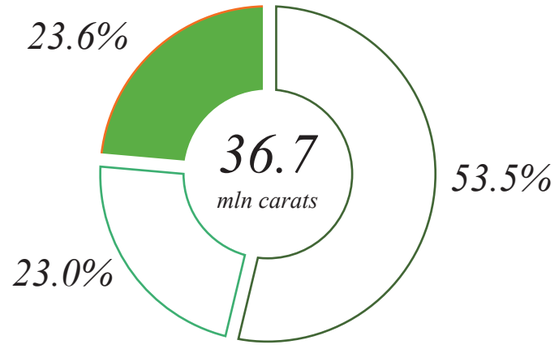
1.148 bln carats

In the long-term, ALROSA Group is committed to ensure growth of reserves at least the level that corresponds to the average mining level. The target task of ALROSA Group in terms of the exploration work in 2018 is to develop the mineral resources base in the most promising regions.

In 2018, ALROSA business units – Vilyuiskaya Mining and Drilling Expedition and Research and Development Exploration Enterprise performed the exploration work, while drilling and mining were contracted to Mirinskaya Mining and Drilling Expedition, and since July 1, 2018 – by ALROSA-Spetsbureniye LLC and its subsidiaries – PJSC ALROSA-Nyurba[2], JSC Almazy Anabara and PJSC Severalmaz.

Mining and processing

ALROSA Group mines diamonds in Russia: in Yakutia and the Arkhangelsk region. In 2018, the diamond mining amounted to 36.7 mln carats, out of which 33.1 mln carats (or 90.1% of the total volume) was produced in Yakutia and 3.6 mln carats (9.9% of the total volume) – in the Arkhangelsk region. In 2018, the surface mining from open-pit mines totaled 53.5%, 23.0% of the mined diamonds fell to the underground mines, and 23.6% – were produced by the surface mining from placer deposits.

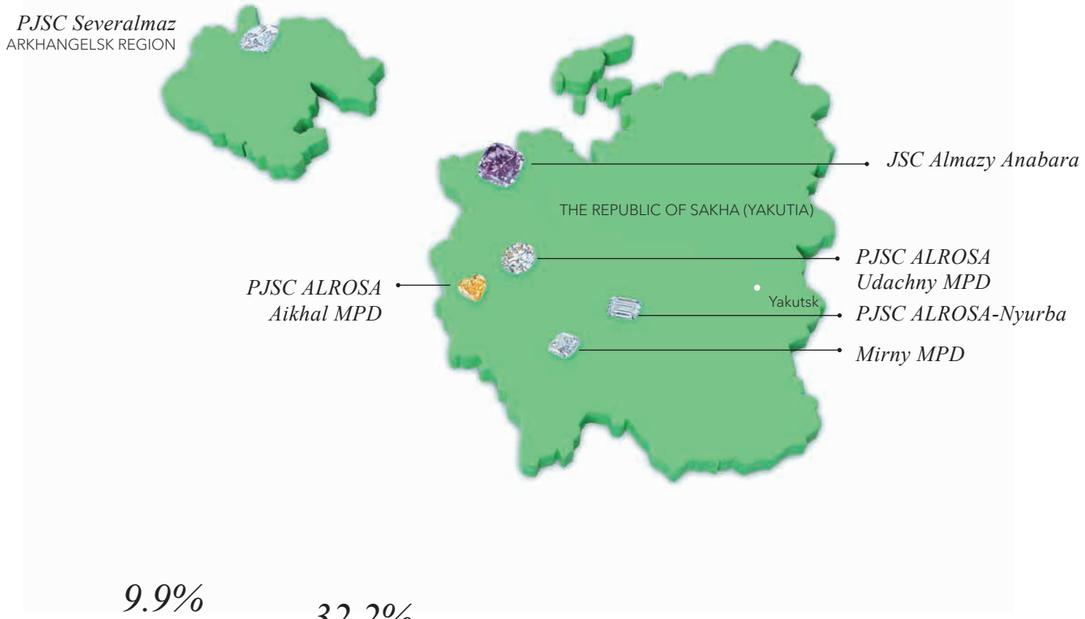


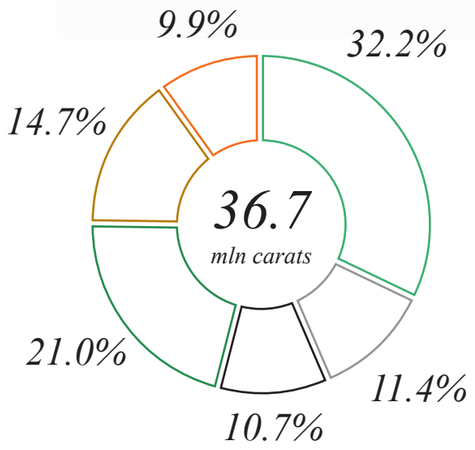
Structure of ALROSA Group rough diamond mining in 2018

Mining Type	*Share*
Surface mining Jubilee pipe, Komsomolskaya pipe, Zarnitsa pipe, Zarya pipe, Zapolyarnaya pipe (Verkhne-Munskoye deposit), Nyurbinskaya pipe, Botuobinskaya pipe, Arkhangelskaya pipe, Karpinsky-1 pipe	53.5%
Underground mining International pipe, Mir pipe (mining shut down due to the accident), Aikhal pipe, Udachnaya pipe	23.0%
Placer deposits Piropovy Ruchey placer, Zakonturnaya Deluvialnaya placer, Zapolyarnaya pipe placer deposit, Gornoye placer, Irelyakh placer, Vodorazdelnye Galechniki placer, Nyurbinskaya placer, Botuobinskaya placer, Morgogor placer, Pravoberezhie Morgogora placer, Istok placer, Ebelyakh placer, Ruchey Gusinyi placer, Srednee Molodo placer, Bolshaya Kuonamka placer, Talakhtakh placer, Khara-Mas placer, Kholomolokh placer, and Tailings of Processing Plant No. 5	23.6%

[2] *contractor work was performed by Vilyuiskaya Mining and Drilling Expedition*

ALROSA Group owns six mining facilities with four of them being part of PJSC ALROSA: Udachny Mining and Processing Division, Aikhal Mining and Processing Division, Nyurba Mining and Processing Division, and Mirny Mining and Processing Division; two other companies are subsidiaries: JSC Almazy Anabara and PJSC Severalmaz (Lomonosov Mining and Processing Division).





Structure of ALROSA Group rough diamond mining in 2018 with breakdown by subdivisions

		Share
• Aikhal Mining and Processing Division	PJSC ALROSA	32.2%
• Mirny Mining and Processing Division	PJSC ALROSA	11.4%
• Udachny Mining and Processing Division	PJSC ALROSA	10.7%
• Nyurba Mining and Processing Division	PJSC ALROSA	21.0%
• Almazy Anabara	JSC Almazy Anabara	14.7%
• Lomonosov Mining and Processing Division	PJSC Severalmaz	9.9%

Detailed Information on mining and processing divisions and subsidiary diamond-mining companies is stated in the annual 2018 report (section "Strategy Report", subsection "Results in 2018": "Operational performance"), and at the website: http://eng.alrosa.ru/operations/

Sorting and Sales

After their extraction from ore or sand, rough diamonds are sent for sorting and pre-sales inspection. The process is started in the Diamond Sorting Centers in Arkhangelsk (PJSC Severalmaz) and Mirny (all production units in Yakutia). Diamond Sorting Centers perform preliminary diamond sorting and evaluation, review and estimate the grades and quality of the rough diamonds in the pipes.

The United Selling Organization (USO) of ALROSA, the Group's main selling unit, carries out the final sorting in Moscow. Rough diamonds are sorted automatically and manually by size, shape, quality, and color, and then they are valuated and packaged in parcels for sale.

The sales unit of ALROSA also includes Yakutsk Diamond Trading Enterprise (based in Yakutsk), which sells rough diamonds to Russian customers from Yakutia, and Commeral, a subdivision focused on industrial diamonds sales.

ALROSA's sales policy is based on long-term contracts made for three years with major consumers, primarily manufacturing companies and jewelers. Such contracts guarantee stable sales to the producer and continuous supplies to clients and protect against the market volatility.

ALROSA long-term contracts are transparent and developed together with the Federal Anti-Monopoly Service of Russia. The Company is committed to the principle of equal access and offers equal box content, prices and purchase options are the same to all clients. The customer lists, selection criteria and forthcoming auction schedules are regularly published in open sources. The rest of rough diamond supply is sold through competitive bidding (auctions and tenders) and in the spot market.

In total, ALROSA sold USD $4.4 bln in rough diamonds in 2018.

Detailed Information on sales activities of the Company is stated at the annual 2018 report (section "Strategy Report", subsection "Sales and Marketing"), and at the website: http://eng.alrosa.ru/diamonds-explained/

Cutting and Polishing

Since 2000, ALROSA has been developing its own cutting and polishing facilities. Today, it is one of two diamond mining companies in the world with its own cutting and polishing subdivision. DIAMONDS of ALROSA branch is Russia's second-largest producer of polished diamonds.

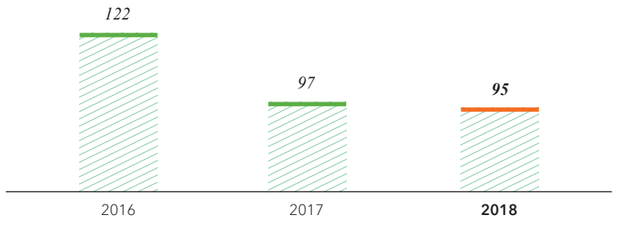
The cutting and polishing complex include the core company DIAMONDS of ALROSA based in Moscow, and Diamonds ALROSA LLC based in Barnaul. The company in Barnaul cuts small- and medium-sized rough diamonds. DIAMONDS of ALROSA branch in Moscow cuts large-sized rough diamonds over 1.8 carats.

In 2018, the sales of polished diamonds manufactured by the diamond-cutting entity of ALROSA Group amounted to $95 mln[3], which is 1.6% less than in 2017.

Dynamics of polished diamond sales by ALROSA Group in 2016–2018, mln USD

	2016	2017	2018	Est., %
Export	75	74	78	↑ 5.7%
ALROSA entities abroad	47	21	15	↓ 29.2%
Domestic market	0.4	1	2	↑ 30.1%
Total	**122**	**97**	**95**	**↓ 1.6%**

Dynamics of polished diamond sales by ALROSA Group, mln USD



Detailed Information on diamond cutting and polishing is stated at the annual 2018 report (section "Strategy Report", subsection "Sales and Marketing"), and at the website: http://eng.alrosa.ru/operations/diamond-production/

[3] *according to IFRS*

Production infrastructure

The innovation and research complex is led by Yakutniproalmaz Institute of PJSC ALROSA, a research and engineering institute of the diamond industry. The institute operates in three areas – research and technology, planning and surveying, and engineering and economy. In particular, the Institute develops new technology in diamond mining and implements Innovation Development and Modernization Program of PJSC ALROSA.

Transport and procurement complex includes Material Supplies & Logistics Division, Contract Procurement Service of PJSC ALROSA, Almazdortrans Production Division, Mirny Automobile Roads Division, and Mirny Aviation Enterprise, which are responsible for delivering material and technical resources. The significant remoteness of structural units of ALROSA from main transportation routes determined the use of seasonal navigation for delivering the bulk of resources and the development by the Company of its own logistical infrastructure.

Construction complex. Given the remoteness and harsh climate of Yakutia, ALROSA performs much of its construction projects independently. The Capital Construction Division of PJSC ALROSA is responsible for the construction and renovation of the diamond industry and infrastructure facilities and underground mines, as well as installation and commissioning projects.

Specialized repairs complex is led by Almazavtomatika Specialized Trust engaged in the design, implementation and operation of tools used to automate the technological processes and production facilities, communications and telecommunications at all production sites.

Social complex is presented by the structural departments and subsidiaries of the Company, having the objectives of preserving and conditioning employees health, maintaining healthy lifestyle: cultural and sports complex, Prometey healthcare complex at the Black Sea coast, medical center, including healthcare centers in West Yakutia: Gornyak in Mirny; Cheldobukov in Kempenday settlement of Suntarsky district; Kedr in Lensk, and Zarnitsa in Udachny.

Procurement

The main purpose of procurement is timely, efficient and transparent provision of the Company with required inventory, equipment, work and services of the proper quality in the required quantity at the best possible conditions.

Procurement approach

ALROSA procurement is governed by Federal Law No. 223-FZ dated July 18, 2011 "About procurement of goods, work, services by certain kinds of legal entities", issued to further develop this law by regulations of the Government of the Russian Federation, Regulations on procurement activities[4] and other internal regulations of the Company.

Main principles of ALROSA procurement:

- target and economically efficient cash spending on products procurement and the efforts aimed to reduce the Company's costs,
- information openness and transparency of procurement,
- equality, fairness, no discrimination and unreasonable restrictions of competition against the participants, shaping measurable requirements to suppliers.

Procurement within the Company is performed by the centralized choice of suppliers, as well as decentralized procurement. Centralized procurement procedures are organized by the Contract service – special subdivision of the Company, founded 2017.

In cases stipulated by the legislation of the Russian Federation, the Company's Charter and Supervisory Board decisions, the Company's management may perform procurement.

ALROSA procurement system prioritizes the open forms of the competition procedures. Any company meeting the requirements for the competition procedures participation and having submitted the correct request form may take part in procurement. Competition procedures are being held at the electronic trading platform.

Procurement process



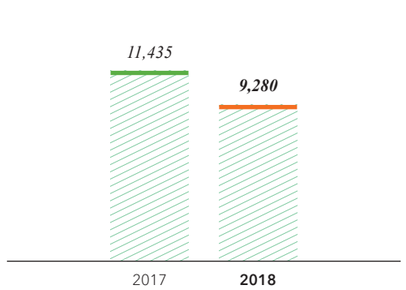
The Company places severe requirements on potential suppliers: strong verification of the submitted documentation (certificates, licenses, SRO) is conducted, competition participants shall conform with the requirements of the certain procurement transaction, have technological capabilities, production capacities and personnel needed for execution of works or supplying materials and resources.

ALROSA refrains from any unlawful actions of the potential suppliers (corruption, confederacy, unethical competition) and does not employ any services of unconscientious contractors.

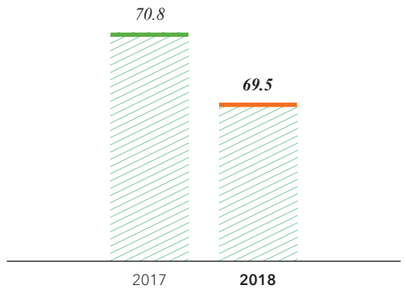
Basic criteria for the choice of contractors are cost, quality, production and delivery of goods/works execution/services provision, checking that the counterparty has the appropriate technical and human resources, experience of works execution/services provision of respective activity. One of the main choice criteria is contractor's observance of industrial safety rules adopted at the Company. ALROSA settles the industrial safety agreement with the contractors.

In 2018, the Company carried out 9,280 procurement procedures for purchase of goods, physical and intellectual services. The contracts were concluded for the total amount of 69.5 bln rubles.

Procurement procedures, pcs.



Contract value, bln rubles

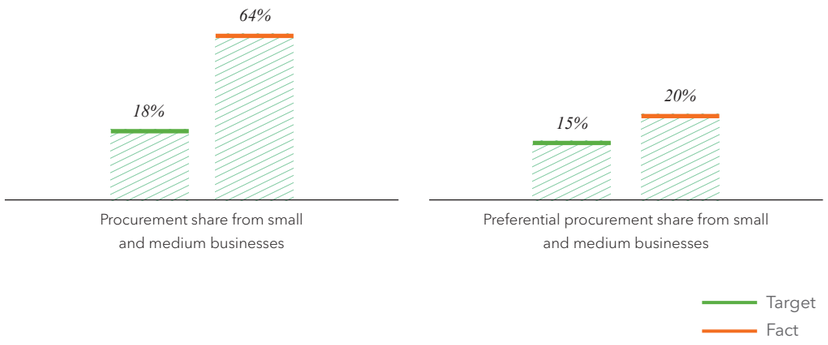


As of results of the procurement procedures held in 2018, the obtained consolidated economic effect amounted to 1.8 bln rubles or 3.8% of the initial maximum price of the performed procedures.

[4] *approved by the Supervisory Board (Minutes No. A01/247-PR-NS dated September 29, 2016), a new revision of the Regulations on procurement activities was approved November 15, 2018 (Minutes No. A01/283-PR-NS)*

In 2018, ALROSA continued developing partnerships with small and medium companies and increased their share in the total number of bidders. By the end of 2018, the share of procurement from small and medium businesses vs. overall payments under concluded contracts reached 64% with the target of 18%. By results of the year, the share of preferential procurement from small and medium businesses was equal to 20% of the amount of payments under contracts concluded by results of the preferential procurements from small and medium businesses, with the target of 15%.

Procurement from small and medium businesses in 2018



In 2018, 12 small and medium businesses were included in the partnership program based on the submitted bids, which is seven companies less than in 2017.

Managing the supply chain

ALROSA's supply chain of materials and equipment is a complex and specific process, because the main production facilities of the Company are located in Yakutia. Enumeration of the group varieties being procured includes lubricants, metal products, explosives, chemicals, mining and technological equipment, construction materials, electrotechnical equipment and materials, automotive equipment, instrumentation and automated control systems, furniture and tools, spare parts, clothing and personal safety equipment. All major procurements are delivered within the navigation period from May to October by water transport by the Lena River.

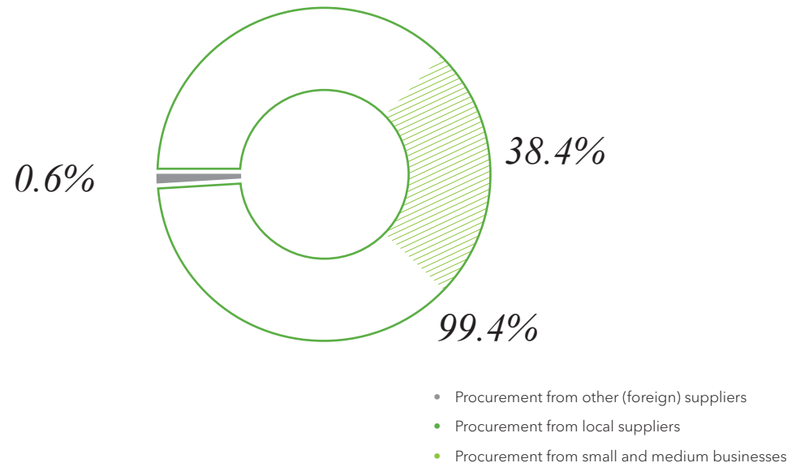
Besides the goods, ALROSA performs procurement activities of the services on the turnkey construction, major capital repairs and maintenance works, scientific research and design works.

ALROSA procurement chain management is a complex process, consisting of interrelated elements – stock management, suppliers' qualification, choice of the supplier, liability management (including production quality control), acceptance control and movement of goods. Procurement chain management is also closely connected to the related Company's processes – contractual works, budgeting, planning and other processes.

Procurement Results

Indicators	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*
Total volume of goods procured, including:	**3,152**	**3,578**	**4,056**	**7,562**	**6,714**	**5,635**
from manufacturers	872	976	937	1,082	900	826
from dealers, distributors	1,346	1,369	1,566	1,542	1,260	1,099
from intermediaries	934	1,233	1,553	4 938	4 554	3 710
Total procurement of works/ services, including:	**1,609**	**1,426**	**1,667**	**4,832**	**4,721**	**3,931**
from contractors	653	556	539	598	295	237
from service providers	956	870	1,128	4,234	4,426	3,694
Total procurement of goods and works/services, including:	**4,761**	**5,004**	**5,723**	**12,394**[5]	**11,435**	**9,566**
from small and medium-sized business entities[6]	N/A	N/A	2,265	3,240	9,930	3,656
from foreign suppliers	63	75	41	49	68	54
Total cost of procurement contracts for goods and works/ services, mln rubles	**41,450.0**	**48,701.6**	**54,931.0**	**58,833.2**	**70,791.2**	**69,538.5**

ALROSA procurement activities structure 2018



Detailed Information on procurement activities of the Company is stated at the annual 2018 report (section "Strategy Report", subsection "Enhancing Business Efficiency and Innovations").

[5] *including procurement from the sole supplier and without posting on the ETP*

[6] *reporting on SME started 1 January 2015*



ALROSA GROUP STRATEGY

In 2013, ALROSA developed the strategy defining strategic priorities of the long-term development. In 2018, the Development Strategy for 2018 – 2024 was updated due to intensifying external and internal challenges ALROSA faced. The document includes stated measurable strategic development goals, a target financial business model and strategic events.

The Supervisory Board approved the ALROSA Development Strategy for 2018–2024 in November 2018[7].

The key principles of the strategy remain in line with those approved in ALROSA's strategy in 2013:

- maintaining leadership in the global diamond market,
- focus on the rough diamond business,
- efficient management of the socially responsible business in order to implement long-term interests of the shareholders.

The strategy is based on the assumptions that the natural polished diamond jewelry market will face pressure from synthetic alternatives, other goods and services that will restrict rough diamond price increase in 2018–2024.

Successful strategy implementation will attribute to strengthening the leading positions of ALROSA in the diamond market, ensure consistent long-term growth of production and revenue, and will also increase the shareholder value.

[7] *Minutes No. A01/283-PR-NC dated November 15, 2018*

Key Strategic Priorities of ALROSA

Strategy Priority	*Summary*
Focus on the rough diamond business	ALROSA is committed to a mono-product strategy with a focus on the exploration and mining of rough diamonds as the most attractive sector of the diamond industry with the highest operating margin.
Replenishing the disposed production and mineral resource base to ensure long-term growth of ALROSA	ALROSA will continue investing in exploration and development of new deposits and maintenance of the existing deposits to ensure continuous operations in the long-term. Russia will remain the main mining region, while African countries are considered as forward-looking regions for further growth. ALROSA intends to enhance efficiency of geological survey through improving the existing and implementing new exploration methods and technologies.
Productivity increase through continuous improvement of production processes and implementation of new technologies	To enhance the operational efficiency and support profitability during both period of stable and reducing prices for rough diamonds, ALROSA actively searches for the ways to optimize cost structure at all production process stages and regularly monitors new technologies if mining and processing. ALROSA also intends to improve logistics, rough diamond sorting and classification processes, and to ensure improved liquidity through minimizing the inventory turnover rate.
Complying with high standards and shaping the culture of industrial and environmental safety	ALROSA key priorities are occupational health and safety, with its strategic purpose of completely eliminating injuries and accidents, and 100% engagement of managers in resolving safety issues. ALROSA intends to minimize negative impact on the environment, to implement rational mining and resource saving, to comply with requirements of international environmental protection and safety standards.
Stimulating the consumer demand on natural diamonds by means of the generic marketing	ALROSA aim is to shape the long-term demand on natural polished diamonds against changing preferences of the target audience, to promote the natural polished diamond as the emotional symbol of the relations.
Gradually withdrawing from the non-core businesses	Focusing on the rough diamond core business through disposing of the non-core assets.
High social responsibility in all areas of presence	ALROSA social policy is based on the principles of socially responsible business and mutually beneficial cooperation with state authorities and local governments in the regions of the Company presence. Its long-term guiding landmark include retaining investments in the regional development, maintaining its own social facilities, charity and sponsorship.

Long-term Development Program of ALROSA Group

In 2014, the Long-term Development Program Until 2023 was developed to determine the development perspectives of ALROSA Group taking into account micro and macro factors, as well as certain efforts designed to implement the development strategy.

In 2018, the Long-term Development Program of ALROSA Group 2018–2024[8] aimed to reach the strategic goals was updated together with the Development Strategy. In 2018, ALROSA implemented the initiatives across all program events of the Long-Term Development Program.

Detailed information on the LTDP events is stated in the annual 2018 report (section "Strategy report", subsection "Development strategies")

Compliance with the key performance indicators

The program strategic efforts of ALROSA have been transferred in the form of certain indicators of the operational management or KPIs.

KPIs are integrated in the management incentive system and establish the direct dependence of the remuneration amount of Chief Executive Officer – Chairman of the Executive Committee on the level of achieving the target values of KPIs approved by the shareholders.

Indicators	*2016*	*2017*	*2018*	*Est.,%*
Core product sales revenue, mln USD	4,514	4,267	4,507	↑ 5.6
Rough diamond production, thousand carats	37,358	39,614	36,749	↓ 7.2
Cost of sales share in the sales revenue,%	40.9	48.6	42.2	↓ 13.2
Integral KPI of the innovations,%	99.5	100.0	100.0	0
Market return on shares,%	49.9	-17.1	20.0	–
Growth of the dividend flow, mln rubles	53,420	7,930	>0	–
EBITDA margin, adj.%	55.6	46.1	52.1	↑ 13.0
Equity profitability (ROE),%	65.3	30.0	35.1	↑ 17.1
Net profit, mln rubles	133,471	78,616	90,404	↑ 15.0
Lost Time Injury Frequency Rate (LTIFR)[9]	0.08	0.19	0.24	↑ 28.1
Net Debt /EBITDA adj. rate[10]	0.6	0.7	0.5	↓ 25.1

[8] *adopted by the Supervisory Board November 15, 2018, Minutes No. A01/283-PR-NS*

[9] *values for 2018 cannot be fully comparable because of the measures taken to enhance transparency of the reporting*

[10] *before bank deposits*

KPI target values of ALROSA Group for three years[11]

Indicators	*2019*	*2020*	*2021*
Core product sales revenue, mln USD	4,002	4,106	4,135
Rough diamond production, thousand carats	37,320	37,148	36,795
Volume of rock mass, thousand cubic meters	80,941	85,797	92,008
Integral KPI of the innovations,%		>95	
Market return on shares,%		> Δ Moscow Stock Exchange index[12]	
Growth of the dividend flow, mln rubles	13,667	19,558	2,600
Equity profitability (ROE),%	29	28	27
EBITDA adj., bln rubles	124	125	125
Bonus Reduction Indicators			
Net Debt/EBITDA adj., rate[13]		≤0.7	
Productivity, mln rubles /person	11.45	11.80	11.97
Reduction (+)/growth (-) of the operating expenses,%	-3.8	-2.2	-0.2

[11] *target values of the indicators for 2019–2021 — based on the Long-Term Development Program of ALROSA Group for 2018–2024 approved by the Supervisory Board in November 2018*

[12] *relative change of the market P/E ratio is more than relative growth of Moscow Stock Exchange index for year (in case of growth of Moscow Stock Exchange index) and less then relative reduction of Moscow Stock Exchange index for year (in case Moscow Stock Exchange index falls down)*

[13] *before bank deposits*

02 SUSTAINABLE DEVELOPMENT

34,544

EMPLOYEES

OVER

$155

MLN OF SOCIAL INVESTMENTS



SUSTAINABLE DEVELOPMENT

POLICY

GRI 102-12, 102-15

ALROSA strives to lead the way in sustainable development and adherence to the principles of corporate social responsibility, taking into account the best world practices and complying with the principles of the UN Global Compact, the provisions of the International Bill of Human Rights, and the UN Sustainable Development Goals for the period up to 2030.

ALROSA, being a member of the international community in the context of growing self-awareness, recognizes that:

- the Company's activities, concentrating significant human and natural resources, have an enormous impact on the society and the environment,
- the public shows interest not only to the final result of the Company's activities, but also to the level of its social and environmental responsibility,
- modern global trends call for integration of a consolidated position of the global community on sustainable development into the activities of Russian companies.

In 2018, the Company adopted the Sustainable Development and Corporate Social Responsibility Policy[14]. The document is based on the general development strategy and is aimed at supporting and facilitating the Company's mission to be a global leader in the diamond mining industry, while complying with high standards of environmental and industrial safety, social responsibility, and corporate governance.

The sustainable development strategy is integrated into ALROSA's activities through:

- participation in maintaining the stability of the global diamond market, national and regional economies, the balance of reasonable expectations and interests of stakeholders,
- minimizing the adverse impact on the environment; developing rational use of mineral resources and resource conservation; complying with the laws and international standards in the area of environmental management
- responsibility for health and safety in the workplace, professional development and staff training, social and economic well-being of the population in the regions of presence, support to local communities, and charity.

Key Areas of Sustainable Development:

- environmental responsibility,
- industrial safety,
- HR management,
- support of local communities,
- economic efficiency,
- charity contributions.

[14] *approved by the Supervisory Board on December 14, 2018, Minutes No. A01/285-PR-NS*

ALROSA's activities on sustainable development and CSR are based on the following principles:

1. Accountability	*2. Transparency*	*3. Ethical Conduct*	*4. Respect for Stakeholders' Interests*	*5. Complying with the Rule of Law*
The Company is committed to accountability for the impact of its decisions and activities on the environment, the economy and society, as well as for measures taken to prevent recurrence of unintended and unforeseen negative impacts.	The Company strives to be transparent in its decisions and activities that affect society and the environment, revealing the policies and decisions for which it is responsible in a clear, precise and complete form.	The Company follows high ethical standards of open, honest and fair business to improve its corporate culture based on the best international practices.	The Company respects, takes into account and responds to the interests of all the parties concerned (stakeholders). To this end, the Company identifies interested parties, recognizes and takes due account of their interests and rights and responds to their concerns. In the course of its activities, the Company seeks to maintain a balance of interests of all stakeholders.	The Company operates in strict accordance with current laws. For this purpose, the Company complies with the requirements of laws and other regulatory legal acts in all jurisdictions where it operates, maintains awareness of all legal obligations, and analyzes its compliance with applicable laws and other regulatory legal acts on a regular basis.
6. Complying with International Standards of Conduct	*7. Respecting Human Rights*	*8. Improving Corporate Governance*	*9. Developing and Implementing Innovative Technology*	*10. Considering Particular Characteristics of Regions Where the Company Operates*
The Company seeks to comply with international standards of conduct. In situations where a law or its use does not provide adequate environmental or social restrictions, the Company strives to comply with international standards of conduct.	The Company respects human rights and recognizes their importance and universality. The Company respects and, where possible, promotes the rights set forth in the International Bill of Human Rights, respects the universal nature of such rights, takes measures to respect human rights, and in situations, where legislation or its use does not provide adequate protection for human rights, follows the UN Guiding Principles on Business and Human Rights.	High quality of corporate governance involves increasing the transparency and level of shareholder trust. In this regard, the Company seeks to improve its corporate governance system, bringing it in line with international best practices.	The main guidelines for the development and introduction of new technology, innovative products and services, innovations in management, modernization of existing technology are as follows: higher energy efficiency, industrial and environmental safety of the core business, higher economic efficiency of diamond mining.	The Company's activities in the area of sustainable development and corporate social responsibility take into account social and economic, natural and climatic, and cultural specifics of the regions of its presence. The scale of such activities is determined by severity of social, environmental and economic problems in the region.

The commitments of PJSC ALROSA in terms of key aspects of sustainable development in the implementation of Development strategy and Long-term programs:

Area	*Regulating documents*
Economic	
Achieving the planned targets in production and sales of the diamond products, ensuring returns to shareholders, reducing debt, engaging in efficient investment activities including those in the area of innovation and technological upgrade, improving economic efficiency in the regions where the Company operates.	— Long-term Development Program of ALROSA Group until 2023, — Program for Innovative Development and Technological Modernization of PJSC ALROSA for 2016–2023, — Regulations on the Dividend Policy of PJSC ALROSA, — Policy on Sustainable Development and Corporate Social Responsibility of PJSC ALROSA, — ALROSA ALLIANCE Guidelines on Responsible Business Practices, — Regulations on the Procedure and Terms of Sales of Natural Rough Diamonds by PJSC ALROSA, — Agreement on Social and Economic Development of the Republic of Sakha (Yakutia) of March 5, 2011.
Environmental	
Reducing and minimizing the adverse impact on the environment; developing the rational use of mineral resources and resource conservation; complying with the laws and international standards in the area of environmental management.	— Comprehensive Environmental Protection Program of PJSC ALROSA for 2011–2018, — Environmental Policy of PJSC ALROSA, — Energy Efficiency Improvement Program of PJSC ALROSA for the period of 2016–2019, — Energy Saving and Energy Efficiency Concept of PJSC ALROSA until 2021, — Sustainable Development and Corporate Social Responsibility Policy of PJSC ALROSA.
Social	
Ensuring safe labor environment and professional development, improving social protection of the employees; participating in the improvement of social, economic, and environmental well-being of people in the regions where the Company operates; supporting local communities; implementing regional and national charitable projects	— Social Policy of PJSC ALROSA, — HR Policy of PJSC ALROSA, — Labor Protection and Industrial Security Policy of PJSC ALROSA, — The Collective Agreement between PJSC ALROSA and Profalmaz trade union for 2017–2019, — Strategic Plan for Labor Protection and Industrial Security Management for 2018, — Policy on Sustainable Development and Corporate Social Responsibility of PJSC ALROSA, — Agreement on Social and Economic Development of the Republic of Sakha (Yakutia) of March 5, 2011.

At the end of 2018, the Company's corporate social responsibility and sustainable development activities got recognized in Russian and international ratings. Moreover, a number of independent studies marked ALROSA leadership:

— the State Employment Committee of the Republic of Sakha (Yakutia) named ALROSA the Best Employer 2018,
— the Group was acknowledged as one of the leaders of the annual contest "Corporate Charity Leaders" among Russian and international companies and became one of the leaders of two sustainability indices of the Russian Union of Industrialists and Entrepreneurs: "Responsibility and Transparency" and "Sustainability Vector",
— ALROSA became one of the leaders of the final ranking of the Environmental and Energy Efficiency of the largest companies of Russia and Kazakhstan in the real sector of economy,
— the Russian Institute of Directors upgraded the Company's ranking to NRKU 8 "Best Practices in Corporate Governance",
— The Company was second[15] in the Interfax-ERA environmental and energy efficiency rating and made it to the top 100 enterprises in Russia for Ecology and Environmental Management.



Detailed information on Company's sustainable development policies is stated on the website: http://eng.alrosa.ru/sustainability/

[15] 5,733 companies and organizations participated in the rating

INTEGRATION OF THE UN SUSTAINABLE DEVELOPMENT GOALS

IN ALROSA'S BUSINESS

GRI 102-12, 102-15

On January 1, 2016, 17 Sustainable Development Goals, stated in the 2030 Agenda for Sustainable Development, adopted by the global leaders at the momentous United Nations Summit in September 2015, became officially effective[16].

UN Sustainable Development Goals for the period up to 2030 present the action plan, engineered for the purposes of planet and people protection, as well as their well-being. These goals are universal for all countries and people. They appeal for fighting inequality and considering every person's interests. UN Sustainable Development Goals for the period to 2030 encapsulate an enormous range of issues and are aimed at poverty and hunger elimination, sustainable consumption and production implementation, and further assistance in building peaceful and open society.

Today, the blueprint of the indices list, proposed for inclusion in the National Set of UN SDGs achievement monitoring indices, was developed in Russia on the grounds of 169 UN SDG objectives. List blueprint also states index target values; it is being discussed at the official Federal State Statistics Service website[17].

ALROSA went public with its commitment to the UN Sustainable Development Goals and their integration into the Company's operations in 2018[18]. Today the Company has to go beyond the coordination of its social initiatives to the UN Goals and start enrooting them into its strategy. UN SDGs concept presents the perfect opportunity to try and adapt global goals to the Russian reality, considering the higher country's development level, as well as to the business sector systematically.

ALROSA understands the importance of openness and transparency in sustainable management. The Company's website publishes financial, annual, and social and environmental reports, which disclose information related to payments to government coffers in taxes and royalty, sustainable development performance and are subject to independent international audits. Based on the openness principles, the Company maintains consistent stakeholder relations

The Company fully accepts its social responsibilities in terms of economic and social well-being of its presence regions, creation of safe labor conditions and implements strategies, aimed at the execution of SME development state policy, training and providing jobs for the local citizens including natives, women, youth and villagers.

To determine the main 2015–2030 UN SDG priorities for ALROSA, the Company carried out the review of goals and their adaptation to activities.

2030 UN SDG	*Company's UN SDG integration*	*Events and arrangements by the end of 2018, medium-term development strategies*
Goal 1 **End poverty in all its forms everywhere** 	ALROSA operates in the national republic – Republic of Sakha (Yakutia) and is committed to the principles of high social and economic responsibility and maintaining stability of local residents and workers and their employment and enhancing well-being and life quality. **The Company does not regard Goal 1 as its priority**	The Company considers the needs of the local/native population in decent living conditions beyond the terms of poverty elimination, as is directly stated by Goal 1, but through its assistance for region's economic growth and employment of the local people at the Company. *Detailed Information on Company's approaches to cooperation employment of the local citizens is stated at the "Social responsibility" section of the report*
Goal 2 **End hunger, achieve food security and improved nutrition and promote sustainable agriculture** 	Goal 2 shall be adapted for PJSC ALROSA. According to 2018–2024 ALROSA Development Strategy and 2018–2024 ALROSA Group Long-Term Development Program, the Company sees social aspect of the abovementioned goal as front and center[19] instead of economical, as is stated by the 2030 Agenda for Sustainable Development. The Company following the accepted principles of social responsibility and further development of the regional policies, as well as aiming to provide efficient employment for local rural population and to fulfil the requirements of PJSC ALROSA structural departments and people of the region in basic agricultural produce (eggs, milk, meat), invests into its own social welfare farm – state farm "Novyi".	The creation of the state farm "Novyi" within the Company's structure was determined by the remoteness from the Russia's central regions and the lack of other options to provide natural and fresh food for the diamond-mining enterprise employees. The "Novyi" farm is mainly engaged in production and supply of milk, eggs and meat to satisfy the needs of employees of the Company to compensate for harsh and dangerous working conditions, as well as free sale of the products to the population of the area. Moreover, the "Novyi" farm supplies kindergartens and school of Mirny district with organic milk. According to the terms of the 2011–2020 Agreements on cooperation between ALROSA Diamond Company (PJSC) and municipal districts of the Republic of Sakha (Yakutia) within the "Regional development, charity and sponsorship" program the Company traditionally supports reindeer herders and fishermen tribal communities. Annual financial assistance is provided for agricultural activities, support and development of traditional fishing and hunting activities, procurement of off-road vehicles, fishing gear and hunting equipment, which directly corresponds to the objective 2.3 of the Goal 2.

[16] *resolution, adopted by the General Assembly. Transforming our world: the 2030 Agenda for Sustainable Development. Seventieth session. Paragraphs 15 and 116 of the Agenda. — UN, New York, September 2015*

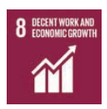
[17] *http://www.gks.ru/*

[18] *PJSC ALROSA Social and Environmental Report for 2017, pp. 16–19 http://www.alrosa.ru/wp-content/uploads/2018/10/18_AR_SocialReport_En.pdf ALROSA Diamond Company (PJSC) Policy on Sustainable Development and Corporate Social Responsibility, p. 3 http://eng.alrosa.ru/sustainability policy-on-sustainable-development-and-corporate-social-responsibility/*

[19] *Russian Federation Human Development Report «UN Sustainable Development Goals and Russia».*

2030 UN SDG	*Company's UN SDG integration*	*Events and arrangements by the end of 2018, medium-term development strategies*
Goal 3 **Ensure healthy lives and promote well-being for all at all ages** 	Goal 3 is an important objective, having healthcare as major, but not sole aspect. First of all, reduction of disease incidence and death rates among people of working age shall be considered as the well-being parameter of high significance. At PJSC ALROSA achievement of the Goal 3 is evaluated through certain readings in healthcare, support of health and healthy lifestyles, as well as through the provision of labor safety. Over several decades, the Company has been implementing social programs to ensure healthy lifestyles of its employees, their children, and pensioners. Upscaling the occupational safety level is an integral part of Goal 3 achievement by ALROSA Diamond Company (PJSC). Projects in the field of HSE are integrated into the ALROSA Diamond Company (PJSC) business model.	The Company implements corporate programs: "Wellness and Recreation of Employees and their Family Members", "Culture and Sports", "Health". Through these programs thousands of people acquire medical check-ups and treatment at the Russia's leading medical centers, participate in health-corrective events and obtain preventive care at healthcare centers in Yakutia, as well as Black Sea and Altai resorts . *Detailed information is stated in the 2018 Report on the contribution of ALROSA Diamond Company (PJSC) to the achievement of SDGs (pp. 22–23)* Also, the Company's Medical Center runs screening programs, aimed at timely detection and further reduction of the incidence of diseases, since 2017. Works on updating the current public health service system at Company's presence areas are being held since 2018. It is aimed to enhance the current medical system and attribute to raising the health status of ALROSA's employees by increasing the medical help quality and affordability, reinforcing exploratory aiding and implementing new medical services. Therefore in 2018, PJSC forwarded 2.5 bln rubles adjusted for supporting cultural and sports facilities. Together with advanced technologies, the Company implements managerial solutions for upgrading worker's health and safety. *Detailed information is stated at the report's section "Policy and management of labor protection and industrial safety"*

2030 UN SDG	*Company's UN SDG integration*	*Events and arrangements by the end of 2018, medium-term development strategies*
Goal 4 **Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all** 	For ALROSA Goal 4 is providing all its activities with qualified and competent employees in accordance with production planning and forming advanced skills with the workers, including those demanded by the market, especially future skills, for youth and adults. The Company provides an opportunity for lifelong learning within the system of retraining and advanced training in the proprietary Personnel Training Center of PJSC ALROSA and its training schools and training centers across Russia. The comprehensive program for vocational guidance in the Mirny district of Yakutia is being implemented for many years through the preparation of senior schoolchildren for their enrollment into relevant programs at leading Russian universities; funding for schoolchildren – participants of the Program in Russian and regional competitions (Olympiads) as part of an agreement with Russia's leading technical universities. The Company attends to the rising generation, which comprises the objective 4.2 Goal 4.	For several years ALROSA sponsored 27 pre-school educational institutions in Mirny and Lensk districts, attended by about 4 thousand children aged 2-7. As the result of reforms and referral by the Company's pre-school educational institutions to the municipal structures, "Almazik" pre-school autonomous non-profit educational organization was founded in 2012 by ALROSA. The Company annually funds its statutory activities free of charge. *Detailed information, including youth outreach and employee advanced training, is stated at the section "Social Responsibility" of the report*
Goal 5 **Achieve gender equality and empower all women and girls** 	Regardless of gender, ALROSA offers equal professional, growth, and career opportunities to all employees. The Company pays equal salaries to men and women having equal salary rates. Using women's labor in harsh and dangerous works, as well as underground is prohibited throughout the Company. Therefore, payouts to men and women with equal salary rates may differ dependent on the size of compensating fringe benefits (for harmful and arduous working conditions). Goal 5 is in Company's question in terms of providing gender equality during the formation of ALROSA governing bodies.	By the end of 2018, women account for 34.5% within the total personnel of PJSC ALROSA and 30.5% within its management personnel, which is a high proportion for the mining industry *Detailed Information on the Company's gender composition and this parameter's dynamics is stated at the 2018 annual report (section "HR Policy")*

2030 UN SDG	*Company's UN SDG integration*	*Events and arrangements by the end of 2018, medium-term development strategies*
Goal 6 **Ensure availability and sustainable management of water and sanitation for all** 	Goal 6 is crucial for ALROSA regarding human intervention of the Company's production activities into the environment. Resolving issues with providing citizens of the republic with high-quality water supplies is Company's top priority, and objective 6.1 to provide population with clean potable water is of high social significance. Other important activities in terms of water resources utilization for the Company are three objectives for the Goal 6: upgrading the water quality and upscaling recirculation and safe wastewater reuse (objective 6.3), providing complex water resources management, including cross-boarder cooperation (objective 6.5), maintaining water-related ecosystems safety and recovery (objective 6.6).	Quality of water suffered from freshets and floating mine sites of the Mirny MPD washouts in August 2018 in Mirny district due to the abnormal rainstorms. It resulted in Company's industrial wastewater entering Irelyakh and Vilyui rivers, connecting several districts of the republic – Suntar, Nyurbinsk, Vilyuisk and Verkhne-Vilyuisk. *Detailed Information on expenses and activities of the environmental program is stated in section "Environmental responsibility" of the report*
Goal 7 **Ensure access to affordable, reliable, sustainable and modern energy for all** 	**For ALROSA Goal 7 requires adapting for the period to 2030** and shall be connected to maintaining production energy efficiency – to the development of advanced technologies in energy sector, which will correspond to the global goals on supporting climate and environmental benchmarks.	The Company implements the Energy Saving and Energy Efficiency Program of PJSC ALROSA for 2016-2019, which contemplates several important energy saving measures and the implementation of innovation and technology in terms of energy saving and efficiency. *Detailed information relating implementation of the Program and 2018 results is stated at the 2018 annual report (section «Strategy Report», subsection «Improving Business Efficiency and Innovation»)*
Goal 8 **Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all** 	For Goal 8 achievement ALROSA shall keep up with key long-term production and financial figures, adopted within 2018–2024 ALROSA Group Development Strategy, including – meeting target business figures and increasing core activity performance. ALROSA is committed to long-term growth not only as a business agent but also as a player in the global, Russian, and regional economic processes. ALROSA adopted the SME Partnership Program, which involves information and management support and other assistance to SME related to procurement and innovation development of the Company.	In 2018, ALROSA signed an agreement on mutual cooperation with the State Committee for Employment of the Republic of Sakha (Yakutia) to run a priority project of Yakutia – Local Personnel to the Industry in 2018-2022. Upon execution of this Agreement in 2018, key performance figures were obtained. **ALROSA is recognized as Yakutia's Best Employer 2018.** *Detailed Information on the creation of value for different groups of the concerned parties is stated at the 2018 annual report (section "Strategy Report", subsection "Business Model")* *Detailed information relating cooperation and procurement with SME is stated at the 2018 annual report (section «Strategy Report», subsection «Improving Business Efficiency and Innovation»)*
Goal 9 **Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation** 	As the region-forming company, ALROSA independently and together with the state provides Yakutia with the key infrastructure facilities and access to joint use of transport and water infrastructure, domestic air services. Supervisory Board approved the foundation of the subsidiary "Mirny Airport", which shall conduct construction management of the new airport complex in Mirny. 100% of the chartered company's ownership capital amounting 1.0 mln rubles shall belong to ALROSA. "Lenaeroproekt" institute is chosen as prime contractor for designing new airport. Sustained industrialization is impossible without developing innovations and science, implementing new technologies and upgrading innovation business, including small- and medium-scale. One of the focuses of Company's sustainable development is integrating advanced technologies and solutions, providing its competitiveness. The Company has developed and implemented Innovation Development and Technological Upgrade Program (IDTUP), comprising almost every sphere of the Company's production activities[20]. For obtaining Goal 9 the Company shall invest to its presence regions' infrastructure and pay attention to the most advanced research and technology projects, as well as innovations.	The Company initiated the construction of the new airport in Mirny, which is of high significance to West Yakutia and assumed obligations to raise government funding for the construction of airport terminal and finance the airfield construction. The completion of the airport construction is scheduled for 2022. ALROSA will invest 10.4 bln rubles in airport construction. Same amount shall be rendered by the federal budget, and 1.0 bln rubles – out of the budget of State Air Navigation Corporation of the Russian Federation. Besides the design of the project, the Company plans to construct the airport infrastructure (8.1 bln rubles), utility systems (1.4 bln rubles) and access road (0.6 bln rubles). Federal budget funds shall be forwarded for the construction of airfield infrastructure. Within ALROSA's Innovative development and technological modernization program projects and policies are fulfilled, aiming at improving energy efficiency and environmental friendliness of production, increasing performance of exploration and mining works of the operating facilities, as well as new technologies' development. Works on fulfilment of innovative projects related to complex information systems integration and production automation, diamond sorting and production are being carried out. ALROSA started implementation of projects and policies on digital technologies. *Detailed information relating implementation of the Program is stated at the 2018 annual report (section «Strategy Report», subsection «Improving Business Efficiency and Innovation»)*

[20] *2011–2018 ALROSA Innovation Development Program was masterminded 2010 and approved by the Supervisory Board February 2011. Program for Innovative Development and Technological Modernization of PJSC ALROSA for 2016–2023 was updated and approved 2015*

2030 UN SDG	*Company's UN SDG integration*	*Events and arrangements by the end of 2018, medium-term development strategies*
Goal 10 **Reduce inequality within and among countries** 	PJSC ALROSA has operations mainly in Yakutia. The level of income (the key component is salary) of the Company's employees is 1.9 times higher than the national average. ALROSA has achieved a social standard for its employees, which allows ensuring a competitive position in the labor market and maintaining the status of an attractive employer in the regions of its operations. At the same time, ALROSA implements a labor policy aimed at attracting and employing local residents (every year the Company hires employees with residents of Yakutia accounting more than 90% in this amount). The key documents of the Company defining the policy on sustainable development[21] and human resources management declare that any form of discrimination is prohibited. Each employee has equal opportunities to exercise his or her labor rights regardless of sex, race, color, nationality, language, origin, property, social and official status, age, place of residence, attitude to religion, political beliefs, affiliation or non-membership to public associations, as well as other circumstances which are not related to the business qualities of the employee . This ensures equal opportunities for all people. **Goal 10 is not a priority for ALROSA directly, and its achievement is linked to the implementation of Goal 8.**	In 2018, the average salary per a worker in PJSC ALROSA amounted to 126.7 thousand Rubles that increased by 1.9% and exceeded the average level in the Russian Federation by 2.9 times, and Yakutia – by 1.9 times, in Moscow – by 1.5 times. To support low-wage categories of personnel, clause 7.1.5 of the Collective Agreement stipulates that employees whose wages are below the subsistence level set for the working-age population, subject to the family maintenance (1.71 level within the territory of the Yakutia), who have worked the monthly work time standard and have completed labor standards, the Company shall pay extra to this level. *Please, see more detailed information in the report presented in the section «Sustainability»*

2030 UN SDG	*Company's UN SDG integration*	*Events and arrangements by the end of 2018, medium-term development strategies*
Goal 11 **Make cities and human settlements inclusive, safe, resilient and sustainable** 	Goal 11 is currently important for ALROSA and relevant for the development of the regional city system – it is necessary to create attractive living conditions in regional cities when the Company operates, to improve the environmental component of quality of life, including by means of eliminating dilapidated housing for the purposes of keeping the Company's staff and especially young workers. Highest priority for PJSC ALROSA of all objectives of the Goal 11 is ensuring affordable housing and improving housing conditions. For many years, the Company has implemented the corporate Housing program aimed at meeting the housing needs of workers by means of the construction of comfortable dormitories and residential buildings within the main region of operations, as well as improving the living conditions of workers including their personal funds and providing them with corporate support for purchasing the housing.	As part of the Regional development, charity and sponsorship program, the company donates annually to municipal areas in Yakutia, where the company operates to construct and repair roads, electricity transmission lines, and area development. *Please, see more detailed information relating results for 2018 in the report presented in the section «Sustainability»*
Goal 12 **Ensure sustainable consumption and production patterns** 	The focus on responsible production and consumption was set in 2011 by the adoption of the Innovation and Modernization Program of PJSC ALROSA until 2023. The program was updated in 2018 and will be in operation until 2024. The Program contemplates efforts to decrease resource intensity and improve performance along the value chain of rough diamond mining. The Program performance is shown in annual reports, which represent the achieved KPIs, including energy consumption per one carat mining; fresh water intake from natural reservoirs; greenhouse gas emissions in CO_2 equivalent by stationary and mobile sources, and more.	*Please, see more detailed information relating results for 2018 in the report presented in the section «Sustainability»*

[21] *PJSC ALROSA Policy on sustainable development and corporate social responsibility http://www.alrosa.ru/wp-content/uploads/2018/12/ALROSA-Policy-on-sustainable-development-and-corporate-social-responsibility_EN.pdf*

2030 UN SDG	*Company's UN SDG integration*	*Events and arrangements by the end of 2018, medium-term development strategies*
Goal 13 **Take urgent action to combat climate change and its impacts** 	Since 2013, PJSC ALROSA has in place the Guidelines developed to calculate carbon dioxide emissions by stationary and mobile sources of the Company, whereby the amount of greenhouse gas emissions are calculated as a result of production activities of its structural divisions. ALROSA reduces the amount of greenhouse gas emissions by implementing the measures prescribed by the Innovation Development and Technological Upgrade Program of PJSC ALROSA for the period of 2016-2023 and the Concept for Energy Saving and Energy Efficiency of PJSC ALROSA until 2021.	For 2014–2018, the general dynamics of greenhouse gas emissions in CO_2-equivalent from all the Company's units (within the Yakutia and beyond) shows a downward trend. In 2014–2018, the greenhouse gas emissions from the production activities of ALROSA has been reduced almost by one-half due to organizational measures (withdrawal of the structural unit "Heat and Water Supply Enterprise" (PTVS) from January 1, 2017, which was one of the main units having the pollutants emissions in the atmosphere), as well as measures to reduce emissions. Strategic goal for PJSC ALROSA for period of 2018–2024, is a 3% reduction of greenhouse gas emissions in CO_2-equivalent by 2020 year. *Please, see more detailed information relating implementation of the Program in the annual report for 2018 presented in the section «Strategic Report», subsection «Improving Business Efficiency and Innovation», and the section of the report «Environmental Responsibility».*
Goal 14 **Conserve and sustainably use the oceans, seas and marine resources for sustainable development** 	Goal 14 is important for Russia – sea spaces within the exclusive economic zone of the Russian Federation are extremely important for ensuring the socio-economic development of the country. The production facilities of PJSC ALROSA do not have direct access to the seas and oceans; therefore, **Goal 14 is not a priority for the Company.**	The company's production sites are located next to rivers and other fresh water natural sources, which caused the development and implementation of the relevant water protection measures to prevent river contamination as part of PJSC ALROSA 2011-2018 Integrated Environmental Protection Program: – use of a reverse water supply cycle, allowing to reduce or stop the discharge of pollutants to water bodies, – construction of closed reusing water system in processing plants, – construction of dams for interception water runoff In reuse storages with year-round monitoring, – work arrangement of floating processing plants (drags) in the isolated closed pits, – use of the method of returning saline water by re-injection into an aquifer or in the permafrost.

2030 UN SDG	*Company's UN SDG integration*	*Events and arrangements by the end of 2018, medium-term development strategies*
Goal 15 **Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss** 	ALROSA's efforts to protect biodiversity are reflected in the 2011–2018 Integrated Environmental Protection Program of PJSC ALROSA and related to further development and support of the Living Diamonds of Yakutia national park.	Subject to the agreement between the Ministry of Nature Protection of the Republic of Sakha (Yakutia) and PJSC ALROSA, the Company implemented a large-scale project to develop the Living Diamonds of Yakutia natural park located on the Company's direct operation ground. The natural park was created to protect and maintain the biodiversity of Western Yakutia. The Program includes efforts to fish stocking in water reservoirs in the Company's production sites to compensate losses in biological resources. To implement the Program, the Company carries out integrated environmental monitoring of plants and animals within the area of its production activities. *Please, see more detailed information relating results for 2018 in the report presented in the section «Responsibility in the social sphere»*

2030 UN SDG	*Company's UN SDG integration*	*Events and arrangements by the end of 2018, medium-term development strategies*
GRI 102-13 ***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** 	Since 2013, the Company is a participant in the Anti-Corruption Charter of the Russian Business of the Russian Union of Industrialists and Entrepreneurs (RSPP). Company maintains and operates in compliance with the Policy for Countering Corruption and Bribery, and ALROSA ALLIANCE Guidelines on Responsible Business Practices, including the standards for counteracting corrupt activities. Commitment by ALROSA to the Kimberley Process (KP) – an interstate initiative for preventing «conflict diamonds» from entering the mainstream rough diamond market – and its involving in fulfilling the requirements of the KP certification scheme in accordance with national legislation. ALROSA is a member of the World Diamond Council (WDC) established in 2000 for the purposes of interaction of the diamond industry with the Kimberley Process. To ensure sustainable development of the industry and implementation of generic marketing programs aimed at maintaining and increasing demand for rough and polished diamonds. In 2015, ALROSA with other global major diamond mining companies established the Diamond Producers Association (DPA). The Company promotes responsible business standards in the diamond industry being a member and participating in the Responsible Jewellery Council (RJC) which is an international non-profit organization engaged in certification and standard setting. **Goal 16 is a priority** for the Company and aimed at eradicating corruption, pursuing a policy of responsible practices in the diamond business and sustainability of its development.	PJSC ALROSA conducts annually checks aimed at identifying any violations in the area of countering corruption not only among its workers, but also among the business partners of the Company. Employees are trained in anti-corruption policies and procedures. In order to show duly commitment and compliance with RJC requirements, as well as the best global business practices in corporate standards of the Company, ALROSA updated its Sustainable Development and Corporate Social Responsibility Policy in 2018, which confirmed its commitment to the UN Sustainable Development Goals and the UN Guiding Principles on Business and Human Rights.

2030 UN SDG	*Company's UN SDG integration*	*Events and arrangements by the end of 2018, medium-term development strategies*
Goal 17 **Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development** 	ALROSA is committed to enhance efficiency of international regulatory mechanisms and the industry self-regulation system, to promote high standards of responsible business thus facilitating to strengthening the consumers' trust and contributing significantly in the sustainable development of the diamond industry, including the achieving UN Sustainable Development Goals. The Company also takes efforts to strengthen bilateral cooperation on sectoral cooperation items with major national organizations of the world diamond community, and the Company participated in intergovernmental commissions as a part of cooperation in the diamond industry according to interstate cooperation. In order to ensure the sustainable development of the regions of its current operating activity, ALROSA interacts with the state authorities of Yakutia, as well as local communities and representatives of various interested groups to achieve sustainable development goals. For the purposes of regional development, ALROSA pay key attention to supporting local and indigenous people and helping the uluses in the "diamond province" in carrying out agricultural and traditional field activities. **For the purposes of Goal 17, the company should make further public presentation of transparent accounts to stakeholders, which** is ALROSA's fundamental practice in compliance with the UN Sustainable Development Goals.	On the African continent, PJSC ALROSA in collaboration with the Angolan state-owned company ENDIAMA E.P. promotes the partnership principles of sustainable development and corporate social responsibility in the Catoca mining company, which is the largest diamond mining enterprise in Angola. In accordance with the Agreement "On the Socio-Economic Development of the Republic of Sakha (Yakutia)" dated March 5, 2011, with an effective period until 31st of December, 2020, ALROSA donates money for the social development – construction of educational, health, cultural and sports facilities within the Yakutia. For the period of 2011–2020, PJSC ALROSA has entered into long-term agreements on mutual cooperation with the "diamond province" uluses, according to which the annual financial support to the regions of the Yakutia shall be 83.3 million Rubles. PJSC ALROSA is one of the main budget-forming companies in the Yakutia – it accounts for 40% of the total production of the Republic.

The key priorities of PJSC ALROSA and their respective goals and concepts are consistent with the UN Sustainable Development Goals, adopted for the period until 2030.

Key concepts, mission and corporate programs of PJSC ALROSA for implementation of sustainable development principles of the United Nations organization

Goals and objectives of the Company	*Corporate operations*
Economic goals 	
Achievement targets: – maintaining the reserves at the level of at least 1 000 billion carats up to 2024 – maintaining diamond production volume at a stable level of about 37 million carats per year, – ensuring the volume of revenue from sales of main products in 2018–2024 at the level of $ 4.0-4.6 billion per year – improving operational efficiency, – developing and implementing Innovative Technology	– Assessment and additional exploration of open fields, – prospecting works in the areas of the Company's operating activities, – field development in Russia, – implementation of marketing initiatives, – increasing labor productivity.
Social goals 	
Labor Protection and Industrial Security Management: – increasing the level of industrial safety and labor protection, – decreasing the injuries and occupational diseases	– Improving the methods for ensuring industrial safety, – formation and development of a safety culture in the Company, – increasing the level of industrial safety, – ensuring safe working conditions, – implementation of medical preventive programs
Development of the personnel potential of the Company	– Improving the system of selection and adaptation of staff, – development of corporate training programs and staff development by way of introduction of modern methods of continuous training, – staff appraisal, – staff motivation by means of remuneration and various types of bonuses, as well as a wide package of benefits, guarantees and compensations provided for by the Collective Agreement, – Corporate special social programs for employees and their families: "Wellness and Recreation of Employees and their Children", "Health", "Culture and Sports", "Housing", "Private Pension Plans"
Supporting the local communities in the territories of the Company's current operations, and assistance to socio-economic development of the regions where the Company operates	– Supporting the social infrastructure of the territories of operation, – development of cooperation with the stakeholders
– Improving effectiveness of international regulatory mechanisms and systems of industry self-regulation, – promoting high standards of responsible supply chains and doing business	– Membership in international industry organizations, implementation and execution of industry initiatives and projects, – cooperation with the main national organizations of the world diamond community, and cooperation in framework of the interstate cooperation
Environmental goals 	
Environmental Protection Program: – reduction of anthropogenic or man-caused load and maintaining a favorable state of the natural and human environment, – prevention of environmental damage from production activities, – rational use, restoration and protection of natural resources: – 3% reduction of greenhouse gas emissions in CO_2 equivalent by 2020, – decrease in water consumption by 15% and water disposal by 7.5% by 2024, – 50% increase in the recyclable waste by 2024, – decrease in the total amount of disturbed lands due to restoration by 10% by 2024, – biodiversity conservation, – energy saving and energy efficiency, – maximal environmental disclosure	– Rational use and protection of water resources, – air protection, – waste disposal and lands conservation, – implementation of biodiversity conservation programs, – energy saving and energy efficiency improvement

CORPORATE GOVERNANCE SYSTEM
FOR SUSTAINABLE DEVELOPMENT

GRI 102-18, 102-19, 102-20, 102-26

The principles of sustainable development are integrated into ALROSA's strategy and are taken into account when making the decisions. The sustainable development management involves all elements of the corporate system, ranging from the elaboration of strategic guidelines at the senior levels of governing bodies to their integration into the Company's operations under the supervision of functional services and heads of business units.

ALROSA is committed to the highest corporate governance standards and duly complies with the Russian laws and the relevant best global practices.

ALROSA aims for complying with corporate governance principles set out in the Corporate Governance Code recommended by the Bank of Russia in the Letter No. 06-52/2463 dated April 10, 2014, and declares its intention to continue working on the implementation of key principles and recommendations of the Corporate Governance Code in the activities of the Company.

The main document that defines the principles and general rules of corporate governance in the Company is the Corporate Governance Code of PJSC ALROSA approved as amended and restated in 2016 by the General Shareholders' Meeting.

Role of Corporate Governance

ALROSA implements its corporate governance system in full compliance with the Russian legislations, including in the area of corporate law, anti-corruption law, and laws on the securities market, as well as in accordance with international standards and recommendations. Consistently developing all the elements of the system, adjusting them in response to new demands and challenges of the environment, the Company is invariably guided by key principles of corporate governance, enshrined in the Corporate Governance Code.

Adherence to high standards of corporate governance is one of the Company's strategic priorities. The management of PJSC ALROSA confirms that ensuring the growth of shareholder value in the long term is impossible without duly and full protection of the rights and interests of all the shareholders.

Informational transparency is one of the important elements of corporate governance and a significant factor affecting investment attractiveness of the Company.

The annual General Meeting of Shareholders held on June 26, 2018, approved amendments to the Articles of Association, Regulations on the Supervisory Board, the Executive Committee, the Audit Committee, as well as remuneration of members of the Supervisory Board. Amendments to the Charter were necessary to ensure that the document complied with the amended legislation on joint-stock companies, as well as to fulfill recommendations under the Corporate Governance Code[22] and the Corporate Governance Code of the Company[23].

Amendments to the Regulations on the Supervisory Board, the Executive Committee and the Audit Committee were made to improve the quality of communications between the members of the Supervisory Board, the Audit Committee and the Company's management, and to ensure prompt access for members of the governing bodies to any meeting materials (absentee voting), and enable them to resolve issues remotely in on-line mode.

Amendments to the Regulations on remuneration of members of the Supervisory Board were made in order to raise the level of a corporate culture and in accordance with the best corporate practices.

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[22] *recommended by the Bank of Russia n the Letter No. 06-52/2463 dated 10th of April, 2014*

[23] *and approved by the annual General meeting of shareholders on June 30, 2016, (Minutes No. 34) as amended by the Resolution of the annual General meeting of shareholders on June 30, 2017 (Minutes No. 35)*

Key Events in 2018

In 2018, the Company applied for the first time the electronic voting procedure for holding the General Meetings of the Shareholders.

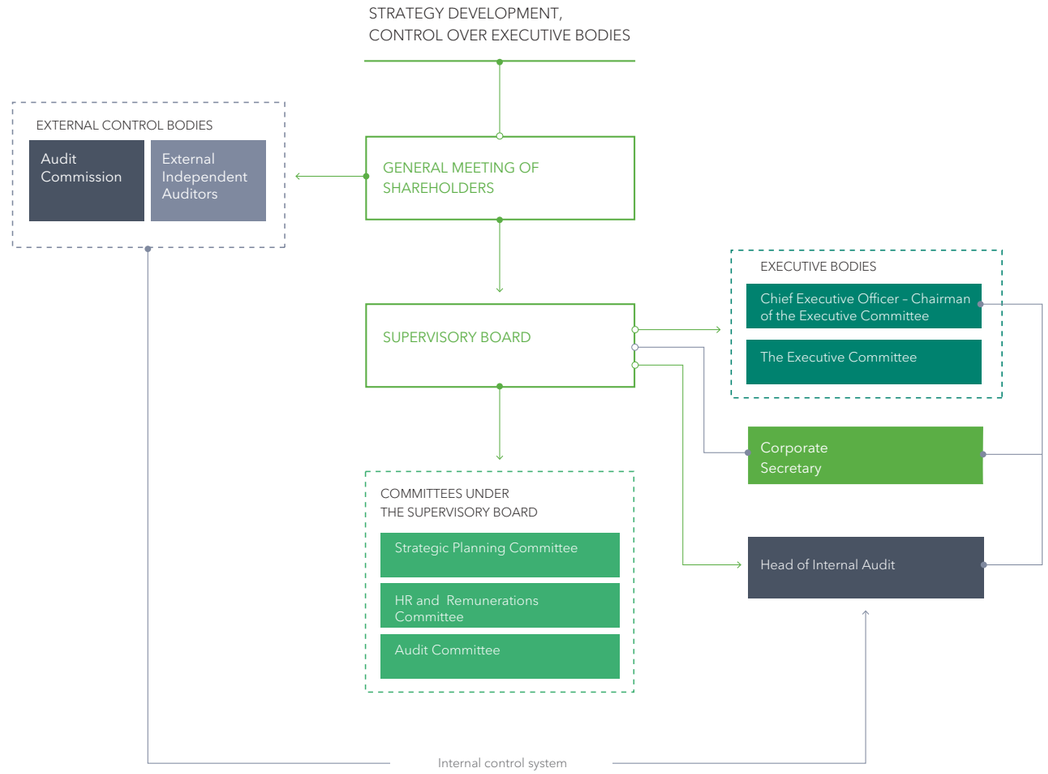
In October 2018, the Company was assigned a National Corporate Governance Rating – 8, it means that the Company complies with the requirements of the Russian legislation in the field of corporate governance and follows a significant number of recommendations of the Russian Corporate Governance Code. The company shows low risks of loss of its owners that may arise from the quality of corporate governance.

A comprehensive assessment of the Supervisory Board and its committees was conducted with involvement of external organizations (consultants); the corresponding report was reviewed by the Supervisory Board in December 2018, and the Methodology for evaluating the activity of the Supervisory Board and its committees, the Chairman, Members of the Supervisory Board and the Corporate Secretary of the Company were approved.

Considerable work was carried out to implement a project on automated information system for the collegial bodies of the Company. The system is designed to facilitate the remote access to materials on agenda items and the voting process for members of the Supervisory Board and its Committees. The system will function from 2019 onwards.

Corporate Governance Structure

The corporate governance system of the Company comprises a well-organized structure of governance and control bodies with a straightforward mechanism of interaction.



Detailed information relating the system, principles and awards in the field of corporate governance is presented in the annual report for 2018 (section "Corporate governance", subsection "Principles and structure of corporate governance"); documents governing corporate governance of the Company are presented on the website: http://eng.alrosa.ru/documents/charterdocuments/



Supervisory Board and Committees of the Supervisory Board

GRI 102-22, 102-23, 102-26

Supervisory Board

The General Meeting of Shareholders elects Members of the Supervisory Board of PJSC ALROSA in the manner prescribed by the Federal Law "On Joint-Stock Companies" and the Company's Charter for the period until the next annual General Meeting of Shareholders. The Supervisory Board of the Company acts based on the Russian Law, the Charter and the Regulations on the Supervisory Board.

The competence of the Supervisory Board includes taking decisions relating the management of the Company's activities, with the exception of matters referred by the Federal Law "On Joint-Stock Companies" and the Company's Charter to the competence of the General Meeting of Shareholders.

According to the Company's Charter, the Supervisory Board consists of 15 elected members.

Chairman of the Supervisory Board is elected by the members of the Supervisory Board by a majority of 3/4 votes of the members of the Supervisory Board present at the meeting.

Detailed information relating the Regulation on the Supervisory Board and the results of self-assessment / external evaluation of the effectiveness of the Supervisory Board and its Committees are presented in the annual report for 2018 (section "Corporate Governance", subsection "Supervisory Board and Committees of the Supervisory Board")

Members of the Supervisory Board

As of 31st of December 2018, the Supervisory Board included 15 persons: 14 members were non-executives (including 4 independent members) and 1 was an executive.

The Supervisory Board of PJSC ALROSA as of December 31, 2018:

	2016	*2017*	*2018*
Total number of the Supervisory Board members, including:	**15**	**15**	**15**
women	4	4	3
members aged 30–50 years old	9	10	11
members older than 50	6	5	4
Executive Director	**1**	**1**	**1**
Non-Executive Director	**14**	**14**	**14**
including the independent director	5	4	4

More detailed information relating the members of the Supervisory Board, changes to the Supervisory Board list, meetings of the Supervisory Board, key competencies of the members of the Supervisory Board, as well as Committees of the Supervisory Board is presented in the annual report for 2018 (section "Corporate Governance", subsection "Supervisory Board and Committees of the Supervisory Board "), and on the website: http://eng.alrosa.ru/about-us/corporate-management/#tab-175

Chief Executive Officer (CEO) — Chairman of the Executive Committee and the Executive Committee

Chief Executive Officer – Chairman of the Executive Committee of PJSC ALROSA is responsible for adopting the key operating decisions and managing current operations of the company in accordance with the strategy defined by the Supervisory Board. The Chief Executive Officer – Chairman of the Executive Committee is a member of the Supervisory Board.

Subject to the resolution of the Supervisory Board of PJSC ALROSA dated March 14, 2017, Sergey Ivanov holds the position of ALROSA's CEO.

The name of the sole executive body of PJSC ALROSA "President" was replaced by the title "Chief Executive Officer – Chairman of the Executive Committee" in January 2018 subject to the Charter of PJSC ALROSA approved by the General Meeting of Shareholders.

The Executive Committee is a collegiate body responsible for the current operations of the company, including the drafting of key documents and decisions related to sustainable development, which are referred for the review and approval of the Supervisory Board and/or its committees.

The competence of the Company's executive bodies covers all matters of current activities management, with the exception of issues falling within the competence of the General Meeting of Shareholders and the Supervisory Board.

Chief Executive Officer – Chairman of the Executive Committee and the Executive Committee provide for implementation of decisions of the General Meeting of Shareholders and Supervisory Board, and are accountable to them.

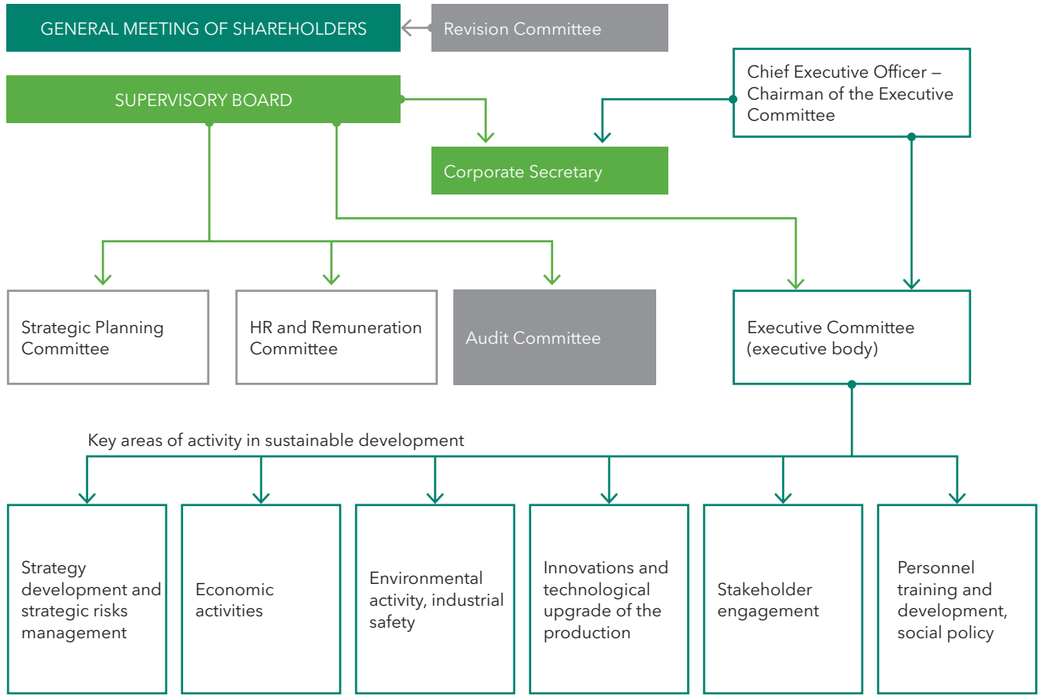
As of December 31, 2018, the Executive Committee of PJSC ALROSA included eight members. There were no instances of early termination of powers of Board members in 2018.

The Executive Committee of PJSC ALROSA as of December 31, 2018

	2016	*2017*	*2018*
Total number of the Executive Committee members	**13**	**8**	**8**
women	0	0	0
Executive Committee members aged 30–50 years old	7	6	6
Executive Committee members older than 50	6	2	2

More detailed information relating the Members of the Executive Board and its activity is presented in the annual report for 2018 (section "Corporate Governance", subsection "General Director — Chairman of the Executive Board and Executive Board"), and on the website: http://eng.alrosa.ru/about-us/corporate-management/#tab-176

Management structure of sustainable development and corporate social responsibility (CSR) of PJSC ALROSA



More detailed information relating the corporate governance of the Company is presented in the annual report for 2018 (section "Corporate Governance")

RISK MANAGEMENT

GRI 102-15

ALROSA aims for ensuring effective risks management that is necessary for their timely prevention and minimization of consequences, which may arise.

In 2018, the Company transformed its approach to managing risk, formed a new concept of risk management and a list of critical risks approved by the Supervisory Board. The key objectives are risk-focused decision-making and fostering risk culture. Executive officers are focused on managing the Company's critical risks. a project has been launched to identify and assess the operational risks of Mining and Processing Divisions and other production enterprises. Measures to minimize risks have been developed and implemented.

The key internal regulatory documents governing risk management processes in ALROSA are:

— Risk Management Policy of PJSC ALROSA[24],
— Risk Management Regulations of PJSC ALROSA[25],
— Regulations on the Financial Controlling and Risk Management Office[26];
— Risk assessment methodology, risk classifier, risk passport template.

These documents define the structure and procedures of the Risk Management System (RMS), in particular, its principles, goals and objectives, common terminology, key elements, functions and roles of participants in the risk management process, as well as the main phases of the risk management process and participants' objectives.

Categories of participants in the risk management process:

— risk owners and supervising managers (members of the Executive Committee, CEO Deputies, Heads of departments / functional services),
— decision-making center (Chief Executive Officer – Chairman of the Executive Committee and the Executive Committee);
— center for Coordination of the Risk Management Process (risk management process owner);
— center for Risk Information Aggregation and Risk Management System Improvement (Financial Controlling and Risk Management Department);
— management and control bodies (Supervisory Board, Revision Committee), Audit Committee at the Supervisory Board, Internal Audit Department;
— employees of the Company's structural divisions and functional services.

In 2018, participants of the risk management process were engaged in identification, monitoring, analysis and consideration of risks on an ongoing basis, guided by defined approaches and principles.

Detailed information relating the main functions and tasks of the specialized bodies within the framework of RMS, approaches to risk management, principles of risk management, risk groups, methods of risk management and improvement of RMS are presented in the annual report for 2018 (section "Strategic report", subsection "Risk Management System")

Key impacts and risks in the area of sustainable development of PJSC ALROSA

Impact	*Economic*	
Risk groups	*Major risk factors*	*Main risk management mechanisms*
	Economic efficiency of PJSC ALROSA affects, first of all, the economies of major shareholders of the company, namely the Russian Federation and the Republic of Sakha (Yakutia). The Company is included in the list of Russian strategic enterprises as one of the major taxpayers and employers of Yakutia. As a major natural rough diamonds producer, PJSC ALROSA makes a substantial impact on global diamond market stability and the rough and polished diamond industry in general.	
Industry-specific	– Limited nature of global rough diamonds reserves, – macroeconomic changes affecting consumers' welfare, – fluctuations in product demand, – Consumer demand for polished diamond jewelry.	– Exploration, research and involvement of deposits with a lower diamond content. – Elaboration and implementation of programs aimed at reducing the impact of falling prices for rough and polished diamond products on the Company's activities, including the implementation of a flexible customer policy. – Formation of the sales system based on long-term contracts. – The development and implementation of marketing programs to promote polished diamonds as a product (generic marketing) and ALROSA product promotion. – Implementing of cost-saving program. – Introducing resource-saving technologies.
Country-specific and region-specific	– Carrying out business activities of PJSC ALROSA within the Russian Federation amid changes in the general economic situation in the country, – Remoteness and severe climatic conditions of Yakutia, the region where the bulk of Company's assets is located.	– Due to the Company is included in the list of systemic enterprises with guaranteed support in obtaining the state loans, subject to existing risks and uncertainty in lending, the state assumed part of the risks, subject to the existing uncertainties and risks in area of lending. – The activities are planned and carried out by taking into consideration the actual (estimated) foreign exchange fluctuations. – In the context of general geopolitical tension, the Company actively participates in the processes of international consolidation of rough and polished diamond producers with a view to development and support of the entire industry. – Yakutia is one of politically, economically and socially stable regions of the Russian Federation. Despite its remoteness, the Republic has in place a reliable transportation plan on delivery of materials and equipment and a sufficient number of backup power and heat supply sources.

[24] in accordance with the Resolution of the Supervisory Board dated December 11, 2014, the Minutes No. A01/223-PR-NS;
[25] in accordance with the Resolution of the Supervisory Board dated November 10, 2015, the Minutes No. A01/236-PR-NS,
[26] Order No. A01/131-P dated May 5, 2017 "On the Approval of Internal Regulatory Documents on the Company's Risk Management"

Impact	*Environmental*	
Risk groups	*Major risk factors*	*Main risk management mechanisms*
	PJSC ALROSA and its diamond mining subsidiaries inevitably make impact on the environment, including consumed volumes of water and energy resources.	
Environmental	– Open-pit mining and underground mining. – The presence of production facilities classified as dangerous according to Russian standards.	– Implementing the measures of environmental policy aimed at minimizing the adverse impact on the environment, rational and careful use of natural resources. – Using corporate environmental monitoring system. – Making preliminary evaluation of potential effects and elaborating environment protection measures at the works design stage. – Comprehensive system of occupational safety and labor protection management including insurance of public liability for the damage caused to the environment in the event of accidents at hazardous production deposits.
Impact	*Social*	
	Most employees of ALROSA Group enterprises work in divisions located in Yakutia, where industrial monotowns were created. PJSC ALROSA makes a decisive impact on employment, development of local infrastructure and resolution of social problems in the Republic. PJSC ALROSA is a major benefactor involved in the implementation of scientific, medical, educational, cultural, and sports projects.	
Statutory	– The commitments of PJSC ALROSA to workers and residents of the region where the company operates established by law and any voluntary efforts contemplated in the Collective Agreement, as well as the Sustainable Development and Corporate Social Responsibility Policy of PJSC ALROSA.	– Strict compliance with the Russian labor laws and provisions of the Collective Agreement between PJSC ALROSA and Profalmaz Interregional Trade Union of the Workers of PJSC ALROSA. – Activities of the commission on regulation of social and labor relations, which includes the authorized representatives of the parties on a parity basis. – Implementing a wide range of social policy measures aimed at recruiting and retaining the skilled personnel.
Region-specific	– Remoteness of the region, severe natural and climatic labor environment. – Few other developed sectors of the economy other than diamond industry	– Staffing the company with local residents. – Implementing targeted social programs promoting healthy lifestyles and organizing cultural entertainment for people; supporting local communities; providing corporate and sponsorship assistance; implementing charity programs.

STAKEHOLDER ENGAGEMENT

GRI 102-40, 102-42, 102-43, 102-44

The Company recognizes that stakeholder engagement is one of the most important and indispensable conditions for sustainable development and implementation of CSR. Such an approach reinforces the legitimacy of the Company's decisions, as well as creates conditions for meeting the interests of various parties, contributes to strengthening mutual understanding, accumulation of experience, and improvement of interaction skills.

Stakeholder engagement refers to the activities of the Company's management bodies in:

— identifying interested parties and clarifying their interests and expectations;
— building a dialogue on mutual interests;
— arranging events to address these issues.

In 2018, the Company based its stakeholder engagement activities on the AA1000SES standard, taking into account the principles of materiality, completeness and responsiveness:

Materiality	*Completeness*	*Responsiveness*
The Company identified a range of key stakeholders, as well as the most significant interests of these parties.	The Company understands opinions, views, needs and expectations of key stakeholders on issues of relevance to them regarding the Company's activities.	The Company undertakes not only to follow the stated interests and expectations, but also to respond to them.

The purpose of regular interaction with interested parties is to exercise the right to be heard by each of the parties, depending on or affecting the Company's activities. The fundamental principle of stakeholder engagement is to fulfill mutual obligations of responding to stated expectations and interests.

The ALROSA's stakeholders include the following groups[27]:

— shareholders;
— investors and the financial community;
— employees and the Company's Profalmaz interregional trade union;
— government authorities of the Russian Federation and of the regions of the Company's presence;
— local communities (local governments, the population);
— business partners (suppliers, contractors);
— international and Russian industrial community;
— customers (buyers of diamond products);
— environmental organizations and NGOs;
— analysts and the expert community;
— mass media.

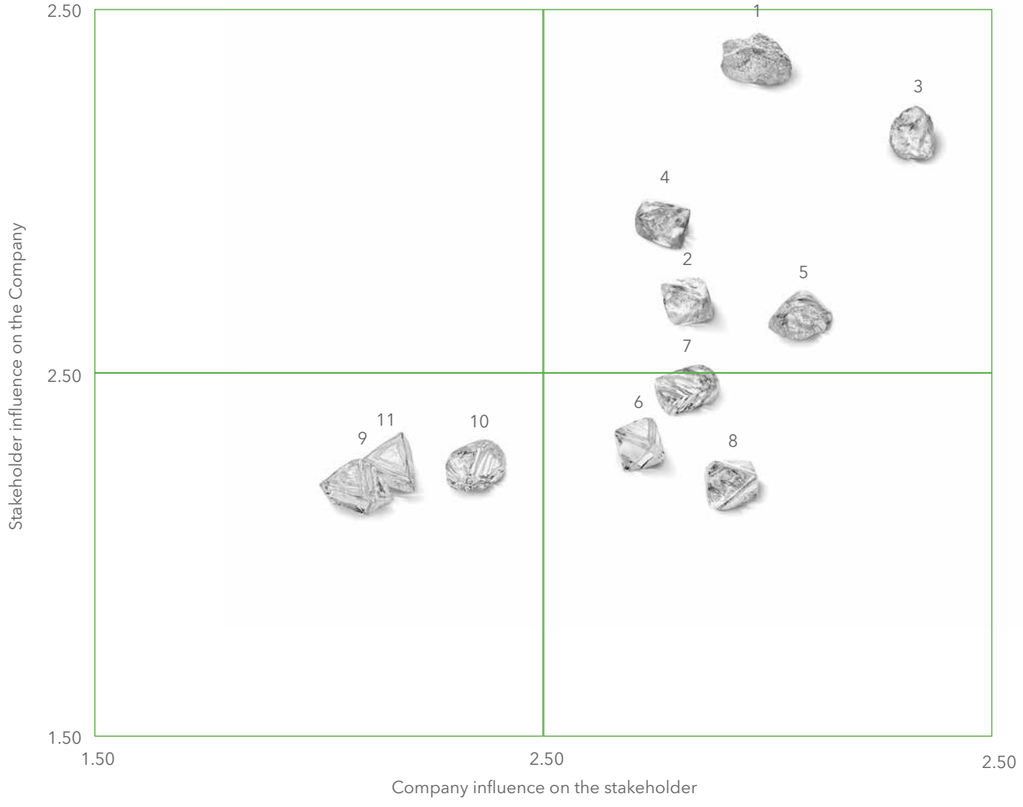


For the purposes of preparation of the ALROSA's social and environmental report for 2018, a survey of the stakeholders was conducted in order to make a Stakeholder Map.

[27] *based on the AA1000SES standard and in accordance with the Policy of sustainable development and corporate social responsibility of the PJSC ALROSA approved by the Supervisory Board on December 14, 2018, the Minutes No. A01/285-PR-NS*



Stakeholder Map



		Stakeholder influence on the Company	*Company influence on the stakeholder*
1	Government authorities of the Russian Federation and the regions of the Company's operating activities	2.23	2.44
2	International and Russian industrial community	2.15	2.10
3	Shareholders	2.41	2.33
4	Investors and the financial community	2.13	2.21
5	Customers (buyers of diamond products)	2.28	2.08
6	Business partners (suppliers, contractors);	2.10	1.90
7	Employees and the Company's Profalmaz interregional trade union	2.15	1.97
8	Local communities (local governments, the population);	2.21	1.85
9	Mass media	1.79	1.85
10	Environmental and public organizations	1.92	1.87
11	Analysts and the expert community	1.82	1.87

Stakeholders	*Forms of engagement*
Government authorities of the Russian Federation and the regions of the Company's operating activities	– Ensuring the development of the regions, in which the Company operates; – complying with requirements and recommendations of regulators; – making changes to the regulatory framework in order to ensure effective development and maintenance of the Company's resource base.
International and Russian industrial community	Development of joint solutions and documents to get: – better transparency; – consumers' trust in the industry; – protection of global diamond markets from the entrance of manufacturers of artificially grown stones.
Shareholders	– Balancing interests of all groups of shareholders; – Creating value and increasing investment attractiveness; – Increasing information transparency and corporate governance quality.
Investors and the financial community	– Creating value and increasing investment attractiveness; – Increasing information transparency and corporate governance quality.
Customers (buyers of diamond products)	– ALROSA appreciates the trust of its customers and is interested in receiving reliable and ongoing feedback from them, – The Company guarantees its customers that offered rough diamonds are obtained in full compliance with national legislation and international obligations of the Russian Federation, including the provisions of the Kimberley Process Certification Scheme, – signing long-term contacts for the supply of raw materials with the world's largest consumers.
Business partners (suppliers, contractors)	– Equal terms of participation in auctions and tenders, – Prompt performance of mutual obligations, – Anti-corruption activities, – Ethical compliance.
Employees and the Company's interregional trade union "Profalmaz"	– Ensuring appropriate working conditions and a competitive level of remuneration to the Company's employees, complying with all terms of the collective agreement, – providing opportunities for growth and development of the Company's employees, – guaranteeing compliance with all industrial safety rules and regulations, – fulfilling obligations to the trade union organization, – assisting retired employees as part of its commitments.
Local communities (local governments, the population)	– Creating jobs, supporting agriculture; – assisting in organization of children activities, financing sports and cultural events, including national holidays, – charitable assistance to schools, kindergartens, health care institutions, science and education, other non-profit organizations.
Mass media	– Ensuring mutually beneficial cooperation with public organizations, – ensuring prompt and non-discriminatory access to information on the Company's activities for all media representatives.
Environmental organizations and NGOs	– Rational use of mineral resources and resource conservation, environmental protection, – minimizing negative environmental impacts, – complying with international standards of ecology and environmental protection.
Analysts and the expert community	– Regular constructive dialogue, – publicity and transparency.

The Company has in place many arrangements and forms of feedback with stakeholders. The main ways of interaction are interviews, monitoring, focus groups, public discussions, consultations, seminars, conferences, and forums. In 2018, the Company monitored customer satisfaction and interviewed representatives of the investment community.

Examples of effective dialogue and cooperation with stakeholders are presented in the annual report for 2018 (section "Sustainable Development", subsection "Company Policy of Sustainable Development")

ETHICS AND ANTI-CORRUPTION

ACTIVITIES

GRI 102-16, 205-3



Long-term sustainable development of the Company implies building trust with shareholders, investors, counterparties and employees. Trust is built upon consistently high standards of ethical business and care. In this context, the ALROSA is committed to doing its business with a full focus on social matters and its responsibility to all stakeholders.

Producer Ethics

ALROSA integrates with business partners (customers, suppliers, contractors, and consultants) based on the principles of long-term cooperation, mutual benefits, respect, trust, fairness, and integrity.

Subject to the Regulation on Procedure and Terms of Sales of Natural Rough Diamonds by PJSC ALROSA, the Company acts on the principle of equal access to rough diamonds. This means that the selection criteria, auction rules, access to raw materials, box content, and prices are equal for all customers.

The ALROSA's conformance to the key requirements of customers

Guarantee of authenticity and conformance to the international quality standards	*Availability of complete information about the product*	*Flawless product reputation*
In ALROSA, the rough diamonds sorting and primary evaluation system is certified and meets national and international standards. The conformance of raw materials to the established requirements is ensured through using a quality control system and issuing necessary documents. In 2018, there were no cases of non-compliance with the requirements for the properties and labeling of rough diamonds, and no fines were imposed for non- compliance with the laws and requirements in this area.	All information on established consumer properties of diamond products is included in diamond delivery contracts or diamond sale contracts. From November 2015, Russia enacted the amendments to the laws stipulating that, at the time of sale, the labels of jewelry products must specify information on any processing methods, which altered the quality, color and price characteristics of the gem, as well as the information on whether the stone is a gem (of natural origin) or artificial.	PJSC ALROSA is a member of the World Diamond Council (WDC) established in 2000 as part of the Kimberley Process. The Kimberley Process Certification Scheme covers all stages of rough diamond production and sales both at the national and international levels, which allows to guarantee that the diamonds have a legal origin and are not in any way linked to, or the product of, illegal mining operations, armed conflicts.



The company values the business and social reputation of its partners; therefore, ALROSA is scrupulous in selecting its suppliers and contractors paying special emphasis on their business ethics.

The ALROSA Group introduced the ALROSA ALLIANCE Guidelines on Responsible Business Practices for its long-term clients. The document states the ethical principles of business relations that are recommended to customers.

ALROSA ALLIANCE Key Guidelines:

- Commitment to the Kimberley Process established to remove conflict diamonds from the global supply chain.
- Compliance with the principles of lawful and fair competition, countering of bribery and corruption, support for financial transparency and disclosure of information.
- Respect for human rights, non-discrimination, non-use of forced and child labor, respect for labor rights based on social partnership principles.
- Reduction in the adverse impact on the environment, rational use of the subsoil.

More detailed information on sales of natural rough diamonds and polished diamond products is published by the Company on a dedicated commercial website at http://sales.alrosa.info/

Corporate Ethics

Since 2013, the Company has enacted the Corporate Ethics Code of PJSC ALROSA approved by the decision of the Supervisory Board. The Code is the basic document that defines the fundamental rules and regulations of individual and corporate conduct, requirements and principles aimed at building common ethical standards for the activities and conduct of Company's employees, including the members of governing and control bodies.

The Corporate Ethics Code establishes the key company's values:

- The focus on employees' health and wellness
- Social responsibility
- Environmental protection
- High performance
- Ethical standards
- Partnership
- Compliance with law
- Profit margin and performance

The document establishes the standards and principles for the company's executives:

- Compliance with law, in-house documents, the Collective Agreement, agreements and employment contracts.
- Ensuring occupational safety and conditions that meet the requirements of labor protection and hygiene.
- Non-admission of any discrimination by gender, political, religious and national reasons when hiring, payment of remuneration and salary, and promotion.
- Making the Company's employees aware of business goals to make them clearly understand the objectives and their role.
- Creating an atmosphere of open business communication, ensuring labor management, contributing to the efficient interaction of the Company's employees and occupational satisfaction;
- Delegation of the necessary powers to the subordinates and providing them with independence, exception of inconsiderable care, building relationship with the subordinates as with like-minded persons;
- Showing openness to constructive criticism, respect for the opinion of others;
- Recognition of effectiveness and priority of adequate types of rewards for employees' labor achievements;
- Respect for the rights of the Company's employees to participate in union activities;
- Development of an effective system of consultations of the Company's employees on the working conditions and other issues which will directly affect them at the workplace;
- Welfare for the Company's employees and their families, including timely remitting by the Company of the obligatory or voluntary contributions to the pension and insurance funds in full.

In accordance with clauses 11.2.3–11.2.6 of the Code, PJSC ALROSA put in place the consulting arrangements in the area of using the corporate standards and reporting to immediate supervisor any non-ethical or illegal conduct.

More detailed information relating the Code of Corporate Ethics is available on the website: http://eng.alrosa.ru/documents/charterdocuments/#2013

Anti-corruption activities

Since 2013, PJSC ALROSA is a participant in the Anti-Corruption Charter of the Russian Business of the Russian Union of Industrialists and Entrepreneurs (RSPP). The Anti-Corruption Charter provides for the renunciation of preferential advantages, procurement by way of open tenders, financial control, personnel training and development, assistance to law enforcement agencies, and other measures.

The key documents reflecting the Company's conduct in the area of combating bribery and corruption are as follows:

- Anti-Corruption and Bribery Policy;
- ALROSA ALLIANCE Guidelines on Responsible Business Practices prescribing the standards for anti- corruption activities (clause 2.2),
- Corporate Ethics Code of PJSC ALROSA.

In 2018, PJSC ALROSA conducted 233 checks, including six affiliated branches of the Company and in four subsidiaries and associate companies. These checks have been aimed at identifying the violations in the area of countering corruption not only among its workers, but also among the business partners of the Company.

In 2018, 43 employees of the Company completed training in anti-corruption policies and procedures, which is 0.5% of the total number of CEO or Directors, specialists and employees.

	2016	*2017*	*2018*
The number of audits of business partners of the Company conducted for the risks associated with corruption	> 5,000	4,262	233
The total number of administrative measures taken in response to violations among workers	168	242	1
The number of workers dismissed in connection with identified violations in the area of corruption	11	10	1

PJSC ALROSA is committed to high legal and ethical standards of work and the development of culture for countering power abuses. The company runs the Hotline[28] where employees and any third parties can report (anonymously) any abuses or other negative events.

[28] http://eng.alrosa.ru/about-us/anti-corruption/

INNOVATIVE DEVELOPMENT

2,219.1

MILLION RUBLES

INVESTMENTS IN THE INNOVATIVE DEVELOPMENT AND TECHNOLOGICAL MODERNIZATION PROGRAM OF PJSC ALROSA FOR 2016–2023

961.8

MILLION RUBLES

FOR RESEARCH AND DEVELOPMENT

808.4

MILLION RUBLES

CAPITAL INVESTMENT

448.9

MILLION RUBLES

ACQUISITION OF MATERIALS, SOFTWARE AND SERVICES

22

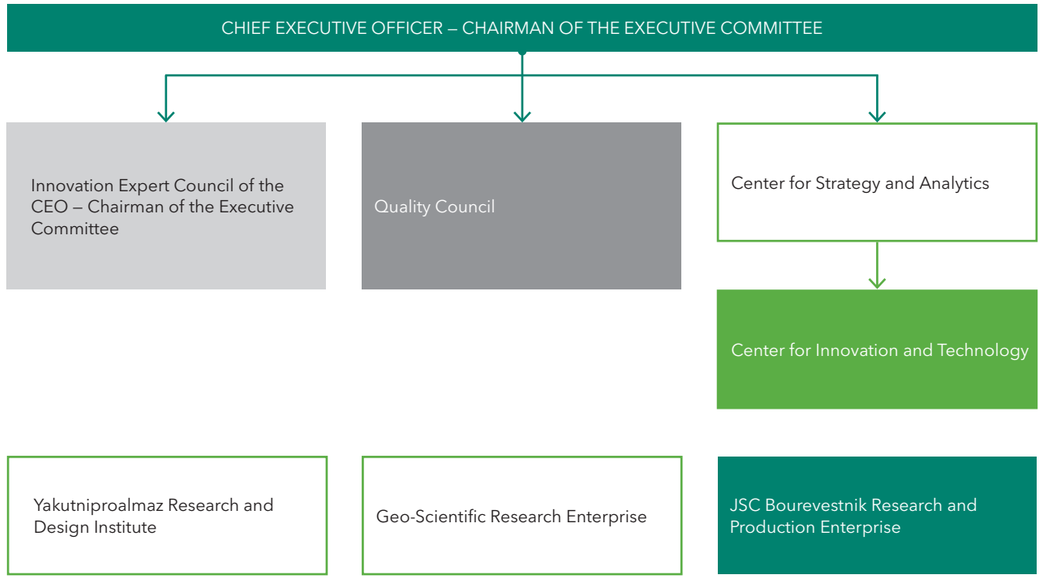
PATENTS AND DOCUMENTS OF TITLE WERE OBTAINED IN 2018

ALROSA Group engages in the innovative activities recognizing the priority of innovative development to increase the competitiveness of its products, ensure sustainable economic growth, ensure technological and environmental safety be means of implementation of an innovation-based development in the interests of the Company's Shareholders.

In 2018, the Company completed the reforming of a unit responsible for innovation processes by creating a special structural unit – the Center for Innovation and Technology of PJSC ALROSA, which is subordinated directly to the CEO – Chairman of the Executive Committee of PJSC ALROSA and department director – Director of the Center for strategic projects and analytics of the Company.

This independent unit is aimed at strengthening the role and authority of the Center for Innovation and Technology, increasing efficiency and creating additional mechanisms for innovation management that allows to the Company to reach a higher level in the management of innovations and new technologies in its structural divisions, subsidiaries and affiliates.

Innovation Process Management Structure of PJSC ALROSA



In 2018, PJSC ALROSA extended the Innovative Development and Technological Modernization Program for 2016–2018.

Enhancing efficiency and innovative development of ALROSA are carried out within the following programs and lines:

- Programs of innovative development and technological modernization are aimed at setting conditions for improving competitive ability by continuous research, development and implementation of innovative solutions in the core business,
- Operational Efficiency and Cost-cutting Programs,
- IT and Industrial Automation Projects,
- procurement aimed to ensure efficient and timely support of core production.

Key program activities in the innovative development and technological modernization of the ALROSA Group in 2018

Innovation Activities

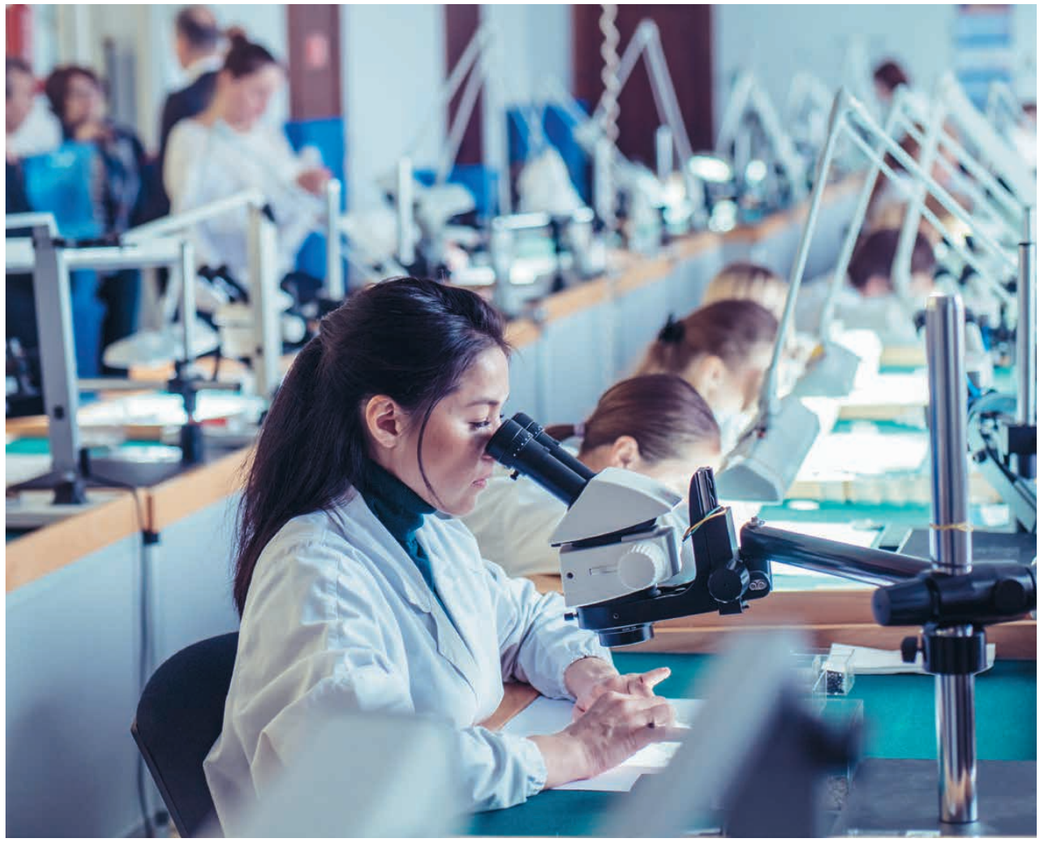
Energy Efficiency Improvement Program Financing 652.8 million Rubles	Activities aimed at energy saving and improving the energy efficiency allow to the Company to reduce not only its expenses but also the adverse impact on the environment. In 2018, the key projects were as follows: – Developing fundamentally new electric direct-drive systems for mechanisms with abruptly variable load (based on valve-inductor motors), – Using high-voltage gas-insulated switchgears and energy-saving equipment, – Using energy efficient light sources, LED equipment and solar collector systems, – Converting boilers from diesel fuel to oil. Following projects has been continued: – Using gas engine fuel (methane) by PJSC ALROSA (key project). – Pump fleet modernization of factory processing plants.
Program for Improvement of Environmental Friendliness of Production Financing 20.3 million Rubles	Measures to improve environmental friendliness are aimed at implementing the scientific and technological development of the Russian Federation for the period up to 2030 in the field of environmental management and include the following activities: – Reducing the amount of Class V hazardous waste by using it in the construction works, – Implementing a set of studies and assessment of the environment in the regions of production activities of the Company.
Mastering new technologies in production Financing 723.4 million Rubles	In 2018, the Company started to develop the following digital technologies: – development of a digital mine concept, – key projects and activities for the development of new technologies in the lines of production activity in 2018: – Improving the efficiency of diamond mining in existing enterprises: • Enhancing the geological technology used for processing the kimberlite bodies by layered and chamber systems of mining with caving and stowing of mined-out space, • Developing and implementing new principles for mining ultra-deep open pit mines (key project), • Designing and implementing low-cost industrial technology for mining, transportation and beneficiation of ores and diamond-bearing sands, – Development of new rough diamond mining technologies: • research and substantiation of unconventional methods for the extraction of hard-to-recover pit low grade ore reserves, primary diamond deposits, • search and creation of an effective technology for the extraction of diamonds from the tailings of processing plants, – measures to improve exploration efficiency: • development and implementation of new methods and technologies in forecasting, exploration, and new diamond deposits, • introduction of integrated information systems; • improvement of the automated mining and processing production management system (MES-SYSTEM – Manufacturing Execution Systems) in Aikhal MPD (mining and processing division), • the system «Information panels to the Leaders» (DASHBOARDS system), • self-service terminals, – Processing or enrichment: • using of new technologies for storage of final tailings and introduction of internal water circulation at the processing plants, • development and implementation of X-ray separation method at the processing plants, • development of technology of safe extraction of diamonds from kimberlite and methods for preliminary ore enrichment (key project), • integration of artificial intelligence and automated control systems for enrichment technology (implementation of the concept “digital plant”).

Innovation Activities

	– sorting and production of diamonds, sorting of industrial diamonds and production of diamond powders: • creation and implementation of modern automated technology for sorting rough diamonds, • implementation of new technologies in the production of diamonds, – automation of production: • implementation of “digital mine”, the automated dispatching systems for mining in the underground mines and open pit mines, • implementation of MES systems (Manufacturing Execution Systems), • use of robotized drilling rigs, • implementation of an additional virtual reality system (training simulators), • development of the unified Geological and Mining Information System. • implementation of geo radar scanning systems, • implementation of a centralized system for monitoring and managing the operation of transit, support service and mining transport, • development of a multi-parameter diamond selection method for registration systems for X-ray luminescent separators based on computer vision systems.
Conducting research and application of the results (commercialization)	In PJSC ALROSA, Yakutniproalmaz Research and Design Institute and Geo-Scientific Research Enterprise carry out the research, development and engineering works in accordance with the topical plan. In 2018, the Company implemented the results derived from 29 research and development projects, the economic effect of which is estimated at 653,0* million Rubles; the Company received 22 titles of protection for utility models and inventions.
Release of innovative products	The list of products includes x-ray separators for determination of diamond ores, and analytical instruments and systems for metallurgy, oil refining, medicine, environmental monitoring and mining.
Creation and development of the research infrastructure and bench-top testing facility	Continuous development of the research infrastructure and bench-top testing facility of research units of PJSC ALROSA and JSC Bourevestnik Research and Production Enterprise, a subsidiary, contributes to improving the quality of in- house laboratory and analytical research, and experimental works.
Improvement of innovation activities management and business processes	During 2018, the Company continued to elaborate a new documentation and review the existing documents related to the innovation activities. ALROSA Innovations and Technology Center is transformed into the independent structural unit Innovation departments have been created at Mirny MPD and the Research Geological Enterprise. New regulations of innovative activities of PJSC ALROSA have been developed to control relations between the subjects of innovative activity in the Company, and define the basis for updating the Program for Innovative Development and Technological Modernization of ALROSA, and establish requirements to the process of managing innovative activities. The regulations contain the main aspects for the innovation portfolio management and Research and Development (R&D), and bringing innovative projects relating Innovative development and technical modernization program. Preparation of a new innovative policy of the Company has begun, taking into account the updated Development Strategy of ALROSA Group and its Long-Term Development Program for the period of 2018–2024, which was focused on the execution of tasks set by the Government of the Russian Federation on the implementation of scientific and technological initiatives and the Strategy for scientific and technological development of the Russian Federation, including digital transformation of production.

Innovation Activities

Development of cooperation with the entities of external innovative environment	Key forms of engagement were as follows: – Engagement of contractors in accordance with the subjects of research and development carried out by ALROSA's Group, – Signing of bilateral agreements on cooperation in the sphere of innovations, – invitation of independent experts from third party organizations (including representatives of technological platforms that are industry-specific for the Company and territorial innovation clusters, as well as development institutes) to participate in consultative and advisory (collegial) bodies, – invitation to participate in ALROSA open innovation project contest, – holding the corporate research seminar of PJSC ALROSA to develop the concept for recovering mining at the Mir underground mine, subject to the existing situation, – ALROSA participation in "Technostart – 2018", as a strategic partner, a competition of innovative projects, – Participation in GenerationS, the Federal Accelerator of Hi-Tech Projects, as the Mining & Metals industrial partner. – Development of ALROSA Innovation Portal as part of the information and political system. – Publication of "Innovation Technology", a periodical information and analytical digest. Since 2015, PJSC ALROSA uses the Regulations on the Procedure and Rules for Implementing Innovative Products, which enables small and medium businesses to cooperate with the Company using "One-stop shop" service.



As part of implementation of the Innovative Development and Technological Modernization Program of PJSC ALROSA, a number of events was implemented in 2018, including holding and participating in key competitions:

VII annual competition of innovative projects of ALROSA, including two nominations: "Innovative project" and "Innovation idea" (the projects that are at an early stage of development, which do not have a prototype and require additional R&D). In 2018, the competition commission received 44 applications related to technological processes in diamond mining and processing. As a result of the competition, the first place in "Innovative Project" nomination was taken by the work devoted to the implementation of the geotechnology process for using in the processing of diamond ores, previously classified as low grade ores. The project is aimed to identify areas of law grade ore potential for processing using a complex of methods, including modern technologies for aerial survey from drones, direct testing of reserved areas and relevant geochemical testing. Using the geotechnological methods will allow expanding the Company's resource base by involving law grade ore in the processing and ensure a more rational exploitation of the subsoil resources, mines and careers.

An open competition for projects to resume mining operations at the Mir underground mine organized by ALROSA to attract a wide range of specialized organizations, scientists and specialists to develop solutions to facilitate the resumption of mining operations at the Mir mine and identify potential technical and technological solutions for safe development of the Mir underground mine to the entire depth of explored reserves. The competition have considered projects and individual technical solutions in the following areas: development system and procedure for final extraction of a deposit; liquidation of the consequences of an accident; ensuring the safety of mining the remaining reserves; organization of monitoring safe mining operations at the field; liquidation of a water body in a quarry. It has been selected 33 projects and 10 projects received the right to participate in the final part of the competition. As a result of the competition, three projects won: Resuming field production at the Mir underground mine (the first place), Ensuring safe mining conditions for the open-pits at the Mir underground mine under a water body by reconstructing the quarry filled with low-filtering rock mass in the interval of the aquifer (the second place) and a complex of security measures and technology for mining reserves at the Mir mine after its flooding (the third place). The main concept of technical solutions for these projects is to prevent groundwater from entering the existing mine workings at the Mir mine, which was presented by the authors at the All-Russian conference "Experience and Practical Steps for Recovering and Restoration of a Mining Plant after an Accident", which took place on April 25–26, 2018, in Moscow.

Participation in the startup accelerator of technological projects in Russia and Eastern Europe GenerationS – 2018 on behalf of a Russian venture company that implements a project on federal platform for the development of corporate acceleration tools GenerationS. In 2018, the ALROSA received 249 applications from teams participating in the competition.

Participation in the "Technostart-2018" competition for innovative projects organized by the PJSC United Engineering Plants (the Uralmash-Izhora Group), with the support of the Skolkovo Innovation Center. ALROSA acted as the main strategic partner of the competition and organized a special section on exploration and methods for diamond deposits searching, technological processes for mining and processing, purification of highly mineralized recycled water, production of motor fuel from natural gas and conversion of transport to this type of fuel, construction in the permafrost zone, energy conservation and energy efficiency.

More detailed information relating the key performance indicators of ALROSA Group's innovative activity for 2016–2018, and implementation by the Company of the Innovative Development and Technical Modernization Program, the Operational Efficiency and Cost Cutting Programs, information technology, industrial automation and technological communications, as well as automated business application and information systems is presented in the annual report for 2018 (section "Strategic report", subsection "Improving business efficiency and innovations")

Key performance indicators (KPI) of ALROSA innovations in 2016–2018

Indicator	*2016*	*2017*	*2018*	
			plan	*fact*
INTEGRAL KEY PERFORMANCE INDICATOR				
Development / procurement and implementation, 30%				
Ratio of R&D costs and development of revenue technology, %	0.33	0.34	0.35	0.35
Procurement rate of innovative products (goods, works, services) in the total procurement volume, %	1.7	1.7	1.35	1.4
Commercialization / effectiveness, 40%				
Effectiveness of using innovative technology / labor productivity (volume of processed raw materials per employee engaged in core activity), thousand tons per person	1.99	2.02	2.07	2.16
QUALITY OF DEVELOPMENT (UPDATING) and PERFORMANCE OF INNOVATIVE DEVELOPMENT AND TECHNICAL MODERNIZATION PROGRAM, 30%				
Development (updating) quality of Innovative development and technical modernization program	98.2	–	–	
Quality of a report of Innovative development and technical modernization program realization	–	95.12	90-100	95.93
KEY PERFORMANCE INDICATORS (KPI) OF INNOVATIVE DEVELOPMENT AND TECHNICAL MODERNIZATION PROGRAM				
Increase of labor productivity, creation of highly productive jobs				
Volume of processed raw materials (ore and sand) per employee engaged in core activity, thousand tons/person	1.99	2.02	2.07	2.16
Number of created / upgraded high-performance workplaces, %	1.26	1.2	1.2	1.5
Improvement of production efficiency processes, reducing the production cost				
Energy costs part in the structure of the total cost of production, %	13.95	9.97	12.9	12.0
Refusal of obsolete and inefficient technologies, introduction of modern production technologies and management practices				
Number of cases of implementation/use of the results of R & D projects, new machinery, technology, production and labor organization at production deposits, number of cases	37	29	28	29
Improving energy efficiency and environmental friendliness of production				
Specific consumption of energy resources for extraction of one carat for mining and processing production, gigajoule per carat	0.345	0.327	0,406	0.352
Raw water intake from natural sources, thousand cubic meters*	20,326	7,886	20,985	2,834
Greenhouse gas emissions, in CO_2 equivalent by mobile and stationary sources, thousand tons	1,066.9	642.7	867.7	550.8
Specific indicator of greenhouse gas emissions, in CO_2 equivalent, by mobile and stationary sources, per unit of products, tons/carats	0.030	0.015	0.022	0.015
Specific indicator of greenhouse gas emissions in CO_2 equivalent by mobile and stationary sources, per unit of processed mined rock, tons / cub. m	0.011	0.004	0.004	0.003
Efficiency of innovations				
The number of patents and other documents of title related results of intellectual activity (RIA), number	17	18	14	22
Economic effect from the implementation of R&D and technological works, million RUB	809	629.5	580	653**
OUTPUT OF INNOVATIVE PRODUCTS BY JSC BOUREVESTNIK RESEARCH AND PRODUCTION ENTERPRISE				
Part of innovative products in the total sales of Bourevestnik Research and Production Enterprise, %	13	11	8	12

* *subject to the withdrawal of PTVS subdivision from PJSC ALROSA and the incorporation of a separate legal entity Heat and Water Supply Company LLC on January 1, 2017.*

** *an expected effect, the indicator reporting data will be calculated in the second half of 2019 year.*

03 ECONOMIC EFFICIENCY

$4.5

BLN
REVENUE FROM SALES OF ROUGH
AND POLISHED DIAMONDS

126,700

RUB
AVERAGE SALARY THREE TIMES
HIGHER THAN AVERAGE
IN RUSSIA



ECONOMIC PERFORMANCE 2018

GRI 201-1

Long-term economic growth is a priority for ALROSA as a participant of regional, Russian and global economic processes. The purpose of ensuring the Company's economic efficiency in the context of sustainable development is to preserve the sustainability and development of the global diamond industry, national and local economic systems.



Key principles of ensuring economic efficiency:

- maintaining a balance of interests of various groups of stakeholders;
- consistency of economic goals with the Company's established strategic benchmarks;
- constructive interaction within industry cooperation, respect and support of collective decisions on the development of the diamond industry;
- proper disclosure on rough and polished diamonds, including for consumers;
- counteracting bribery and corruption in business practices;
- systemic approach to making amendments and addenda to the Company's economic policies in accordance with its commitments and strategic goals.

Dynamics of ALROSA's key performance indicators of sustainable development and CSR for 2016–2018

Indicator	*Unit*	*2016*	*2017*	*2018*	*Change, %*
Rough diamond mining by ALROSA Group	million carats	37.4	39.6	36.7	↓ 7.2%
Cost of rough diamonds extraction by ALROSA Group	$ million	3,486	3,908	3,502	↓ 10.4%
Revenues from sales of rough diamonds by ALROSA Group	$ million	4,514	4,267	4,507	↑ 5.6%
EBITDA of ALROSA Group	million RUB	176,418	126,890	155,972	↑ 22.9%
Dividend payments[29]	million RUB	17,578	67,413	80,748	↑ 19.8%
Environmental expenses by ALROSA Group	million RUB	6,311	5,357	5,221	↑ 2.5%
Discharge of pollutants into surface water bodies by ALROSA Group	thousand tons	28.6	22.9	21.8	↑ 4.8%
Discharge of waste water onto water body surfaces by ALROSA Group	million cubic meters	82.8	75.0	76.4	↑ 1.9%
Energy resources consumption by ALROSA Group	GJ/carat	0.345	0.327	0.352	↑ 7.6%
Water consumption level	m^3/carat	0.26	0.15	0.15	↓ 5.0%
Disturbed land areas	hectares	1,080.2	570.6	1,691.5	↑ 196.4%
Reclaimed land areas	hectares	613.7	893.4	496.4	↓ 44.4%
Staff headcount in ALROSA Group	number of persons	38,104	36,897	34,544	↓ 6.4%
Average headcount of staff in PJSC ALROSA	number of persons	28,652	26,543	24,435	↓ 7.9%
General injury rate, number of injuries, including fatal per 1000 employees in ALROSA Group	–	0.83	1.44	1.79	↑ 24.3%
LTIFR[30]	–	0.08	0.19	0.24	↑ 28.1%
Employee turnover ratio for PJSC ALROSA	%	7.6	7.2	7.0	↓ 2.8%
Percentage of women in top management of PJSC ALROSA	%	31.6	32.2	30.5	↓ 5.3%
Social expenditures across ALROSA Group	million RUB	8,212	8,243	9,306	↑ 12.9%

[29] *dividends paid in the reporting year*

[30] *number of injuries that caused temporary disability per 200,000 worked hours. Figures for 2018 cannot be fully comparable because of the measures taken to enhance transparency of the reporting system*

CREATION AND DISTRIBUTION
OF ECONOMIC VALUE

Indicators of created and distributed direct economic value in 2018, million RUB

Created direct economic value	**310,358**
Sales revenue	293,870
Other operating income	5,383
Subsidy proceeds	5,775
Share in associates' and joint ventures' results	3,418
Interest proceeds	1,912
Distributed economic value (excluding diamond reserve movement, ore and sand and including depreciation)	**227,581**
Exploration expenses	8,085
Salary, payroll and other payments to workers	52,539
Payments to capital suppliers	88,612
Payments to state budget	50,616
Social expenses	6,027
Undistributed economic value (including depreciation)	**32,777**

The consolidated financial statements of ALROSA Group prepared in accordance with IFRS for 2018 are presented on the website: http://eng.alrosa.ru/documents/financial-results/

Approaches to distribution of economic value

Dividend policy

The dividend policy of PJSC ALROSA is based on the laws of the Russian Federation on defining the dividend policy, the Charter of PJSC ALROSA, the Regulations on the Dividend Policy of PJSC ALROSA, Regulations on the Remuneration of Members of the Supervisory Board of PJSC ALROSA. Dividends are paid by the Resolution of the General Meeting of Shareholders of the Group.

In 2018, for the purposes of increasing an investment attractiveness, a new version of the Regulations on the Company's Dividend Policy was approved, setting the minimum dividend payout at 50% of net profit under IFRS. The frequency of dividend payments was changed from once to twice a year. The basis for calculating dividends was the indicator "Free cash flow", which takes into account cash flow from operating activities after deducting the amount of investment (capital investment) in the main production.

More detailed information related the dividend policy is presented in the annual report for 2018 (section "For Investors and Shareholders", subsection "Dividend Policy")

Salaries and other payments to personnel

Indicators in billion Rubles	*2014*	*2015*	*2016*	*2017*	*2018*
Salaries and other payment[s31]	41.3	47.7	52.2	52.1	52.5
Regular payments to social funds,	7.3	9.4	10.1	10.6	10.5
to the Pension Fund of the Russian Federation	5.4	7.9	7.2	7.1	7.5

Mandatory contributions to the Pension Fund of the Russian Federation represent a defined contribution plan for the benefit of employees.

Starting July 1, 2017, PJSC ALROSA launched a new corporate pension program that allows the employees to form an additional pension to their state pension. a feature of the program is its parity principle – employees pay contributions in consideration of their future corporate pension with the Company in equal shares. Amount of these contributions is invested in a non-state pension fund JSC Almaznaya Osen with additional growing due to annual income.

In 2018, the subsidiary diamond mining companies PJSC Severalmaz and JSC Almazy Anabara implemented the corporate pension scheme for the employees. In accordance with this program, ALROSA Group will make the financing of a private pension with its employees on equal terms, and this program is a plan-setting amount of contributions.

The salary of employees is not the only remuneration for labor. ALROSA provides a broad social benefit package, primarily as the payments of social nature in accordance with the forms of targeted social assistance established in the Company which, in 2018, were financed from the profits in the amount of 569.3 million Rubles. The most significant forms of targeted financial assistance include financial assistance to workers; 70% reimbursement of the costs of medical treatment and vacation package for the workers and their families; reimbursement of return trip to the place of vacation and luggage handling costs for the workers and their families; reimbursement of medical services and trip to the place of treatment; other forms.

[31] *data is provided in accordance with the consolidated financial statements of PJSC ALROSA prepared under IFRS for the period of 2014–2017. clause "Cost of sales", clause "General and administrative expenses", clause "Business expenses"*

Taxes

In 2018, PJSC ALROSA paid 51.4 billion Rubles in taxes to the budgets of all levels and social security funds of the Russian Federation. The Company is the region's top taxpayer; in 2018, the Company paid 32.5 billion Rubles in the government budget of the Republic of Sakha (Yakutia).

Indicators in billion Rubles	*2014*	*2015*	*2016*	*2017*	*2018*
Total taxes paid and mandatory payments	29.9	39.6	54.4	50.3	51.4
including to the budget of the Republic of Sakha (Yakutia)	18.3	25.2	33.6	32.5	32.5

Social investments

Social investments of PJSC ALROSA include contributions for charity events and maintenance of social infrastructure facilities[3]2.

Indicators in million Rubles	*2014*	*2015*	*2016*	*2017*	*2018*
Local infrastructure maintenance	2,309	1,749	2,024	1,993	1,787
Charity expenses	2,762	2,879	3,602	3,260	3,248
Medicine	259	270	262	289	231
Education	136	140	99	114	97
Other expenses	241	372	498	317	664
Total social expenditures	**5,707**	**5,410**	**6,485**	**5,973**	**6,027**

Procurement activities

PJSC ALROSA's supply chain of materials and equipment is a complex and specific process, because the main production facilities of the Company are located in Yakutia. All major procurement of materials and equipment (fuels and lubricants, mining, process and construction equipment; vehicles; instrumentation and automation equipment, tools and instruments, spare parts, overalls and personal protective equipment; etc.) are delivered in the navigation period from May to October by water transport along the Lena river.

Performance indicators of procurement activities are presented in the table on page 23 in the report's section "Purchasing Activities".

[32] *This table shows investments in the Company according to the IFRS, which refers a significant part of social expenses to other expense categories in accordance with CSR. More details information on ALROSA's social investments is set forth in section "Social responsibility"*

State support

GRI 201-4

In 2018, ALROSA Group received state subsidies for the construction of infrastructure facilities, reimbursement of lost revenue, compensation of tariff regulation and other purposes.

The Company develops the Verkhne-Munskoye diamond field with the help of state financing provided for by the Federal Target Program for the Development of the Far East and the Baikal Region. State support is provided as cost compensation for the construction of an infrastructure facility – a temporary service lane from the urban settlement Udachny to the Verkhne-Munskoye field for 8,5 billion Rubles, in accordance with the Order of the Government of the Russian Federation No. 1339-r dated July 13, 2015.

Furthermore, during 2018, ALROSA Group received state subsidies in the amount of 5.8 billion Rubles from federal and local authorities to compensate lost revenue due to bringing electricity tariffs to the planned base price levels in the Far Eastern Federal District, reimbursement of lost revenue due to provision the preferential category of consumers with utility services, as well as compensation for lost revenue related to passenger air services.

ALROSA GROUP
INVESTMENT PROGRAM

GRI 203-1

ALROSA Group Long-Term Investment Program developed for the period until 2024[33], determines priority lines of the Company's investment activities for the purposes of diamond mining plan and production and financial goals in accordance with the ALROSA Group's investment policy within the framework of the approved development strategy.

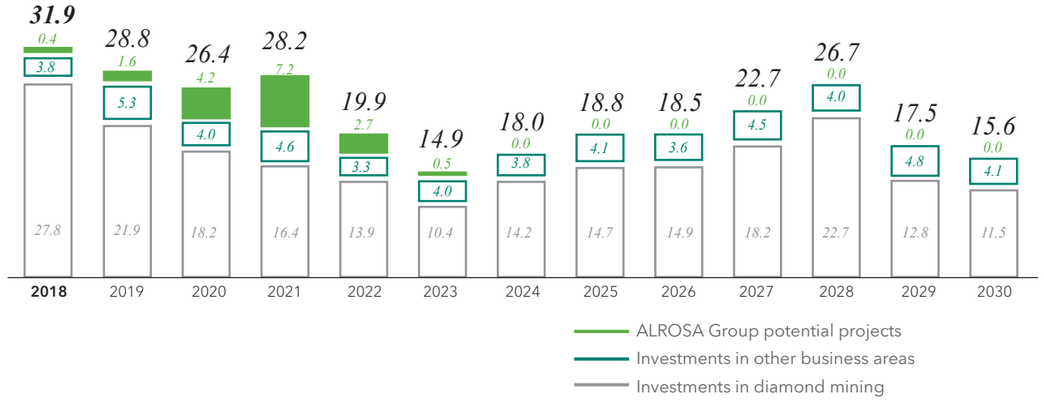
The main objectives of the investment program are the sustainable development of ALROSA Group and growth of the shareholder value of the Company.

The investment program is developed on the basis of the following documents:

- Development strategy of ALROSA Group for 2018-2024,
- Long-term Development Program of ALROSA Group for 2018-2024;
- Operational Efficiency and Cost Cutting Program of PJSC ALROSA for 2017–2019 and for the period up to 2026,
- Program for Innovative Development and Technological Modernization of PJSC ALROSA for 2016–2023.

ALROSA Group Investment Program for 2018 was developed in accordance with the diamond production and mining plans, aimed at maintaining the achieved level of diamond mining and production processes for other activities.

Structure and dynamics of capital investments of ALROSA Group for the period of 2018–2030[34] based on the price-level target (according to IFRS)[35], in billion RUB



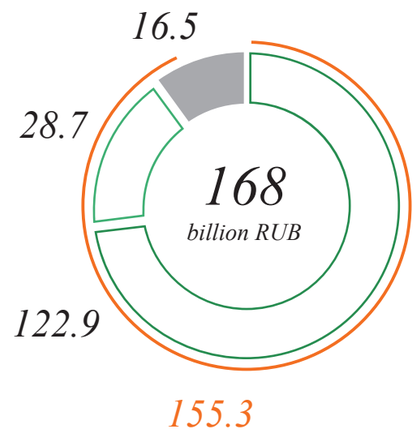
[33] *The ALROSA Group's long-term investment program has been prepared in compliance with the List of Instructions (No. Pr-3086 (Order) dated December 27, 2013, clause 1, sub clause 32), pursuant to the Presidential Address to the Federal Assembly of the Russian Federation dated December 12, 2013.*

[34] *for 2018 — a plan and for 2019-2030 — price-level target.*

[35] *hereinafter data under IFRS are presented on accrual basis excluding capitalized interest*

ALROSA Group's total capital investments in non-financial assets for the period of 2018-2024 according to IFRS should amount to 168 billion Rubles, including 155.3 billion Rubles in the Far Eastern Federal District.

Structure of ALROSA Group capital investment in 2018–2024[36] under IFRS, in billion RUB



	billion RUB
• Investments in diamond mining	155.3
• Investments in other business areas	122.9
• Potential investment projects of ALROSA Group	28.7
• Investments in the Far Eastern Federal District	16.5

ALROSA Group's capital investments in non-financial assets in 2018–2024 according to Russian Accounting Standards amount to 189.8 billion Rubles (including investments in the Far Eastern Federal District – 176.2 billion Rubles) and additional investments that are not referred to IFRS as investments:

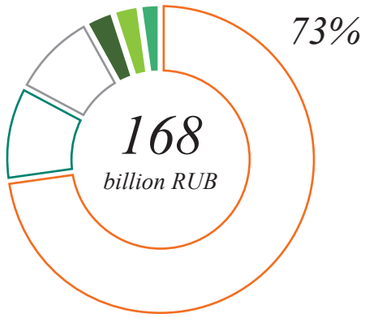
- investment in exploration assets – 20 billion Rubles,
- investments in R & D – 1.8 billion Rubles

Total capital investment (non-financial assets) for 2018–2024, should amount to 160.1 billion Rubles.

The main funds of ALROSA Group will be invested to the development of the "Udachninsky" and "Aikhalsky" GOKs (mining and processing plants). Investment in production activity under the general investment program will be 73%.

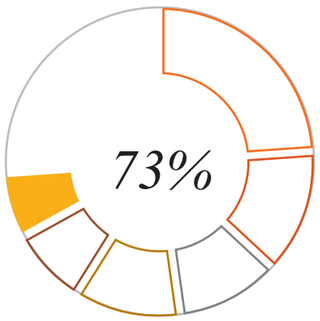
[36] *for 2018 — a plan and for 2019-2024 — price-level target.*

Structure of ALROSA Group's investment program with division by assets, in billion Rubles



	%
• Investments in operations	73
• Potential projects[37]	10
• Other	9
• Transportation assets	3
• Social infrastructure	3
• Gas supply infrastructure	2

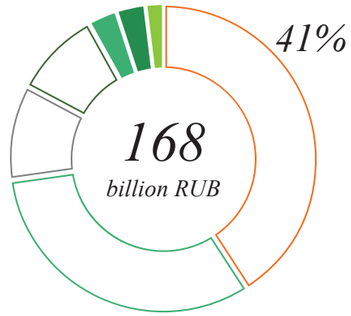
Investment in production activity



	%
• Udachny Mining and Processing Division	24
• Aikhal Mining and Processing Division	13
• Nyurba Mining and Processing Division[38]	11
JSC Almazy Anabara	11
• Mirny Mining and Processing Division	8
• PJSC Severalmaz	7

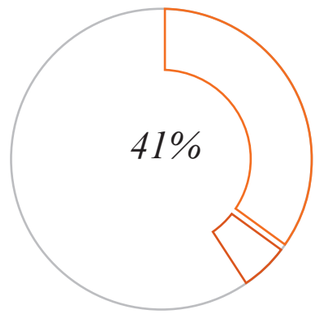
Subject to purposes of investments, the main volume of capital funds in 2018–2024 will be spent to the development of core business – 69.4 billion Rubles or 41% of the total investments.

Structure of ALROSA Group's investment program with division by purposes, in billion Rubles



	%
• Development of assets	41
• Asset maintenance	32
• Potential projects	10
• Other	9
• Transportation assets	3
• Social infrastructure	3
• Gas supply infrastructure	2

Development of assets



	%
• Rough diamond mining projects	35
• MPD development projects	6

More detailed information relating key investment projects, capital investments of ALROSA Group, investment programs of PJSC ALROSA and its subsidiaries and affiliates is presented in the annual report for 2018 (section "Strategic report", subsection "Implementation of the investment program")

[37] *a construction airport project in the town of Mirny, a gasification project for Udachny mining and processing division, etc.*

[38] *including PJSC ALROSA-Nyurba*

04 OCCUPATIONAL HEALTH AND SAFETY



KEY INDICATORS OF PJSC ALROSA FOR 2018

987.9

MILLION RUBLES

FINANCING OF MEASURES TO INCREASE THE LEVEL OF OCCUPATIONAL HEALTH AND SAFETY

The strategic goal of ALROSA Group is the elimination of accidents and industrial emergencies. Projects in the field of Health and Safety are integrated into the ALROSA Group business model. ALROSA introduces advanced approaches to the Health and Safety management to achieve its strategic concept – the absence of injuries and accidents.

28.8%

WORKERS COMPLETED TRAININGS DURING THE YEAR RELATED TO WORK AT HAZARDOUS PRODUCTION FACILITIES

37.1%

REDUCTION IN INJURY SEVERITY RATE

0.26

ACCIDENT FREQUENCY RATE LTIFR*

* *The indicator is calculated for PJSC ALROSA's 200,000 people per hour*

OCCUPATIONAL HEALTH *AND SAFETY POLICY*

GRI 403-1, 403-4

ALROSA is fully aware of its responsibility for the protection of the lives and health of workers and pays specific attention to occupational health and safety issues subject to the Company operates a large number of hazardous production facilities using various harmful substances in technological processes.

Matters of industrial safety are guided by the Company's Regulations on the industrial safety and labor protection system, as well as the Regulations on industrial control over compliance with industrial safety requirements at hazardous production facilities, developed on the basis of the legislation of the Russian Federation taking into account generally recognized standards for industrial safety and labor protection.

As part of the improvement of the Occupational Health and Safety management system, the Company develops and implements any necessary internal regulatory documents using new approaches to its management.

Results in 2018:

- approval of the Regulation on industrial control over compliance with industrial safety requirements at hazardous production facilities,
- development and implementation of the temporary enterprise standard "Three-level monitoring of the industrial safety and occupational health at the facilities of PJSC ALROSA",
- development of communication plan,
- consideration of the preliminary training concept for corporate internal trainers in industrial safety and labor protection,
- arrangement of actions for identifying and evaluating the operational risks of the Company.

In 2018, the Company revised and approved a new version of the Occupational health and safety policy, the Strategy for the development of occupational health and safety system, and the Plan of priority measures[39], which are the main corporate documents that establish the principles of the activities and obligations of the Company.

[39] *Order No. A01/68-P dated March 19, 2018, by CEO — Chairman of the Executive Committee*

ALROSA applies five essential principles of the Occupational health and safety policy, which are binding on every employee regardless of their title or position.

Safety is the priority	Any production task shall be viewed in terms of the safety of its performance. If safety conflicts with production goals, such goals must be reviewed or cancelled
Executives take full responsibility	The executive officers (of the Company or its units) shall be liable for the management and maintenance of safe work performance. Every worker shall be responsible for his or her own personal safety
No injuries and accidents	ALROSA considers every injury and accident as an emergency, which indicates which issues and problems in management systems and industrial safety policy are have to be resolved
Openness and integrity	No lies and non-disclosures related to occupational health and safety, which the Company considers as gross violations
Inclusiveness	Each employee, directors and workers has to be involved in the settlement of occupational health and safety issues

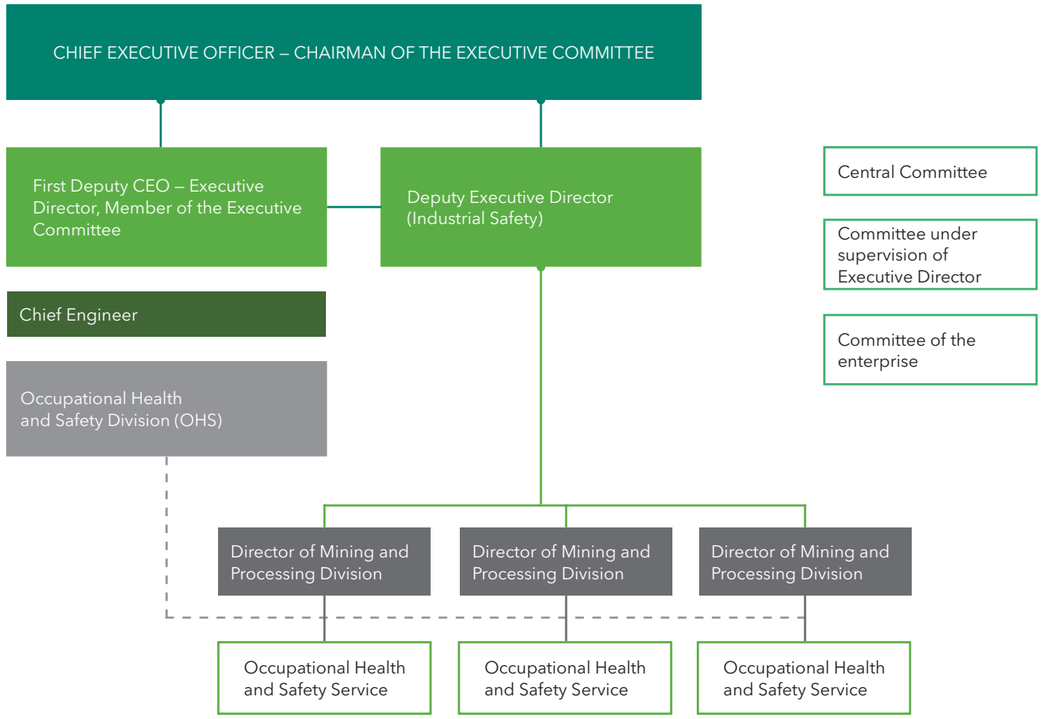
In 2018, the Company completed the restructuring of occupational health and safety services, which was started in 2017 by the construction of an independent and separate vertical management of the industrial safety function. The occupational health and safety services were removed from the subordination of the chief engineers at structural divisions and transferred directly to the Head of one structural unit of the Company. a new position of a Deputy Head for Industrial Safety was introduced in the Capital construction department and in all the MPDs of ALROSA.

Industrial safety services of the Company's divisions are subordinated to the Industrial Safety Division. At the Company's executive body level, Chief Executive Officer – Chairman of the Executive Committee administrates the industrial safety vertical structure.



The Company established the following permanent industrial safety committees:

- **The Central Committee for Occupational health and safety under supervision of the CEO – Chairman of the Executive Committee[40].** Its main tasks are the approval of current and future plans for the development of the Occupational health and safety management system, the consideration and approval of corporate standards of the Company, measures to improve the Occupational health and safety management system, consideration and analysis of industrial injuries, accidents and incidents, as well as incidents related to ensuring safety at the production sites of the Company, its subsidiaries and affiliated companies; consideration of violations of the laws requirements in the field of Occupational health and safety that resulted to or had a significant risk of a negative event happened, setting tasks in the field of safety before the Heads of structural divisions, subsidiaries and affiliated companies. Committee meetings are held at least once a quarter.
- **Committee for Occupational health and safety under supervision of First Deputy CEO – Executive Director[41]**, making strategic decisions related to functioning of Occupational health and safety in the Company; Committee meetings are held when necessary, but at least once a month.
- **Committee for Occupational health and safety under supervision of Head of a subdivision.** The Committee shall hold weekly meetings to analyze and review any violations of the safety rules, and develop remedial measures.



[40] Order of the CEO — Chairman of the Executive Committe No. a 01/167-P dated June 25, 2018.

[41] Order № A02-200/19-P of PLSC ALOROSA

Key areas of Occupational Health and Safety:

Area	*Main activities*
Liability insurance	As of February 20, 2018, 114 hazardous production facilities of PJSC ALROSA were registered in the state register, all of which are insured for civil liability. Hazard class category I (eleven sites) includes three underground mines and a warehouse of explosive materials; hazard class category II (eight sites) includes the sites for open-pit mining and the Aikhal underground mine; hazard class category III includes 53 sites. The remaining sites are included in hazard class category IV. All Company's employees are insured against industrial accidents and occupational diseases.
Ensuring industrial safety	A substantial part of the professional activity of the Company's employees is related to activities entailing a probability of injury or a risk of occupational diseases. At the end of 2018, the number of employees of PJSC ALROSA involved in works with harmful or hazardous working conditions was 13,000. The terms of the existing Collective Agreement specify the required level for provision human resource for working in harmful and / or hazardous conditions, with necessary equipment resources (company work clothing, safety shoes, necessary means of highly efficient personal and collective protective equipment, therapeutic-preventive nutrition, communication means, etc.). Annually, the Company implements activities for improving staff sanitary and living conditions.
Staff participation in the Occupational Health and Safety management	This provision is oriented to the involvement of PJSC ALROSA's employees in all activities processes relating the OHS Policy, as well as personal responsibility of each employee.
Personnel training in OHS	Annually the Company's managers and specialists using hazardous production facilities of the Company, undergo pre-certification development, training and certification at the HR Training Centre and training facilities of PJSC ALROSA. In 2018, 1,687 top managers and specialists of the Company completed a pre-certification training relating various fields of supervision, and 1,240 persons completed the labor protection training.
Risk assessment, control and monitoring	Operation of hazardous production facilities of PJSC ALROSA is a key risk factor in the occurrence of accidents, injuries and incidents. In accordance with the OHS Management System, the assessment of the risk of accident is carried out at each stage of the hazardous production cycle: 1) when locating or designing a hazardous site; 2) when putting the site into operation; 3) during operation or reconstruction of the site. All the Company's hazardous production facilities of Hazard class I, II and III operated under the developed emergency elimination plan. In order to increase the level of industrial control, as well as to take measures for prevention of accidents, injuries and incidents, the Company has adopted corporate standards for conducting monitoring and preventive inspections. The practice of registering, investigating and reporting on work accidents in PJSC ALROSA complies with the requirements of the Russian labor law and recommendations of the International Labor Organization. In order to analyze the dynamics and causes of injuries, the Company carries out a constant monitoring of absolute and relative indicators showing the level of industrial injuries in PJSC ALROSA.

In 2018, Lost Time Injury Frequency Rate (LTIFR) in the ALROSA Group amounted to 0.24 and increased by 28% compared with 2017. The total injury rate per 1,000 employees amounted to 1.79 and increased by 24% compared with 2017. Reasons of the increased LTIFR:

- activities oriented at principles of honesty and transparency of the Occupational health and safety policy,
- changing the key performance system at all levels of vertical management of production activities, i.e. from line managers to senior management – change of motivation for managers allows do not hide an information about any kind of accidents and incidents,
- closer attention of the executive managers to labor protection, occupational health and safety.

Activities in 2018

Activities related to occupational health and industrial safety were managed in accordance with objective stated in the program of the Industrial Safety Division of PJSC ALROSA for 2018, in such areas as labor protection, occupational health, safety, traffic safety, fire safety, and civil defense in emergencies.

Lines for change / creation of a specialized body	*Implementation*
Approval of main organizational and administrative documents.	Adoption of the Occupational Health and Safety Policy, the Strategy for the Occupational Health and Safety Management System, and the Priority Action Plan. Issuance of the Standard "Three-level monitoring of the industrial safety and occupational health at the facilities of PJSC ALROSA". The Company developed and approved the Emergency Recovery Plans for 25 hazardous production sites of the Company, which perform mining operations. The plans are approved by the Yakutsk Paramilitary Mine Rescue Team, which provides mine rescue and emergency services.
Establishment of a Management Committee under supervision of the Company's Chief Executive Officer.	Establishment of Committees under supervision of the Chief Executive Officer – Chairman of the Executive Committee and Deputies of Chief Executive Officer – Chairman of the Executive Committee. Holding of four meetings of the Central Committee on Occupational Health and Safety under supervision of the CEO – Chairman of the Executive Committee, and three meetings under supervision of the First Deputy CEO – Executive Director, on issues related to injuries, accidents, incidents, as well as defining tasks for the next period of work.
Separation of the vertical management chain and restructuring of the industrial safety function.	Restructuring of services has been completed, at the present time, the structures operate having a new legal status. Industrial safety function is not more subordinated to the divisional Chief Engineers and supervised by the divisional Head. Main production activity subdivisions established a new position of a Deputy CEO of Industrial Safety.

Lines for change / creation of a specialized body	*Implementation*
Liability insurance	The hazardous production facilities operated by the Company are insured against civil liability and damage resulting from an accident. The insurer is JSC SOGAZ, the total insurance premium amounted to 3.1 million Rubles.
Changes in the system KPI at all levels of production management vertical chain from the line managers to the senior executives	Changes in the system KPI is one of the measures for the purposes of development of the Industrial Safety Management System. These changes will be implemented in the 2018–2019 years.
Introduction of the Risk Assessment System related to production processes with the subsequent definition of testing and control measures	Introduction of the Risk Assessment System related to production activity processes is one of the measures to develop the Industrial Safety Management System. These systems will be implemented in 2019. Start of Project for identifying and evaluating the operational (production) risks of the Company.
Changes in the system of collecting and analyzing statistics based on internal investigation of any emergency, accident or incident, affecting the industrial safety.	Investigation of emergencies happened in 2018, was carried out by testing investigation methods aimed at identifying the main reasons. The most effective investigative methods and procedures will be included in the Company's standard on "Internal investigation of incident and accident reasons" in the first half of 2019.
Creation and implementation of division for permanent independent control – monitoring of competence and quality of control	Industrial control services are set up as separate departments in the updated services structures. Formation of a division of industrial control in the Industrial Safety Division for the purposes of collecting information and further analysis of the activity of industrial control services in the subdivisions of the Company. The Industrial Safety Division conducted 48 field inspections of industrial safety.
Improved and raised level of line managers' competence and responsibility.	As part of introduction of new standards, all top managers, including the line managers, have complete a training relating the correct compliance with the requirements set out in the approved internal regulatory documents. Information bulletins on potential cases of injuries, incidents and accidents were sent to the Heads of the subdivisions of the Company, in order to inform all the employees.
Pre-certification training of the managers and specialists.	Arrangement of a pre-certification training for the managers and specialists operating hazardous production facilities. Number of managers and specialists of the Company passed the pre-certification training relating various fields of supervision was 1,687 people, and the occupational health training – 1,240 people.
Employee training	Number of employees passed the Basics of Fire Safety education in order to comply with the requirements of the Fire Regulations of the Russian was 290 people, the fire extinguishers servicing training – 152 people, training on operability, servicing and maintenance of fire detection and fire extinguishing systems – 30 people. Education of managers and specialists based on the program «Training on civil defense and emergency situations» – 155 people.
Assessment of workplace conditions	In accordance with the framework agreement between the Company and the Klin Institute of Protection and Working Conditions concluded for the years 2017–2019, an unscheduled special assessment of 1,625 workplace conditions was carried out.
Improvement of workplace conditions	In accordance with the Order of PJSC ALROSA "Approval of the Measures Plan for Improvement of Working Conditions", the Company purchased highly effective personal and collective protective equipment, small-scale mechanization equipment, cabins for the equipment were re-equipped with materials having high noise and vibration characteristics, etc. The Company purchased 706,777 units of personal protective equipment for 252.3 million Rubles that is 25.5% of the total expenditure budget for labor protection.
Inspections by the Federal Environmental, Industrial and Nuclear Supervision Service of Russia (Rostekhnadzor)	In 2018, the Lena Department of Rostechnadzor has conducted 146 inspections, as part of permanent supervision at the Company's facilities. The central office of Rostekhnadzor conducted a comprehensive audit of the PJSC ALROSA's facilities, according to the data of which, the founded out violations of industrial safety requirements were eliminated in a timely manner.

Cooperation with Profalmaz trade union

455

THE NUMBER OF HEALTH AND SAFETY INSPECTORS OR AUTHORIZED OFFICERS

2,465

THE NUMBER OF INSPECTIONS CONDUCTED BY HEALTH AND SAFETY INSPECTORS

4,477

THE NUMBER OF VIOLATIONS ELIMINATED ACCORDING TO THE INSPECTIONS' DATA

ALROSA believes it is essential to raise personnel awareness of safe behavior and develop labor culture to cause workers and contractors to value and protect their lives and health. The Profalmaz trade union and its committees, and its authorized persons competent in occupational safety make monitoring and control over conducted work and labor health and hygiene, as well as performance by the Company of its obligations in this area, and take part in commissions created to investigate occupational injuries and professional diseases.

Each case of occupational injury that may result in permanent disability, a group or a fatal case are considered as an emergency and investigated during joint meetings of the Company's managers and the Profalmaz trade union. The Company is obliged to consider the decrees of the Profalmaz trade union with respect to labor safety.

One of the main activities for the prevention of accidents, incidents, occupational injuries and occupational diseases, compliance with the rules and instructions for labor protection and occupational health and safety is a preventive control and monitoring by immediate identifying violations and taking measures to eliminate them.



The main effective control is performed by regular inspections of the Company's subdivisions, which involve special authorized (competence) representatives and officers of the Profalmaz. The institution of the authorized persons competent on occupational safety, is one of the key bodies involving the Company's employees in OHS activities.

In 2018, 388 representatives of the Trade Union were registered as members of the occupational health and safety committees that was 1.7% of the personnel.

Authorized persons competent in occupational safety, as well as other representatives of trade union bodies may be a part of occupational health and safety committees within the Company's subdivisions. Occupational health and safety committees are created on a parity basis according to the number of management representatives of the Company's subdivisions and the representatives of the Profalmaz Trade Union. In case of examining each incident, the representatives of trade union bodies exercise overall and public control of the fulfilled obligations, in accordance with the terms of the Collective Agreement on occupational health safety.

The subdivisions of PJSC ALROSA carry out actions concerning unscheduled special assessment of workplace conditions. The Company and Profalmaz consider disputes arisen in their subdivisions related to timely setting of guarantees and compensations due to hazardous work conditions. Based on the activity results of the Conciliation Commission, the Collective Agreement has been amended in the part of setting additional payments and compensations due to works in harmful working conditions for the previous period (six months). Moreover, the subdivisions has prepared and executed the declarations on compliance of workplaces having the optimal and acceptable working conditions (class I and II) with the standards and requirements of labor protection laws.



Occupational health and safety training for personnel

In 2018, 2,927 employees (intended amount was 2,380) or 35.5% of the total number of managers and specialists of the subdivisions of the Company, completed the trainings related to industrial, energy safety and labor protection at ALROSA's HR Training Center.

The HR Training Center of ALROSA, having a special accreditation, provides precertification industrial safety training for the managers and specialists or experts involved in hazardous works at the Company's facilities.

Pre-certification training, including the fields of supervision training, was passed by:

- 786 employees – production operations and mining facilities operation;
- 107 employees – industrial safety requirements for blasting workings;
- 398 employees – underground facilities operation;
- 180 employees – pressure equipment operation;
- 39 employees – gas distribution and consumption facilities operation;
- 177 employees – energy safety.

The HR Training Center certified 1,687 managers and specialists of the ALROSA's subdivisions in accordance with Rostechnadzor requirements.

In 2018, a labor protection knowledge assessment was conducted for 1,240 managers and specialists of the subdivisions of the Company.

In 2018, for the purposes of high-risk works at hazardous production facilities of the Company, 4,187 workers passed a training and knowledge assessment to obtain permit to independent works.

Virtual reality

In order to increase the level of safety, the Company introduced training-simulators with VR technology for an ultra- heavy mining dump truck, a road header and an underground drilling rig. Such simulators are used to train new employees and improve the technical skills necessary for safe work with complex equipment and machines.

EFFICIENCY OF OHS ACTIVITIES

Improving industrial safety is one of ALROSA's development priorities. Using innovative technologies allows reducing the level of industrial injuries, keeping labor potential of employees, and minimizing the number of accidents and incidents at production sites.

The Company finds and develops different approaches and methods to enhance industrial safety and labor protection:

In order to control special equipment at a distance, and safely conduct mining operations at the Aikhal underground mine, in 2018, the Company put into operation remote controls allowing to make various operations and eliminating a possibility of injury, due to the PDM-driver watching the remote control at a distance of 30–80 meters.

At the Udachny and Aikhal underground mines, the using of new drilling rig models was started – Sandvik DL421. Using a USB-flash drive, an electronic drilling passport will be transferred to these rigs. The technology will minimize the risks relating the finding people in the quarry face, perform drilling with high accuracy on a pre-planned grid. The electronic passport contains all the necessary parameters for drilling operations and is processed in a special program, based on data previously collected by engineers, geologists and mine surveyors of the Company. After processing of electronic passports containing drilling tasks description, the work of the drilling rig operator will be minimized. In fact, the system will help the operator to concentrate fully on controlling and operating the machine in the quarry face. All commands for drilling wells will be given automatically, which should increase the safety and accuracy of drilling operations.

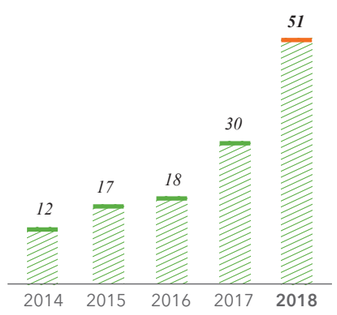
In 2018, ALROSA Group started using unmanned aerial vehicles for surveying at the Lomonosovsky MPD (PJSC Severalmaz) in the Arkhangelsk region. The quadrocopter "Geoscan 401 Geodesy" and an aircraft "Geoscan 101 Geodesy" created by the Russian company "Geoscan" were used for works. The total shooting area was more than 3 square kilometers and flight time was 2 hours 40 minutes. These aerial vehicles made flights for a total about 100 km. The main advantages of these unmanned aerial vehicles are the high accuracy of obtained data, the speed of work, the minimum labor costs compared to traditional shooting methods, and safety.

Since 2016, the divisions of the Company introduced the medical terminals equipped with devices for measuring blood pressure, breathalyzers and body temperature sensors. Pupillometer makes it possible to detect any drugs in blood in seconds. All the information obtained during the medical inspection is reflected in an electronic registry. Depending on an employee meets or not all the medical parameters, such an employee is allowed or disallowed to work – a respective information is shown on a computer monitor. If the equipment identifies any problems, for example, high body temperature, an employee will be advised to visit a medical attendant. The project is mainly focused on the employees, who work on hazardous sites and operate vehicles. Its purpose is to reduce the risks of occupational diseases and injuries.

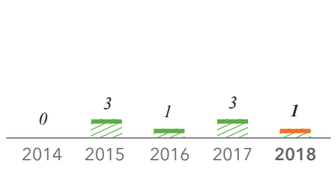
At the end of 2018, as part of a pilot project, employees of the Mirny production site received an unlimited access to telemedicine consultations of Moscow doctors. In the 24 / 7 mode, employees may address for free consultations to duty general practitioners, therapists, pediatricians, as well as specialist doctors: gynecologists, urologists, neurologists, cardiologists, traumatologists, orthopedists, gastroenterologists, occupational pathologists, rheumatologists, ophthalmologists, allergists, endocrinologists, became available, otolaryngologists and surgeons. "Doctor near you" – a medical company, one of the leaders in the Russian telemedicine market became a service operator for the employees of PJSC ALROSA

In 2018, PJSC ALROSA has 51 industrial accidents, which hurt 54 employees, 9 of them were women. 43 employees got minor injuries, 8 got heavy injuries, and 3 got fatal injuries. One group accident has been recorded.

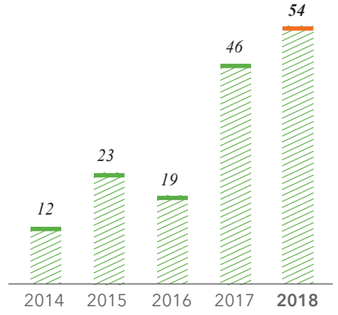
Information on accidents and injuries got by employees of PJSC ALROSA for the period of 2014–2018



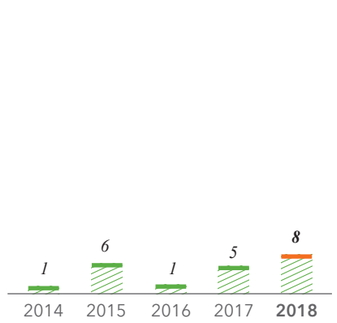
Total number of industrial accidents



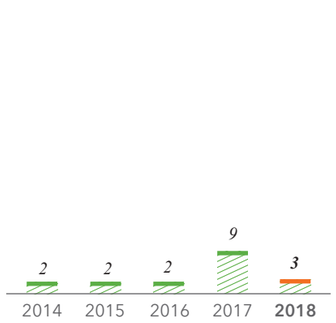
Number of group incidents



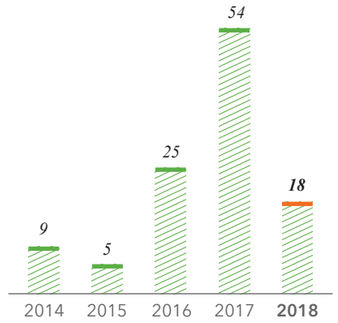
Total number of minor injuries



Number of heavy injuries



Number of fatal injuries



Number of employees with occupational diseases

Injury rates in PJSC ALROSA for 2014–2018

Indicator		*2014*	*2015*	*2016*	*2017*	*2018*
Injury rate (IR)[42]	IR	0.05	0.10	0.08	0.23	0.28
Occupational disease rate (ODR)	ODR	0.04	0.02	0.11	0.27	0.09
Lost work day rate (LWDR)[43]	LWDR	6.91	9.64	9.97	14.92	23.29
Absentee rate (AR)[44]	AR	4.3	4.3	4.8	5.6	5.7

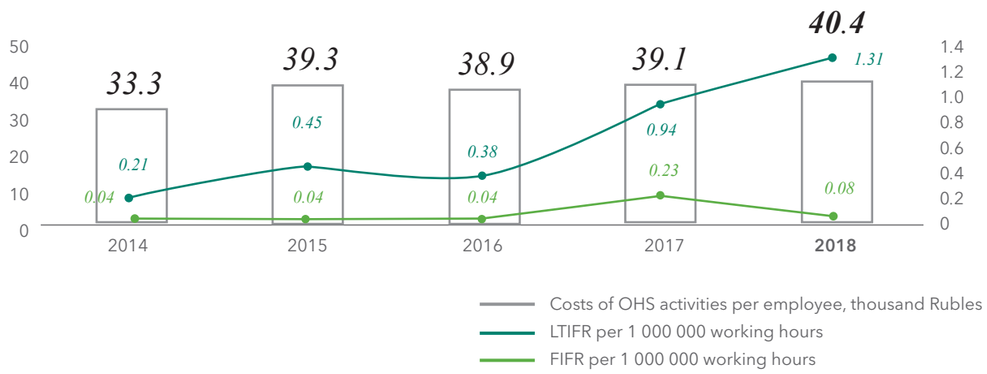
In 2018, the coefficient of the frequency of injuries with disability (Кч) amounted to 2.21 for the Company and increased by 27.7% compared with 2017, the severity of injuries coefficient (average duration of temporary disability per an injured in accidents) amounted to 106.96 in 2018, and it was increased by 20.3% compared with 2017.

[42] The rate is calculated taking into account fatal injuries, as well as all injuries that resulted in disability for one day or more.

[43] The rate is calculated taking into account the calendar days of disability as a result of industrial injuries and occupational diseases from the first day of the incident

[44] The rate is calculated taking into account all days of temporary disability irrespective of the reasons, except for the disability due to pregnancy and delivery

Dynamics of the frequency of injuries with the loss of working time, the frequency of fatal injuries and the measures costs to improve workplace conditions and labor protection for the years 2014–2018



In 2018, fatal accidents in the Company have happened at the Mirny mining and drilling expedition, the Mirny specialized mine construction trust of the Capital Construction Division (Aikhal-Udachny Division) and Almazdortrans Production Division.

On May 16, 2018, from 21:00 p.m. to 3:00 a.m. (it was not possible to determine the exact time) on the Anabar highway, a car MAZ 642508-231 driven by a driver (victim) of the Moscow City Security and Safety Administration during a trip from Mirny town to the Aikhal town left the road and overturned within 330 km of the highway, that resulted in the driver of the car received injuries incompatible with life. The reason of this road accident was an excess of speed.

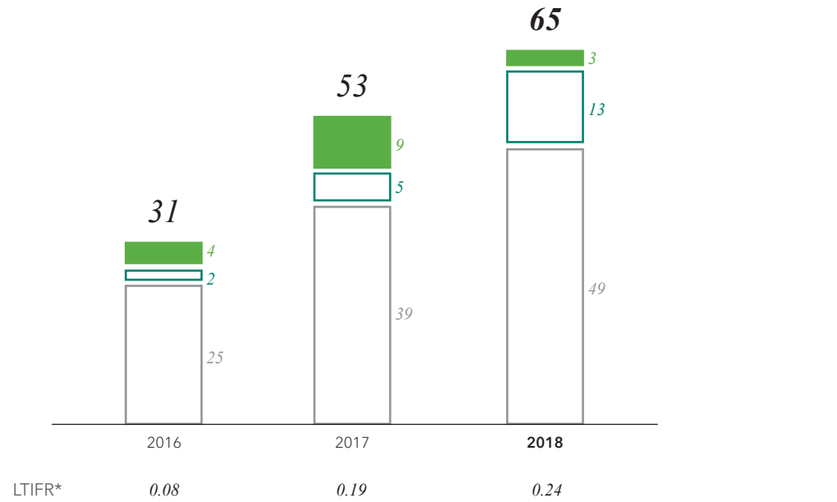
On July 11, 2018, at the first shift (from 00:00 to 08:00 a.m.) at 05:45 a.m., during the works loading quarry face of the main conveyor slope at -580 / -680 meters at the Udachny underground mine, an uncontrolled explosion has been happened caused by detonation of explosives, that resulted in injury, not compatible with life, of a shot-firer of the GKR-9 section at the Mirny specialized mine construction trust. The reason was a violation of technological process.

On August 11, 2018, at 12:55 p.m., an operator of the ALROSA's Central Control Service in Mirny town received a radio message from the driver of motor column No. 3 of the Lena Motor Transport Enterprise of the Almazdortrans, that within 242 km of the Anabar highway the LMTE's road train consisting of: a VOLVO car and a semi-trailer BCM-42 road-tanker were laying on the left side in the left ditch along the way. In the car cabin was the driver of the motor column № 1 of the LMTE of the Almazdortrans without signs of life. On August 10, 2018, that died victim started the trip by a VOLVO car on the route Lensk city – Aikhal town, transporting diesel fuel (summer fuel). The reason of this road accident was violation of traffic rules.

Also, one fatal case has happened with an employee of the contractor: an installer of Lakom LLC, while installing metal structures without compliance with the safety requirements for works at height, fell from a height of 8 meters and received injuries incompatible with life.

In total, ALROSA Group recorded 62 industrial accidents in 2018.

Dynamics of the number of injuries in the ALROSA Group for the years 2016–2018



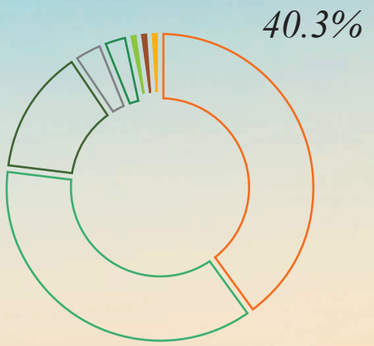
* The coefficient is calculated for 200,000 working hours for PJSC ALROSA and diamond mining subsidiaries

Information concerning each accident was reported to all employees of the Company, with further conducted investigation, the reasons were identified and all circumstances were analyzed in order to exclude such incidents in the future.

A whole range of measures is aimed at developing a safety culture in the Company: training and knowledge control, informing and agitating of the ALROSA's employees and contractors, commitment promotion to safety values.

In 2018, financing of measures to increase the level of occupational health and safety amounted to 987.9 million Rubles and 40.4 thousand Rubles per employee.

Structure of investments in OHS in 2018, %

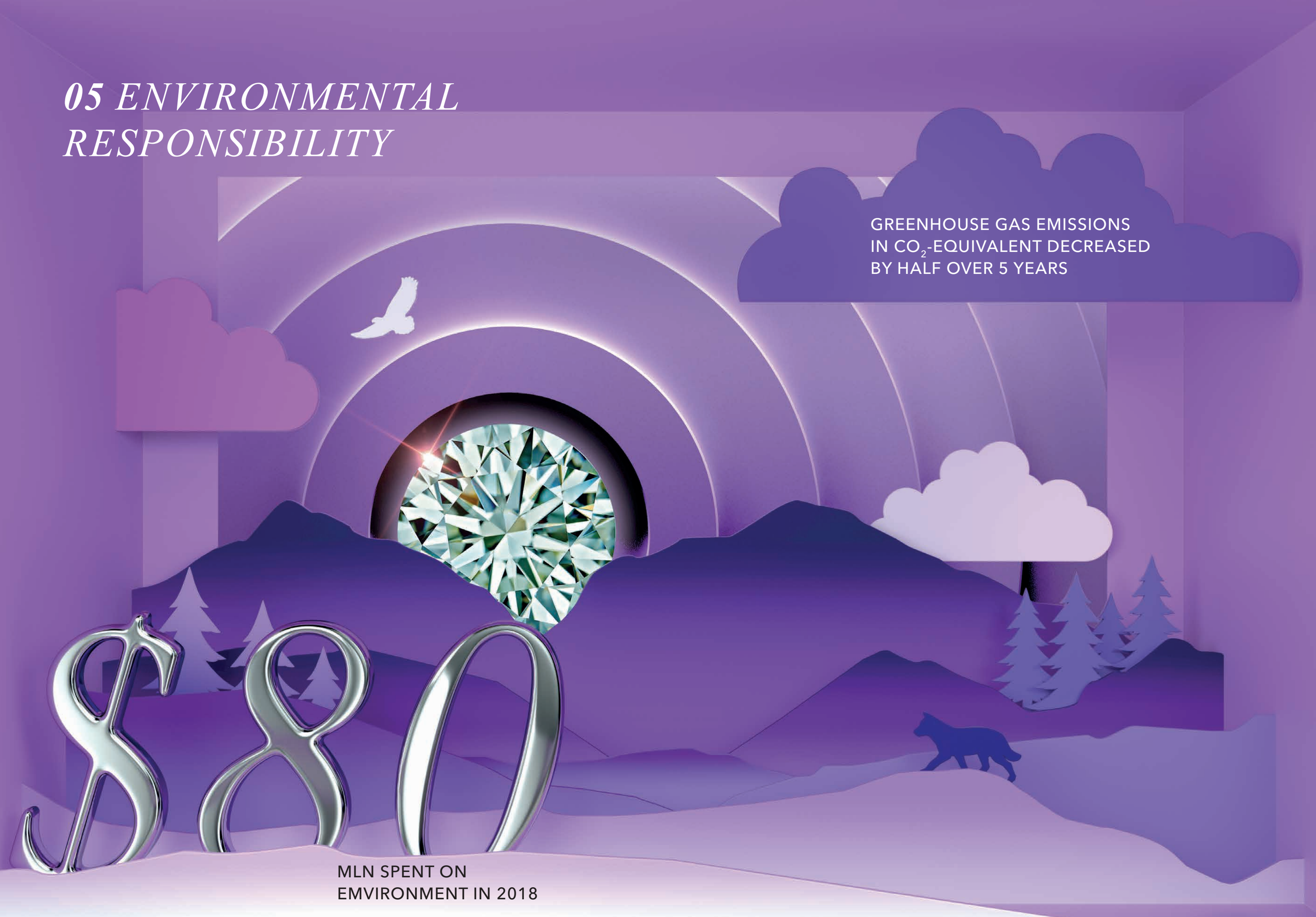


• Organizational and technical support	40.3
• Preventive medical examinations of employees	38.7
• Insurance and other OHS activities	13.7
• Education and information support	3.1
• Industrial sanitation activities	2.4
• Road safety	0.9
• OHS regulatory support	0.7
• Scientific support for labor protection	0.7

In 2018, the main part of funds to measures increasing the level of occupational health and safety was invested to the arrangement and technical support for OHS purposes, and conducting preventive and medical examinations of employees, and also, insurance.

05 ENVIRONMENTAL RESPONSIBILITY

GREENHOUSE GAS EMISSIONS
IN CO_2-EQUIVALENT DECREASED
BY HALF OVER 5 YEARS



MLN SPENT ON
EMVIRONMENT IN 2018

KEY INDICATORS OF ENVIRONMENTAL RESPONSIBILITY IN 2018

18,216.3

MILLION RUBLES

FINANCING OF THE COMPREHENSIVE ENVIRONMENTAL PROTECTION PROGRAM OF PJSC ALROSA FOR THE YEARS 2011–2018 AND FOR THE PROGRAM EXECUTION PERIOD FROM 2011 TO 2018

5.221

BILLION RUBLES

FINANCING OF ENVIRONMENTAL PROTECTION ACTIVITIES BY THE ALROSA GROUP

INCLUDING

4.219

BILLION RUBLES

FOR PJSC ALROSA ONLY

57.3%

WATER INTAKE FROM NATURAL SOURCES ACCORDING TO THE PERMISSIBLE CONSUMPTIVE VOLUME

8.9% *and* ***25.0%***

INCREASE IN RECYCLED AND REUSED WATER SUPPLY

14.2%

DISCHARGE OF EMISSIONS INTO SURFACE WATER BODIES

43.9

MILLION RUBLES

FINANCING OF THE MEASURES TO REPLENISH THE ANIMAL AND PLANT WORLD IN 2011–2018



Careful and rational use of natural resources, minimizing environmental risks, preventing and reducing the negative impact that ALROSA Group activities may have on the ecology of the regions when it operates, are the priorities of the Company.

ALROSA consistently reduces the environmental impact, introduces new innovative developments and technologies, improves the environmental training system for the Company's employees, in accordance with its production development and changing of environmental requirements.

Environmental Achievement Awards in 2018

ALROSA was acknowledged a laureate of the competition "100 best Russian Companies. Ecology and Environmental Management", held at the XII all-Russian Conference "Ecology and Production. Perspectives of environment protection measures development". The CEO – Chairman of the Executive Board of the Company, Sergey Ivanov, has received a badge of honor "Ecologist of the Year – 2018" for achievements in the field of rational environmental management.

The Company became a winner in the "Change Management. Visionaries" in the nomination "Environmental Impact Disclosures".

The Company also ranks second place in the final ranking of the fundamental (environmental and energy) efficiency of 150 the largest companies of Russia and Kazakhstan according to "Interfax-Era" data, operating in the factual economic sector.



ENVIRONMENTAL POLICY

GRI 302-1, 303-1, 303-2, 303-3, 304-1, 306-1, 306-2

Taking into account that environmental impact is inevitable, due to the specifics of the mining industry, the ALROSA Group annually implements a set of measures for environmental protection and ecological safety.

ALROSA's activities based on adhering to and compliance with natural, environmental and legal principles that combine innovative approaches to the development of natural resources and improving the environmental friendliness of production processes at ALROSA Group's enterprises. Environmental safety of production activity is the Company's priority.

Main documents governing the environmental protection under which the Company complies with the set requirements, are the following:

- the Constitution of the Russian Federation;
- regulatory and legal acts of the Russian Federation and the Republic of Sakha (Yakutia);
- Comprehensive Environmental Protection Program of PJSC ALROSA for 2011–2018;
- Long-term Development Program of ALROSA Group for 2018–2024;
- Policy of Sustainable Development and Corporate Social Responsibility of PJSC ALROSA;
- Environmental Policy;
- Environmental Security Strategy of the Russian Federation for the period up to 2025[45];
- Environmental Doctrine of the Republic of Sakha (Yakutia)[46];
- Concept of foreign policy of the Russian Federation (international environmental cooperation).

Objectives of the Environmental Policy:

- minimizing negative impact on the environment in all areas of environmental activities;
- rational and comprehensive use of mineral resources;
- risk management, compliance with the requirements of Russian and international environmental protection laws;
- improvement of the Environmental Management System;
- raising awareness of stakeholders and the culture of employees in the sphere of ecology;
- development and implementation of comprehensive programs for improving the environmental situation in the regions where the Company operates.

ALROSA strategic concept relating environmental protection is to ensure environmentally balanced and safe production by reducing the impact to the environment. To minimize and eliminate environmental risks, ALROSA undertakes a set of related environmental protection measures including research, production, socio-economic and organizational aspect.

[45] *approved by the Presidential Decree No. 176 dated April 19, 2017*

[46] *approved by the Resolution of the State Assembly (Il Tumen) of the Republic of Sakha (Yakutia), State Number № 982-V dated December 20, 2016*

ALROSA main activities relating Environmental Safety

1. Development of a system for efficient disposal of industrial waste by the creation of a recycling industry, including the reuse of waste as fuel and energy resources, raw materials, materials and semi-finished products.	**5.** Introduction of technical and technological solutions aimed at reducing mass emissions of pollutants and greenhouse gases into the air.	**9.** Development of uniform procedures (order) for works and production processes, quality and system of their execution, analysis by means of the system of standards for environmental protection and environmental safety (ALROSA System of Standards).
2. Construction and modernization of treatment facilities.	**6.** Implementation of effective measures for the conservation of biological diversity and increasing the area of land to be rehabilitated.	**10.** Intensification of fundamental and applied research in environmental protection and environmental management, including environmentally friendly technology.
3. Reduced water consumption / drainage through the introduction of circulating water supply systems and a tailings dewatering system.	**7.** Minimization of the risk of man-made accidents at production facilities by creating an effective system of industrial and environmental monitoring.	**11.** Development of a system of environmental education and awareness-raising, improvement of staff competence in environmental safety.
4. Expansion of sites for the re-injection of water into underground horizons, development of hydrogeological monitoring for searching high-capacity reservoirs.	**8.** Development of a geographic information system for environmental monitoring (GIS-EM).	**12.** Closer international cooperation in environmental protection and environmental management, taking into account the protection of national interests.

Approaches to the management and implementation of the environmental policy

The main document of the ALROSA's environmental management system is the Environmental Policy, which establishes the Company's approach to managing activities in the field of environmental protection and environmental safety. The environmental policy of PJSC ALROSA is aimed at minimizing the impact of its production activities to the environment.

ALROSA's principles of the environmental policy

Compliance with the national and international environmental legislation.	Reduction of the adverse environmental impact by developing and adopting management and processing solutions, taking into account the significant relevant environmental aspects of the Company activities;	permanent improvement of the environmental management system;
introduction of advanced technologies with a view to achieve a high level of environmental protection in all areas of activity of the Company;	increase in the level of environmental awareness among the personnel of the Company, and its involvement in the activities aimed at reducing environmental risks;	openness and availability of environmental information, disclosure of the information on environmental protection activities of the Company to all interested parties.

Environmental Management System

The Environmental Management System of PJSC ALROSA was introduced in 2013, and it conforms to the ISO 14001:2015 international standard and GOST R ISO 14001-2016 national standard. Current environmental management system is focused on the process of permanent improvement. More attention is paid to preventive action than corrective action. The environmental management system is annually inspected and audited.

In June 2018, ALROSA passed an inspection control of the environmental management system, according to which, the expert commission has concluded that the environmental management system meets the requirements of ISO 14001:2015 international standard and GOST R ISO 14001-2016 national standard.

ALROSA's Environmental Policy is an integral part of its sustainable development and corporate social responsibility policy of the Company, and also, the ALROSA ALLIANCE's Principles for Responsible Business Management.

As part of execution of the ALROSA Group's Long-Term Development Program for the period of 2018–2024, the environmental priorities of the Company are following:

- Construction and modernization of sewage treatment facilities,
- expansion of wastewater injection facilities into the underground horizons,
- conversion of vehicles to gas engine fuel,
- the use of mining machines of high environmental class,
- block caving of underground mining operations,
- introduction of a reverse water supply system and tailings thickening system,
- the use of waste in secondary production processes,
- implementation of satellite monitoring system for reindeer migration,
- the use of geographic information systems for monitoring,
- replenishment of aquatic biological resources,
- increase in areas for reclamation, remediation and biological restoration.

In 2018, the Company completed the long-term Comprehensive Environmental Protection Program for the period of 2011-2018, developed and agreed with the Ministry of Ecology of Yakutia, for the purposes of implementing environmental protection measures aimed at preserving and restoring natural environment, as well as ensuring environmental safety of the population in the area of activity of ALROSA Group's enterprises.

During 2018, the Company continued to improve its internal regulatory framework by creating a system of standards for environmental protection and environmental safety (ALROSA System of Standards), and also developed and sent for approval by the Ministry of Ecology of the Republic of Sakha (Yakutia) a new Long-term Comprehensive Program for Environmental Protection and Environmental Safety for the period of 2019–2023. The total financing under this program was planned for 29.4 billion Rubles.



System of management, control and activities in the area of environmental protection

The supreme governing body of the Company in the environmental management system is the Executive Committee.

In 2018, the structure of ecology and internal environment was reorganized. Since February 1, the Company opened an environmental center consisting of 28 ecologists, and created by a decision of the chief management, for the purposes of the unified approach to manage environmental protection, environmental management and environmental safety works.

Tasks of the Environmental center:

- improving the quality of environmental protection and production culture;
- developing and implementing environmental standards (industry standards) for environmental protection;
- implementing risk-based environmental control of production;
- expanding the monitoring network;
- monitoring and compliance with the current regulatory legal acts of the Russian Federation on environmental management and legal acts regulating environmental management issues in the Russian Federation constituents.

The Environmental Center is intended to centralize administration control of all environmental works and activities taken by the Company's subdivisions, and systematize all environmental activities lines: from industrial control to the environmental strategy development and its integration into the general development strategy.

The Head of the Center, who is directly subordinated to the Chief Engineer, manage the Environmental Center's current activity. The Center interacts with ALROSA;s subdivisions in accordance with the Regulations governing the management of environmental protection, sustainable natural resources use, and environmental safety at ALROSA's production facilities and catchment areas.

The structure of the Administration includes a Chief specialist responsible for land reclamation and resources use belonging to PJSC ALROSA, who is subordinated directly to the Chief Engineer.

Supervisory Board	– The implementation of environmental safety and protection safety and strategic governance are supervised by the Supervisory Board of PJSC ALROSA.		
The Executive Committee	– Approval of the Environment Protection Policy – Monitoring the implementation of the Strategy of environmental safety and environmental protection.		
First Deputy CEO – Executive Director	– Development of measures and monitoring the compliance with the requirements of environmental legislation, reporting to the Supervisory Board, evaluating the effectiveness of the environmental management system.		
Chief Engineer	– Ensuring the activities of the Company in accordance with the requirements of environmental legislation, environmental policy and ISO 14001:2007 standard, preventing administrative and financial risks in the field of environmental protection.		
Environmental Center	– Development of standards, comprehensive programs, regulations, plans for environmental protection and environmental safety, – preparation and submission of the reporting and other environmental reports or summaries to the state control and supervision bodies, – organization of environmental protection activities, – implementation of industrial environmental control, environmental auditing in the framework of environmental management; organization of environmental monitoring, – implementation of environmental and socio-environmental measures.	**Chief Specialist in Land Reclamation and Resource Management**	– Land reclamation and resource use issues.

Environmental Monitoring

In order to assess and prediction of environmental changes in the area of ALROSA activities, the Company implemented an integrated observation system – environmental monitoring. It is a system aimed to regular long-term observations of the state of the environment in space and time to assess its quality parameters, important for humans, and preserve the environment itself.

Key objectives of environmental monitoring:

- assessing indicators of the state and functional integrity of ecosystems and human habitat;
- identifying the causes of changes in these indicators and assessing the consequences of such changes, as well as determining corrective measures in cases where the target indicators of environmental conditions are not achieved;
- creating conditions to prevent negative situations before any damage is done.

Objects of ALROSA's environmental monitoring:

- components of the environment – soil, surface and groundwater, atmospheric air, flora and fauna;
- natural objects – natural ecological systems, natural landscapes and their constituent elements;
- sources of anthropogenic impact on the environment: noise, vibration, electromagnetic and radioactive radiation.

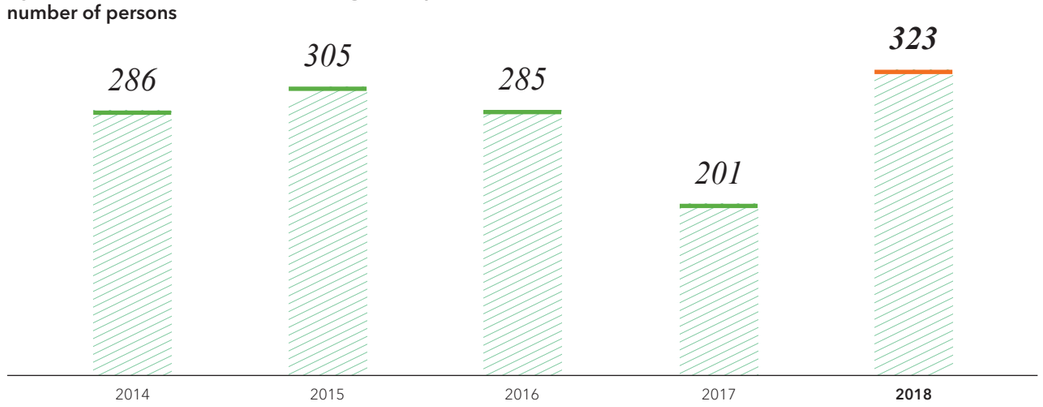
The Company monitors the quality of the environment near its production facilities, and the borders of its sanitary protection zone and adjacent territories.

Environmental education

Continuous improvement of environmental knowledge and culture of the personnel is necessary for successful environmental management. In 2018, based on the ALROSA's corporate personnel training system – the HR Training Center, 323 people passed education and advanced training in industrial ecology in the following areas:

- legal relations in the field of water bodies use,
- environmental protection and ecological safety,
- environmental protection and rational use of natural resources,
- reclamation of disturbed lands and sanitation of polluted territories,
- ensuring environmental safety and environmental protection by managers and specialists,
- professional training of persons related to the right to handle waste of I-IV hazard classes.

Dynamics of the environmental training of the personnel in PJSC ALROSA for 2014–2018, number of persons



Key Activities of the Company in 2018

In 2018, the ALROSA Environmental Center in cooperation with environmental specialists of the Irkutsk State University, launched a project to implement large-scale monitoring of the state of plant and animal world in the area of the Company's production sites.

Successfully continued work on the implementation of a project to monitor reindeer migration using GPS radio collars, preserving the species composition of the genetic diversity of biological resources and maintaining the Living Diamonds of Yakutia Natural Park.

In 2018, the program continued to transfer boiler houses and power plants of industrial facilities to alternative fuels. Measures for modernization of fuel and energy systems are a part of the Program for Improvement of operating efficiency and reducing operating costs, which is active and implemented by the Company for the purposes to reduce significantly production costs in the future, as well as minimize a negative impact on the environment in industrial areas. In 2015–2018, ALROSA's main production sites in Mirny town, Udachny town and Aikhal town were equipped with gas filling compressor stations with a capacity of 1,325 cubic meters per hour. Also, road construction and mining equipment, and most of the automobile transport were transferred to gas fuel. These measures allowed to positively affect the dynamics of indicators of the atmospheric air state.

In 2018, the site for pumping quarry and drainage water from the "International" mine to a western fault was additionally equipped with a water pipe from the Novinka quarry (the facility was set to work in 2017, as a part of the execution of the plan of key measures for holding "Year of Ecology" in 2017 by Russia. that was approved by the Decree of the Government of the Russian Federation No. 1082-r dated June 2, 2016). In order to exclude an impact to surface water bodies, mineralized waters of the quarry were redirected for injection into the underground horizons.

Moreover, the systems for re-injection of quarry, mine (mine) and treated water into the underground horizons were expanded: the mine and drainage water injection site at the Levoberezhniy-2 site, the mine and drainage water injection site at the Udachny and Srednekembrisky mines and the unit of drainage water injection at the Jubilee quarry in the Zarechny site (the first stage).

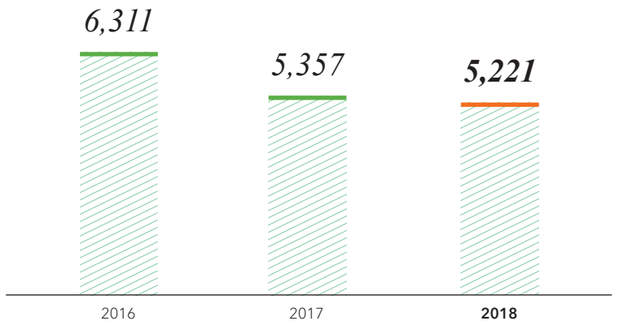
In 2018, the Verkhne-Munskoye field was set in work, where a biological treatment station was built to treat wastewater. The tailing waste dewatering technology was introduced at the Processing Plant No. 12 of the Udachny MPD, which allow to reduce the amount of waste for disposal.

ENVIRONMENTAL FINANCING

For ALROSA, the financing of environmental activities is not as one-time efforts to resolve local issues, but rather as a regular system-based approach to generating a sustainable fund to manage processes in environmental protection and safety and recovery of natural resources.

In 2018, ALROSA Group expenses under the program of environmental protection amounted to 5.221 billion Rubles, including 4.219 billion Rubles spent by PJSC ALROSA alone. Capital investments in the construction of environmental facilities totaled 1.041 billion Rubles, and expenses for the reconstruction and construction of sewage treatment facilities – 89 million Rubles.

Dynamics of ALROSA Group expenses for environmental protection for 2016–2018, million Rubles

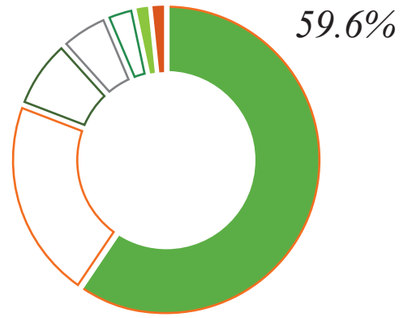


For the period of 2014–2018, ALROSA invested more than 26 billion Rubles in environmental protection and rational use of natural resources.

In 2018, expenses of PJSC ALROSA for planned activities for environmental protection amounted to 4.079 billion Rubles, including the volume of investments in fixed assets allocated for environmental protection and the rational use of natural resources that amounted to 1.131 billion Rubles.

In 2018, the costs for planned environmental protection activities decreased by almost 8% compared to 2017, mainly due to a reduction of expenses for major repairs of nature protection main funds (by 100%), a decrease in operating costs (by 4.2%) and investments in fixed capital (by 16.5%).

Structure of expenses of ALROSA Group under the program of environmental protection in 2018, %



• Maintenance and operation of environmental assets	59.6
• Capital construction investments	21.2
• Land reclamation	7.6
• Other environmental expenses	5.2
• Complex environmental monitoring	3.0
• Reconstruction and construction of sewer facilities	1.7
• Scientific and technical support of environmental activities	1.6

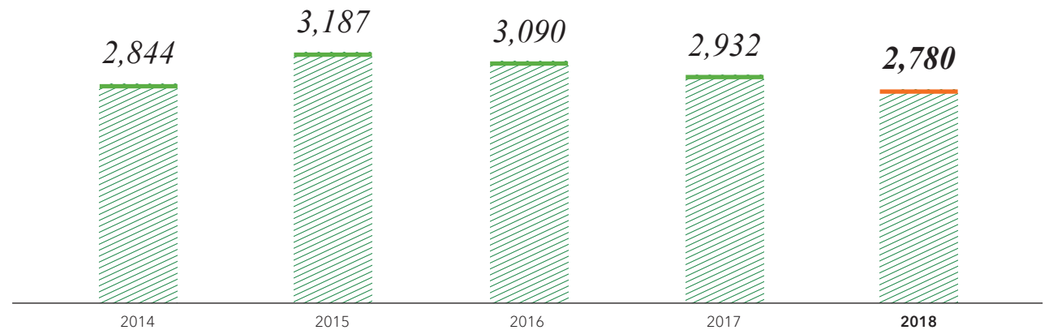
Dynamics of distribution of environmental protection expenses for the years 2014–2018, million Rubles

Area	2014	2015	2016	2017	2018	2014–2018
Current (operating) expenses	2,844.0	3,187.3	3,089.7	2,931.9	2,779.6	14,832.5
Payment for environmental protection services	164.0	178.6	154.4	91.7	168.4	757.1
Costs for major repairs of nature protection main funds	47.6	76.6	37.7	53.3	0.0	215,2
Current environmental expenses, in total	**3,055.7**	**3,442.5**	**3,281.8**	**3,076.9**	**2,948.0**	**15,804.9**
Investment in the fixed capital	2,904.8	2,588.7	2,224.8	1,354.5	1,130.8	10,203.6
Total	**5,960.5**	**6,031.1**	**5,506.6**	**4,431.4**	**4,078.8**	**26,008.5**

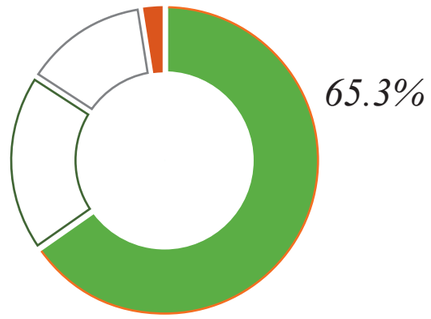
Dynamics of distribution of the current (operating) expenses for environmental activities for 2014–2018, based on the type of nature protection activity, million Rubles

Measures	*2014*	*2015*	*2016*	*2017*	*2018*	*2014–2018*
Protection of atmospheric air and climate change prevention	86.9	84.8	91.5	91.2	67.3	421.7
Sewage collection and treatment[47]	908.3	989.3	930.0	419.3	373.2	3,620.1
Waste disposal	352.4	382.7	252.6	424.9	523.9	1,936.5
Land, surface and underground water protection and rehabilitation	1,456.3	1,680.5	1,774.1	1,882.3	1,815.2	8,608.4
Protection of the environment against noise, vibration and other physical pollution	0.351	0.546	0.612	1.3	0.0	2.8
Radiation safety of the environment	–	0.012	0.0	3.9	0.0	3.9
Biodiversity conservation and protection of natural areas	0.372	0.705	0.0	1.0	0.0	2.1
Research and development activities and projects to reduce adverse anthropogenic impact on the environment	27.6	15.5	21.3	98.3	0.0	162.7
Other type of environmental activities	11.9	33.1	19.4	9.8	0.0	74.2
Total	**2,844.0**	**3,187.3**	**3,089.7**	**2,931.9**	**2,779.6**	**14,832.5**

Dynamics of ALROSA's current (operational) costs for environmental protection for the period of 2014–2018, in million Rubles



Structure of ALROSA's current (operational) costs for environmental protection in 2018, %



- Protection and rehabilitation of land surface and groundwater **65.3**
- Waste management **18.8**
- Sewage collection and treatment **13.4**
- Air protection and climate change mitigation **2.4**

The structure of current costs is dominated by the costs for protection and rehabilitation of land, surface and groundwaters, which is amounted to 1.815 billion Rubles or 65.3% in 2018.

524 million Rubles were allocated for waste disposal, 373 million Rubles – for collection and treatment of wastewater, and 67 million Rubles – for air protection and prevention of climate change.

[47] *the indicator excluding the Enterprises of thermal electric networks — the most critical consumer of water resources and one of the main units of wastewater or sewage discharge, which was withdrawn from PJSC ALROSA*

Comprehensive Environmental Protection Program of PJSC ALROSA for 2011–2018

2018 was the final year for realization of the Comprehensive Environmental Protection Program of PJSC ALROSA for the years 2011–2018, due to which[48], the environmentalists of the Company made a great contribution to maintaining a favorable environmental background in the regions of ALROSA's production activity.

The costs of the environmental program for its full implementation period amounted to 18.216 billion Rubles. In 2018, 1.365 billion Rubles was allocated for environmental program activities. The main expenses were the contribution to the construction of environmental facilities, as part of a capital investment plan, the completion of the reconstruction and construction of sewage treatment plants, and the scientific and technical support for the environmental activities of the Company.

The main results of the environmental program implementation for the years 2011–2018 at the environmental facilities:

- reconstruction of the biological treatment unit in Mirny,
- construction of a drainage complex with access tracks at the Udachny mine,
- construction of a biological treatment unit in the city of Lensk,
- construction of a mineralized water injection unit and construction of a mine water culvert at the Aikhal mine,
- reconstruction of the tailings of the processing plant No. 8 of the Aikhal MPD,
- construction of a local sewage treatment plant at the Jubilee pipe of the Aikhal MPD,
- construction of a dump in the Verkhne-Munskoye field,
- mplementation of a tail dewatering system at the Nakyn site using filters,
- reconstruction of WWTP (Wastewater Treatment Plant) with electrolysis in the town of Udachny,
- a site for re-injection of quarry and drainage waters into the Western Rift. Injection (water-injection) drills. Water culvert from the quarry. «International» mine,
- a biological treatment plant with deep post-treatment system. Reconstruction. Nyurba MPD,
- a mine and drainage water injection unit at the Levoberezhniy site. Udachny underground mine of the Udachny MPD,
- a biological treatment plant No. 2. a shift-work camp. the Nakyn. Nyurba MPD,
- a biological treatment plant SBO-150. the Verkhne-Munskoye field. Udachny MPD,
- Udachny MPD. Tailings pond of the mine Right Kiang. Second priority. Processing Plant № 12 (capacity improving),
- Udachny MPD. Processing Plant № 12 Reconstruction. Site for recycled water supply, thickening, transportation and storage of waste products,
- Mirny MPD. Reconstruction. Tailings facility. Starter dam (Plant № 3). Third priority.
- Udachny MPD. a mine and drainage water injection unit at the Udachny mine. Srednekembrisky mine.

Investment in environmental protection

The main areas for investment in fixed assets for environmental activities are:

- air protection and prevention of climate change,
- sewage collection and treatment
- production and consumption waste disposal,
- land, surface and underground water protection and rehabilitation.

In 2018, for the purposes of an investment program for environmental protection, the following was implemented:

1. Mirny site:

- a site for re-injection of quarry and drainage waters into the Western Rift. Injection wells. Water culvert of the Novinka quarry and construction of an additional water culvert,
- reconstruction. Tailings facility. Starter dam (Plant № 3, third priority) – implementation of the first stage.

2. Aikhal-Udachny site:

- Verkhne-Munskoye field – industrial site, Biological Treatment Plant, off-site utilities TVK, including the treated water release from an access road,
- a quarry at the Zarya pipe field – reconstruction of the northwest ditch,
- a drainage water injection unit at the Jubilee quarry at the Zarechny site (the first stage).
- a mine and drainage water injection unit at the Udachny mine, Srednekembrisky mine, design and exploration works
- a mine and drainage water injection unit at the Levoberezhniy-2 site (the southern part) – design and survey works,
- a mine and drainage water injection unit at the Levoberezhniy site (the first stage) – reconstruction,
- Processing Plant № 12, reconstruction – a site for recycled water supply, transportation and storage of waste products.

[48] *In 2006 it was approved the first comprehensive program to improve the environmental situation in the ALROSA's operations area for the years 2006–2010.*

ENVIRONMENTAL ACTIVITIES RATES

GRI 303-1, 303-3

Water and rational use of water resources

In the course of its operations, the Company requires water intake from surface water sources. ALROSA consumes water under agreements with executive authorities of relevant constituent entities of the Russian Federation[49].

In 2018, PJSC ALROSA operated under eight (8) water use agreements, valid in relation to such water bodies as the Irelyakh River (Mirny city), the Malaya Botuobiya River (Aryiyakh settlement), the Bolshaya Botuobiya River (Taas-Yuryakh settlement), the Vilyuy River (Syuldyukar settlement), Lena River (Lensk city), a reservoir on the Markha River (Aikhal town), a reservoir on an unnamed stream (Verkhne-Munsky deposit field), a buffer reservoir on an unnamed stream (Nakyn area), and two licenses for the extraction of fresh groundwater (Lensk city).

The subdivisions of PJSC ALROSA, located in Yakutia, use surface and groundwater bodies as the main sources for water intake:

- Rivers: Irelyakh River, Malaya Botuobiya River, Lena River, Villyuy River, Bolshaya Botuobiya River,
- Reservoirs: on the left tributary of the Hannya River, Markha River, on the stream Bezymyanny-1,
- Sordonnookh lake;
- underground artesian wells in the city of Lensk.

The Company marks the following lines to reduce the degree of impact on water bodies:

- reducing in raw water intake for production purposes due to water reuse systems applied by processing plants and arrangement of dredge operations in closed foundation pits;
- control of leakages from public and industrial water supply pipes and heating pipes and elimination of the leakages.

The main measures to protect water bodies are the injection of mineralized water (taken water from open pits and underground mines) into an underground aquifer, and monitoring the state of water bodies and quality of natural and waste waters.

In 2018, some facilities located in Mirny district, where ALROSA's main production sites are located, were exposed to a seasonal natural phenomenon – heavy rainfall. Abnormal, never before observed and unpredictable amount of rainfall caused a rapid water level rise in all lakes, reservoirs, rivers, canals and streams of the Mirny district, that exceeded critical water levels for objects located in the channels of the Irelyakh and Malaya Botuobiya Rivers.

As a result of that emergency, an ownerless dam on the Taborny stream and the Anabar federal highway section were destroyed, and the pontoon crossing on the Malaya Botuobiya River was flooded. Increase in water volume of the Irelyakh River due to increased number of excess water discharges from the Irelyakh reservoir, the Taborny stream and other lateral tributaries, caused a rise in the river's water level above the top level of the enclosing ditches in the excavation pits of the Irelyakh placer deposit, located on the Irelyakh River, and their subsequent destruction.

The Company established a Commission responsible for remediation, which has conducted daily surveys of hydraulic structures and environmental monitoring of water bodies: research of water samples of the Rivers: Irelyakh, Malaya Botuobia and Vilyuy, including the settlements: Suldyukar, Krestyakh, Suntar, Nyurba and Verkhnevilyuysk.

Following the results of restoration work on flooded water bodies, the Rospotrebnadzor Office in the Republic of Sakha (Yakutia) assessed the water resources and published the results of sample test of the Vilyuy River in the Suntarsky, Nyurbinsky, Verkhnevilyuy and Vilyuy districts: **"The concentration of suspended solids decreased to background values, the water from the Vilyuy River can be used for domestic purposes and consumption as drinking water."**

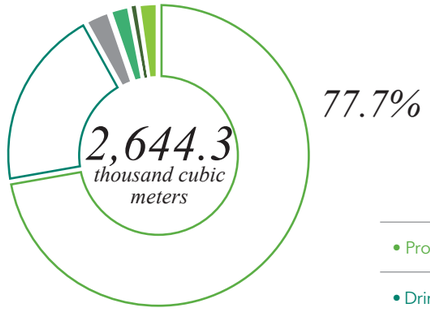
In 2018, total financing aimed at protecting water resources, including the collection and treatment of wastewater, is amounted to 453.3 million Rubles, specifically:

- maintenance and management of fixed assets for the collection, transportation, wastewater treatment, recycling and re-supply systems, local treatment facilities – 331.6 million Rubles,
- wastewater quality control, laboratory research, accreditation and technical equipment of laboratories – 49.5 million Rubles,
- industrial environmental control, informational support – 7.4 million Rubles,
- third-party services – 65.1 million Rubles.

In 2018, total permitted volume of water intake from natural sources was 4,618.7 thousand cubic meters. In 2018, actual water intake was almost two times lower than the permitted one and amounted to 2,644.3 thousand cubic meters, due to the modernization of concentration plants by introducing a system of recycled use of water for technical needs. These works were carried out in accordance with the long-term development program to decrease water intake from natural sources by 2024.

[49] *It authorized to enter into water use agreements related to water bodies, owned by relevant constituent entities of the Russian Federation, and water bodies that are a federal property located on the territory of constituent entities of the Russian Federation*

Structure of water intake in 2018



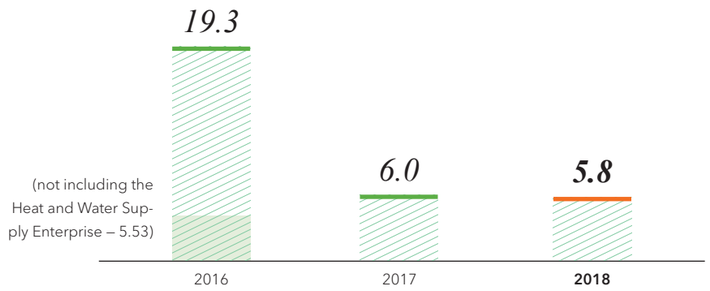
77.7%

	thousand cubic meters	*Proportion*
• Production needs	2,055.4	77.7%
• Drinking and domestic needs	518.9	19.6%
• Loss in transit	43.3	1.6%
• Water intake without consumption	9.7	0.4%
• Agricultural needs	6.5	0.2%
• Other	10.5	0.4%

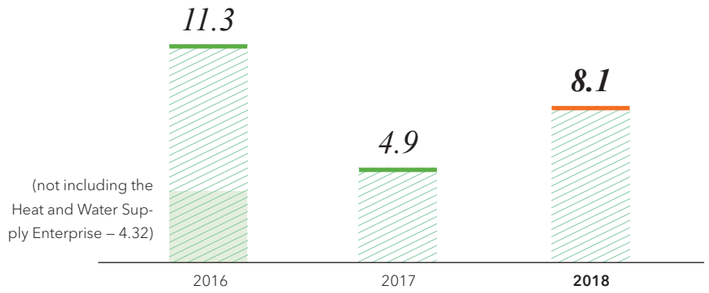
In 2018, the volume of recycled water supply for PJSC ALROSA amounted to 157.2 million cubic meters. The volume of reused water amounted to 69.3 million cubic meters, that exceeds almost 40 times the total water intake[50].

In 2018, fresh water intake from natural sources was 2.6 million cubic meters[51] or 57.3% of the acceptable volume. Increase by 2017 was 28.3% due to necessary filling drag pits after their emptying caused by destruction of drag barriers at Mirny MPD.

Dynamics of total water intake from natural sources and a supplier for the period of 2016–2018, in million cubic meters

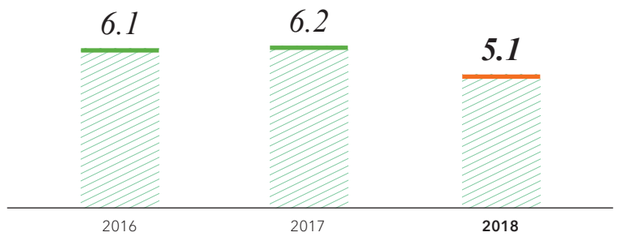


Dynamics of total water intake for production needs for the period of 2016–2018, million cubic meters



The reasons for the increase in water intake for industrial needs in the amount of 4.5 million cubic meters is the requirements of the executive authority represented by the Federal Agency of the Lena Basin Water Management Board (office in Yakutsk), regarding the redistributed volume of water to be included in the statistical form 2TP-water sector of state reporting (section 1 – water consumption). Therefore, since 2018, the total volume of water redistributed at the Company's facilities (drag ditches 201, 202, 203) will be related to the volume of water intake for technological needs.

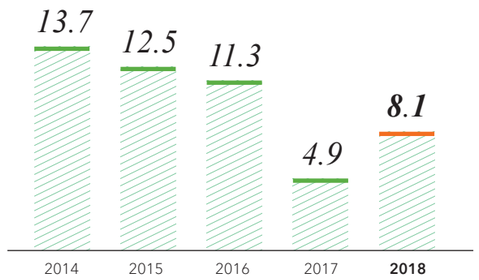
Dynamics of water volume in drag pits for the period of 2016–2018, million cubic meters



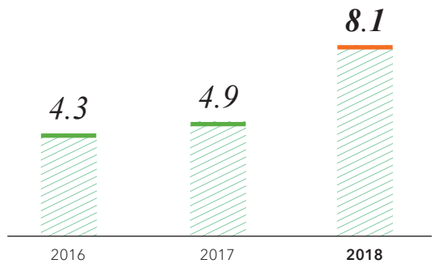
[50] *total water intake (from suppliers and natural sources) amounted to 5,785.3 thousand cubic meters in 2018*

[51] *permissible volume of water intake from natural sources in 2018 was 4,618.7 thousand cubic meters*

Dynamics of total water intake (for production needs) for the period of 2014-2018, million cubic meters



Dynamics of water consumption (for production needs) for the period of 2014-2018, not including the HWSE, million cubic meters



In 2018, the volume of water intake for drinking and household needs increased by 35.5% or 0.37 million cubic meters, in comparison with 2017, due to increased need for drinking water at the facilities of the Aikhal MPD.

The volume of water losses during transportation decreased by 16.8% that shows a positive decreasing dynamics by 32.3% for three-year period.

In 2018, the volume of recycled water supply using in the operations of processing plants is amounted to 157.2 million cubic meters, that shows a growth by 8.9% compared to 2017. In 2018, the volume of reused water supply at different stages of technological process increased by 25% compared to 2017, and reached 69.3 million cubic meters.

ALROSA companies use the mineralized water recycling system without its consumption – drainage water from open pit mines and underground mines flows to backfilling stations and returns unchanged into underground aquifers. All retrieved drainage and mining mineralized waters are pumped into Metegero-Ichersky aquifer system, underground aquifers, Levoberezhny fault line and production accumulator tanks. In 2017, ALROSA launched a project to build a re-injection site for quarry and drainage water from the International mine to the Western Rift, and in 2018, the works were continued. The project costs are financed for the purposes of the water management and water protection work at ALROSA's water bodies.

DISCHARGES AND WASTE

GRI 306-1, 306-2

TOTAL PERMITTED VOLUME OF WASTEWATER DISCHARGE FOR 2018

1,297.2

THOUSAND CUBIC METERS

ACTUAL WASTEWATER DISCHARGE IN 2018

569.1

THOUSAND CUBIC METERS

POLLUTANTS AND EMISSIONS CONTENT IN WASTEWATER DISCHARGE IN 2018

0.193

THOUSAND TONS

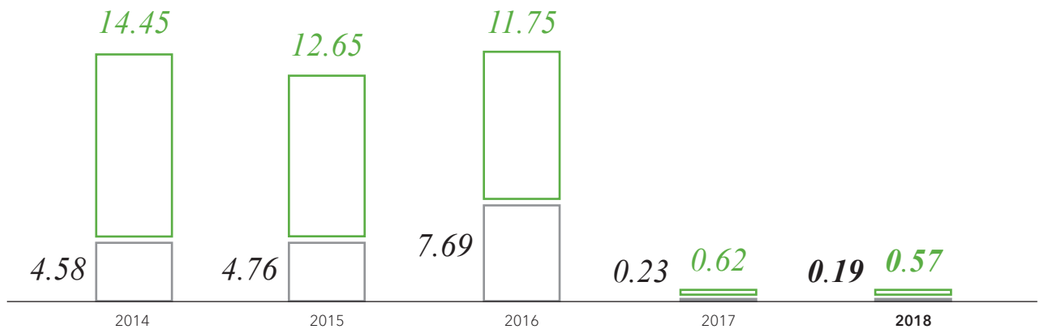
Wastewater, as a result of production and economic activities of PJSC ALROSA, are discharged into the surface water bodies after treatment. Water discharge is permitted under the corresponding permission for the use of a water body issued on an executive authority of the respective constituent entity of the Russian Federation.

In 2018, PJSC ALROSA operated under five permissions on wastewater discharge: the Sokhsolookh River (Aikhal town), Lena River (Lensk city), Irelyakh River (Mirny town), a feeder to the Dyulyung Otuu stream (Nakyn area) and the Bezymyanny-3 stream (Verkhne-Munsky field)

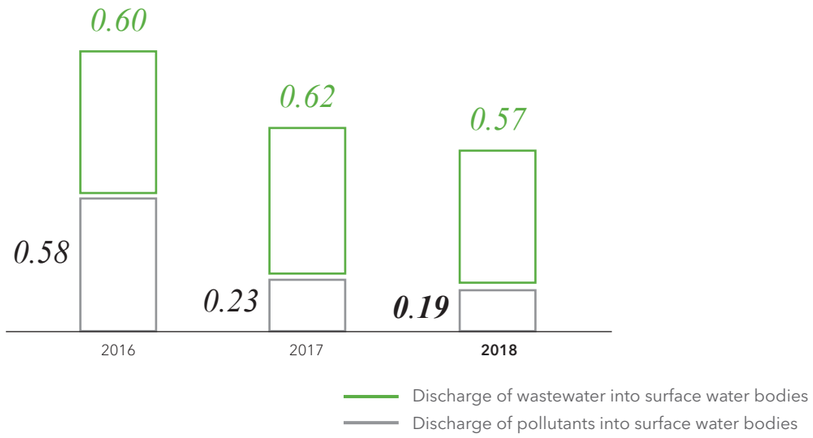
During the mining and enrichment of diamond ore, ALROSA does not use aggressive chemical reagents and materials, or radioactive substances, therefore there are no pollutants with toxic, carcinogenic or radioactive properties in its wastewater.

Industrial water and wastewater, as well as wastewater treated at the WWTP, is discharged to the tailings of processing plants, sedimentation tanks, storage tanks or to be pumped into underground horizons.

Dynamics of discharges into the surface water bodies for the period of 2016–2018



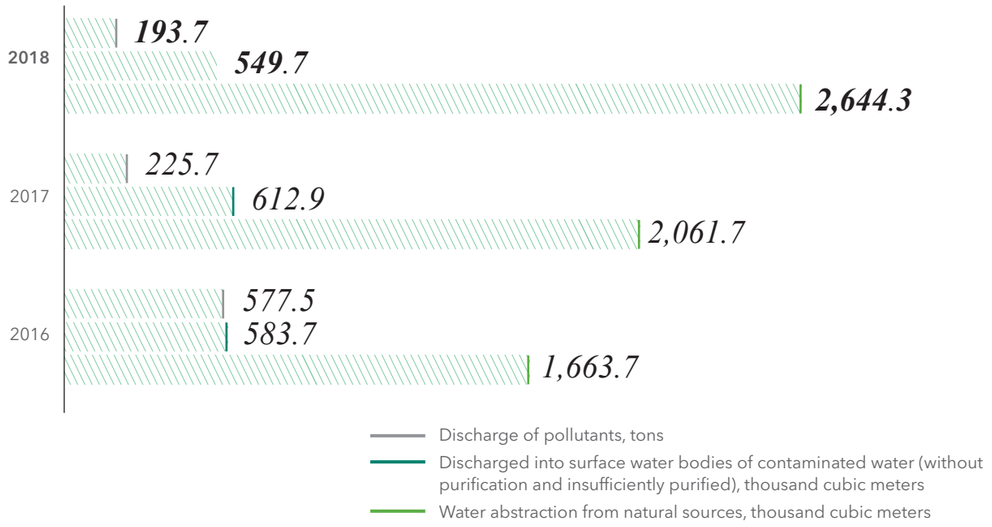
Dynamics of discharges into the surface water bodies for the period of 2016–2018, without including the HWSE



Wastewater and pollutants or contaminants discharge into surface reservoirs, without including the HWSE – a primary water user, shows the precise performance of treatment facilities. In 2018, quantity of wastewater discharge was decreased by 8.8% and the amount of contaminants was reduced by 14.2%.

The industrial sanitary laboratories of the ALROSA Group's subdivisions systematically monitor analytics data of the water bodies to determine a chemical composition of surface, groundwater and sewage, and also make geophysical and permafrost monitoring of the hydraulic structures.

Dynamics of water consumption and wastewater by PJSC ALROSA for the period of 2016–2018



According to the existing requirements it is set 22 quality indicators for wastewater treatment, which are allowed to discharge into surface water bodies.

At the same time, if one of these 22 indicators does not comply with the established standards, the total water volume is considered as insufficiently treated.

For the years 2016–2018, the Company reduced the mass of pollutants and contaminants discharged into the surface water bodies: in 2016 – by 66.5% (383.9 thousand cubic meters), in 2017 – by 14.2% (32.1 thousand cubic meters).

Production and consumption waste

The Company's operations cause generation of waste production and consumption. Treatment process relating each type of waste is strictly regulated depending on its hazard class, state of aggregation, and chemical characteristics.

In 2018, the total mass of waste was 66,989.075 thousand tons, including I-IV hazard classes in percentage less than 0.01%.

Hazard class of waste	*Description*	*2018 (thousand tons)*
Class I	Extremely dangerous	0.014
Class II	Highly dangerous	0.017
Class III	Moderately hazardous	0.722
Class IV	Low hazard	7.811
Class V	Virtually non-hazardous	66,980.511
Total		**66,989.075**

In 2018, the amount of waste generated as results of the operations of the Company's structural units located in Yakutia totaled 66,989,585.2 tons and was decreased to 2017 year at 1.0%.

Dynamics of production waste and consumption according to hazard class in 2018:

- I hazard class waste (mercury-containing waste and fluorescent lamps) show 10.2% decrease, mainly due to the implementation of energy efficiency programs for the years 2017-2019;
- II hazard class waste (waste intact lead batteries with electrolyte, waste rechargeable sulfuric acid) – the reorganization of the PJSC ALROSA, namely, transferring of a part of the motor vehicle to a subsidiary led to overplanned technical inspections, and as a result, a mass replacement of batteries, that led to increased waste in 2018 by 26.0%;
- III hazard class waste (processed oil waste) – reduce to 60.2%, due to the fact that waste oils are utilized as secondary energy and fuel and energy resources;
- IV hazard class waste (construction waste) – reduce to 39.6%, due to changes in the production plan of the construction sector of PJSC ALROSA and the termination of operation of the Mirny construction materials plant;
- V hazard class waste – reduce to 1%, mainly due to reducing in mining operations at Mirny MPD.

A main part of the generated waste is a result of the operations of the mining complex (99.99%) – it is waste of V hazard class (diamond mining waste, resulting from the extraction and processing processes of rock mass (overburden waste rock and diamond ores tailings). In 2018, ALROSA continued to increase waste volume for recycling.

Recycling and treatment of production and consumption waste

Hazard class of waste	*Waste*	*Disposal and Recycling*
I, II, III hazard classes (0.001%)	Mercury-containing waste and fluorescent lamps, waste batteries, electrolyte waste (sulphuric acid), oil product waste (waste oils of different grades).	A part of waste after its neutralization and disposal are transferred to special-purpose companies licensed for the relevant business. Part of the waste is disposed and recycled at the Company's special enterprises: waste oils are used as Secondary Energy Resources or Fuel And Energy Resources, sludge, oil and other filters contaminated with oil, are treated an neutralized in the modern "Forsage-2M" mobile units.
IV hazard class (0.012%)	Scrap tires and air tubes, wood scrap, weld slag, ash and slag waste from coal combustion, the wiping material contaminated with oil or oil products (oil content or oil products is less than 15%), waste after mechanical and biological treatment of sewage water, and other municipal waste (estimates according to a relevant site operations) etc.	Part of the waste is disposed at the Company's special enterprises: tires are disposed as structural elements. Part of the waste is neutralized and treated in the modern "Forsage-2M" mobile units. Part of the waste is transferred to specialized enterprises, licensed for the declared type of activity, for recycling / disposal.
V hazard class (99.98%)	Rubber-metal waste, black metal scrap, overburden rock, tailings, paper and cardboard waste from clerical and record keeping activities, kitchen and catering waste, wood scrap, non-contaminated broken glass, other waste from the mining facilities.	Part of the waste is disposed of at the Company's special enterprises: overburden rock and mine tailings are used for making dikes and dump embankments, for construction works, technical land reclamation, riprap and road maintenance.

EMISSIONS

In the period from 2016 to 2018, PJSC ALROSA has reorganized a number of its subdivisions, and the Heat and Water Enterprise, had a significant impact on the atmosphere caused by fuel combustion in the boiler, was separated to subsidiaries and affiliates heat power units.

In 2018, the total amount of pollutants emitted into the atmosphere was changed according to relevant production complex of the Company's enterprises: emissions data related to a mining complex increased to 97.2% (percentage for the Heat and Water Enterprise was 12–14%), the percentage for Transport and procurement divisions – 2.4%, other subdivision – 0.4%.

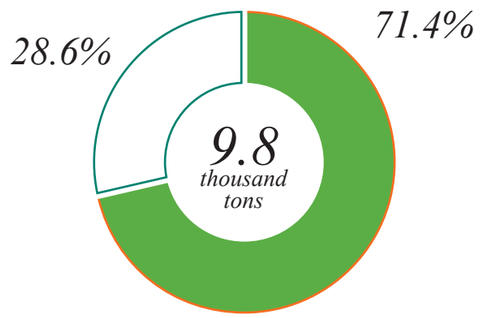
At the present day, the mining complex is the one unit of the ALROSA's production complex, which generates the total composition and amount of pollutant emissions into the air and localized within the sanitary protection zones of industrial enterprises.

In 2018, the total amount of pollution sources decreased by 35.5% and amounted to 1,264 sources, and the number of special sources was amounted to 474, that decreased by 43.8%.

In 2018, the total volume of pollutant emission into the atmosphere by ALROSA was 9.8 thousand tons, that was higher than in 2017 by 30.0%, and mainly due to gaseous and liquid emissions increased to 1,750.2 tons or 33.6%. The amount of solid pollutants in the air increased to 508.1 tons or 21.8%, due to a new diamond mining enterprise – Verkhne-Munskoye field started its operations.

Content of polluting substances of I and II hazard class (extremely dangerous and highly dangerous) is 0.07% of the total emissions.

Structure of pollutant emission into the atmosphere in 2018

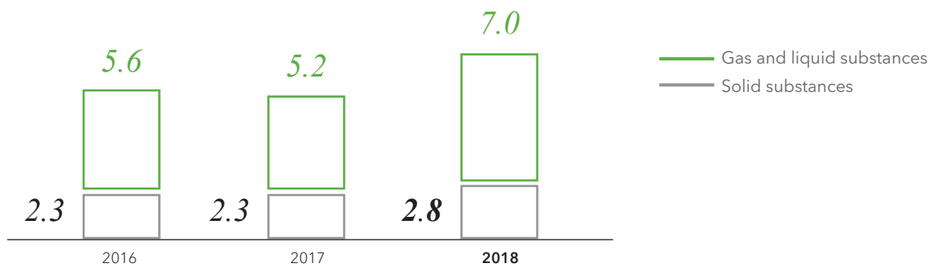


	Thousand tons	*Proportion*
• Gas and liquid substances	7.0	71.4%
• Solid substances	2.8	28.6%

Structure of pollutant emission into the atmospheric air for the years 2014–2018, thousand tons



Dynamics of pollutant emission into the atmospheric air for the years 2014–2018 (without including the HWSE), thousand tons



PJSC ALROSA subdivisions make annual efforts to improve performance in atmospheric air protection and mitigation of climate change:

— Mandatory dust control on haul roads in summer.
— The use of hydraulic cyclones for ore processing at processing plants.
— Dust collection on wood and metal working machines by using sleeve and cyclone filters.
— The use of water injection and dry dust control systems on drilling machines.
— Large-scale efforts to transfer vehicles and boiler units to gas fuel.
— Diesel fuel explosive mixtures are replaced with emulsion mixtures with low oxygen balance.

Dynamics of greenhouse gas emission in the CO_2 equivalent for the period of 2016–2018, thousand tons



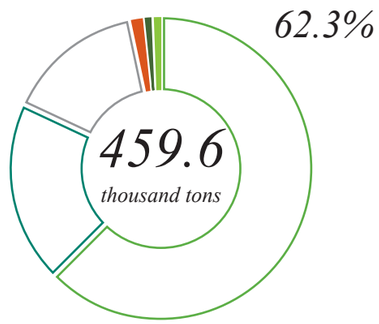
Greenhouse gas emissions (GHG) emissions[52]

Results of 2018 relating greenhouse gas emissions in the CO_2 equivalent show the general reduce.

PJSC ALROSA reduces the amount of greenhouse gas emissions by implementing the following measures:

— Innovation Development and Technological Upgrade Program of PJSC ALROSA for the period of 2016–2023 and the Concept for Energy Saving and Energy Efficiency of PJSC ALROSA for the period up to 2021.
— The Project on convertion road vehicles from liquid fuels (gasoline, diesel) to natural gas. For the purposes of this Project, the car gas stations have already been converted to a gas mode. Mirny town and Aikhal town are put into operation the automobile gas-filling compressor stations, and purchased two stations for controlling the production, accumulation of gas and gas cylinder degassing. The main production sites of the PJSC ALROSA in Mirny and Udachny town, and Aikhal town operates using more than 300 types of technic and vehicles which run on nature gas.

Structure of greenhouse gas emissions in the CO_2 equivalent in 2018



	Thousand tons	*Share*
• Movable sources	286.1	62.3%
• Stationary sources	91.6	19.9%
• Mining works	69.1	15.0%
• Blasting works	7.5	1.6%
• Two-stroke vehicles	5.1	1.1%
• Livestock	0.3	0.1%

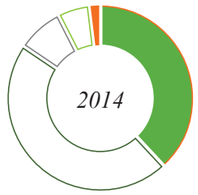
[52] *Data presented according to the PJSC ALROSA;s subdivisions within and outside of the Republic of Sakha (Yakutia).*

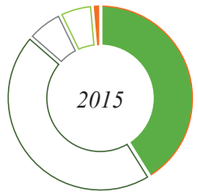


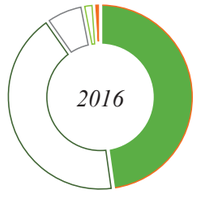
2018 shows slight deviations in greenhouse gas emissions by the ALROSA Group's companies as compared to 2017. As to the complex of mining and processing plants, greenhouse gas emissions was increased to 1.5%, mainly due to the development of new deposits. Greenhouse gas emissions caused by operations of the transport and procurement divisions and geological exploration enterprises, decreased by 6.5%, and respective 44.1% was due to the reorganization of these enterprises.

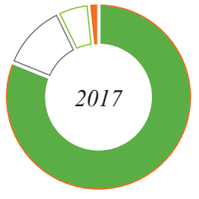
Activities relating the emission of greenhouse gas in the CO_2 equivalent (for the period of 2014-2018, including the HWSE, and for the period of 2017–2018, without including the HWSE), %

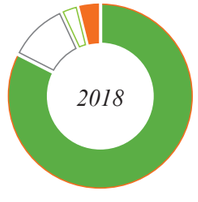
	2014	2015	2016	2017	2018
• Heat power enterprises	38.2	41.5	47.8	81.4	82.5
• Mining and processing divisions	46.5	45.4	42.4		
• Transport and supply complex	7.9	6.5	6.7	11.5	10.7
• Exploration expeditions	5.7	5.8	2.1	5.6	3.1
• Other	1.7	1.2	0.9	1.6	3.7

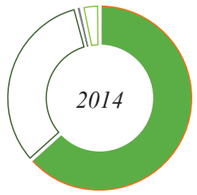


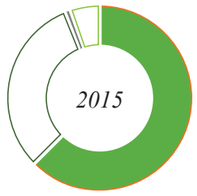


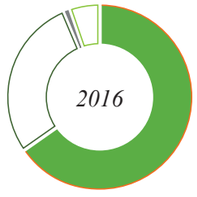


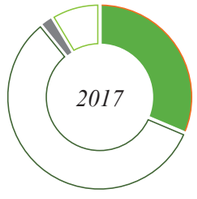


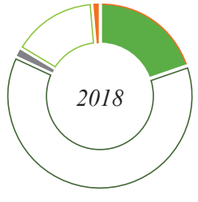








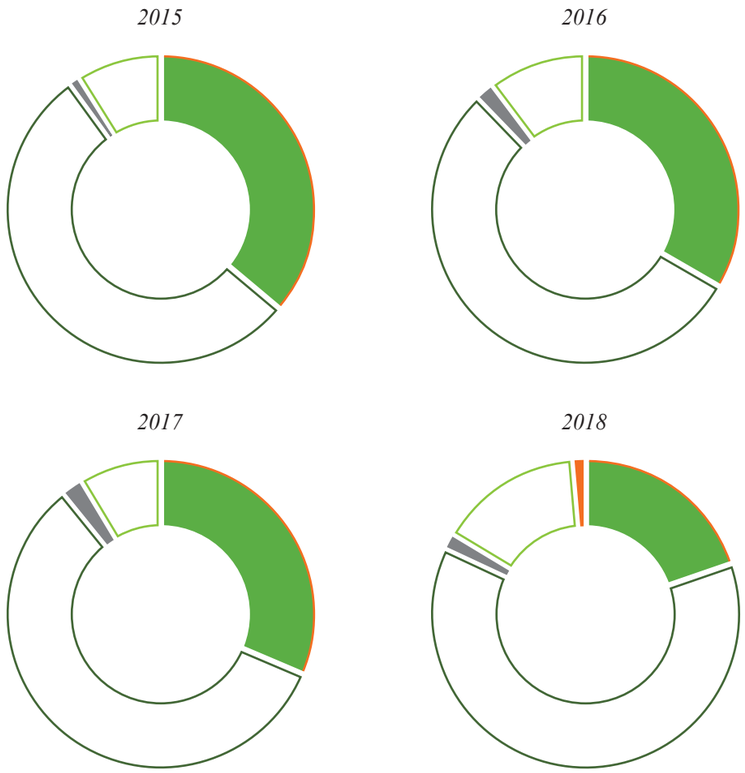




Activities relating the emission of greenhouse gas in the CO_2 equivalent

	2014	2015	2016	2017	2018
• Stationary fuel combustion	65.1	62.6	65.3	31.4	19.9
• Fuel combustion engine ICE	33.6	31.3	28.4	57.9	62.3
• Blasting works	0.6	1.0	1.0	2.2	1.6
• Methane emission during mining	3.4	5.1	5.2	8.5	15.0
• Other					1.2

Production process relating the emission of greenhouse gas in the CO_2 equivalent (without including the HWSE), %



	2015	2016	2017	2018
• Stationary fuel combustion	36.1	33.6	31.4	19.9
• Fuel combustion engine ICE	53.4	54.4	57.9	62.3
• Blasting works	1.7	1.9	2.2	1.6
• Methane emission during mining	8.7	10.1	8.5	15.0
• Other				1.2

Dynamics of greenhouse gas emission into the atmosphere by the PJSC ALROSA's subdivisions for the period of 2014–2018, thousand tons

Indicators	*2014*	*2015*	*2016*	*2017**	*2018**	*Emission level*
Amount of greenhouse gases in CO_2 equivalent, including:	903.9	905.5	882.1	465.1	459.6	50.8
direct emission in CO_2 equivalent	860.4	853.8	830.9	420.7	384.7	44.7

* *excluding the HWSE, which was withdrawn from PJSC ALROSA on January 1, 2017*

For the period of 2014–2018, the volume of greenhouse gas emissions from the production activities of the subdivisions of the Company was almost halved, which was due to the implementation of special activities (on January 1, 2017, a subdivsion "Heat and Water Supply Enterprise" (HWSE) was withdrawn from the PJSC ALROSA as one of main subdivisions generating emissions of atmospheric pollutants), and measures to reduce emissions.

PJSC ALROSA reduces the amount of greenhouse gas emissions by implementing the measures prescribed by the Innovation Development and Technological Upgrade Program of PJSC ALROSA for the period of 2016–2023 and the Concept for Energy Saving and Energy Efficiency of PJSC ALROSA for the period up to 2021.

Land resource protection

In 2017, structural subdivisions of PJSC ALROSA has performed mining, exploration, construction activities that resulted in land disturbance in seven districts of the Republic of Sakha (Yakutia). Amount of disturbed land in 2018 according to the Company's subdivisions:

- a complex of mining enterprises – 79% of the land disturbed by mining operations. These are spent quarry excavations, waste dumps, tailings, drag area and industrial sites. Increase in disturbed land caused by the complex of mining enterprises operations is a result of the launch of the Verkhne-Munskoye field, a new diamond mining enterprise,
- the geological exploration enterprises operations are the reason of 18% of the disturbed lands and represent land sections with bore holes, drilling waste, as well as exploration workings (ditches, pits),
- the other subdivisions operations (a construction complex and transport and procurement division) – 3% of the disturbed lands.

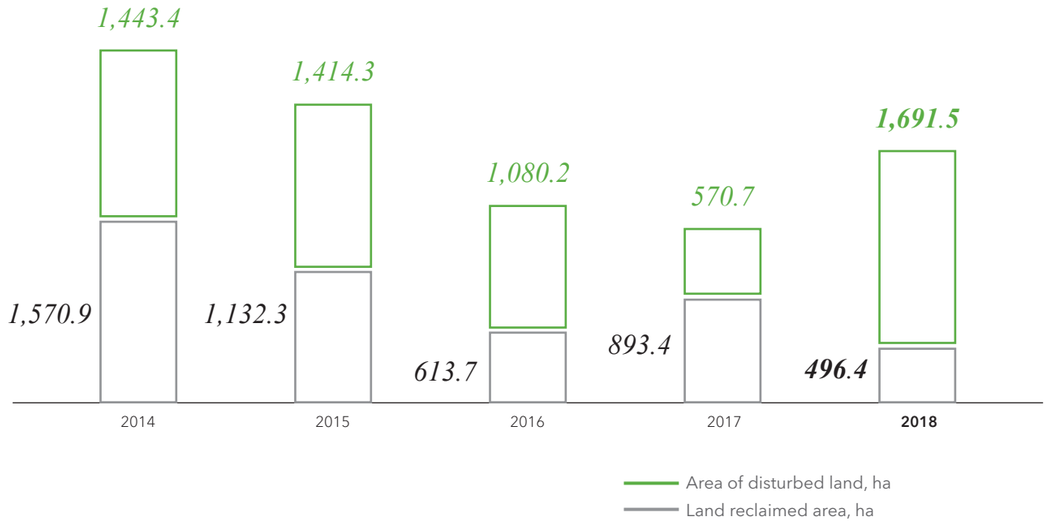
In 2018, the area of disturbed lands amounted to 1,691.5 hectares. Increase of disturbed land to 1,120.9 hectares was caused by the exploitation of new deposits developed by open pit mining way, as contrasted with the data for the years 2016–2017, when underground mining works were prevailed.

In 2018, an area of reclaimed land decreased by 44.4% or 397 hectares, there was a slight decrease in restoration work in the Mirny district. For the period of 2014-2018, it was reclaimed 4,706.6 hectares of disturbed land.

In 2018, the costs of restoration and restoration of disturbed lands upon the Comprehensive Environmental Protection Program amounted to 35.1 million Rubles.

In 2018, it was carried out reclamation of disturbed lands in the course of the geological exploration and exploration works at Vilyuy geological survey expedition,and the development of open pit mines at the Aikhal MPP, and also, after liquidation of a tailing dump of concentration plant No. 3 at Mirny MPP being a capital construction object taken out of operation. Moreover, technical part of reclamation works was carried out in the Olenyok, Mirny and Nyurba districts.

Dynamics relating the total area of disturbed and reclaimed lands for the period of 2014–2018, hectares



Biodiversity preservation

Funding activities for biodiversity conservation in 2018 amounted to 6.8 million Rubles, including 4.0 million Rubles invested in the maintenance of the Living Diamonds of Yakutia Natural Park and 2.8 million Rubles – for fish stocking ponds. Total funds invested in the Comprehensive Environmental Protection Program for the period of 2011–2018, amounted to 40.8 million Rubles.

ALROSA does not conduct industrial work in areas of potential impact within the specially protected areas. Now, relatively near to the Company's subdivisions, there is a Living Diamonds of Yakutia Natural Park created under an agreement between the Ministry of Nature Protection of the Republic of Sakha (Yakutia) and PJSC ALROSA, which became the major investor in the project[53].

Currently, ALROSA have two key projects aimed to conservation of biodiversity in the areas of its main production activities: maintaining Living Diamonds of Yakutia Natural Park and measures to protect the reindeer population.

Due to the industrial works started at the Verkhne-Munskoye field diamond mine, the environmentalists of the Company conducted research of population and migration of the reindeer. They found out the dates of spring and autumn reindeer migration in the area of Verkhne-Munskoye field. Exact number of migrating deer was established; the main points of mass crossing of reindeer on the highway were determined and coordinated with GPS. In order to prepare passages having more gentle slopes and to minimize the possibility of collisions between animals and people.

Since 2015, ALROSA PJSC has taken the necessary measures to provide design documentation of the Verkhne-Munskoye field to a commission of the Federal Service for Environmental Control. During this period, the public hearings relating the issues concerning the terms for the development of a primary deposit and environmental measures and activities were held with the participation of representatives of PJSC ALROSA and public organizations, the population and the administration of the Olenek district. Completion of the environmental expert examination of the Verkhne-Munskoye field design documents in 2017. PJSC ALROSA obtained a positive opinion from the expert committee of the Rosprirodnadzor. In 2018, the Verkhne-Munskoye field was launched in development.

In 2018, ALROSA invested more than 1 million Rubles in and continued activities relating the monitoring reindeer migration in the Olenyok district. During this period, specialists chipped another 10 deer, which allows to monitor the movement of a herd of wild reindeer numbering about 90 thousand individuals. Since the start of the activities, 110 deer have been equipped with radio collars.

The Living Diamonds of Yakutia Natural Park was opened on April 9, 2009, near the Chuonalyr lake, 15 km away from the town of Mirny. Total area of the natural park is more than 32 thousand hectares, and its border length is 90 km.

Today, the fenced territory is inhabited by the musk ox, yak, Far Eastern red deer, axis deer, Yakut horses, bears, reindeers, rabbits, peacocks. The animals are kept in aviaries, and conditions are close to natural. At the main base, there are not only support structures, but museum pieces of national life – summer and winter stylized houses of ancient Yakut people, horse standing in the Yakut style. During the relatively short period since the park has been established, babies of axis deer, grunting oxen and musk sheep came into the world.

There are electricity in the area of the natural object and a year-round road. Each year, teams of young specialists from PJSC ALROSA's subdivisions take part in preparation of additional fodder for the animals. Over the years, the park has become not only a comfortable habitat for animals, but also a favorite leisure area for citizens and tourists, who want to relax and get acquainted with the world of wildlife in Yakutia.

The Living Diamonds of Yakutia Park has held a number of cultural and social events, including the festival of tribal communities dedicated to the Day of small-numbered peoples of the world; in summer, a camp for additional education of children has functioned.

In 2016, secondary school No. 1 of the town of Mirny and the Natural Park's administration entered into an agreement for the purposes of raising environmental awareness of children and promoting nature protection and holding joint events.

[53] *Resolution of the Government of the Republic of Sakha (Yakutia) No. 612 dated December 29, 2006 "On creation of the "Living Diamonds of Yakutia" Natural Park in the Mirny region of the Republic of Sakha (Yakutia)*

Energy saving

GRI 302-1, 302-2

PJSC ALROSA operates in accordance with the applicable laws of the Russian Federation, government programs, and statutory documents and regulations related to rational energy use, including:

— Federal law "On energy saving and energy efficiency";
— State Program of the Russian Federation "Energy conservation and energy efficiency improvement for the period up to 2020";

Internal corporate documents related to the efficient energy use include the following:

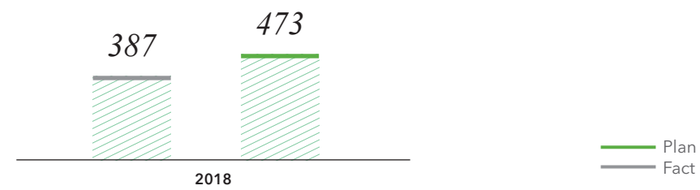
— Energy Efficiency Improvement Program of PJSC ALROSA for the period of 2017–2019;
— Energy Saving and Energy Efficiency Concept of PJSC ALROSA for the period of 2013–2021.

In 2018, for the purposes of the Innovation and Modernization Program of PJSC ALROSA up to 2023, PJSC ALROSA made the activities and implemented programs aimed at enhancing energy efficiency and decreasing in fuel and electricity use by the Company's subdivisions.

Optimization of the fuel use and energy resources

In 2018, ALROSA Group program on saving fuel and energy resources according to energy saving taken measures was executed to 122.3%.

Execution of the Program on Saving Fuel and Energy Resources in 2018, million Rubles

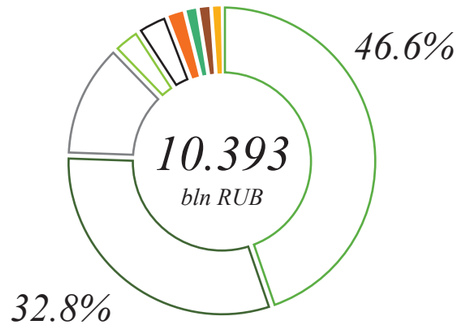


In monetary terms, the plan was overfulfilled across all the articles of the Program:

— electricity;
— heat energy;
— natural gas;
— water supply;
— other (gasoline, diesel fuel and oil for the production of electricity and heat, road transport).

The targets set for saving liquid fuel in 2018 were fulfilled only at 66% due to failure to achieve planned targets related to convertion of gasoline and diesel fuel to compressed natural gas for general service motor transport. These measures were taken due to the failure of a NGV Gas station in Aikhal town, as a part of a project to convert the Company's general service production transport from liquid (diesel, gasoline) to gas fuel as compressed natural gas.

Structure of energy consumption in 2018, billion Rubles



	Share
• Diesel fuel	46.6%
• Electricity	32.8%
• Heat energy	12.2%
• Water supply	2.4%
• Natural gas	2.9%
• Kerosene	1.3%
• Oil	0.8%
• Motor gasoline	0.7%
• Other energy resources	0.4%

Structure of energy consumption in 2018, in volume and in value

Type of energy resource	*Unit of measurement*	*Consumption volume*	*Consumption volume, million Rubles (net of VAT)*
Diesel fuel	tons	99,428	4,847
Electricity	Thousand kilowatt per hour	1,012,297	3,404
Heat energy	Gcal (gigacalorie)	327,124	1,265
Natural gas	Thousand cubic meters	59,009	301
Water supply	Thousand cubic meters	3,925	245
Kerosene	tons	3,194	136
Oil	tons	3,632	84
Motor gasoline	tons	1,630	73
Heating oil	tons	638	25
Coal	tons	896	7
Coke	tons	28	1
Other fuel	tons	146	6
Total			**10,393**

Results of the environmental impact by PJSC ALROSA for the period of 2014–2018 (specific indicators per unit of extracted raw materials)

Indicators	*2014*	*2015*	*2016*	*2017**	*2018* (PJSC ALROSA)*	*2018* (ALROSA Group)*
Fresh water intake cubic meter per carat	0.820	0.679	0.645	0.188	0.209	0.158
Water intake for production needs, cubic meter per carat	0.460	0.403	0.378	0.153	0.294	0.222
Emissions of pollutants in the atmosphere kilogram per carat	0.304	0.304	0.298	0.237	0.354	0.267
Greenhouse gas emissions in CO_2 equivalent, tons per carat	0.030	0.029	0.029	0.015	0.017	0.013
Discharge of waste water into surfaces water body, cubic meter per carat	0.487	0.408	0.392	0.020	0.021	0.016
Emissions of pollutants to surface water bodies, kilogram per carat	0.154	0.153	0.256	0.007	0.007	0.005
Generated waste, thousand tons per carat	3.055	2.663	2.174	2.130	2.419	1.823
Energy resources consumption, kilojoule per carat	0.334	0.323	0.345	0.327	0.352	0.352

* *excluding the HWSE, which was withdrawn from PJSC ALROSA on January 1, 2017*

ENVIRONMENTAL ACTIVITY
OF PJSC ALROSA'S SUBSIDIARIES

Key performance indicators and PJSC Severalmaz activities in 2018:

In 2018, an inspection of the environmental management system of PJSC Severalmaz was carried out.

In 2018, financing of the environmental protection measures is amounted to 19.5 million Rubles.

Current expenses, payment for services and expenses due to the repair of primary funds for environmental protection amounted to 15.8 million Rubles. Payments due to emissions, discharges and production and consumption waste disposal amounted to 9.7 million Rubles, the majority of which was payments for industrial waste disposal (overburden grounds of V hazard class waste – virtually non-hazardous waste).

As part of industrial environmental monitoring, the following watercourses were objects of monitoring: hydrological, hydrochemical, ichthyological, and forest health was monitored.

In connection with the completion of development of sand reserves deposit and sand and gravel material "Shocha-2", which is a part of the Sayan State Natural Biological Reserve, restoration work was carried out within this territory. Over 80 thousand pine seedlings having a closed root system were planted on a forest plot with a total area of 40.6 hectares.

Moreover, the monitoring covered fish and animal populations in the area of the Company's operations. According to expert opinions, no rare species populate in these territories. Fish populations were found normal for this territory. No found signs of any negative impact on fish population in watercourses in the area of the MPP's activity.

In 2018, the total volume of water intake from sources amounted to 60.8 million cubic meters. Emissions of pollutants amounted to 3.0 thousand tons, specifically, solid – 0.92 thousand tons, gaseous and liquid – 2.08 thousand tons. In 2018, the total volume of wastewater discharges into water bodies amounted to 59.5 thousand cubic meters. In 2018, the total volume of generated waste was 28.0 million tons.

The Company will continue the environmental monitoring in accordance with the project of industrial environmental monitoring, which will allow make a perspective assessment of components of the environment in the area of the diamond field named for M.V. Lomonosov. Ecological monitoring will also be carried out at licensed for geological exploration sites.



Key performance indicators and activities by JSC Almazy Anabara in 2018:

The Environmental Management System of JSC Almazy Anabara meets the requirements of the international standard ISO 14001: 2004 and the national standard GOST R ISO 14001-2007, the certificates are valid up to 2019.

In 2018, the total expenses for the purposes of the Comprehensive Program of Environmental Protection and other environmental programs are amounted to 373.2 million Rubles.

The actual water intake from natural sources of the Anabar ulus amounted to 79.1 thousand cubic meters. Emissions of pollutants amounted to 667.3 thousand tons, specifically, solid – 165.7 thousand tons, gaseous and liquid – 501.7 thousand tons.

In 2018, the total volume of generated waste was 822 million tons.

Wastewater discharges in the Anabar ulus had the volume of 51.4 thousand cubic meters, wastewater discharges into surface water bodies of the Olenyok ulus amounted to 25.7 thousand cubic meters.

06 SOCIAL RESPONSIBILITY

3%

OF REVENUE IS SPENT ON SOCIAL EXPENDITURES EVERY YEAR

OVER

$70

MLN ALLOCATED FOR THE IMPLEMENTATION OF SOCIAL PROGRAMS FOR EMPLOYEES IN 2018

OVER

500

SOCIAL PROJECTS IN 2018

KEY INDICATORS IN 2018

34,544

AVERAGE NUMBER OF EMPLOYEES IN ALROSA GROUP



The social priorities of ALROSA Group are the following: the personnel training and development of personnel competence, improving the level and quality of life of workers and the population in the regions of the Company's activities, and the well-being of workers' family members.

ALROSA considers its expenses for personnel policy and social programs as investments in personnel and society.

950

EMPLOYED IN THE COURSE OF THE PRIORITY PROJECT OF YAKUTIA "LOCAL PERSONNEL TO THE INDUSTRY"

80.7%

OF EMPLOYEES COMPLETED TRAININGS DURING THE YEAR

4.470

BILLION RUBLES

SOCIAL INVESTMENTS IN THE COMPANY'S PERSONNEL

6.027

BILLION RUBLES

SOCIAL EXPENSES FOR CHARITY, MAINTENANCE OF LOCAL INFRASTRUCTURE, EDUCATION AND MEDICINE

Social Achievement Awards

ALROSA was named one of the leaders of charity activities among Russian and international companies, according to the results of the annual contest "Leaders of Corporate Welfare" – a common project of the grant-giving organizations association "he Donor Forum", the Vedomosti business newspaper and PwC, a global audit-consulting group of companies.

In 2018, ALROSA was included in the top list of the leaders of socially effective companies, according to the results of a study by AK & M Rating Agency, conducted among the largest companies, disclosed an information concerning the main parameters of sustainable development in accordance with international standards.

ALROSA received the Diamond Empowerment Fund Award for implementing the projects for residents of the regions, where the Company operates.

ALROSA operates in accordance with the highest standards of social responsibility. This concerns employee relations and development, and the support and maintenance of regions, where the Company carries out diamond mining works. According to PwC, ALROSA is the industry's leader in investments into social programs. ALROSA voluntarily assumes large-scale obligations and set the high level for other companies for several reasons:

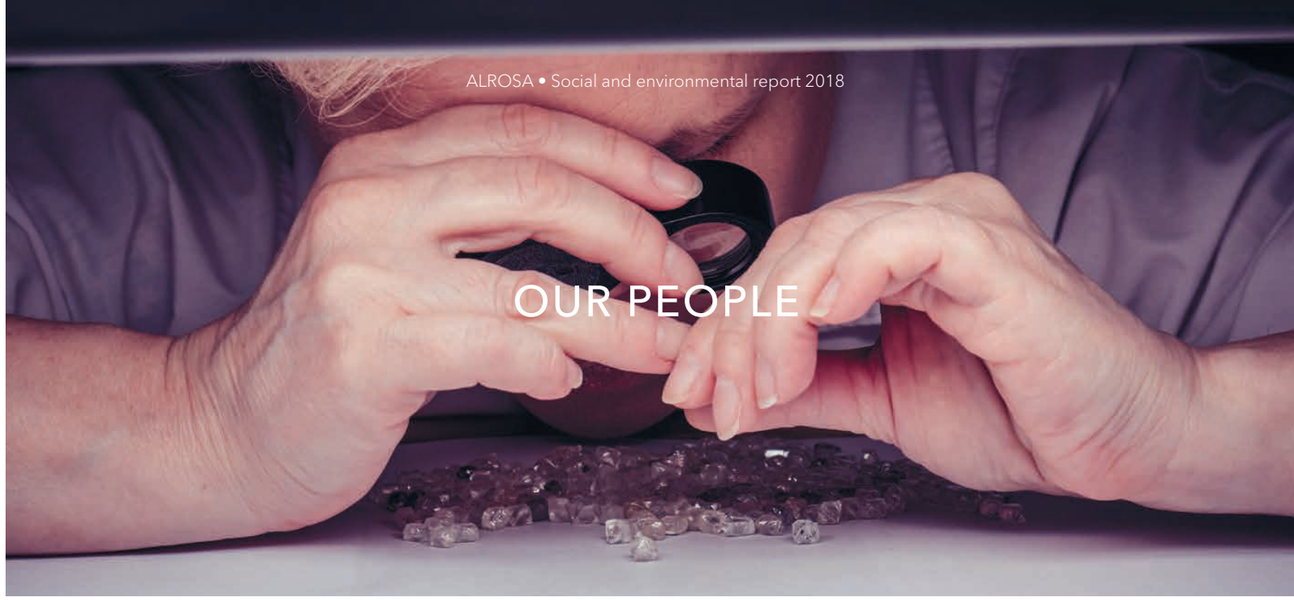
— The Company's success is based not only on its reserves and technologies, but also on its workforce. Today, ALROSA team includes dozens of thousands of professional and skilled workers having unique qualifications, who contribute to the Company's performance and development. ALROSA's concept is to maintain the team and become a company of which its employees can be proud. The team's sustainability should rely on trust to the executive team, social partnership with the trade union and consistent social policy.

— The team sustainability implies decent remuneration. ALROSA tends to be an attractive employer; today, the average salary of the Company's employees is much higher than the average salary in Yakutia and generally, in Russia. In accordance with the Collective Agreement, the salary is constantly indexed subject to the level of inflation. Moreover, the personnel and their family members have the wide range of corporate social programs and opportunities for advanced training and career development.

- Well-being and comfortable living environment are another key to sustainability. Most ALROSA employees work in Yakutia in small one-company towns established around diamond mining companies far away from large cities. ALROSA's concept is to ensure a regular transport communication across the regional cities and the Central Russia and develop the urban infrastructure: housing, communications, healthcare, education, sports and cultural facilities, which the residents can use and feel no gap with the lifestyle of large cities.
- ALROSA also considers its task to promote the socio-economic development of the regions, which ensure the Russia's leadership at the global diamond market. ALROSA commits to pursuing economic, social, infrastructure, and innovation projects in Yakutia and the Archangelsk region and encourage their development, and let their residents enjoy direct benefits from diamond deposits located in this area.
- Within the Yakutia, there are many remote small settlements or towns, not involved in the extraction of diamonds or other major industry, but ALROSA's commitment is maintenance of their development.
- The Company also supports number of federal initiatives – universities, cultural institutions and sports federations. ALROSA does this not only for the development of such specific projects, but also to make education, culture, and sports more accessible in the regions, including Yakutia.

In 2018, ALROSA has continued to maintain these projects and invested 10.4 billion Rubles in social projects[54], including social investments, investments in personnel and social programs for employees and their family members. The Company implemented more than 500 social and charity projects over the year.

[54] *This amount includes 8.3 billion Rubles invested in social projects, that was showed in the Annual Report under the IFRS consolidated statements, and additionally 2 billion Rubles invested in a non-government pension program for the ALROSA's employees and retirees*



OUR PEOPLE

HR Policy

ALROSA's HR Policy is aimed at improving labor efficiency, raising social security of workers and creating a favorable working environment. The Company's personnel is its most valuable asset and one of the main factors for successful development of PJSC ALROSA. The Company recognizes that the highest professionalism of Its employees, their experience in severe climatic conditions, continuity of generations, professional dynasties and a special corporate spirit constitute a unique human capital that must be maintained and developed.

Internal documents regulating ALROSA HR Policy:

- the Charter;
- HR Policy
- Internal Labor Regulations,
- Collective Agreement[55];
- other local internal regulations.

Objectives of PJSC ALROSA HR Policy:

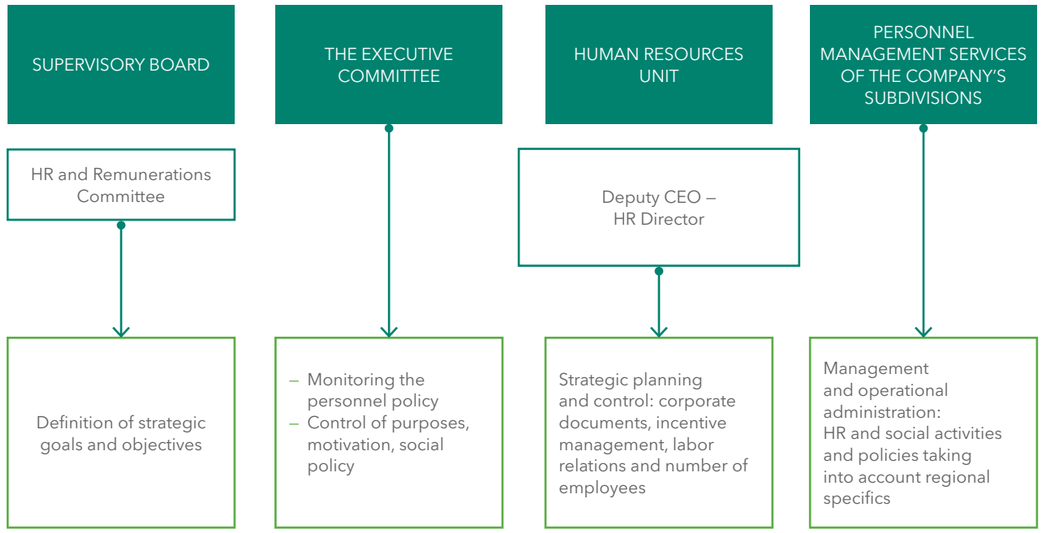
- Planning recruitment, i.e. providing accurate information on current and expected need in workforce by quality and quantity, sufficient to meet the objectives of ALROSA Group;
- Providing employment to local residents;
- Minimizing acquisition cost of recruiting human resource from other regions;
- Optimizing the age structure of the staff, recruiting and retaining young people;
- Promptly meeting the demand of ALROSA Group in adequately qualified personnel; and
- Ensuring personnel performance and efficiency.

Key objectives of ALROSA Group's HR Policy in 2018:

- building a highly efficient team for launching and operating at the Verkhne-Munskoye field;
- Recruitment for the International, Aikhal, Udachny underground mines, training and developing employees for the efficient operation of the underground mines;
- HR activities within the on-going reform of the exploration and motor transportation complexes, creation of the Shared Service Center of LLC ALROSA Business Service;
- Retaining highly qualified specialists in case of their transfer to ALROSA Group subsidiaries and affiliates;
- Ensuring social support of employees transferred to subsidiaries and affiliates, preserving their benefits and guarantees under the Collective Agreement of PJSC ALROSA at newly established subsidiaries and affiliates;
- Arrangement of vocational guidance for young people, facilitating adaptation of young specialists, analyzing causes of employee turnover and dynamics of change in the workforce, developing measures to stabilize and improve the social and demographic workforce structure.

[55] *Collective Agreement between PJSC ALROSA and the "Profalmaz", an Inter-Regional Trade Union of PJSC ALROSA, concluded for the period of 2017–2019*

HR management structure of PJSC ALROSA



In 2018, the average headcount of staff in the ALROSA Group amounted to 34,544 people, where 24,435 were employees of PJSC ALROSA and 10,109 were employees of subsidiaries and affiliates. Yakutia accounts for 94% of PJSC ALROSA's average workforce. As of December 31, 2018, the actual headcount of the ALROSA's staff was 22,768 people, that shows decrease by 11,2% in contrast to 2017.

In 2018, the average headcount of the ALROSA Group's staff amounted to 34,544, including JSC Almazy Anabara – 1,705, PJSC Severalmaz – 1,656, and PJSC ALROSA Nyurba – 51.

13.2
YEARS
IS THE AVERAGE LENGTH OF WORK IN THE PJSC ALROSA

41
YEARS OLD
IS THE AVERAGE AGE OF THE ALROSA'S EMPLOYEES

22,768
NUMBER OF EMPLOYEES IN THE PJSC ALROSA AT THE END OF 2018

94.1%
WORK IN THE SUBDIVISIONS OF PJSC ALROSA LOCATED IN YAKUTIA

94.9%
EMPLOYED UNDER INDEFINITE TERM EMPLOYMENT AGREEMENTS

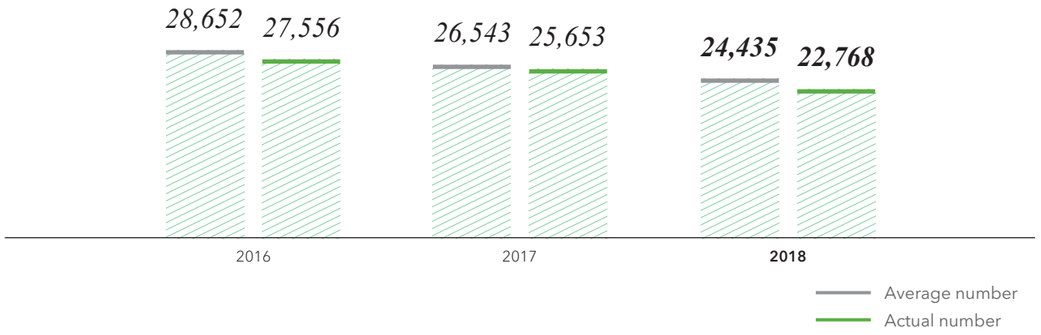
63.8%
BLUE COLLARS

57.1%
WORK AT THE MINING COMPLEX OF THE COMPANY

12.3%
INDIGENOUS PEOPLE



Dynamics of the average headcount and actual number of employees in the PJSC ALROSA, number of persons



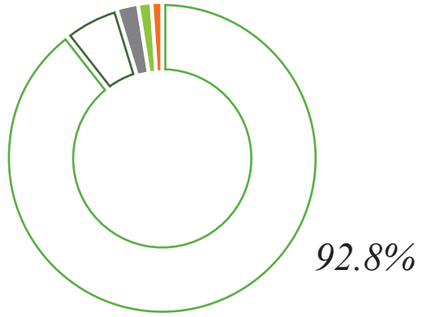
In 2018, the number of employees decreased due to strategic objectives of business development and HR policy, as well as reorganization measures taken by the PJSC ALROSA:

- reforming of the construction complex and structural changes in the Capital Construction Division;
- reorganization of the exploration complex, including transfer of the Mirny, a mining and drilling exploration (Mirny), from the Company to a subsidiary – LLC ALROSA-Spetsbureniye;
- creation of a subsidiary company – LLC Almazdortrans, in order to optimize the costs of operating general-purpose motor vehicles and specialized equipment and machinery, as well as providing transportation services to the Company's structural divisions;
- reorganization of employees catering units at the Company's structural divisions: at the Mirny MPP, Production Division Almazdortrans (Nakyn complex), and on January 1, 2019, the transfer of catering units of the Udachny and Aikhal MPDs to LLC ALROSA-Torg;
- on September 1, 2018 was the liquidation of the Company's branch – the Prometheus, a Health Complex, and creation of a subsidiary – LLC Health Complex Prometheus;
- launch of the project Foundation of a Shared Service Center, creation of LLC ALROSA Business Service (under the project, two sites were created in Mirny and Novosibirsk, as well as operational units in Mirny and Moscow).

At the same time, the number of new created subsidiaries of the ALROSA Group is the same as the number of the PJSC ALROSA's subdivisions before its reorganization.

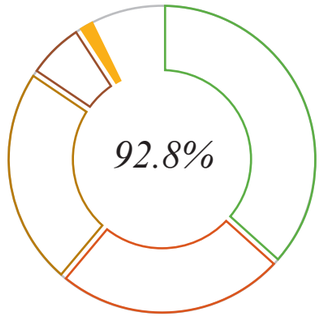
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Territorial distribution of PJSC ALROSA's staff



• Districts of the Western Yakutia	92.8%
• Moscow	5.1%
• Yakursk and other	1.3%
• Irkutsk region	0.6%
• Other	0.2%

Districts of the Western Yakutia



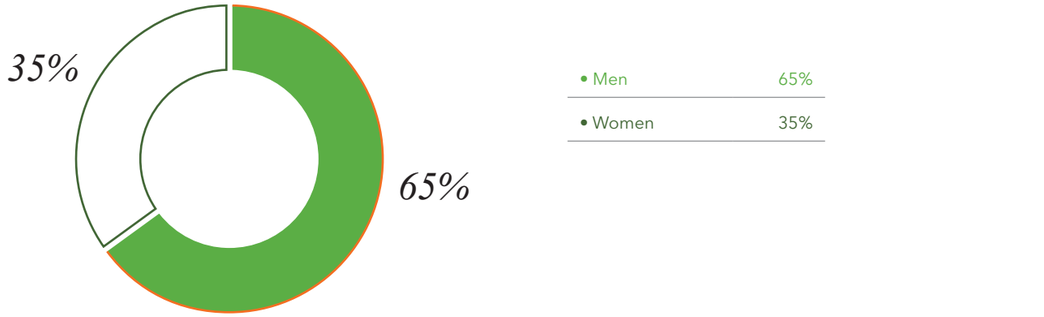
• Mirny (Western Yakutia)	36.8%
• Udachny (Western Yakutia)	24.5%
• Aikhal (Western Yakutia)	23.2%
• Nyurba (Western Yakutia)	6.5%
• Lensk (Western Yakutia)	1.7%

Workforce structure of PJSC ALROSA by category as of December 31, 2018

Subdivision	*Category*				*Total*
	Working-men or laborers	*Employees*	*Specialists or Experts*	*Executive staff*	
Administration and management divisions	38	5	361	269	673
Mining complex					
Aikhal MPD	3,415	24	389	449	4,277
Mirny MPD	2,096	10	292	342	2,740
Udachny MPD	3,696	12	340	427	4,475
Nyurba MPD	1,076	9	190	223	1,498
Transport and procurement divisions	1,200	83	475	331	2,089
Exploration complex	305	5	414	168	892
Capital Construction Division	1,325	18	323	344	2,010
Specialized repair facilities	291	12	458	163	924
Research facilities	33	8	317	157	515
Social facilities	715	56	577	139	1,487
Rough and polished diamonds complex	344	12	674	158	1,188
Total	**14,534**	**254**	**4,810**	**3,170**	**22,768**

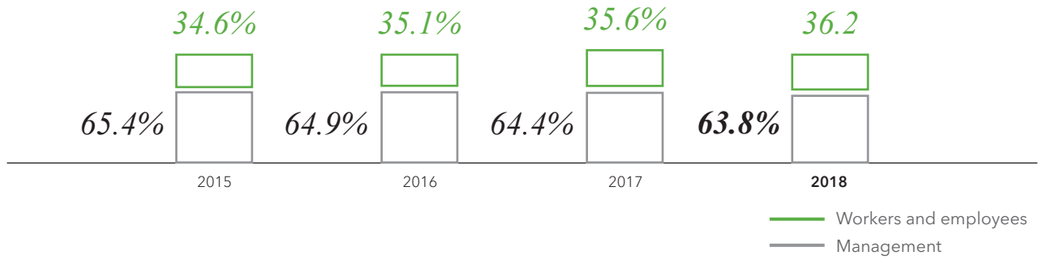
In 2018, the Company's workforce consisted mainly of male employees (65%). The average age for all categories of employees was 41.4 years old.

Gender structure of the PJSC ALROSA's workforce as of December 31, 2018



Gender	*2016*	*2017*	*2018*	*Dynamics, %*
Men	18,075	16,901	14,903	↓ 11.8%
Women	9,481	8,752	7,865	↓ 10.1%
Total	**27,556**	**25,653**	**22,768**	**↓ 11.3%**

Ratio of workers and employees to managers and specialists



Personnel structure dynamics of the PJSC ALROSA by a category for the period of 2014–2016

Indicators	*2014*	*2015*	*2016*	*2017*	*2018*
Total headcount as of the end of the reporting period	**30,043**	**29,400**	**27,556**	**25,653**	**22,768**
Age group					
under 30 years old	21.5%	19.9%	19.5%	19.2%	18.6%
30–50 years old	53.9%	54.4%	55.5%	58.0%	59.7%
over 50 years old	24.6%	25.7%	25.0%	22.8%	21.7%
Proportion of young people under 30 years old among the executive staff, %	9.3%	8.5%	8.1%	7.5%	6.8%
Gender					
Men	64.7%	65.0%	65.6%	65.9%	65.5%
Women	35.3%	35.0%	34.4%	34.1%	34.5%
Proportion of women among the executive positions, %	32.5%	31.0%	31.6%	32.2%	30.5%
Personnel groups					
Working-men or labourers	65.8%	65.3%	64.9%	64.4%	63.8%
Managers and executives. specialists. employees	34.2%	34.7%	35.1%	35.6%	36.2%
Education					
Higher professional education for managers. specialists and employees	74.9%	75.4%	77.3%	78.3%	80.5%
Higher and secondary professional education for workers	29.3%	29.3%	31.1%	32.1%	35.0%
Indigenous peoples	9.7%	10.1%	10.3%	10.5%	12.3%
Proportion of indigenous peoples among the executives, %	7.0%	7.6%	8.0%	8.6%	9.8%
Proportion of staff upon the types of Employment contract[56] the proportion of total number of personnel at the end of the reporting year					
Fixed term employment contracts	6.1%	5.5%	5.5%	5.7%	3.7%
Unlimited term employment contracts	93.9%	94.5%	94.5%	94.8%	96.3%

The majority of staff are employees of 30-50 years old, that accounts for 59.7% of all employees.

Women account for 34.5% of total staff members and 30.5% of the executive staff. Over the past six years, this data has remained at a level above 30% – this is a fairly high indicator for mining enterprises.

About 12.3% of employees represent the indigenous peoples, and this proportion has been steadily increased over the past few years. Most of the Company's personnel work in the Western Yakutia, where the main production capacities of the ALROSA are concentrated .

The average turnover rate of the PJSC ALROSA's staff over the recent years has a tendency to reduction. In 2018, the staff turnover rate in the mining and processing complex was 5.8%.

Dynamics of the staff turnover rate in the PJSC ALROSA for the period of 2014–2018

Indicators	*2014*	*2015*	*2016*	*2017*	*2018*
General employee turnover rate[57]	**9.8%**	**9.0%**	**8.6%**	**8.7%**	**8.4%**
By gender[58]:					
Men	11.5%	11.6%	10.8%	9.7%	9.4%
Women	5.8%	5.5%	5.6%	4.9%	7.0%
By age:					
under 30 years old	15.8%	14.9%	12.2%	14.0%	12.5%
30–50 years old	10.0%	9.9%	9.8%	8.0%	8.4%
over 50 years old	3.5%	4.6%	5.2%	3.1%	4.9%

[56] *the distribution of personnel upon a type of employment contract for the 2014-2017 years was presented under the consolidated data on 12 (twelve) major structural divisions of PJSC ALROSA respectively, which employ more than 80% of the payroll of PJSC ALROSA, and for 2018 data for PJSC ALROSA are presented in general*

[57] *Calculated excluding workers discharged due to retirement*

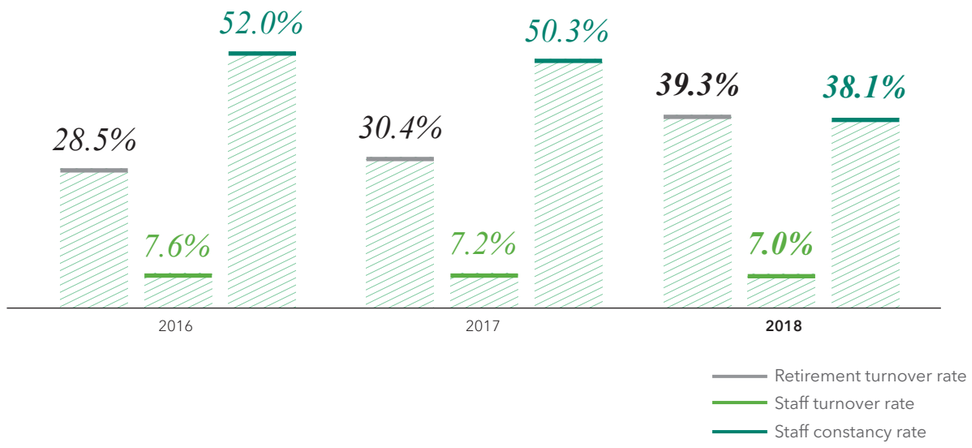
[58] *The calculation of staff turnover by gender and age groups was made on the basis of consolidated data for 2014-2017 years on 12 (twelve) major structural subdivisions of PJSC ALROSA respectively, which employ more than 80% of the payroll of PJSC ALROSA, and for 2018, data for PJSC ALROSA are presented in general*

Human resource supply

In 2018, ALROSA's workforce need was maintained by means of redistribution of the Company's local internal workforce by re-hiring released personnel and by transferring employees within structural units. The main focus in the personnel recruitment was made on the employment of local workforce from Yakutia.

In 2018, the employee turnover rate decreased by 0.2% as compared to 2017, and amounted to 7.0%. Such a decrease was due to the reorganization of the exploration and motor vehicle complexes, as well as the creation of subsidiaries[59].

Dynamics of rotation, turnover and number of permanent staff of the Company for the period of 2016–2018 years



In 2018, the number of permanent staff decreased by 12.2% as compared to 2017, and amounted to 38.1%. Such a decrease was due to:

- discharge of a part of the Mir mine's staff at the Mirny MPD in early 2018;
- transfer of catering units of the Mirny MPD and the Nakyn Catering Complex of the Production Division Almazdortrans to a subsidiary – JSC ALROSA-Torg;
- transfer of staff to the established subsidiaries: LLC ALROSA-Spetsbureniye, LLC Almazdortrans, and LLC ALROSA Business-Service.

In 2018, PJSC ALROSA recruited young promising staff by hiring graduates and students from the universities and colleges.



[59] *LLC "ALROSA-Spetsbureniye", LLC "Almazdortrans", LLC "ALROSA Business- Service"*



HR FORMATION AND DEVELOPMENT OF THE PERSONNEL

Formation of a professional and qualified staff, efficient use of human resources, providing favorable conditions for employees and equal opportunities to show and use their professional abilities and potential – these are the targets of the PJSC ALROSA's human resources policy.

The main tasks of the Company related to human resource management are the following:

- maintenance and replenishment of qualified human resources;
- improvement of the system of selection, deployment and retention of personnel,
- development of internal staff training system;
- engagement and retention of local or indigenous people to work;
- improvement and development of staff assessment system;
- improvement of the staff incentive program, social benefits and compensations;
- improvement of the candidate pool, opportunities for career growth and promotion of young specialists.

In 2018, PJSC ALROSA employed 6,727 people, 1,596 people of which were employed under unlimited term employment contracts.

Dynamics of the structure of newly hired employees[60] by category for the period of 2014–2018

Indicators	*2014*	*2015*	*2016*	*2017*	*2018*
Total number of newly hired employees, number of persons	**6,896**	**6,620**	**6,335**	**6,157**	**6,727**
Proportion of a staff category in the total number of personnel at the end of the reporting year	23.0%	22.5%	23.0%	24.0%	29.5%
Distribution by gender					
Category proportions in the total number of newly hired employees					
Men	82.1%	84.7%	76.8%	79.0%	82.0%
Women	17.9%	15.3%	23.2%	21.0%	18.0%
Distribution by age					
Category proportions in the total number of newly hired employees					
under 30 years old	43.9%	50.0%	43.2%	38.0%	35.8%
30–50 years old	49.4%	45.3%	52.2%	55.0%	53.8%
over 50 years old	6.7%	4.7%	4.6%	7.0%	10.4%
Indigenous peoples, number of persons	553	705	532	756	1 031
Category proportions in the total number of newly hired employees	8.0%	10.6%	8.4%	12.3%	15.3%
Distribution by region					
Category proportions in the total number of newly hired employees					
the Republic of Sakha (Yakutia)	97.2%	96.5%	96.5%	95.3%	95.2%
Yakutsk	0.1%	0.2%	0.2%	0.2%	0%
Mirny	66.8%	68.9%	63.1%	66.7%	52.0%
Udachny	10.4%	11.7%	16.0%	13.7%	25.4%
Aikhal	12.7%	10.1%	13.1%	9.5%	7.8%
Lensk	7.1%	5.6%	4.2%	5.3%	9.9%
Moscow	0.8%	1.4%	1.3%	2.1%	1.4%
Other regions of the Russian Federation	2.0%	2.1%	2.2%	2.6%	3.3%
The structure of newly hired employees by type of employment contract					
Ratio in the total number of newly hired employees, %					
under unlimited time employment contracts	27.3	20.6	16.3	16.7	23.7
under fixed-term employment contracts (for the period of an employee's absence, an internship period, vacations, rotation based work)	72.7	79.4	83.7	83.3	76.3

[60] *The structure of newly hired employees based on gender and age is calculated for 2014-2017 years on 12 (twelve) major subdivisions of PJSC ALROSA respectively, which employ more than 80% of the payroll of PJSC ALROSA, and for 2018, data for PJSC ALROSA are presented in general*



Approaches to HR formation and development of the personnel

In 2018, PJSC ALROSA and the State Committee for Employment of the Republic of Sakha (Yakutia) signed a mutual cooperation agreement on the implementation of the priority project of the Republic of Sakha (Yakutia) "Local Personnel to Industry" for the period of 2018-2022. Upon this project, in 2018, the company employed 950 people, including 384 people – under 30 years old, and 259 people among them – young specialists. Among the number of the employed, there are 332 workers from rural areas.

Highly qualified professional personnel is a main competitive advantage and the key aspect of the PJSC ALROSA's strategy. Investments in talent pool development are to be considered as investing in human capital.

PJSC ALROSA, acting as a systemic company, which production infrastructure is located in single-industry towns, and focused on internal personnel reserves, replenishment and development of human resources. As a socially responsible company, ALROSA develops and replenish its HR potential by attracting local residents, and is focused on training its workers and young experts from people living in the "diamond province".

PJSC ALROSA resolves the HR issues using a systematic approach to education and training of its employees for the purposes of developing the categories of personnel with respective qualifications, which are most important for the Company.

The corporate personnel training system includes a set of interrelated processes for arrangement and training of the personnel, which are permanently realized by a specialized educational unit of the Company – the HR Training Center (HRTC), as well as the special education organizations or institutes.

The HRTC is responsible for organizing, choosing the most appropriate training forms and methods, the quality of training programs, and also interacts with subdivisions of the Company regarding the staff training. The HRTC uses both its own educational base and the educational resources of the Mirny district of Yakutia, and other secondary and higher professional educational institutions.

For professional training of human resources, the Human Resources Training Center of PJSC ALROSA has four educational divisions – in Aikhal, Mirny and Lensk. The Company plans personnel training according to the needs of the Company's structural subdivisions for special qualified employees in accordance with the corporate strategy and long-term development programs. The ALROSA personnel training and development system includes the training of both all categories of employees, and target groups of potential employees, including schoolchildren and students.

In 2018, the PJSC ALROSA invested 217.3 million Rubles in personnel training and development programs.

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Approaches to formation and development of PJSC ALROSA's personnel

Key areas of human resource policy	*Sources and policy formation mechanisms*
Planning and provision of personnel recruitment	The purpose of personnel recruitment planning is the timely provision of the PJSC ALROSA's structural subdivisions with the required qualified staff, subject to costs minimization in accordance with current, medium-term and strategic development plans of the Company. The Company meets current and additional personnel needs by means of its internal and external sources.
Workforce formation	Training and education of local people on the basis of the State Autonomous Professional Educational Institution of the Republic of Sakha (Yakutia) "Regional Technical College in Mirny" and its vocational schools (the VS) in Udachny (the Vocational School (VS) № 28) and Aikhal (the VS № 30).
	Employment of graduates from secondary vocational schools.
	Offering employment to highly qualified workers to work on a rotational basis in the absence of a required profession or qualifications in the territory of the main region of the activity. In 2018, 1,499 workers from other regions of the Russian Federation were offered to work on a rotational basis that amounted to 22.3% of the total number of newly hired employees.
Provision with qualified specialists for production activities	Conducting activities aimed at familiarizing graduates from specialized universities in Russia with PJSC ALROSA, attracting the best graduates to work in the Company. In 2018, the Company employed 31 people graduated from the university to the position of a specialist.
	Offering employment to highly qualified specialists.
Training of future personnel	For the purposes of preparation to the professional trainings, the Company gives vocational guidance to schoolchild or students.
Vocational guidance for schoolchildren	The PJSC ALROSAJ, jointly with the Department of Education in the Mirny district, implements the Comprehensive Program for vocational guidance in the Mirny district of the Republic of Sakha (Yakutia) in order to keep higher interest of regular school pupils to professions and qualifications required for the Company. Annual program financing is 1.2 million Rubles. In September 2018, ALROSA opened the first engineering corporate class in the Mirny Polytechnic Lyceum, which prepares school students to entering specialized universities, that give them a possibility to work for the Company after they graduated from.
Targeted training for students	Targeted training of students in the premier universities of Russia with assistance of the ALROSA's scholarship institute, provision of industrial internship at the Company's industrial facilities, employment after graduation in the subdivisions of the Company. In 2018, 72 students of the specialized universities have studied under the vocational training contracts concluded with the PJSC ALROSA. 60 students graduates from the universities and secondary vocational educational institutions were employed. In 2018, the Company entered into 28 vocational training contracts with the students having specializations demanded by the Company's structural units.

Results of the corporate staff development system activities of PJSC ALROSA in 2018

Areas of education	*Training facility*	*Performance for 2018*
Advanced training	The HR Training Center (HRTC) of PJSC ALROSA and its training centers and facilities of the Training Center of the PJSC ALROSA; training centers of Russia	8,710 executives and experts passed advanced training courses and workshops that is 99.0% of the total employees were trained in the Company's HR training facilities. 2126 employees completed advanced training.
Training and professional development and retraining	Training facilities of the HRTC of the PJSC ALROSA; training centers of Russia	176 managers and specialists passed training and professional development. Training and professional development was completed by 3 347 workers, including 319 employees representing indigenous people. Full list of programs includes 80 professions and targeted courses. 778 people completed a training in underground works and professions. 30 workers representing indigenous people completed different type professional training and obtained admissions to underground works.
Internships, earning an academic degree	Training centers in and outside Russia	In 2018, four employees of the Company (two specialists and two managers) have studied a postgraduate degree.
Briefings	Training facilities of the HRTC of the PJSC ALROSA	4,187 active subdivisions of the Company were given various types of briefings for obtaining an admission to work at hazardous production facilities.

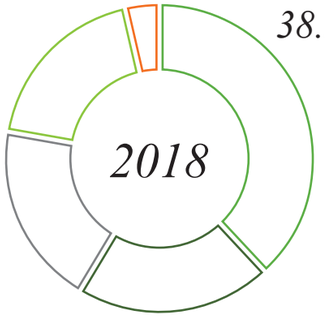
In order to effectively train and develop the staff, the Company runs the following activities:

— professional training;
— additional professional training;
— corporate management and professional programs;
— career guidance.

Dynamics of the staff education level as of December 31, 2016–2018 years, number of persons

Education level	*2016*	*2017*	*2018*	*Dynamics, %*
Higher education	9,699	9,325	8,726	↓ 6.4
Secondary vocational education	5,008	4,549	4,221	↓ 7.2
Initial vocational education	5,841	5,471	4,671	↓ 14.6
Secondary education	6,313	5,568	4,344	↓ 22.0
Elementary education	695	740	806	↑ 8.9
Total	27,556	25,653	22,768	↓ 11.2

Structure of the staff education as of December 31, 2018



	Share
• Higher education	38.3%
• Initial vocational education	20.5%
• Secondary education	19.1%
• Secondary vocational education	18.6%
• Elementary education	3.5%

In 2018, professional development of the Company's employees and workforce replacement and replenishment were carried out in accordance with the plan for training, retraining and advanced training of managers, specialists and workers under programs of the HR Training Center of the Company and its training centers. In 2018, 8,710 managers and professionals completed training, that is 33% more than in 2017, including 8,611 persons were trained under the HR Training Center program.

Dynamics of the staff training upon each subdivision, number of persons

Subdivision	*2016*	*2017*	*2018*	*Dynamics, %*
Management	25	45	50	↑ 11.1
Mining and geological enterprises	4,219	3,940	6,016	↑ 52.7
Research	235	389	138	↓ 64.5
Construction enterprises	350	750	232	↓ 69.1
Transportation enterprises	459	930	399	↓ 57.1
Automation	809	262	833	↑ 217.9
Other units[61]	370	212	1 042	↑ 391.5
Total	**6,467**	**6,528**	**8,710**	**↑ 33.4**

In 2018, under state accreditation, the HR Training Center conducted precertification industrial safety training for 1,687 managers and specialists working at hazardous production facilities.

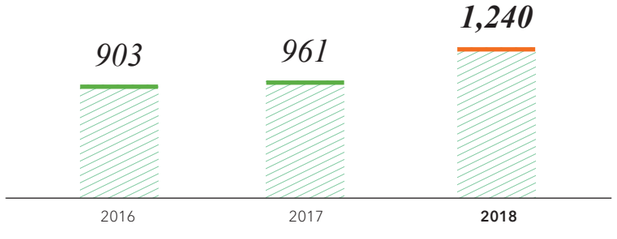
Dynamics of precertification training of the Company's personnel by areas of supervision for 2016–2018 years, number of persons

Area of supervision	*2016*	*2017*	*2018*	*Dynamics, %*
Operation of production and mining facilities;	518	533	786	↑ 47.5%
Operation of hazardous facilities for storage and use of harmful materials;	98	95	107	↑ 12.6%
Operation of lifting equipment and devices;	430	427	398	↓ 6.8%
Operation of pressure equipment;	90	106	180	↑ 69.8%
Operation of hazardous facilities for gas distribution and use	60	72	39	↓ 45.8%
Energy safety	272	179	177	↓ 1.1%
Total	**1,468**	**1,412**	**1,687**	**↑ 19.5%**

In 2018, the HR Training Center also conducted annual health and safety training of the Company's staff under accreditation of the Ministry of Health and Social Development of the Russian Federation.

[61] *The HR Training Center, Cultural and Sport Complex, Medical Center, others*

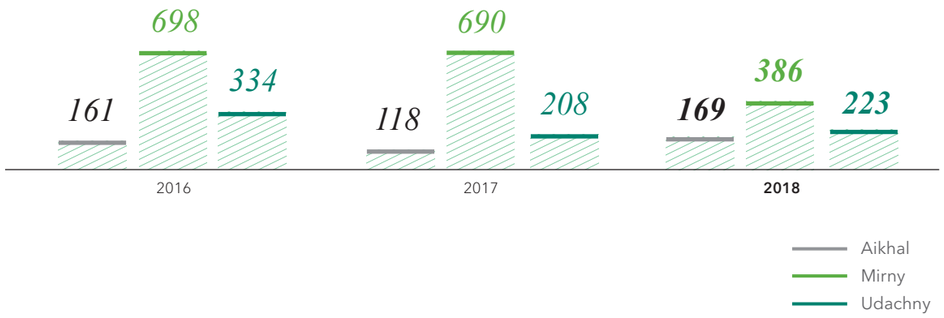
Dynamics of staff training for health safety, number of persons



In 2018, ALROSA has trained the personnel following the approved plan for training, professional education, retraining and advanced training to the employees upon programs of the trainings centers of the HR Training Center, including 5,472 employees trained in primary occupations and various type of admissions, and 4,187 persons passed briefing. The complete list of training programs includes more than 80 professions and courses.

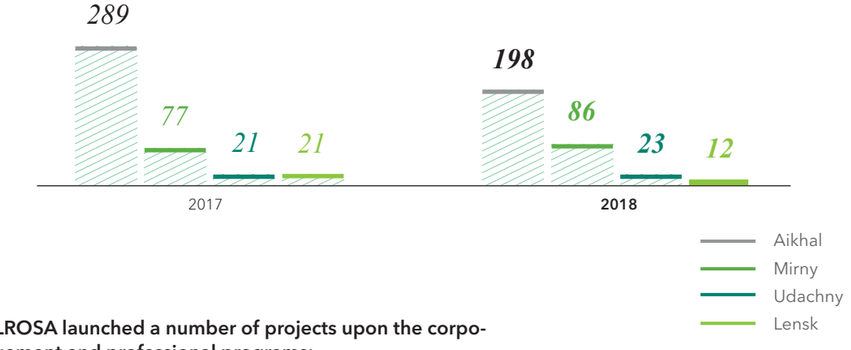
In 2018, 778 employees passed training in underground works.

Dynamics of training in underground professions, number of persons



In 2018, there were 319 indigenous trainees.

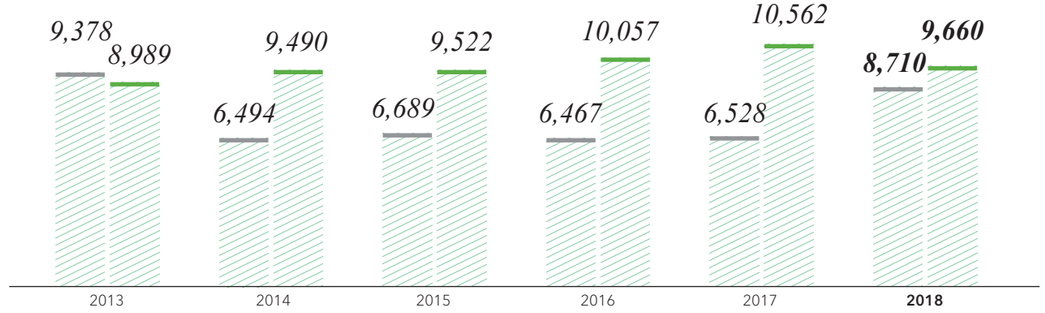
Dynamics of indigenous trainees, number of persons

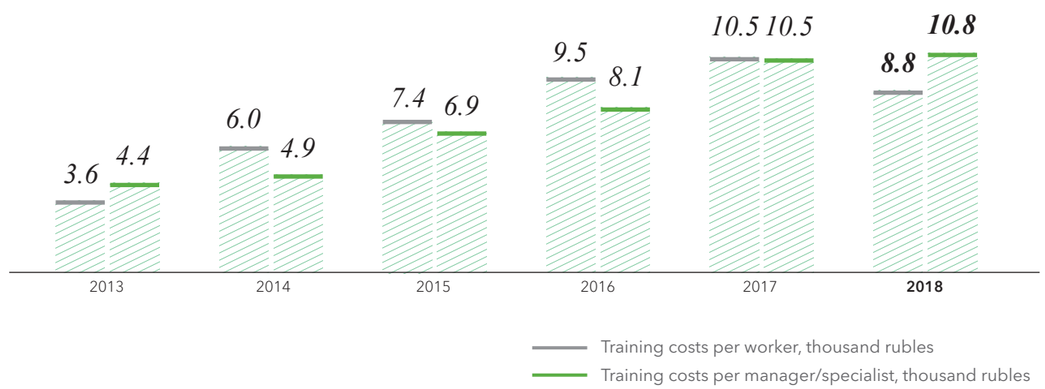


In 2018, ALROSA launched a number of projects upon the corporate management and professional programs:

— ALROSA Prospects for young specialists;
— ALROSA value for submanagers;
— ALROSA Leaders for middlemanagers;
— Mentoring and guidance schools.

Information on training of the personnel of the PJSC ALROSA for the period of 2013–2018





Assessment of performance of the Company's managers and specialists is made according to the Regulations on the interviews (performance assessment) with officers holding a senior position and specialists of PJSC ALROSA. In 2018, the certification procedure for compliance with a position held by managers, specialists and employees of the Company was not carried out.

The main reasons for assessing the workers' performance and taking a decision on career development are the facts of improving professional skills by an employee, completing a corresponding training and passing the qualification examinations. In 2018, 2,126 workers received advanced training – that is 14.6% of their total number.

Since 2015, the Company organizes professional skills competitions. These competitions are organized by the HR Training Center and the Profalmaz Trade Union of the Workers of the PJSC ALROSA.

In 2018, the following professional skills competitions were held by the Company:

- for the title "Best Drill Rig Operator (Underground drilling) –2018", where nine drivers from all of the Company's underground mines within Aikhal, Udachny and Mirny towns, have participated,
- for the title "Best Turner", held in Lensk city, where 10 (ten) the best turners of the Mirny, Aikhal, Udachny mining and processing plants have participated competing professional skills, including the Almazdortrans, and the Capital Construction Division,
- for the title "Best Welder" among the workers by profession "electric gas welder", "manual metal arc welder",
- for the title "Best driver of load-haul-dump machine", held in Udachny, where eight competitors from the Udachny, Mirny and Aikhal Mining and processing divisions have competed,
- for the title "Best driver", where the participants from 13 (thirteen) enterprises of the Company have competed, including two subsidiaries. The competitions were held not only among drivers of machines and cars, but also repair and maintenance workers,
- for the title "Best car repairman-2018", where have participated 18 (eighteen) vehicle mechanics from nine subdivisions of the Company in Lensk, Mirny and Udachny, and Aikhal,
- for the title "Best Separator" in the framework of the competition, which took place at the processing plant No. 14 of the Aikhal MPD. Traditionally, four mining and processing plants represented by their divisions, have taken their part in the competitions, where 17 (seventeen) separators among women have competed to be called professionals,
- A professional skills competition was held in Udachny, in the field of "Power supply and adjustment of electrical systems" were have taken their part the employees of subdivisions and subsidiaries of the Company. The competition was held among 23 (twenty two) specialists from Mirny and Udachny, Lensk and Aikhal.

One of the main training facilities of the ALROSA is the Corporate University, which creates an educational environment in the Company, allowing managers and specialists to develop their management and vocational competencies.

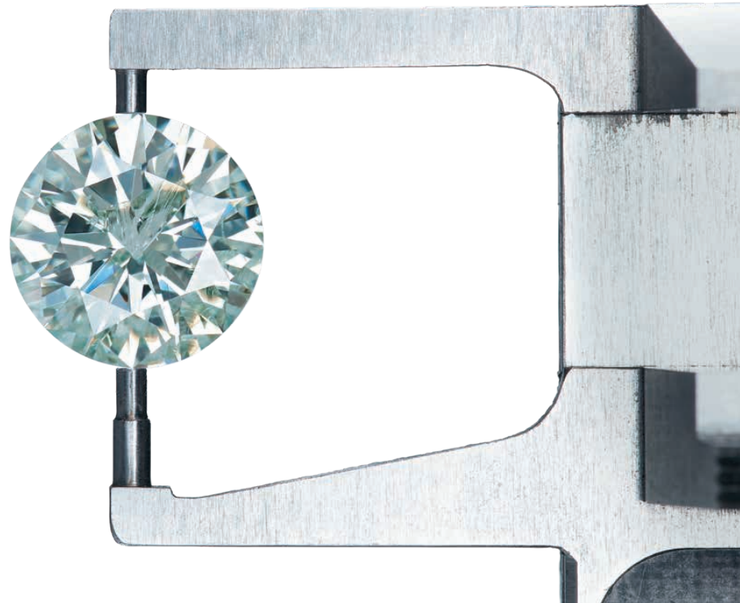
Since 2018, the Corporate University of the ALROSA implements a corporate target program "Prospects of ALROSA", which oriented to young professionals in order to give a new vector to innovative and rationalization activities, and also, to create an engineering and scientific youth talent pool for the Company. The program consists of five educational modules and inter-module tasks. The program creates special project groups for the purposes of development projects aimed to optimize the production, management and business processes of the Company. In 2018, 28 young specialists were trained under the "Prospects of ALROSA" program.

Also, in 2018, the Corporate University was launched the "Leaders of the ALROSA" program, oriented to the top and middle managers. The program consists of several training modules in production and operational planning, finance and change management, personal development, business simulation and conflict management.

Vocational guidance and pre-university training

In 2018, under the Comprehensive Vocational Guidance Program for the period of 2013–2018, the Company have held the following activities in Mirny and Mirny District of Yakutia:

- graduation of students from an engineering class of the Mirny Polytechnic Lyceum;
- the HR Training Center and training centers of the Company's subdivisions held Open Doors Days for school graduates in the Mirny and Lensk districts, where the Company's partner-universities were represented for the first time;
- a regional vocational game "My Choice'' for 9-10 graders of schools of the Mirny district, was held upon the Almaz, a Culture Center of the Cultural and Sport Complex, jointly organized with the Mirny District Education Board, which was aimed to inform students about field of education and professions, needed for the ALROSA;
- the Company has organized tours and excursions for students of the engineering class of the Mirny Polytechnic Lyceum to the ALROSA facilities;
- The HR Training Center has arranged meetings of young specialists of the Company with students of ALROSA's educational centers (ALROSA-Class) (team building with representatives of the Company's local government body, a lecture on the topics "Blockchain", "Class' account in a social network", a presentation of the work of the Udachny and Aikhal MPDs),
- within the framework of the "Step into the Future" – a Research to Practice Conference, young specialists have supervised projects of the students of the ALROSA-Class, and also acted as experts of the Research to Practice Conference;
- in the framework of the Young Professionals Association, students of the ALROSA-Class took part in the work of the "Teenager to Teenager" project team;
- to develop ALROSA vocational guidance system, representatives of the District Education Administration, Technopark, the Polytechnic Lyceum, the Center for Additional Education for Children, and the "Almazik", an Autonomous Non-Profit Pre-School Education Organization, held a seminar "Career Guidance for Students".



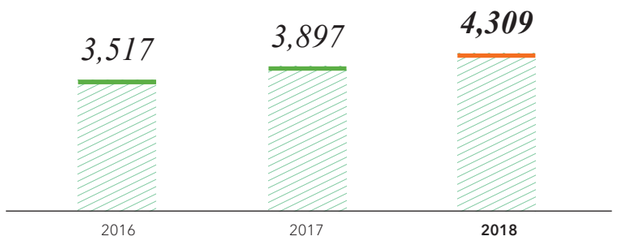
Recruitment of local labor resource, shift personnel and employees of rare professions

Employment of local population

To perform certain types of works or temporary works at the Company's production facilities under construction, the Company recruits qualified workers for rotational work with the mandatory engagement of local labor resource, including indigenous people of Yakutia.

In 2018, 4,309 residents from regions and localities of the Republic of Sakha (Yakutia) were employed under fixed-term and unlimited employment contracts, including 3,604 people from the "Diamond province": Anabar, Olenyok, Vilyuisk, Verkhne-Vilyuysk, Nyurba, Suntarsk, Mirny, and Lensk uluses. In total, the Company's divisions employed 2,796 indigenous people and representatives of minorities of Yakutia as of the end of 2018.

Dynamics of recruiting specialists from localities of the Republic of Sakha (Yakutia)



On January 30, 2018, PJSC ALROSA signed an agreement on cooperation with the State Committee for Employment of the Republic of Sakha (Yakutia) to run a priority project of the Republic of Sakha (Yakutia) – "Local Personnel to Industry" for the period of 2018–2022.

PJSC ALROSA's activities under the Agreement in 2018:

- arranging number of activities related to employment of the unemployed residents of Yakutia, including the countryside;
- recruiting 950 people from local labor resources of Yakutia, including 418 people on a rotational basis and for seasonal work, 332 people from rural areas, and 259 young specialists under the age of 30;
- vocational training and additional vocational education successfully passed by more than 110 trainees at the Company's HR Training Center and the Mirny Regional Technical College;
- It was invested over 3 million Rubles in vocational training and additional education of the population at the expense of the state budget of Yakutia and ALROSA.

In 2018, in order to reduce the adaptation period of local personnel and ensure their gradual integration to the Company, ALROSA launched a mentoring project aimed to systematize activities in this area, including training of mentors.

In May and December 2018, jointly with the Agency for the Development of Human Capital in the Far East and the Employment Center of the Mirny district, ALROSA held job fairs in the town of Mirny. As a result of these fairs, more than 350 people signed up for retraining in various areas and over 100 people were employed.

Dynamics of recruiting workers from other regions of Russia, number of persons



Recruiting of shift personnel and employees of rare professions

In 2018, 951 employees were recruited from other regions of Russia to work on a rotational basis.

The recruitment of shift workers from other regions of Russia is necessary due to lack of specialists of the required professions and qualifications in Yakutia. Among such professions are highly qualified electric welders for manual welding, installers for the installation of metal structures, operators of drilling rigs, underground electrical fitters and shaftmen. In addition, shift workers are engaged because of the economic feasibility when using temporary workers at launch and start-up facilities with their further sending to the place of their permanent residence at the end of the works.

In 2018, 53 people were invited to the Company's subdivisions as specialists of rare professions and jobs[62].

[62] *in accordance with the "Order on the Procedure for Recruiting Workers of Rare Professions (jobs) in PJSC ALROSA's Subdivisions and Providing them with Guarantees and Compensations"*

INVESTING IN PEOPLE

Staff motivation

PJSC ALROSA applies the principle of equal remuneration for male and female employees for work of equal value (Convention № 100 of the International Labor organization (ILO)). The Company's police prohibit using women's labor in harsh and dangerous works, as well as underground.

Employees of the Company receive payment in compliance with the Regulation "On the wage payment system of the PJSC ALROSA; payment is based on a wage rate system. The remuneration amount depends on the complexity of work (worker's qualification); established worktime standards; working conditions in accordance with the results of their specific assessment; environment of workers' activities; importance of work performed by workers; complexity of working functions depending on profession and position.

PJSC ALROSA applies the principle of equal remuneration for male and female employees for work of equal value (ILO Convention № 100). Workers of the same profession paid at the equal base rates receive an equal remuneration.

The remuneration system provides for bonus payments to workers, compensations, stimulating extra payments and benefits, including those provided for working in the Extreme North regions, and other payments to workers related to specific features of their work and working contribution assessment, the purpose of which is higher motivation and maximum use of the professional potential of each worker.

In terms of staff wage levels, PJSC ALROSA occupies a leading position among Russian mining companies. In 2018, the average wage per Company employee increased by 1.9% and amounted to 126.7 thousand Rubles. In addition to the territorial regulation of wages for employees in the Company's structural divisions located in different climatic and economic zones, which takes into account consequential differences in the cost of living, individual motivating factors are also used in wage calculation.

In 2018, the average wage level of PJSC ALROSA's employees has exceeded the Russian Federation average by three times, and the Republic of Sakha (Yakutia) average by two times.

According to the Collective Agreement between PJSC ALROSA and the Profalmaz trade union, a monthly salary of an employee, who has worked the standard working time and complied with work quotas, shall not be below the minimum living wage with account for dependents. In 2018, the ratio of the minimum wage in the Company to the set minimum wage in the main region where the Company operates (the Republic of Sakha (Yakutia)) was 1.66 time.

GRI 202-1

Dynamics of the average salary ratio of the employees of the PJSC ALROSA to the average salary in the regions where the Company operates for the period of 2014–2018

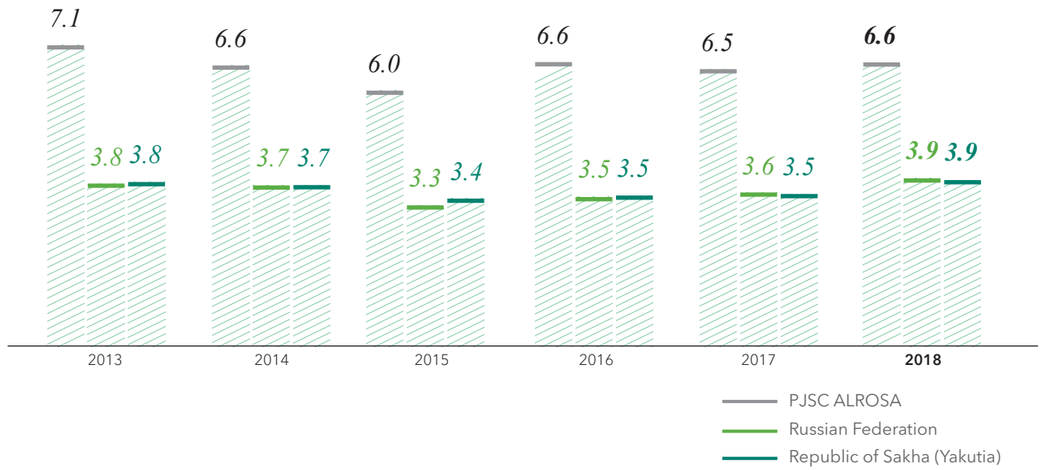
Indicators	*2014*	*2015*	*2016*	*2017*	*2018*
Average salary, thousand rubles					
PJSC ALROSA	97,099.0	102,200.0	121,126.0	124,337.0	126,720.0
the Russian Federation*	32,495.0	34,030.0	36,709.0	39,167.0	43,445.0
Moscow	61,207.9	64,324.0	71,220.0	73,345.0	83,678.0
Yakutia	51,111.0	54,631.0	59,000.2	62,010.6	67,490.7
the Arkhangelsk Region	35,572.1	38,299.6	40,789.8	42,949.7	52,331.7
Salary Ratios					
PJSC ALROSA to the Russian Federation	3.0	3.0	3.3	3.2	2.9
PJSC ALROSA to Moscow	1.6	1.6	1.7	1.7	1.5
PJSC ALROSA to Yakutia	1.9	1.9	2.1	2.0	1.9
PJSC ALROSA to the Arkhangelsk Region	2.7	2.7	3.0	2.9	2.4

* *the average salary for 2018 for the Russian Federation is presented for the year (preliminary data), for the Republic of Sakha (Yakutia) — for the period of January — December, 2018 (assessment)*

In 2018, the Company has developed projects to improve the system of motivation for employees at all job levels and categories, which the Company plans to start from July 1, 2019. The motivation system was improved to increase the investment attractiveness of the Company. Set of actual motivational standards, focused on increasing its shareholder value by means of the Company's personnel and management performance, and fulfilling the key parameters of its effectiveness and production plans, is a primary requirement of the Company's shareholders.

The Supervisory Board approved the long-term incentive program for the ALROSA management. The program, showing the indicators of shareholder returns, will be oriented to the Members of the Management Board, Heads of subsidiaries, divisions and other employees, whose professional activities have a considerable influence on the production and financial performance of the Company.

Dynamics of the purchasing capacity of the employees of the PJSC ALROSA, as compared to the figures for the Russian Federation and the Republic of Sakha (Yakutia) for the period of 2013–2018, the number of consumption bundles of the living wage[63]



Social payments including compensations and benefits under Russian labor laws are made to all categories of the Company's employees, regardless of their professional status and type of their employment contract. The Collective Agreement between the PJSC ALROSA and the Profalmaz trade union, for the period of 2017–2019, provides for benefits, bonuses, and guarantees above those set by the laws of the Russian Federation.

The Company's staff workers are provided with additional guarantees and benefit under the corporate social programs of PJSC ALROSA.

In accordance with the principles of the corporate social responsibility, adopted in PJSC ALROSA, the Company voluntarily assumed its responsibility for social participation in the life of its employees. a wide range of targeted programs aimed at creating competitive advantages of the Company as a socially oriented organization and an attractive employer, includes programs to support the employees, as follows: "Wellness and Recreation of Employees and their Children", "Health", "Culture and Sports", "Housing", "Private Pension Plans".

4.658

BILLION RUBLES

WAS ALLOCATED BY THE COMPANY TO IMPLEMENTATION OF THE SOCIAL PROGRAMS FOR STAFF IN 2018

1.548

BILLION RUBLES

WAS INVESTED IN PROGRAMS ON HEALTH, HEALTHY LIFESTYLE AND LEISURE ACTIVITIES FOR STAFF

[63] *purchasing capacity is calculated on the basis of the living minimum set for the able-bodied population in the regions of the Russian Federation based on the data of the Federal State Statistics Service.*

2,508

NUMBER OF EMPLOYEES AND RETIREES OF THE COMPANY WHO HAVE BEEN EXAMINED AND TREATED IN THE LEADING MEDICAL CENTERS IN RUSSIA

5,760

RUBLES PER MONTH

WAS A PRIVATE CORPORATE PENSION OF PJSC ALROSA IN 2018 YEAR

Private Pension Plans

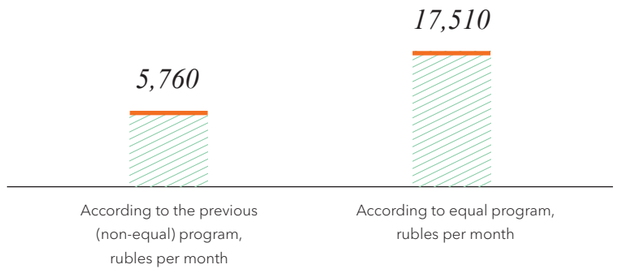
The Private Pension Plan Program has been acting since 1998, for the purpose to ensure decent standard of living for retiring PJSC ALROSA's employees and to recruit, retain and motivate personnel for long-term and productive work for the Company.

The program is implemented by JSC "Almaznaya Osen", a Non-Government Pension Fund. http://npfao.ru/

In 2017, the principle of parity financing of corporate pensions was introduced: the Company contributes with an employee in equal shares (thus, the total contribution is doubled). In 2018, JSC NPF "Almaznaya Osen" signed agreements on non-state pension coverage with PJSC Severalmaz and JSC Anabar Diamons. These companies became the first subsidiaries with corporate parity pensions in the ALROSA Group. Previously, such pensions were available exclusively to employees of structural divisions of PJSC ALROSA.

In 2018, aggregate contributions of ALROSA Group to NPF "Almaznaya Osen" for non-state pensions totaled more than 6.6 billion Rubles. At the end of the year, the total amount of payouts to the fund pensioners reached 1.5 billion Rubles, including 1.4 billion Rubles under corporate and private (without employer participation) pension plans. Most of the payments were made as part of PJSC ALROSA corporate pension program.

The average non-state pension for ALROSA` pensioners as of the end of 2018



Social Responsibility

ALROSA is the leader of the global diamond industry in corporate investment in social programs[64]. In 2018, ALROSA Group allocated 3.1% of its consolidated revenue to social expenditures that was 0.1% higher than in 2017.

In 2018, ALROSA social expenses increased by 12.9% compared to 2017, and amounted to 9.306 billion Rubles. These funds were invested in the implementation of corporate social programs, and also regional and federal projects.

ALROSA achievements in social responsibility in 2018 were repeatedly recognized both in Russia and abroad. Every year, following independent assessment of social responsibility, ALROSA reaffirms its status of a leader of the indicators of the sustainable development of the Russian Union of Industrialists and Entrepreneurs as a leader of the "Responsibility and Openness" and the "Sustainable Development Vector". In addition, the Company undergoes certification to confirm maintenance of its social responsibility management system in accordance with the international RJC standard.

Dynamics of social expenditures across ALROSA Group, million Rubles



[64] *according to a PwC study on sustainable development indicators of 2017, ALROSA Sustainability Benchmark Report*

Corporate programs and social infrastructure investment

ALROSA runs social programs in the following areas:

— Social infrastructure and utilities,
— health resort treatment and rehabilitation,
— healthcare,
— culture and sports,
— housing,
— charity, and regional development.

To ensure rational employment of the indigenous population from local rural areas and meet the demand of the Company and the local population in basic food products, ALROSA maintains a subsidiary collective farm Noviy (sovkhoz). In 2018, 804 million Rubles were allocated to run this farm.

Results of the corporate social program implementation by the PJSC ALROSA in 2018

Program	*Implementation mechanism*	*Performance for 2018*
"Wellness and Recreation of Employees and their Family Members"		
Subject to the harmful and hazardous health impact due to conditions at the main production facilities, special attention in the social policy of the Company is devoted to employees and their families and aimed to prevention of illnesses and organization of rehabilitative treatment is concerned.	The Company has its own centers for a year-round sanatorium and health resort treatment and recreation, equipped with modern medical equipment and highly qualified personnel, including the ones on the Black Sea coast of Russia. During summer period the Company provides programs on wellness and recreation for the employees' children at the permanent children health camps. Since 2015, PJSC ALROSA continued children's recreational trip programs to leisure resorts situated on the Black Sea coast. Each year, more than 200 million Rubles is allocated to children's recreational outings. Airline services for transportation and accompanying children to the recreation location are paid by the Company.	The total amount allocated to this program amounted to 1 019.8 million Rubles. 13,429 persons, including employees, their children and veteran retirees of the Company have already used corporate vouchers for wellness and recreation. 5,018 people (37.4% of the total program participants) visited ALROSA's health centers at the Black Sea and 404 stayed in the children's summer camp.
"Health"		
Support and safeguarding of health of the employees and their families is one of the strategically important areas of the Company's social policy that define the environment for improving the efficiency of labor at enterprises.	The program is run based on the structural subdivision called the Medical Center of PJSC ALROSA by means of agreements signed with more than 70 leading treatment facilities, as well as scientific and healthcare institutions of the Russian Federation and the Republic of Sakha (Yakutia). The main production workers are prioritized to receive treatment (that is 70% of the workers sent for treatment). Since 2015, within the scope of voluntary medical employee insurance, the Company cooperates with the "SOGAZ" insurance group.	In 2018, 386.4 million Rubles were allocated to financing the program. 2,508 people used the services of leading medical centers for diagnostics and treatment. In 2017, the Company implemented a series of free screening medical programs aimed at prompt exposure and reduction of illnesses. 9,238 employees of PJSC ALROSA were screened in the reporting year. An annual periodic medical examination is afforded to more than 20 thousand employees working in hazardous conditions.

Program	*Implementation mechanism*	*Performance for 2018*
"Culture and Sports"		
Development of corporate culture and corporate spirit is an important aspect in the improvement of performance. Creation of conditions for the organization of comprehensive leisure for the Company's workers and the population in the regions where the Company operates, promotes healthy lifestyle, decrease disease incidence, maintain fitness for work, and enhance the cultural and educational level.	Implementation of the program is entrusted to the ALROSA's Cultural and Sports Complex. PJSC ALROSA runs 12 (twelve) sports facilities, 7 (seven) cultural centers, and 6 (six) summer camps for children. The Company's cultural and sports facilities include 48 children's sports clubs and 32 clubs for adults, 100 performance groups and creative clubs training 3,000 people. The program uniqueness consists in the fact that cultural and sports events financed and organized by the Company have a great influence on the creation of a favorable social environment not only for our employees but also for local communities.	Investment in the program amounted to 141.8 million Rubles. PJSC ALROSA sports clubs held 560 athletic, wellness and healthcare events, and culture clubs held 4,176 events. The most important cultural events include: – The International Competition and Festival for Performance Groups "Heritage of Times" (Moscow city), – the XXVII (27th) Yakutsk popular song festival "Tyuoy-Khaya" (Arylyakh settlement, Mirny), – The first open festival of break dance "Diamond battle 2018" (Mirny), – the X (10th) children's festival "Creative Sparkles", – the Concert – closing of a creative season of amateur groups "Premiere-2018" (Mirny). The significant sports events include: – Spartakiad of labor collectives of the ALROSA (Mirny town), – Spartakiad finals among the participants of the ALROSA's production sites: Mirny, Aikhal, Udachny, Lensk (Mirny), – Open Championship of the Mirny district in ice hockey for the cup of the trade union «PROFALMAZ» (Mirny), – the Mini-Soccer Cup of the ALROSA (Mirny), – ALROSA Acrobatic Rock and Roll Festival (Mirny), – Open Republican Tournament – Championship of the Republic of Sakha (Yakutia) in swimming (Yakutsk), – Open Swimming Tournament «Little Dolphin-2018» (Khabarovsk), – Rhythmic Gymnastics Federation Cup (Yakutsk), – Championship of the Republic of Sakha (Yakutia) in rhythmic gymnastics (Yakutsk), – Open Republican Championship – Championship of the Republic of Sakha (Yakutia) in swimming (Yakutsk), – Swimming competition «Olympic Hopes 2018» (Yakutsk), – XXI (21st) Traditional International Judo Tournament "Olympic Starts – Victory Cup" (St. Petersburg), – Festival «Nastroyenie» (Mirny, Udachny). In addition to the expense for organizing and holding various events, maintenance of ALROSA cultural and sports facilities amounts to 1,108 million Rubles.
"Housing"		
The program was based on new approaches to strategic managing relationships in the residential accommodation sphere. The program aims to attract and retain qualified personnel at the Company and expand opportunities for employees for improving their housing conditions by their own personal means having corporate support when purchasing housing property.	The employees have an opportunity to participate in the mortgage lending program providing favorable conditions, with respect to the interest rate and compensation of expenses related to payment of mortgage interest. The Company constructs dormitories and residential houses for employees. Upon the program, resettlement of grand old men of the Company who are retirees to Oryol city has been performing for more than 15 (fifteen) years.	In the reporting year, 423.6 million Rubles were allocated to improving housing conditions and providing housing for the Company's employees. Due to the development of the Verkhne-Munskoye field, construction of 130-apartments housing for the temporary residence of the employees of the Udachny MPD was completed. Construction expenses for building a house for the period of 2016–2018, amounted to 697.7 million Rubles. According to the mortgage lending program, the Company's employees were compensated mortgage interests in the amount of 37.3 million Rubles. In total, 340 workers are participants in the mortgage lending program. The Company concluded 30 agreements with its grand old men workers for the purchase of apartments or housing in Oryol city.
"Non-State Pension Provision"		
The non-state pension provision program has been acting since 1998, for the purpose to ensure decent standard of living for retiring employees, but also to attract, retain and motivate the personnel for long-term and efficient work for the Company.	The program is implemented by the JSC "Almaznaya Osen", a non-government pension fund (NPF). Additional pension for employees is generated upon the corporate pension plan, which implies regular contributions (deductions) of the Company to the Non-government Pension Fund (NPF). Since July 1, 2017, the ALROSA introduced the Parity Pension Plan. Key benefit of this new system is the doubling of the employer's pension contributions. ALROSA makes additionally its own contribution to each voluntary employee's contribution.	In the reporting year, the Company transferred 2 468 million Rubles to the JSC NPF "Almaznaya Osen". In 2018, the number of participants receiving non-state pensions under the pension contracts amounted to 20,021 persons, including 120 participants who receive non-state survivors' pensions. The average monthly amount of the non-state pension in the reporting period increased as compared to the previous year by 4.6% and amounted to 5,760 Rubles. The Rating agency "RAEX (Expert RA") confirmed the rating of reliability of the "Almaznaya Osen", non-government pension fund, at "ruAA" rating ("exclusively high (highest) level of reliability", "stable outlook"). NPF "Almaznaya Osen" was one of the first companies in Russia, which has fully submitted financial reporting to the Bank of Russia using the new XBRL Taxonomy format. The Company used a new industry standard and tool "Consyst Business Group" based on the Microsoft Dynamics NAV. NPF "Almaznaya Osen" is one of five best pension funds by profitability, having received income at the level of 8.01% for the period January-June 2018. The diamond mining company JSC "Anabar Diamonds" has launched a corporate pension program for its employees. The Agreement between JSC "Anabar Diamonds" and JSC NPF "Almaznaya Osen" was signed on November 14, 2018. The pension program of JSC "Anabar Diamonds" will allow employees of the Company to form an additional pension, in addition to the state, and to secure a higher income in old age. a feature of the program is its parity principle – employees pay contributions in consideration of their future corporate pension with the Company in equal shares. Amount of these contributions is invested in NPF "Almaznaya Osen" and is additionally increasing due to annual income.

In addition to financial incentives for the personnel, PJSC ALROSA provides a non-financial motivation system for employees, including corporate awards (honorary distinction, certificates of honor) and recognitions (letters of appreciation, the titles of the "Best in Profession", "Best innovator" and "Best inventor").

Photography, brief biographical data, characteristics of merits of holders of the honorary title "Honored Employee of ALROSA" and workers awarded with the Certificate of Honor of the ALROSA are recorded in the Company's Book of Honor. Photos of the awarded employees are placed on the Board of Honor. Awarding of the Certificate of Honor and Certificates for honorary titles is performed by the Company Heads at an official awards ceremony.

In 2018, 708 employees of the Company received corporate awards, including the title of the "Grand Old Man of PJSC ALROSA", which was received by 671 people, while 20 employees were awarded with the PJSC ALROSA Certificate of Honor.

Information on employees awarded with federal and republican industrial awards, honorary titles and diplomas of PJSC ALROSA for 2018

Name of award or title	*Number of employees*
State awards of the Russian Federation	**52**
Republican Awards of the Republic of Sakha (Yakutia)	**44**
Corporate Awards, including:	**708**
Certificate of Honor of PJSC ALROSA	20
Certificate of Honor of PJSC ALROSA Group	3
Honored Employee of PJSC ALROSA	3
Honored Employee of PJSC ALROSA Group	1
Grand Old Man of PJSC ALROSA	671
Soldatov L.L. Prize	6
Best innovator of PJSC ALROSA	3
Best inventor of PJSC ALROSA	1
Total	**804**

SOCIAL PARTNERSHIP
AND HUMAN RIGHTS

Social partnership is the basis of stable and efficient operations of PJSC ALROSA and its long-term development. The Company recognizes the right of its employees to join any organizations of their choice, which is an integral part of the freedom of associations and the freedom of negotiations.

The authorized Company's employee representative is the Profalmaz Trade Union of Workers of PJSC ALROSA. In 2018, this trade union organization covered 76.8% of the total number of employees.

The relationship between the Company and employees in the social and labor sphere is based on the principles of social partnership and enforced by the guidelines set out in the Collective Agreement. This agreement covers all employees of PJSC ALROSA, who signed the Employment contract, including temporary or part-time workers. In terms of location, the Collective agreement applies to all the structural units of the Company. In case of significant changes in the Company's activities, in particular, when taking decisions on reducing the number of employees or staff size and the possible termination of employment contracts with employees, collective agreement provisions set out PJSC ALROSA's obligation to inform the Profalmaz about that in written form no later than two months prior to the termination of employment contracts with employees, and no less than three months prior, the Company shall inform the Trade Union and the territorial employment services about the alleged mass layoff of workers.

PJSC ALROSA and the Profalmaz collectively develop job-creating measures for redundant employees. The Company organizes and manages retraining of workers dismissed due to downsizing or headcount reduction, through the corporate staff training structure. In 2018, the Profalmaz received 11 complaints from 42 employees of the Company, which reported about violations of their labor rights by the employer (with respect to trade relationship and social benefits). All complains have been reviewed and settled by the parties at the level of trade-union committees and commissions for labor disputes.

The main body of social partnership of the parties in PJSC ALROSA is the Commission for the Regulation of Social and Labor Relations, that is formed by authorized representatives of the parties on a parity basis.

In accordance with the Sustainable Development and Corporate Responsibility Policy, observance of human rights is recognized as one of the key principles of PJSC ALROSA. The Policy declares the importance and universal nature of human rights.

Any form of discrimination is prohibited in the Company. Each employee has equal entitlement to exercise his or her employment rights, regardless of sex, race, nationality, language, origin, property, social status and position, age, location, attitude to religion, political views, participation or non-participation in public associations and any other obligations that are not related to an employee's professional qualities.

The Company also does not employ any persons under 16 year old, or contract anyone into forced labor, and it strictly enforces rules prohibiting the employment of women and persons under the age of 18 at mining enterprise works where harsh and dangerous working conditions are present.

PJSC ALROSA ensures the equal right of men and women for parental leave. In 2018, the partially paid parental leave with regard to children under three-years old was provided to 446 employees of PJSC ALROSA, including 429 women (96.2%) and 17 men (3.8%).

REGIONAL DEVELOPMENT
AND CHARITY PROJECTS

As one of the largest industrial companies in the country and the market, ALROSA is well aware of its responsibility to the society and operation regions. The Company consider the facilitation of social and economic regional development, education, culture, sports, and charity as an integral part of its activities. ALROSA makes social investments in several areas:

ALROSA's charity efforts are based on the Sustainable Development and Social Corporate Responsibility Policy of PJSC ALROSA:

- High social value of sponsored projects;
- Targeted financial and sponsorship;
- Joint decisions on the allocation of financial support or sponsorship;
- The priority of mass charity recipients' interests;
- Transparency, accountability and intended use of funds by charity recipients.

The Company strives to make its social investments targeted and effective for society, and provides financial and organizational support to:

- public youth organizations and associations in order to promote the spiritual and patriotic education of the young generation,
- non-governmental organization for the Great Patriotic War veterans, labor veterans and other veteran categories,
- public associations and initiatives in favor of children from orphanages and boarding schools.

In 2018, social investments by ALROSA Group aimed at support of medicine and educational and charity projects, as well as support of social infrastructure in regions where the Company operates amounted to 6 billion Rubles[65].

One of the most important directions of ALROSA social policy is to promote comprehensive social and economic development of the regions of its activities. In 2018, expenditures on regional development and charity programs amounted to 3.722 billion Rubles.

Regional development programs

ALROSA is a city-forming enterprise in several single-industry towns: Mirny, Udachny, Aikhal, created during the Soviet period to develop diamond deposits. Historically, the Company has created jobs in the diamond industry and maintained the relevant city infrastructure, including housing, utilities, healthcare, education, culture and sports. Some of these facilities continue to be managed by the Company and others are gradually transferred to municipal bodies on the terms of approved obligations to maintain their operation during the transition period.

As the largest subsoil user and largest employer in Yakutia, ALROSA actively promotes the socio-economic development of the region. Significant part of its employees works in single-industry towns located far away from big towns or cities. Therefore, one of the Company's concepts is to ensure the development of infrastructure for such residents can use and feel no gap with the lifestyle of large cities. In addition, ALROSA considers its task to promote the socio-economic development of localities or towns in Yakutia that are not directly related to diamond mining, as a honest tribute to people of the region, which ensures Russia's leadership in the global diamond market.

The regional development program includes charity projects in education, healthcare, culture and sports, and urban development. This program includes a targeted assistance upon petitions of legal entities and individuals, which/who are facing difficulties.

Contribution to development of the regions. Support of local communities

PJSC ALROSA's activities aimed to support and development of local communities, social investments in the sustainable development of the regions of its operations are performed under existing agreements and contractual obligations thereto, as well as the Regional Development, Charity and Sponsorship Program.

In the reporting year, the Company provided financial, patronage and corporate support, sponsorship and targeted assistance to individuals, public, municipal and state organizations, institutions, towns and settlements for 2.9 billion Rubles[66].

In 2018, the PJSC ALROSA's Central commission for financial assistance and sponsorship considered applications and petitions of legal entities and individuals, following which the Company provided financial assistance in the amount of 46.3 million Rubles.

1,397.4
MILLION RUBLES
TRANSFERRED TO MUNICIPALITIES OF YAKUTIA AND INDIVIDUALS, DUE TO THE RESTRUCTURING OF CERTAIN TYPES OF ACTIVITIES OF THE COMPANY

1,118.1
MILLION RUBLES
INVESTED IN THE SOCIO-ECONOMIC DEVELOPMENT OF YAKUTIA

412.9
MILLION RUBLES
INVESTED IN THE CHARITABLE ASSISTANCE OF CULTURE, EDUCATION, SPORTS, HEALTHCARE

[65] *The data is provided on the basis of the consolidated financial reporting of PJSC ALROSA prepared under IFRS for 2018*

[66] *data on charity expenses are presented in accordance with the List of gratuitous transactions of PJSC ALROSA in 2018.*

Key charity activities of the PJSC ALROSA in 2018

Stakeholders	*Approaches / Management*	*Type of assistance*
Government of the Republic of Sakha (Yakutia), cultural, sport, medical and educational institutions of the Republic	Agreement on Social and Economic Development of the Republic of Sakha (Yakutia) up to 2020	The Company duly fulfilled its obligations under the Agreement on Social and Economic Development of the Republic of Sakha (Yakutia) up to 2020 having transferred 800 million Rubles to a nonprofit organization "Specialized Fund for Future Generations of the Republic of Sakha (Yakutia)".
Individuals and legal entities, municipalities of the regions where the Company operates, local communities and non-profit organizations	the "Regional development, Charitable and Sponsorship" Assistance Program	sports and educational institutions, as well as to administrations of municipalities, including: **Municipalities Support** – Donation for the purposes of the program of redevelopment and demolition of dilapidated housing in the towns of Mirny and Udachny, – Donations to the Administration of the Municipal district "Olenyok Evenkiya National District" of the Republic of Sakha (Yakutia) for construction of the "Olenyok Ethnocultural Center". – Financing road repairs and asphalt pavement, and improvement of intra-quarter territories. **Education support** – Endowment replenishment donations to: Municipal State Institution "Mirniny District Department of Education", Autonomous Institution "Regional Technical College in Mirny", Non-profit Organization "Development Fund of the Northern (Arctic) Federal University named after M. V. Lomonosov" in Arkhangelsk city. – Formation endowment donation to the Non-Profit Organization Endowment Fund of the Northeast Federal University named after M. K. Ammosov. Total amount of the funds invested by PJSC ALROSA in education in 2018 amounted to 163.8 million Rubles. **Sports support** – charitable donation to the All-Russian public organization «All-Russian Federation of Acrobatic Rock and Roll», – charity to the All-Russian Association of Public Associations «Kiokusinkay Association of Russia». Total amount of the funds invested by PJSC ALROSA in sports in 2018 amounted to 215.1 million Rubles. **Cultural institutions support** – Donation to the "Mirny Theater", an autonomous organization of the Republic of Sakha (Yakutia). Total amount of the funds invested by PJSC ALROSA in cultural institutions and mass cultural events in 2018 amounted to 42.8 million Rubles.
Nine districts of the Republic of Sakha (Yakutia): Mirny, Verkhnevilyuysk, Olenyok, Anabar, Suntarsk, Vilyuysk, Lensk, Nyurba, Kobyay	Regional agreements on mutual cooperation for the period of 2011-2021 years, within the scope of the "Regional Development, Charitable and Sponsorship" Assistance Program	Nine districts of the Republic of Sakha (Yakutia), most of which are located in the Western Yakuita – the primary area of PJSC ALROSA's activity – were granted financial assistance in the amount of 114.5 million Rubles. Funds were allocated mainly to maintain agricultural and traditional fishing and hunting activities, and charitable contributions for children.
Non-profit organizations that previously were structural subdivisions of the Company	Socially responsible restructuring principles	The Company continued financing the "Almazik", an autonomous non-profit pre-school education organization, that includes 27 pre-school facilities. In 2018, the Company's shareholders contribution amounted to 933.4 million Rubles.

Sponsorship and charity projects of the federal level

ALROSA also provides support to federal initiatives in the field of education, culture and sports not only to a specific region, but to the country as a whole. ALROSA regards as essential to support federal higher educational institutes and help them to improve their financial and scientific and research resources. ALROSA supports some athletic organizations to promote sports and wellness and make sports accessible in the regions. ALROSA supports cultural organizations because it believes, that culture and arts are important for harmonious development and would like to raise people awareness of the country's cultural heritage.

In 2018, social investments by the ALROSA Group aimed at support of medicine, and educational and charity projects, as well as support of social infrastructure in regions, where the Company operates, amounted to 6.0 billion Rubles[67].

Contribution to development of the regions. Support of local communities

The support of social and economic development of local regions, where the Company operates, is an integral part of ALROSA's Strategy and Social Policy. PJSC ALROSA operates under the existing agreements and contractual obligations thereto, and the Assistance Program "Regional development, Charity, and Sponsorship.

In 2018, the Company provided free material, corporate and patronage, sponsor and targeted assistance to individuals, public, municipal, governmental organizations, institutions, towns and settlements for 2.9 billion Rubles.

Key charity activities of the PJSC ALROSA in 2018

Area	*Amount, million Rubles*
Financing the "Almazik", autonomous non-profit pre-school education organization (27 pre-school facilities.)	933
Construction of educational, medical, cultural, healthcare and other facilities upon the agreement on social and economic development of the Yakutia with the Specialized Fund for Future Generations of the Republic of Sakha (Yakutia)" non-governmental organization. Moreover, ALROSA financed the construction of a republican rehabilitation center in Yakutsk city, annually providing medical care to 3,000 children with disorders of the musculoskeletal system, hearing, speech and vision	900
Activities upon the agreement on social and economic development of the Nyurba district	325
District development programs under mutual cooperation agreements with nine uluses of the "diamond province"	115
Activities upon the agreements on social and economic development of the Olekminsk, Bulun, Zhigansk, Eveno-Batyntay, Anabar and Olenyok uluses	109
Activities upon the agreement on social and economic development of the Arkhangelsk region	53
Other (maintenance of municipal housing and utilities enterprises in the Mirny district, demolition of dilapidated and emergency housing, financial assistance to improve municipal roads, repair of the landing strip at the "Polar" Airport, support of the "Living Diamonds of Yakutia" Natural Park, stocking of water bodies with fish, support of educational institutions in the Yakutia and Arkhangelsk city, construction of an ethnocultural center in the village of Olenyok)	1,287
Total	**3,722**

[67] *The data is provided on the basis of the consolidated financial reporting of PJSC ALROSA prepared under IFRS for 2018*

Federal social projects

ALROSA sponsors a number of organizations and major federal-level events in culture, education, training, health care, and sports. In 2018, ALROSA allocated 1,703 million Rubles for these purposes. The Company supports the Eastern Economic Forum, the Russian Hockey Federation, the Russian Wrestling Federation, the Russian Martial Arts Association, the Kyokusinkay Association of Russia, the VTB United Basketball League, and the Federation of Dance Sports and Acrobatic Rock and Roll.

Support to the Specialized Fund for the Future Generations of the Republic of Sakha (Yakutia)

According to the Agreement on Social and Economic Development of the Republic of Sakha (Yakutia), PJSC ALROSA transfers annually considerable amount of funds to the "Specialized Fund for Future Generations of the Republic of Sakha (Yakutia)", a non-profit organization. That Fund distributes financing to implement main social projects and programs in the region. The initial approved by ALROSA financing was 500 million Rubles per year. In 2018, the Company transferred 800 million Rubles to the Specialized Fund.

Regional development programs

The Assistance program "Regional Development, Charity, and Sponsorship" regulates these programs. During 2018, the Company provided targeted financial support to municipal areas, cultural institutions, healthcare, education, and sports centers and also legal bodies and individuals upon their petitions.

Main projects to support municipal areas:

- Donation for the purposes of the program of redevelopment and demolition of dilapidated housing in the towns of Mirny and Udachny,
- Donations to the Administration of the Municipal district "Olenyok Evenkiya National District" of the Republic of Sakha (Yakutia) for construction of the "Olenyok Ethnocultural Center".
- Financing road repairs and asphalt pavement, and improvement of intra-quarter territories.

Support to the uluses (districts) of the Yakutia:

- Under the agreements for 2011–2021, ALROSA provides annual funding to 9 uluses of the Yakutia: Mirniny, Verkhne-Viliuysk, Olenyok, Anabar, Suntarsk, Vilyusk, Lensk, Nyurba, and Kobyay. In 2018, their total financing amounted to 83.2 million Rubles. For the most part, funding was allocated on agricultural and traditional fishing activities and charity campaigns for children.

Assistance to kindergartens:

- ALROSA continued financing the "Almazik", an autonomous non-profit pre-school education organization, that includes 27 pre-school facilities or kindergartens. In 2017, the Company's shareholders contribution amounted to 933.4 million Rubles.

Education support projects in Yakutia:

- Donation to the Municipal Public Institution "Mirny District Education Administration" to support the schools of the Mirny district.
- Donation to the "Regional Technical College in Mirny".
- Donation to the "North-Eastern Federal University named after M. K. Ammosov" in Mirny town.
- Corporate assistance to children's pre-school centers, schools, and orphanages.

In 2018, the Company spent 139.8 million Rubles to educational projects.

Cultural support projects in Yakutia:

- Donation to the Mirny Theater, an autonomous organization of the Republic of Sakha (Yakutia).
- Donation to the Municipal Public Institution "Interurban Culture Department" of the Mirny district, to give assistance to children's art and music schools.

In 2018, the Company allocated 14.8 million Rubles to culture projects.

Sponsorship and charity federal projects

ALROSA runs several federal projects, which are not limited to one specific region. Selecting such projects, the Company assesses their favorable effects for people.

Education projects:

- Assistance to the "Northern Arctic Federal University named after M. V. Lomonosov",
- Assistance to the "Far Eastern Federal University",
- Assistance to the "North-Eastern Federal University named after M. K. Ammosov.

ALROSA supports large federal higher education institutes to enhance their financial and technical resources, facilitate their scientific, and research activities. High-quality education for students is the base of Russia's human capital and a good career start for young specialists, and key to their professional interest.

In 2018, ALROSA allocated 100 million Rubles to support federal higher educational institutions.

Cultural projects:

- charitable assistance for the purchase of museum equipment on history of the airborne forces for a patriotic club "Airborne Brotherhood" in Ryazan city .

The Company supports cultural organizations, because it believes that art and culture are an integral part of human development. The Company's support to choreography and classic music helps to develop these areas, and to make them more accessible across the country. In addition, ALROSA thereby contributes to the preservation of Russian cultural heritage and its promotion abroad.

In 2018, ALROSA allocated 30 million Rubles to cultural projects.

Sports main projects:

- Support to the All-Russian Dance Sport and Acrobatic Rock'n'Roll Federation,
- Charity to the All-Russian Association of Public Associations "Kiokusinkay Association of Russia",
- Support to the Russian Union of Martial Arts,
- Support to the Unified Basketball League,

The Company provides assistance to number of Russia's large sports organizations in order to promote sport and healthy lifestyle. On the one hand, ALROSA supports national athletic teams and young athletes to train, grow and achieve success at competitions. On the other hand, success of athletes inspire people to work out and be devoted to sports.

Cooperation with sports federations is important for social development of the Yakutia. As part of this work, ALROSA holds jointly with the federations the large-scale events in thecities of its operational activities. This work was started in 2017, when a sports festival "Nastroyenie" was held with the support of the Company's sport partners: The unified league of VTB and All-Russian Dance Sport and Acrobatic Rock'n'Roll Federation.

Cooperation with national communities

Activities of the Company's subdivisions and its subsidiaries affect the interests of people in the Sadynsk national nasleg of Mirny district, the national Anabar ulus and national Olenyok ulus, where Dolgans, Evenki, Evens and other representatives of indigenous minorities of the North live.

The Company continues to implement projects to support the "diamond province" uluses in the performance of agricultural and traditional fishing and hunting activities aimed at the revival of national cultures and preservation of historical values. Within the scope of the regional development, the Company pays great attention to supporting ancestral communities of reindeer herders and fishermen in the northernmost regions of the Republic of Sakha (Yakutia). Providing financial assistance to municipal communities and organizing charitable campaigns for the children in the sponsored uluses, PJSC ALROSA promotes employment of the population and their higher earnings making a considerable contribution in improvement of the social stability across the rough diamond production region.



The Company's enterprises support tribal communities of reindeer herders and fishermen: annual financial assistance is provided for agricultural activities, support and development of traditional fishing and hunting activities, procurement of off-road vehicles, fishing gear and hunting equipment. In 2018, for the purposes of charity, PJSC ALROSA transferred 20 million Rubles to the Administration of the Municipal district "Olenyok Evenkiya National District" for construction of the Ethnocultural Center in the village of Olenyok.

In order to provide rational employment to indigenous rural residents (in the town of Arylakh, Syuldyukar village and Taas-Yurakh village), the Company's structure includes a multipurpose farm – the "Noviy" (sovkhoz). The farm is mainly engaged in production and supply of organic "live" milk, eggs and meat to satisfy the needs of employees of the Company in order to compensate for harsh and dangerous working conditions, as well as the needs of kindergartens and schools, including free sale of the products to the population of the area.

Since 2014, the "Noviy" farm put into the list of the recipients of state assistance within the scope of the republican special program "Social and economic development of rural territories of the Republic of Sakha (Yakutia)".

Since the start of exploitation of the Verkhne-Munsky ore field in 2015, the Company expressed its interest in the industrial, social and economic development of the Olenyok Evenkiya National District of the Republic of Sakha (Yakutia). The district is mainly populated by Evenki, Yukagirs and Nganasans (Mayats) leading a nomadic life due to the traditional subsistence of reindeer herding. At the meeting held by representatives of the Company, management of the Udachny MPP declared its willingness to provide the population of the national region with employment in mining production and, accordingly, a regular income and social security. Budget replenishment of Olenyok ulus with tax revenues will significantly increase the community quality of life and give rise to the social and economic development of the region. To show its responsibility and reliability, the Company guaranteed that locals could continue traditional agricultural and cattle breeding activities, as natural ecosystems will not be violated, in accordance with the project of new deposit development.

Social responsibility of the subsidiaries of the PJSC ALROSA

PJSC Severalmaz

PJSC Severalmaz is an advanced employer for the residents of the region of its main activities – the Archangelsk District. The Company employs over 1,600 people.

PJSC Severalmaz continuously improves the system for long-term and targeted creation of human resources by means of social programs aimed at personnel motivation and development, such as "Support of rationalization activities", "Program for initiatives", "Regulation on material incentive of the Company's employees for most important tasks", "Project-oriented system for task completion".

Social dimension of the PJSC Severalmaz policy is showed in the collective agreement, which provides benefits, guarantees and compensations to its employees that improve the employees' lives, as compared to existing labor legislation of the Russian Federation.

In 2018, 96 employees of the PJSC Severalmaz have received sanatorium-and-health-resort in the health centers of the Arkhangelsk Region, Krasnodar and Stavropol Territories at the expense of the Social Insurance Fund. Moreover, a part of the cost of health and resort treatment for 25 employees and a part of the cost of children's recreation for 22 children of the Company's employees were compensated.

In 2018, PJSC Severalmaz and the Government of the Arkhangelsk Region signed an additional cooperation agreement. Under that agreement, the region received financial support amounted to 50 million Rubles. The funds were allocated for the construction of the Michael-Archangel Cathedral, and the reconstruction and repair of the Church of the Holy Great Martyr Barbara.

For supporting the First city clinical hospital, a medical the Company purchased an equipment for complex spinal surgery. For supporting the rural health post in the village of Nizhnyaya Zolotitsa, the Company purchased an equipment for telemedical advisement.

Support to schools, house of culture and palace of sports

In 2018, the Company purchased sports equipment for the Sports Palace in Onega town and the Kodinsk municipal district, provided with financial assistance for repairing the school in Talagi village and Patrakeevka village, for renovation of the cultural center in Uyma village and Bobrovo village, purchased a musical equipment for the cultural center in the village of Povrakulskaya, financed a project on free meals catering for children in the schools in the Lopshengsk, Letne-Zolotitsky, Patrakeevka and Pertominsk villages in the Primorsky district.

PJSC Severalmaz upon the agreement with the Government supported the holding of the final of the Russian Cup in cross-country skiing, which took place in the Ustyansk district of the Arkhangelsk region. Support was also provided to the annual regional contest for publishers and printers "Book of the Year 2017".

In 2018, the Company supported a new stage of the project for repairing and renovation works of the "Museum of Art Development of Arctic named after A. A. Borisov, and renovation works in the Museum of the artist and storyteller S. G. Pisakhov.

In 2018, as part of annual activities in the area of its operations, the Company signed an agreement on participation in the comprehensive social and economic development of the Primorsk Municipal District. The Company allocated 2 million Rubles to the Primorsk district to finance the social and educational programs, as well as the renovation of cultural facilities.

These funds helped the undertaking of heat supply for the Verkne-Zolotitsky school, and realization of a project on free meals catering for students of that school. In 2018, the Company provided with a special assistance the population living on the White Sea coast (compensation for travel by air, targeted financial assistance to citizens being in difficult life situations, to veterans and elderly people and assistance for managing events).

Support for orphanages and children's educational institutions

PJSC Severalmaz considers an assistance to children as its main priority. The Company strives to a balanced approach, supporting both children who, due to unfavorable family conditions or health, find themselves in worse conditions than their peers, and children from completely prosperous families, to develop their natural abilities and talents.

Permanent recipients of the assistance by PJSC Severalmaz in 2018, were the Rembuyevsk orphanage, the "Rainbow" detention center for children in the Primorsk district, the Verkhne-Zolotitsky secondary school and kindergarten.

The Company's support was also received by the young talented children of the region – participants in the regional contest of academic and folk singing "Young Voices of Pomorye".

Social programs Support

For many years, PJSC Severalmaz has supported the "Great-old-man of Geological Exploration" Society, veterans of the Great Patriotic War, home front workers, and disabled people of the Primorsky District, Municipal district "Talazhskoe" and "ZImne-Zolotitsky".

Health support

During 2018, the Company provided a special assistance for treatment to the Company's employees and their families.

Sports Support

In 2018, the Company continued to support a new project of the Youth athletic center "Cascade", which is developing ice hockey in Arkhangelsk city. The second tournament among children's hockey teams of the North-West region for the prize of PJSC Severalmaz and the first floorball tournament among children's teams of the region were held. Focusing on supporting sports and promoting a healthy lifestyle, the Company takes care of health of its employees and their families by managing sports events, sports and athletics contests and outings.

On March 2, 2018, PJSC Severalmaz took the second place by the decision of the organizing committee for the All-Russian contest "Russian Organization of High Social Performance" in the nomination "For the formation of a healthy lifestyle in the industrial organizations".

Educational Support

Upon the agreement on cooperation between PJSC Severalmaz and the Northern Arctic Federal University (NArFU) in 2018, the Lomonosov Mining and Processing Plant admitted the first, second and fourth year students of the NArFU Institute of Oil and Gas for summer internship. Lomonosov MPP actively has arranged excursions on career guidance for graduates of schools, and secondary and higher educational institutions of Arkhangelsk city and the region. From September 2018 to January 2019, the Central Museum of Arkhangelsk "Guest Houses" arranged an exposition of Severalmaz. The True Wealth of the Russian North", which has showed a history of the discovery and development of the field named after M. V. Lomonosov.

In 2018, the Company provided support to the interregional public Lomonosov Fund. Continuing the tradition, PJSC Severalmaz supports the club "Young Geologist", whose pupils have repeatedly won the All-Russian Olympiads, competitions and contests.

According to the results of 2018, PJSC Severalmaz became the winner of the regional stage of the All-Russian contest "Russian Organization of High Social Performance" in the nomination "For participation in solving territorial social problems and developing corporate charity."

JSC Anabar Diamonds

JSC Anabar Diamonds supports social and economic development of the region where the Company operates. Anabarsk, Olenyok and Bulunsk districts of the Republic of Sakha (Yakutia) are one of eight uluses of the republic, which are the parties upon the agreement on social and economic development concluded with PJSC ALROSA.

JSC Anabar Diamonds implements a social policy aimed at supporting the staff and assisting the development of regions.

STAFF SUPPORT

Health resort treatment and rehabilitation

All employees of JSC Anabar Diamonds employed on a permanent basis and employees working under a fixed-term employment contract, subject to such an employee has two years of labor experience, are has a right to get sanatorium-resort treatment (preventive treatment) by paying a voucher or reimbursing expenses for such a spa treatment at the Company's expenses.

Employees can independently choose a sanatorium (health care center) in accordance with the recommendation of their attending physician and an existing health problem. In 2018, 94 employees, including 47 employees employed under a fixed-term employment contract, received and used the vouchers, including payment of travel expenses to a place of treatment and back.

Workers are provided with hands-on or practical assistance in choosing a sanatorium and arranging trip in the group for social development of the Labor remuneration and compensation division.

When considering applications, it is taken into account:

— profession, position (type of production),
— age and length of service,
— frequency of visiting sanatorium-resort (spa) treatment

Employees have the right to use spa treatment once every two years. In 2018, the costs for spa treatment for employees amounted to 5.2 million Rubles.

Bonus payments to anniversary dates of the employees of JSC Anabar Diamonds

The main purpose for providing the celebrants with bonus payments for anniversaries is to retain specialists at the enterprise, moral and material incentive of labor productivity, increase the level of responsibility within their qualifications. Workers having disciplinary sanctions related to violation of labor discipline for improper performance or non-performance of labor duties are not presented for promotion by the anniversary date.

During 2018, 74 anniversaries were given by bonus payments, which total amount amounted to 5.3 million Rubles.

Sport

The Company pays much attention to physical training and sports. Employees which visiting to gyms, a pool, ice rink, hires, and other social and sports facilities intended for preventive health care, having a special compensation.

In 2018, compensation of expenses for subscription to health groups, sports sections was received by 58 employees and amounted to 659.7 thousand Rubles.

Treatment

JSC Anabar Diamonds provides financial assistance to pay for treatment, taking into account the complexity of one's health situation and all the related factors (position, category of staff, importance of a specialist, urgency, marital status, financial situation).

During 2018, the amount of expenses under this provision amounted to 3.9 million Rubles

In 2018, compensation payments for educational, educational and sports services for children amounted to 5.9 million Rubles. This provision provides for the compensation payments in the form of reimbursement of costs for children's recreation: outbound recreation with parents, children's vacations without parents (including recreational, educational, sports, leisure recreation etc.) in Russia and beyond.

Also under this provision, compensation payments are provided for educational and upbringing services for children in the form of reimbursement of expenses to the family and payment of kindergartens, as well as compensation payments for educational and upbringing services for children in the form of reimbursement of expenses for educational institutions, institutions of additional education and educational services.

Material assistance for the birth of a child

JSC Anabar Diamonds provides support in the form of one-time financial assistance at the birth of a child, in the amount of 50 thousand Rubles. In 2018, expenses under this provision amounted to 4 million Rubles.

Material assistance to large families, single-parent families and material assistance to an employee, who is on parental leave for children under three years of age:

- in 2018, the payment of a monthly allowance to single-parent families raising children as a single parent amounted to 2.4 million Rubles,
- in 2018, the payment of a quarterly allowance to large families raising three or more children amounted to 4.8 million Rubles,
- in 2018, the payment of a monthly allowance to an employee on parental leave for children under three years of age amounted to 2.1 million Rubles.

Material assistance to employees in the event of death of a family member and to the family of the deceased:

This type of financial assistance for burial is provided to employees in the event of death of a family member and the family of the deceased. In 2018, these expenses amounted to 3.9 million Rubles.

Compensation of credit interest

In connection with the approval of a new Regulation on partial compensation of actually paid mortgage interest granted to the employees of JSC Anabar Diamonds for acquisition of housing property or construction of residential premises to property, the Company allocated 10.4 million Rubles for these purposes in 2018.

CONTRIBUTION TO THE DEVELOPMENT OF REGIONS AND LOCAL COMMUNITIES

Charity and material assistance

In 2018, the financing of social and charitable programs amounted to 356 million Rubles in the following lines:

- the social and economic regional development,
- support and financing of budget organizations,
- assistance to agricultural subsidiaries,
- support and development of culture and sports,
- other sponsorship and material assistance.

Upon the program of social and economic regional development, the Company entered into cooperation agreements with five uluses. The total amount of financing of the Anabar ulus in 2018 amounted to 60.6 million Rubles. Also in 2018, funds were allocated to the Bulunsk ulus – in the amount of 21.1 million Rubles, to the Olenyok ulus – in the amount of 17.5 million Rubles, to the Zhigansk ulus – in the amount of 5.0 million Rubles and Eveno-Bytantay ulus – in the amount of 5 million Rubles.

JSC Anabar Diamonds provides free sponsorship assistance to educational institutions, law enforcement agencies, ministries and departments. Financing of budgetary organizations in 2018 amounted to 2.3 million Rubles.

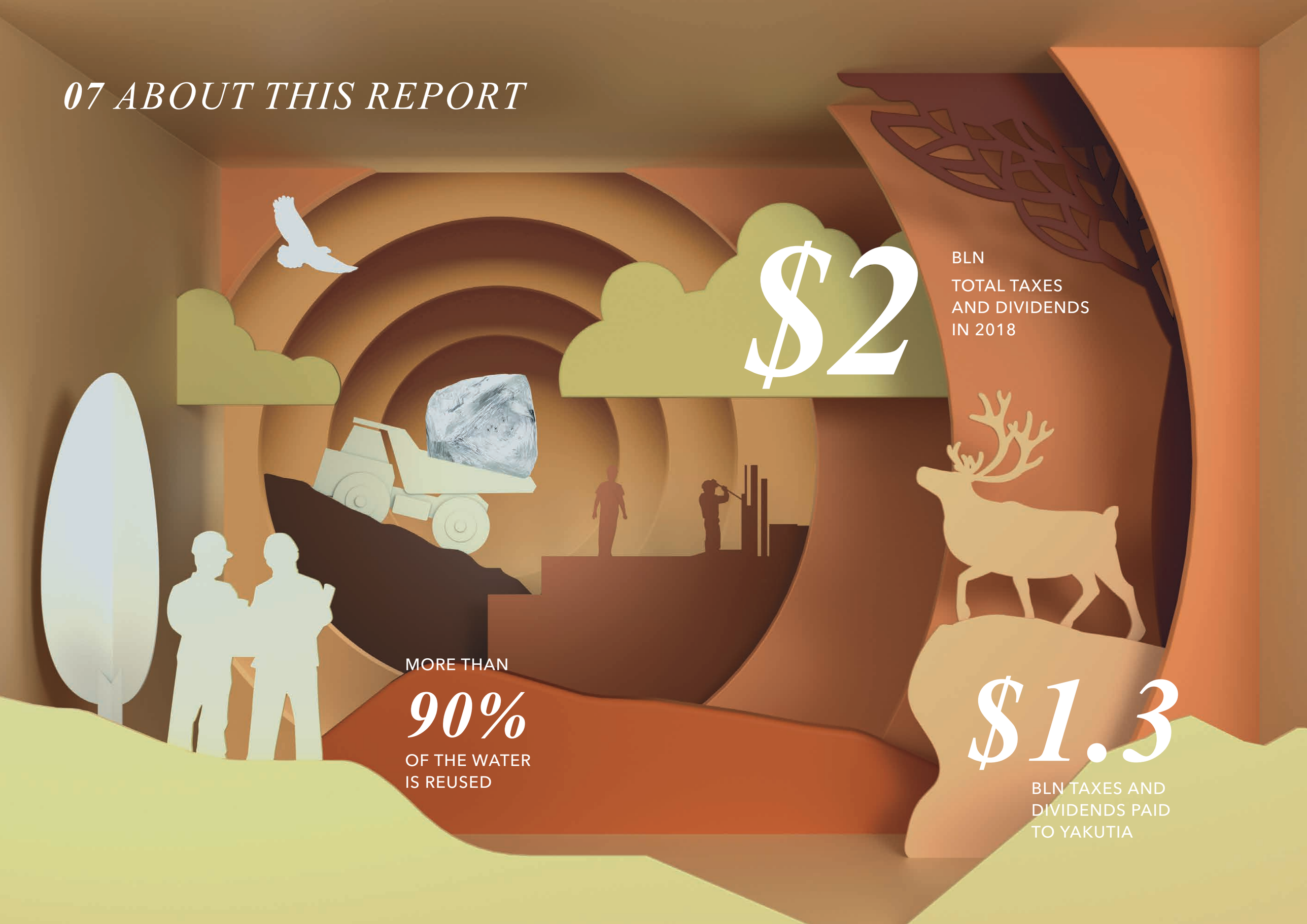
Under the program "Support and development of culture and sports" in 2018, the Judo Federation was provided with material support in the amount of 4.0 million Rubles.

According to the actions plan for investment activities for the years 2017-2018 between the subsidiaries of JSC Anabar Diamonds and the Ministry of Agriculture and Food of the Republic of Sakha (Yakutia), the subsidiaries of the agro-industrial and forestry complexes were provided with financial support. In 2018, assistance to agricultural subsidiaries amounted to 130.2 million Rubles.

Also in 2018, the costs upon the provision "Other sponsorship and material assistance" amounted to 110.3 million Rubles, including 100 million Rubles that were allocated by the decision of the Company to the "Specialized Fund for Future Generations", and 3.1 million Rubles. – for renovation works in town and settlements affected by the flood and emergency situations, and 7.2 million Rubles – as support following the petitions of individuals and organizations.



07 ABOUT THIS REPORT



$2

BLN

TOTAL TAXES
AND DIVIDENDS
IN 2018

MORE THAN

90%

OF THE WATER
IS REUSED

$1.3

BLN TAXES AND
DIVIDENDS PAID
TO YAKUTIA



OVERVIEW

ESSENTIAL SUBJECTS TO BE INCLUDED IN THE REPORT

GRI 102-46, 102-48, 102-49, 102-50, 102-51, 102-52, 102-54

The Social and Environmental Report of PJSC ALROSA for 2018 (hereinafter – the Report) is the eighth public non-financial report that contains major aspects and key results of the Company's activity concerning the sustainable development for the reporting period – 2018. Since 2012, PJSC ALROSA prepares and publishes this non-financial report every year.

The section "Information on the ALROSA Group" (unless otherwise stated) contains the summary of the ALROSA Group information. The financial performance of the ALROSA Group and the subsidiaries, where PJSC ALROSA owns at least 50% of the authorized share capital, is recorded with the consolidated financial performance of the ALROSA Group in accordance with a participation interest and showed in the "Economic performance" section. If the Report contains an information included in the consolidated financial statements of ALROSA Group prepared under the IFRS standards, a note is given in the text.

The Social and Environmental Report of the PJSC ALROSA for the year of 2018, was prepared for the second year in a row in accordance with the Global Reporting Initiative – GRI Standards, the "main data" version.

In the Report for 2018, the scope of a disclosed information was changed in contrast to the previous reporting period: the Report for 2018 showed data on the number of employees employed by a type of the employment contract and type of employment, as well as data on the personnel transferring, which was presented across the PJSC ALROSA.

For the purpose of clearer understanding of and comparability of the presented information with the data of earlier periods, the information about economic, environmental and social results of activities is included in the report in consistent manner. To compare the environmental data in the Report, indicators are recalculated (excluding the Heat and Power Supply Enterprise) for the three-year period 2016–2018. In case of changing of a methodology for calculating individual indicators in the reporting period, a corresponding refer or explanation is presented in the text of the Report.

The Report discloses results of PJSC ALROSA operational activities for the period from January 1 to December 31, 2018. The previous report was published in September 2018 and covered the same period of 2017. The results of the Company's activities of sustainable development are presented in the Report dynamically for the five-year period (2014–2018). The 2018 Social and Environmental Report of PJSC ALROSA presents an information on events that occurred before or after the covered period. The strategic plans and regulatory documents referred to in the Report apply to all companies of the ALROSA Group, namely PJSC ALROSA and its subsidiaries and affiliates.

The Social and Environmental report of PJSC ALROSA for 2018 contains information about key impacts of the Company's production activities on the economy, society and environment, social sphere, and presents the most important information for the stakeholders on the level of corporate social responsibility and efficiency in the area of sustainable development.

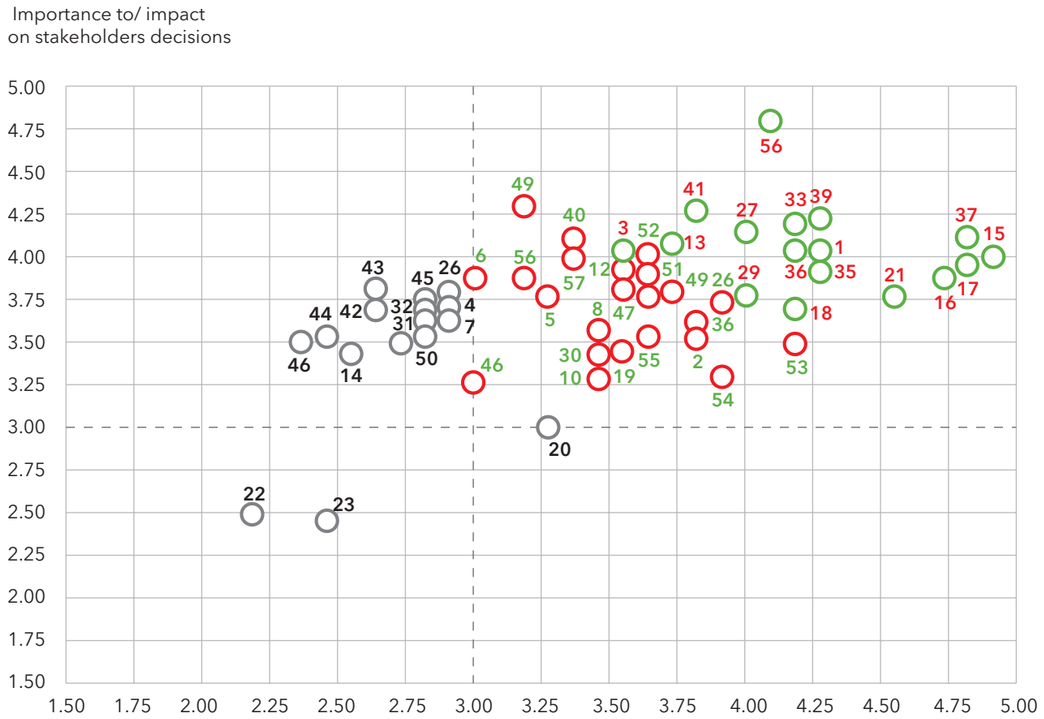
In accordance with GRI Standards, the Report contains a general information about the Company and specific reporting elements necessary for disclosure when preparing the Report according to the "main data" version.

For the purposes of this socio-environmental report of PJSC ALROSA for 2018, the Company conducted an analysis of the importance of sustainable development subjects in accordance with the following methodology: the procedure included a survey of internal and external stakeholders. The survey was conducted with respect to essential aspects for the PJSC ALROSA having analyzed by a working group. For the purposes of the procedure for assessment of the aspects importance, representatives of government authorities and local self-government and business partners were engaged, as well as representatives of local communities, society, the Profalmaz Trade Union and young specialists of the Company. Based on the results of the survey of internal and external stakeholders, a map of significant matters was made.

The horizontal axis shows the significance of aspects for the Company (subject to the impact of the Company's activities), based on the results of a survey of employees and top management. The vertical axis shows the significance of aspects for the stakeholders, based on the results of their survey. Value of an indicator on each axis was determined as the ratio of the total number of received positive answers, multiplied by the corresponding assessment, to the total number of respondents (received questionnaires) in a corresponding category. The threshold value determines the coefficient 4 on both axes. Matters with 3 to 4 points are considered as significant, but not passed the materiality threshold. The information below was deemed insignificant.

The aspects of the set sector subject to the opinion of a working group were considered as material. The essential matters were highlighted in the ranking map in red and blue color.

Map of material aspects to be included in ALROSA's Social and Environmental Report for 2018



- material aspects
- significant aspects, but not passed the materiality threshold
- insignificant aspects

№	*Aspects*	*GRI Standard (if any)*
1	• Economic Indicators	GRI 201. Economic Performance (2016)
2	• Market presence	GRI 202. Market Presence (2016)
3	• Indirect economic impact	GRI 203. Indirect economic impacts (2016)
4	• Procurement impacts	GRI 204. Procurement impacts (2016)
5	• Anti-corruption activities	GRI 205. Corruption control (2016)
6	• Anti-competitive behavior	GRI 206. Barrier to competition (2016)
7	• Materials	GRI 301. Materials (2016)
8	• Energy	GRI 302. Energy (2016)
9	• Water and Effluents	GRI 303. Water (2016)
10	• Biodiversity	GRI 304. Biodiversity (2016)
11	• Emissions	GRI 305. Emissions (2016)
12	• Discharges, Effluents and Waste	GRI 306. Effluents and Waste (2016)
13	• Environmental Compliance	GRI 307. Environmental Compliance (2016)
14	• Supplier Environmental Assessment	GRI 308. Supplier Environmental Assessment (2016)
15	• Employment	GRI 401. Employment (2016)
16	• Labor / Management Relations	GRI 402. Labor / Management Relations (2016)
17	• Occupational health and safety	GRI 403. Occupational health and safety (2016)
18	• Training and education	GRI 404. Training and education (2016)
19	• Diversity and equal opportunity	GRI 405. Diversity and equal opportunity (2016)
20	• Non-discrimination**	GRI 406. Non-discrimination (2016)
21	• Freedom of Association and Collective Bargaining	GRI 407. Freedom of Association and Collective Bargaining (2016)
22	• Child Labor	GRI 408. Child Labor (2016)
23	• Forced or Compulsory Labor	GRI 409. Forced or Compulsory Labor (2016)
24	• Security Practices	GRI 410. Security Practices (2016)

№	Aspects	GRI Standard (if any)
25	• Rights of Indigenous Peoples	GRI 411. Rights of Indigenous Peoples (2016)
26	• Human Rights Assessment	GRI 412. Human Rights Assessment (2016)
27	• Local Communities	GRI 413. Local Communities (2016)
28	• Supplier Social Assessment	GRI 414. Supplier Social Assessment (2016)
29	• Public Policy	GRI 415. Public Policy (2016)
30	• Customer Health and Safety	GRI 416. Customer Health and Safety (2016)
31	• Marketing and Labeling	GRI 417. Marketing and Labeling (2016)
32	• Customer Privacy	GRI 418. Customer Privacy (2016)
33	• Socioeconomic Compliance	GRI 419. Socioeconomic Compliance (2016)
34	• Exploration and development of deposits*	
35	• Production efficiency improving*	
36	• Technical re-equipment and replacement of worn-out and outdated equipment*	
37	• Sustainable development management as the strategic management of the Company*	
38	• The Company focus on the diamond industry*	
39	• Maintaining a recognized leader status in the diamond industry*	
40	• Merchandising Policy of the Company*	
41	• International Cooperation*	
42	• Supply Chain of the Company*	
43	• Company Procurement policy and its implementation*	
44	• Local purchasing*	
45	• Environmental impact in the supply chain*	
46	• Impact on society in the supply chain*	
47	• Investment program of the Company*	
48	• Implementation of Dividend policy*	

№	Aspects	GRI Standard (if any)
49	• Corporate Governance Practice*	
50	• Company Management Remuneration System*	
51	• Rational use of natural resources*	
52	• Development of environmental measures at the design stage*	
53	• Work with young professionals*	
54	• Work with school students *	
55	• Development of environmental awareness of the personnel *	
56	• Ensuring of production safety*	
57	• Innovative development and technology modernization Programs*	
58	• Scientific and innovative activity*	

red color (•) – material aspects
blue color (•) – significant aspects, but not passed the materiality threshold
grey color (•) – insignificant aspects

* *the Company's specific aspects*
** *due to the fact that both values are close to the threshold, it was decided not to include these matters in the number of essential matters*

REPORT SCOPE DEFINING

GRI 102-45, 102-46

The Report covers the activities of PJSC ALROSA, as well as its subsidiaries activities of diamond mining area relating a number of essential matters. According to GRI indicators, the Report provides the data mainly on the PJSC ALROSA. Also, certain indicators showing data which is provided across the ALROSA Group in whole, including the PJSC ALROSA and its subsidiaries within the scope of the consolidated reporting, as part of the preparation of an annual (financial) report.

As of December 31, 2018, the Company includes the following branches, representative offices, structural divisions, which are also included in the financial statements:

- Management Board of the Company;
- United Selling Organization of ALROSA, a branch of PJSC ALROSA (USO ALROSA);
- Yakutsk Diamond Trading Enterprise (YaPTA), a branch of the PJSC ALROSA;
- DIAMONDS OF ALROSA, a branch of the PJSC ALROSA;
- Representative office in the Republic of Angola;
- Trade representative office in Vladivostok;
- Representative office in Mumbai (Republic of India);
- Representative office in Yakutsk;
- Aikhal Mining and Processing Division of PJSC ALROSA;
- Vilyuy geological exploration expedition of PJSC ALROSA;
- Yakutniproalmaz Institute;
- Center for Information and Analytics of PJSC ALROSA;
- Procurement department of PJSC ALROSA;
- Cultural and Sport Complex of PJSC ALROSA;
- Mirny Mining and Processing Division of the PJSC ALROSA;
- Mirny Aviation Enterprise of the PJSC ALROSA;
- Mirny Automobile Roads Division of the PJSC ALROSA;
- Medical center of the PJSC ALROSA;
- Geo-Scientific Research Enterprise of the PJSC ALROSA;
- Nyurba Mining and Processing Division of the PJSC ALROSA;
- Almazdortrans Production Division of the PJSC ALROSA;
- Kommeral Company;
- Collective farm "Noviy" of the PJSC ALROSA;
- Almazavtomatika Specialized Trust;
- Udachny Mining and Processing Division of the PJSC ALROSA;
- Capital Construction Division of the PJSC ALROSA;
- Material and Technical Support Division of the PJSC ALROSA;
- Procurement and Resource Center of the PJSC ALROSA;
- Innovation and Technology Center of the PJSC ALROSA;
- HR Training Center of the PJSC ALROSA;
- Diamond Sorting Center of the PJSC ALROSA;
- Transport Control Center of the PJSC ALROSA;
- Law Center of the PJSC ALROSA;
- Environmental Center of the PJSC ALROSA.

In the Report for 2018, the scope of a disclosed information were changed in contrast to the previous reporting period: the Report for 2018 showed data on the number of employees employed by a type of the employment contract and type of employment, as well as data on the personnel transferring, which was presented across the PJSC ALROSA in whole.

Impacts of each material aspect are specified in Appendix 1.

A complete list of companies consolidated in the course of the preparation of financial statements under IFRS for the ALROSA Group is presented on the website: http://eng.alrosa.ru/documents/financial-results/



INDEPENDENT CERTIFICATION OF THE REPORT

The Social and Environmental Report of PJSC ALROSA is subject to annual independent certification by an independent auditing organization.

REPORT OF AUDITING ORGANIZATION

FBK
Grant Thornton
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INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT [TRANSLATION FROM RUSSIAN ORIGINAL]

To the management of Public Joint Stock Company "ALROSA".

We have undertaken a limited assurance engagement of compliance of the accompanying Social and Environmental Report of ALROSA Group[1] 2018 (hereinafter referred to as the Report) with the requirements of GRI Sustainability Reporting Standards (hereinafter referred to as Standards) to the report prepared in accordance with the Core option.

Responsibility of Public Joint Stock Company "ALROSA"
Public Joint Stock Company "ALROSA" (hereinafter referred to as PJSC "ALROSA") is responsible for preparation of the Report in compliance with the requirements of GRI Sustainability Reporting Standards to the report prepared in accordance with the Core option. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Our Independence and Quality Control
We have complied with the independence and other ethical requirements of the Rules of Independence of the Auditors and Audit Organizations and The Code of Professional Ethics of the Auditors, which are in accordance with International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
The firm applies International Standard on Quality Control 1, Quality Control for Firm that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility
Our responsibility is to express a limited assurance conclusion on compliance of the Report with the requirements of Standards to the report prepared in accordance with the Core option based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the Report is free from material misstatement.
A limited assurance engagement undertaken in accordance with this standard involves assessing the compliance of the Report with the requirements of Standards to the report prepared in accordance with the Core option.
A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.
The procedures we performed were based on our professional judgment and included inquiries, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

[1] The report includes the results of the activities of PJSC "ALROSA" and, on selected material topics, the results of the activities of its subsidiaries in the diamond mining sector. For some indicators, consolidated data is presented for PJSC ALROSA and its subsidiaries within the boundaries of consolidation for preparation of financial statements in accordance with IFRS

TRANSLATION NOTE: Our report has been prepared in Russian and in English. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version. 1 из 2

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Given the circumstances of the engagement, in performing the procedures listed above we have performed the following procedures:

- Interviewing the management and employees of PJSC "ALROSA" and obtaining documentary evidence;
- Study of information available on the websites of ALROSA Group companies related to their activities in the context of sustainable development;
- Study of public statements of third parties concerning economic, environmental and social aspects of the ALROSA Group activities, in order to check validity of the declarations made in the Report;
- Analysis of non-financial reports of companies working in the similar market segment for benchmarking purposes;
- Selective review of documents and data on the efficiency of the management systems of economic, environmental and social aspects of sustainable development in ALROSA Group;
- Study of the existing processes of collection, processing, documenting, verification, analysis and selection of data to be included into the Report;
- Analysis of information in the Report for compliance with the requirements of Standards to the report prepared in accordance with the Core option.

The procedures were performed only in relation to data for the year ended 31 December 2018.
The evaluation of reliability of the information on performance in the Report was conducted in relation to compliance with the requirements of Standards to the report prepared in accordance with the Core option and information referred to in the section of the Report "GRI Index". In respect to this information assessment of its conformity to external and internal reporting documents provided to us was performed.
The procedures were not performed in relation to forward-looking statements; statements expressing the opinions, beliefs and intentions of PJSC "ALROSA" as the parent company of ALROSA Group to take any action relating to the future; as well as statements based on expert opinion.
We had no chance to verify that the Report was published on the PJSC "ALROSA" website as well as that Global Reporting Initiative was notified of the use of the Standards in the Report preparation, due to the fact that the date of signing this Assurance Report preceded the planned dates of these procedures completion.
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 we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Report has been prepared, in all material respects, in accordance with the requirements of Standards to the report prepared in accordance with the Core option.

Limited Assurance Conclusion
Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Report has not complied, in all material aspects, with requirements of GRI Sustainability Reporting Standards to the report prepared in accordance with the Core option.

FBK, LLC _____ V.Y.Skobarev

Practitioner
Partner
acting under Power of Attorney No. 76/18 of December 17, 2018
The Russian Federation, Moscow, July 11, 2019

TRANSLATION NOTE: Our report has been prepared in Russian and in English. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version. 2 из 2

APPENDICES

APPENDIX 1.
SCOPE OF MATERIAL ASPECTS

• Direct impact of an aspect
• Indirect impact of an aspect

Material Aspects	*Scope of an aspect inside the ALROSA*				*Stakeholders outside the ALROSA interested in disclosing impacts on material aspects*								
	PJSC ALROSA	*PJSC ALROSA-Nyurba*	*JSC Almazy Anabara*	*PJSC Severalmaz*	*Key stakeholder groups*								
					Local communities (including municipal authorities)		*Government authorities*		*Customers (consumers of primary products)*		*Suppliers of goods and services*		*Competitors / industry community*
	Mirny Disctrict Moscow	*Nyurba District*	*Anabar, Bulunsk, Zhigansk Districts*	*Arkhangelsk, the Arkhangelsk region*	*Yakutia*	*Arkangelsk region*	*Yakutia*	*Russian Federation*	*Russian Federation*	*Outside Russian Federation*	*Russian Federation*	*Outside Russian Federation*	
• Economic Indicators	•	•	•	•	•	•	•	•	•	•	•	•	•
• Market presence	•	•	•	•	•	•							
• Indirect economic impact	•	•	•	•	•	•							
• Anti-corruption activities							•	•	•	•	•	•	
• Anti-competitive behavior								•					
• Energy	•	•	•	•	•	•	•	•					
• Water and Effluents	•	•	•	•	•	•	•	•					
• Biodiversity	•	•	•	•	•	•	•	•					
• Discharges, Effluents and Waste	•	•	•	•	•	•	•	•					
• Environmental Compliance	•	•	•	•	•	•	•	•	•	•			
• Employment	•	•	•	•	•	•							
• Labor / Management Relations	•	•	•	•	•	•							
• Occupational health and industrial safety	•	•	•	•	•	•	•	•					
• Training and education	•	•	•	•	•	•							
• Diversity and equal opportunity	•	•	•	•									
• Freedom of Association and Collective Bargaining	•	•	•	•									
• Security Practices	•	•	•	•	•	•					•	•	
• Rights of Indigenous Peoples	•	•	•		•								
• Human Rights Assessment									•	•			•
• Local Communities					•	•	•	•					

Material Aspects	*Scope of an aspect inside the ALROSA*				*Stakeholders outside the ALROSA interested in disclosing impacts on material aspects*								
	PJSC ALROSA	*PJSC ALROSA-Nyurba*	*JSC Almazy Anabara*	*PJSC Severalmaz*	*Key stakeholder groups*								
					Local communities (including municipal authorities)		*Government authorities*		*Customers (consumers of primary products)*		*Suppliers of goods and services*		*Competitors / industry community*
	Mirny Disctrict Moscow	*Nyurba District*	*Anabar, Bulunsk, Zhigansk Districts*	*Arkhangelsk, the Arkhangelsk region*	*Yakutia*	*Arkangelsk region*	*Yakutia*	*Russian Federation*	*Russian Federation*	*Outside Russian Federation*	*Russian Federation*	*Outside Russian Federation*	
• Public Policy							●	●					
• Customer Health and Safety									●	●			
• Socioeconomic Compliance	●	●	●	●	●	●	●	●					
• Exploration and development of deposits*	●	●	●	●	●	●	●	●	●	●			●
• Production efficiency improving*	●	●	●	●	●	●	●	●	●	●	●	●	●
• Technical re-equipment and replacement of worn-out and outdated equipment*	●	●	●	●	●	●					●	●	
• Sustainable development management as the strategic management of the Company*	●	●	●	●	●	●	●	●	●	●	●	●	●
• The Company focus on the diamond industry*	●	●	●	●	●								
• Maintaining a recognized leader status in the diamond industry*	●	●	●	●	●	●	●	●					
• Selling Policy of the Company*	●	●	●	●	●		●	●	●	●			
• International Cooperation*	●	●	●	●					●	●			●
• Investment program of the Company*	●	●	●	●									
• Implementation of Dividend policy*	●	●	●	●	●	●	●	●					
• Corporate Governance Practice*	●	●	●	●	●	●	●	●	●	●	●	●	●
• Rational use of natural resources*	●	●	●	●	●	●	●	●	●				
• Development of environmental measures at the design stage*	●	●	●	●	●	●	●	●					
• Work with young professionals*	●	●	●	●									
• Work with school students *					●	●							
• Development of environmental awareness of the personnel *					●	●							
• Ensuring of safe production*	●	●	●	●	●	●	●						
• Innovative development and technology modernization Programs*	●	●	●	●	●	●	●	●	●	●			
• Scientific and innovative activity*	●	●	●	●	●	●	●	●	●	●			

APPENDIX 2.
COMPLIANCE WITH THE GRI STANDARDS

GRI 102-55

GRI content index for the "main data" version of the Report prepared "in accordance with" the Sustainability Reporting Standards of GRI Standards"Global Reporting Initiative" (GRI)[68].

GRI standard	*GRI index*	*GRI indicator*	*Section and / or notes, commentaries, references to other sources*	*Report page*
GRI 101: Base in 2016				
General disclosure				
GRI 102: General disclosure in 2016	**Profile of a company**			
	102-1	Name of the Company	Contact Information	269
	102-2	Primary brands, products, and / or services	General information on the ALROSA Group Geographic reach of the core activity and production chain Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	26–28
	102-3	Headquarter location	Contact Information Headquarters: Mirny town, Lenina str. 6)	269
	102-4	Sites location	General information on the ALROSA Group Geography of the core activity and production chain	26–28
	102-5	Ownership and legal status	General information on the ALROSA Group Contact Information Reporting in accordance with the Russian Accounting Standards: page 8	26, 269
	102-6	Markets where the Company operates	General information on the ALROSA Group Geography of the core activity and production chain Annual Report for 2018, pages 55-59: http://www.alrosa.ru/wp-content/uploads/2019/07/ГО_англ_финал.pdf	26–29; more detailed information on the geographic reach of the ALROSA Group activities is presented in the financial statements under IFRS, page 55
	102-7	Scale of the Company	Geography of the core activity and production chain Economic Performance Economic indicators for 2018 Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/ГО_англ_финал.pdf	28, 94–95 more detailed information on the Company's capital is provided in the financial statements under the IFRS, page 1
	102-8	Total number of employees by employment type, gender, employment agreement and region	ESG Indicators Social Responsibility Personnel Appendix 4	14–16, 167–170, 269 No breakdown of personnel by employment contract and region
	102-9	Supply chain of the Company	Geographic reach of the core activity and production chain	30, 36
	102-10	Material changes in the supply chain of the Company	General information on the ALROSA Group Geographic reach of the core activity and production chain Sustainable development Corporate Governance System for Sustainable Development Information on the Report General provisions Annual Report for 2018, pages 204-205: http://www.alrosa.ru/wp-content/uploads/2019/07/ГО_англ_финал.pdf	26–29, 64–65, 214
	102-11	Approach and precautionary principle	Risk Management Policy on Sustainable Development and Corporate Social Responsibility of the PJSC ALROSA, page 14	46, 72–74

[68] *The Report was certified by an external independent auditor. Auditor's Report on Non-Financial Reporting — Report of Auditing Organization (page 222)*

GRI standard	*GRI index*	*GRI indicator*	*Section and / or notes, commentaries, references to other sources*	*Report page*
	102-12	Focus on external initiatives	Sustainable Development Policy Integration of the UN Sustainable Development Goals into the Company's activities Ethics and Anti-corruption activities Environmental Policy of the Company Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/ГО_англ_финал.pdf	46–50, 80–83, 125
	102-13	Membership in associations	Integration of the UN Sustainable Development Goals into the Company's activities Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf ALROSA is actively integrated with the Kimberley Process (KP), a permanent interstate conference; In 2016, ALROSA joined the Responsible Jewellery Council (RJC), an international non-profit organization created to strengthen consumer confidence in the whole jewelry supply chain, enhance corporate social responsibility, protect the environment and introduce ethical rules for responsible business conduct.	60 Please, see more detailed information on participation in associations on the site, section «International cooperation» participation in Associations
Strategy				
	102-14	The statement of the senior responsible person	Message from the Chief Executive Officer (CEO) – Chairman of the Executive Committee	8–13
	102-15	Description of key impacts, risks and opportunities	Sustainable Development Policy Integration of the UN Sustainable Development Goals into the Company's activities Risk Management Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	46, 54–61, 72–74
Ethics and fair practice				
	102-16	Values, principles, standards and norms of behavior in the Company	Ethics and Anti-corruption activities Principles of the ALROSA ALLIANCE: http://eng.alrosa.ru/operations/sales-policy/alrosa-alliance/	80–83
	102-17	Mechanisms for ethics-related consultations and issues	Ethics and anti-corruption activities Confidence Line Disclosure http://eng.alrosa.ru/about-us/anti-corruption/	80–83
Corporate Governance				
	102-18	Management structure	Corporate Governance System on Sustainable Development Annual Report for 2018, pages 174-179: http://www.alrosa.ru/wp-content/uploads/2019/06/Alrosa_book_web.pdf	64–69
	102-19	Delegation of authority	Corporate Governance System on Sustainable Development Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	64–70
	102-20	The responsibility of Supreme corporate body for the assessment of financial, environmental and social activities	Corporate Governance System on Sustainable Development Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	64–71
	102-22	Supervisory Board and its Committees	Corporate Governance System on Sustainable Development Annual Report for 2018, pages 150, 161-173: http://www.alrosa.ru/wp-content/uploads/2019/06/Alrosa_book_web.pdf	64–70
	102-23	The chairman of the chief executive committee	Corporate Governance System on Sustainable Development Annual Report for 2018, page 155: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	68
	102-26	The role of the Supervisory Board in the definition of goals, concepts, values, and strategies	Corporate Governance System on Sustainable Development Annual Report for 2018, page 153, 158-160: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf Charter of PJSC ALROSA Regulation on the Supervisory Board	64–71

GRI standard	*GRI index*	*GRI indicator*	*Section and / or notes, commentaries, references to other sources*	*Report page*
	Stakeholder Engagement			
	102-40	Key stakeholder groups	Stakeholder engagement	75–79
	102-41	Collective agreements	SOCIAL RESPONSIBILITY Social partnership and human rights	200
	102-42	Choosing and adoption of stakeholders	Stakeholder engagement	75–79
	102-43	Approach to stakeholder engagement	Stakeholder engagement	75–79
	102-44	Main matters and issues raised in the framework of the stakeholder engagement	Stakeholder engagement Appendix 3. Recording table of stakeholders proposals	75–79, 249–251
	Reporting preparation practice			
	102-45	Companies included in the consolidated financial statements	General information on the ALROSA Group Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	219, Major Company's enterprises, included in the consolidated financial statements, are listed in the Report for 2018 under IFRS, page 32
	102-46	The contents and aspects of the Report section "Scope"	About this Report Essential topics to be included in the Report Report scope defining Report certification	214–220
	102-47	List of essential topics	About this Report Essential topics to be included in the Report Report certification	214–220
	102-48	Information review	Information on the Report General provisions Environmental performance indicators. Water and rational use of water resources	214, 145–146
	102-49	Changes in reporting	Information on the Report General provisions The list of aspects and matters has been revised in compared to last year; a list of significant subjects for the last year was presented in the Social and Environmental Report of the PJSC ALROSA for 2017 http://eng.alrosa.ru/documents/social-reports/	214
	102-50	Reporting period	Information about Report. General provisions	214
	102-51	Date of the previous report	Information about Report. General provisions	214
	102-52	Reporting cycle	Information about Report. General provisions	214
	102-53	Contact information concerning issues related to the Report	Contact Information	269
	102-54	Reporting requirements according to the GRI standards	Information about Report. General provisions	214
	102-55	GRI content index	Appendix 2. Compliance with the GRI standards	230–248
	102-56	External certification	Information on the Report General provisions Report certification INDEPENDENT AUDITOR'S REPORT	214, 220–223 An external independent auditor is appointed by tender results
GRI 103: Approach to management (2016)	103-1	Content and scope of subjects and aspects	Appendix 1. Scope of essential topics	219, 226–229
"Economic" Aspect				
	Aspect GRI 201: Economic Indicators (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management: Management Approach Assessment	Economic performance Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	94–101
GRI 201: Economic Indicators (2016)	201-1	Creation and distribution of economic value	Economic performance Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	94–101

GRI standard	*GRI index*	*GRI indicator*	*Section and / or notes, commentaries, references to other sources*	*Report page*
	201-3	Securing of the Company's obligations related to pension plans with fixed benefit	Investing in people	190 Amount of secured pension obligations is presented in the financial statements of PJSC ALROSA, pages 68–69
	201-4	Financial assistance from government	Economic performance Annual Report for 2018, page 204: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	94
	Aspect GRI 202: Market presence (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management: Management Approach Assessment	Geography and Production chain ALROSA Group Strategy Report scope defining Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	28, 40, 219
GRI 202: Market presence (2016)	202-1	Ratio of a standard entry-level wage by gender type in compared to a fixed minimum living wage	Investing in people	190
	202-2	Proportion of ingenious people (local community) among the senior management	Our people HR formation and development of the personnel	170, 179–180
	Aspect GRI 203: Indirect economic impacts (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management: Management Approach Assessment	Environmental responsibility Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	125
GRI 203: Indirect economic impacts (2016)	203-1	Infrastructure investments and services supported	Environmental responsibility Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	171–172, 178–179
	203-2	Significant indirect economic impacts	Integration of the UN Sustainable Development Goals into the Company's activities Environmental responsibility Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	50–63, 171–179
	Aspect GRI 205: Corruption control (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management: Management Approach Assessment	Ethics and Anti-corruption activities Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	80–83
GRI 205: Corruption control (2016)	205-3	Evidences of corruption and actions taken	Ethics and Anti-corruption activities Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	80–83
	Aspect GRI 206: Unfair business conduct (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management: Management Approach Assessment	Ethics and Anti-corruption activities Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	80–83
	"Environmental" Aspect			
	Aspect GRI. 302 Energy (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management: Management Approach Assessment	Environmental Policy of the Company Economic performance Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	125, 94–96
GRI 302. Energy (2016)	302-1	Energy consumption within the Company	Environmental Policy of the Company Appendix 5. Environmental Performance	125, 256
	302-2	External energy consumption		No energy consumption accounting outside the Company
	302-3	Energy intensity	Environmental Policy of the Company Environmental performance	158–160

GRI standard	*GRI index*	*GRI indicator*	*Section and / or notes, commentaries, references to other sources*	*Report page*
	Aspect GRI 303. Water (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management: Management Approach Assessment	Environmental Policy of the Company Environmental performance Appendix 5. Environmental Performance Indicators. Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	125, 138–139, 258
GRI 303. Water (2016)	303-1	Total water intake with breakdown by source	Environmental Policy of the Company Environmental performance Appendix 5. Environmental Performance	125, 138–139, 258
	303-2	Water sources significantly affected by water intake	Environmental Policy of the Company Environmental performance Appendix 5. Environmental Performance	125, 138–139
	303-3	Reusable and reused water	Environmental Policy of the Company Environmental performance Appendix 5. Environmental Performance	125, 138–139, 258
	Aspect GRI 304. Biodiversity (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Environmental Policy of the Company Environmental performance Annual Report for 2018 http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	125, 158–159
GRI 304. Biodiversity (2016)	304-1	Operational sites owned, leased, under management of the Company, or located within the protected nature areas and areas of high biodiversity value outside such sites or adjacent to such territories	Environmental Policy of the Company Environmental performance	125, 158–159
	Aspect GRI 306. Discharges, Effluents and Waste (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Environmental Policy of the Company Environmental performance	125, 143–149
GRI 306. Discharges, Effluents and Waste (2016)	306-1	Water discharges by quality and destination	Environmental Policy of the Company Environmental performance	125, 143–145, 258
	306-2	Effluents and waste disposal method	Environmental Policy of the Company Environmental performance	125, 143–149
	Aspect GRI 307. Environmental Compliance (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Environmental Policy of the Company Environmental performance	125, 138–141
GRI 307. Environmental Compliance (2016)	307-1	Environmental non-compliance	Environmental Policy of the Company Environmental performance Appendix 5. Environmental Performance	258
	"Social" Aspect			
	GRI 401. Employment (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Social Responsibility Our people HR formation and development Appendix 4. Social Performance	167, 177, 252
GRI 401. Employment (2016)	401-1	Newly hired employees and staff turnover	Our people HR formation and development Appendix 4. Social Performance	167, 252
	401-2	Benefits provided to full-time employees, that are not provided to temporary or part-time employees	Our people HR formation and development Appendix 4. Social Performance	167, 177, 252 Absolute data on employees hired by and leaving the Company (including by gender, age and region), as well as the breakdown of staff turnover by region, is not given
	Aspect GRI 402. Labor / Management Relations (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Social Responsibility Our people HR formation and development Social partnership and human rights Appendix 4. Social Performance	167, 177, 179, 252
GRI 402. Labor/Management Relations (2016)	402-1	Minimum notice periods regarding operational activity important changes	Social partnership and human rights	183
	Aspect GRI 403. Occupational health and safety (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Occupational Health and Safety	107, 116

GRI standard	*GRI index*	*GRI indicator*	*Section and / or notes, commentaries, references to other sources*	*Report page*
GRI 403. Occupational Health and Safety (2016)	403-1	Representation of workers in official joint committees for occupational health and security involving management and workers	Occupational Health and Safety	107, 116
	403-2	Types of injury and mortality, occupational diseases, rate of work day lost and workplace absence rate, and also the total number of occupational mortality	Occupational Health and Safety	107, 116 A breakdown of the total number of injury and injury rate, occupational diseases, work day lost and workplace absence, by gender and region, as well as the total number of accidents happened in contractor companies, is not given
	403-3	Workers with high occupational injuries or high risk of occupational diseases	Occupational Health and Safety	116–119
	403-4	Occupational health and safety matters covered by the factual agreements with trade unions	Occupational Health and Safety	107
	GRI 404. Training and education (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Social Responsibility Our people HR formation and development Appendix 4. Social Performance	167, 177, 187, 252
GRI 404. Training and education (2016)	404-3	Percentage of employees are subject to regular assessment of performance and career development	HR formation and development Appendix 4. Social Performance	180, 252
	GRI 405. Diversity and equal opportunity (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Sustainable Development Social Responsibility	46, 162
GRI 405. Diversity and equal opportunity (2016)	405-1	Variety of governance bodies and employees	Sustainable Development Social Responsibility Our people	46, 65–68, 167, 190 A breakdown of managers by age is not given; a breakdown of employees of other categories (except for the Head, Directors or Managers) by gender and age is not given
	Aspect GRI 407. Freedom of Association and Collective Bargaining (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Sustainable Development Social Responsibility	46, 162
GRI 407. Freedom of Association and Collective Bargaining (2016)	407-1	Defined structural division and suppliers with possible violation of their right to use freedom of association and collective bargaining or having a substantial risk to, and actions taken to support these rights	Sustainable Development Social Responsibility Our people	46, 162, 167 No data on suppliers with possible violation of their right to use freedom of association and collective bargaining. Assessment of suppliers by this criterion was not carried out
	Aspect GRI 410. Security Practice (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Sustainable Development Social Responsibility Social partnership and human rights	46, 167, 199
GRI 410. Security Practice (2016)	410-1	Percentage of security personnel trained in policies and procedures regarding human rights aspects related to operational activities	Sustainable Development Social Responsibility Social partnership and human rights	167, 199
	Aspect GRI 411. Indigenous peoples rights (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Social Responsibility Social partnership and human rights Regional development and charity projects	167, 199–200
GRI 411. Rights of Indigenous peoples (2016)	411-1	Infringements of indigenous peoples rights	Social partnership and human rights Regional development and charity projects	199–211

GRI standard	*GRI index*	*GRI indicator*	*Section and / or notes, commentaries, references to other sources*	*Report page*
	Aspect GRI 412. Human Rights Assessment (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Sustainable Development Social Responsibility Social partnership and human rights	44, 167, 199
	Aspect GRI 413. Local Communities (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Social Responsibility Social partnership and human rights Regional development and charity projects	167, 199, 200–211
GRI 413. Local communities (2016)	413-1	Subdivisions which implemented programs for local community engagement, impact assessments to, and development of local community	Social Responsibility Social partnership and human rights Regional development and charity projects	167, 199, 200–211
	Aspect GRI 415. State Policy (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Sustainable Development Creation and distribution of economic value Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	46, 96–99
GRI 415. State Policy (2016)	415-1	Total monetary value of political donations by country and recipient / beneficiary respectively	Creation and distribution of economic value Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	96–99 PJSC ALROSA does not make any donations for political purposes
	Aspect GRI 416. Customer Health and Safety (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Sustainable Development Social partnership and human rights Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	46, 199
Aspect GRI 416. Customer Health and Safety (2016)	416-1	Percentage of significant categories of products and services, whose health and safety impacts are assessed to identify opportunities for improvement	Social partnership and human rights	199

GRI standard	*GRI index*	*GRI indicator*	*Section and / or notes, commentaries, references to other sources*	*Report page*
	Aspect GRI 419. Socioeconomic Compliance (2016)			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Social Responsibility	162
GRI 419. Socioeconomic Compliance (2016)	419-1	Significant fines and non-financial sanctions for non-compliance with socio-economic requirements	Social Responsibility	162 Significant fines and non-financial sanctions have not been imposed
	Specific Standard Elements			
	Aspect Geological Exploration and deposit development			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Economic performance Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	94–103
Aspect		Geological exploration and deposit development	Economic performance Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	94–103
	Aspect Production efficiency improvement			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Economic performance Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	94–103
Aspect		Production efficiency improvement	Economic performance Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	94–103
	Aspect Technical re-equipment and replacement of worn-out and outdated equipment			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Innovative development Investment Program of the ALROSA Group Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	84, 100

GRI standard	*GRI index*	*GRI indicator*	*Section and / or notes, commentaries, references to other sources*	*Report page*
Aspect		Technical re-equipment and replacement of worn-out and outdated equipment	Innovative development Investment Program of the ALROSA Group Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	84, 100
	Aspect Sustainable development management as the strategic management of the Company			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	ALROSA Group Strategy Sustainable Development Sustainable Development Policy Integration of the UN Sustainable Development Goals into the Company's activities Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	40, 46–71
Aspect		Sustainable development management as the strategic management of the Company	Sustainable Development Sustainable Development Policy Integration of the UN Sustainable Development Goals into the Company's activities Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	40, 46–71
	Aspect The Company focus on the diamond industry			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	
	Aspect Maintaining a recognized leader status in the diamond industry			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	
Aspect		Maintaining a recognized leader status in the diamond industry	Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	
	Aspect Merchandising Policy of the Company			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	ALROSA Group Strategy Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	40
	Aspect International Cooperation			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	ALROSA Group Strategy Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	40
Aspect		International cooperation	ALROSA Group Strategy Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	40
	Aspect Investment program of the Company			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Investment Program of the ALROSA Group Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	100
Aspect		Investment Program of the Company	Investment Program of the ALROSA Group Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	100
	Aspect Implementation of Dividend Policy			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	
Aspect		Implementation of Dividend Policy	Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	

GRI standard	*GRI index*	*GRI indicator*	*Section and / or notes, commentaries, references to other sources*	*Report page*
		Aspect Corporate Governance Practice		
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Corporate Governance System for Sustainable Development Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	64–71
Aspect		Corporate Governance Practice	Corporate Governance System for Sustainable Development Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	64–71
		Aspect Rational use of natural resources		
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Sustainable Development Social Responsibility	44, 162
Aspect		Rational use of natural resources	Sustainable Development Social Responsibility	44, 162
		Aspect Development of environmental measures at the design stage		
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Sustainable Development Social Responsibility Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	44, 162
Aspect		Development of environmental measures at the design stage	Sustainable Development Social Responsibility Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	44, 162
		Aspect Work with young professionals		
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Social Responsibility Our people HR formation and development Appendix 4. Social Performance	162, 167, 252
Aspect		Work with young professionals	Social Responsibility Our people HR formation and development Appendix 4. Social Performance	162, 167, 252
		Aspect Work with school students		
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Social Responsibility Our people HR formation and development Appendix 4. Social Performance	162, 167, 252
Aspect		Work with school students	Social Responsibility Our people HR formation and development Appendix 4. Social Performance	162, 167, 252
		Aspect Development of environmental awareness of the personnel		
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Social Responsibility Personnel formation and development	162, 177
Aspect		Development of environmental awareness of the personnel	Social Responsibility HR formation and development	162, 177
		Aspect Ensuring of production safety		
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Occupational Health and Safety	104, 116
Aspect		Ensuring of safe production	Occupational Health and Safety	104, 116
		Aspect Innovative development and technology modernization programs		
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Investment Program of the ALROSA Group Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	100
Aspect		Innovative development and technology modernization programs	Investment Program of the ALROSA Group Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	100

GRI standard	*GRI index*	*GRI indicator*	*Section and / or notes, commentaries, references to other sources*	*Report page*
	Aspect Scientific and innovative activity			
GRI 103: Approach to management (2016)	103-2 103-3	Approaches to management Management Approach Assessment	Innovative development Investment Program of the ALROSA Group Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	84, 100
Aspect		Scientific and innovative activity	Innovative development Investment Program of the ALROSA Group Annual Report for 2018: http://www.alrosa.ru/wp-content/uploads/2019/07/%D0%93%D0%9E_%D0%B0%D0%BD%D0%B3%D0%BB_%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf	84, 100

APPENDIX 3. RECORDING TABLE OF STAKEHOLDERS' PROPOSALS

Proposals from stakeholders according to the survey	*Consideration of proposals by the Company*
Proposals for disclosure of information in the Report (aspects and matters for disclosure in the socio-environmental report under the requirements of GRI standard)	
1. Cooperation with Trade Unions	Information on cooperation with trade unions was disclosed in the Report upon the GRI standard in accordance with existing indicators in the section "Social Responsibility". Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.
2. Particular risk management (geopolitics, marketing, production)	Information on risk management was disclosed in the Report in the "Sustainable Development" section. The proposal will be considered when preparing a report for 2019. Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.
3. Sustainable Development Concepts (SDC)	Information on the SDCs was included in the Report section the "Integration of the UN Sustainable Development Goals (SDG) into the Company's activity". Review of that aspect for disclosure according to the GRI standards requirements was considered as inappropriate.
4. Percent of women in the Executive Committee and senior management	This information was already disclosed in the Report upon the GRI standard in accordance with the current indicators in the section «Sustainable Development Policy». Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.
5. Percent of independent directors in the Executive Committee (the goal is to ensure a percent of independent non-executive directors (INED) at the level of 50% or more)	This information was already disclosed in the Report upon the GRI standard in accordance with the current indicators in the section «Sustainable Development Policy». Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.
6. Remuneration Policy for the Executive Committee (this information is subject to be disclosed)	This information was already disclosed in the Report upon the GRI standard in accordance with existing indicators in the section «Sustainable Development Policy» via a reference to the section "Corporate management" of the Annual Report of PJSC ALROSA for 2018. Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.

Proposals from stakeholders according to the survey	*Consideration of proposals by the Company*
7. Reputation of the main shareholder and management members (it is important to avoid disagreements, facts of corruption and other factors that could negatively affect the reputation)	The proposal will be considered when preparing a report for 2019. Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.
8. Assessment and active influence on the market of synthetic diamonds, as well as reduction of risks involved in the supply of synthetic diamonds	The proposal will be considered when preparing a report for 2019. Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.
9. Adhering to the principles of responsible supply chain management in accordance with the Due Diligence Guidelines for the responsible management of mineral deposits supply chains from the conflict-affected areas and high-risk area developed by the Organization for Economic Co-operation and Development (OECD)	The proposal will be considered when preparing a report for 2019. Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.
10. Participation in educational and explanatory programs special for the industry for the purposes of promoting responsible business practice throughout the entire supply chain (interaction with other companies and industry organizations, involving both financial participation and time spent by staff)	The proposal will be considered when preparing a report for 2019. Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.
11. Safety (product compliance with quality and safety standards)	The proposal will be considered when preparing a report for 2019. Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.
12. Retention of **license to conduct activities** through activities relating labor protection, industrial safety, environmental protection and support of local communities (Health, Safety, Environment and Community (HSEC). Cases or evidences of HSEC principles breach may result in suspension of production activity or failure in operations, which can lead to serious consequences in the supply chain	Information on measures relating labor protection, industrial safety, environmental protection and support of local communities (HSEC) was disclosed in the Report in accordance with the requirements of the GRI standard in accordance with the current indicators in the relevant sections. The proposal will be considered when preparing a report for 2019. Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.
13. Against the increasing competition from the synthetic diamond market, the transparency requirements to the diamond mining companies are more demanding subject to responsible business practice in the mining industry, support of local communities, saving energy consumption and sustainable economic development. Main success factors are fairness and integrity, product authenticity and supply chain transparency, as the authenticity and transparency is strictly demanding at all stages of the supply chain	The proposal will be considered when preparing a report for 2019. Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.
14. Traceability	This Report was prepared according to the GRI standard, which provides for compliance with all requirements for report preparation, including data comparability. Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.
15. Using of recycling and clean technology	The proposal will be considered when preparing a report for 2019. Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.
16. Labor productivity indicators per person. Ratio of compensation for top management and workers / employees	The proposal will be considered when preparing a report for 2019. Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.
17. Social investment programs in the region of the Company's operations with social impact assessment	Information on social investments in the region of the Company's operations was disclosed in the section "Social Responsibility"in accordance with the current indicators according to the GRI standard. The proposal will be considered when preparing a report for 2019. Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.
18. Attitude of the first persons and key management of the Company to the strategy and practice of sustainable development, the integration of the SDGs in business	Information on the SDCs was included in the Report section the "Integration of the UN Sustainable Development Goals (SDG) into the Company's activity". The proposal will be considered when preparing a report for 2019. Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.
19. Company Strategy for Artificial Diamonds	The proposal will be considered when preparing a report for 2019. Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.
20. The Company's strategy for rough diamonds mined in the territories of warfare, using child labor, etc.	The proposal will be considered when preparing a report for 2019. Review of that aspect as a separate matter for disclosure according to the GRI standards requirements was considered as inappropriate.

APPENDIX 4. SOCIAL PERFORMANCE[69]

Total number of employees by type of employment and employment contract * as of December 31, 2018

Employee category	*Type of employment*				*Employment contract*				*Payroll workers*		*External part-timers*		*Independent workers (civil law contracts)*	
	full-time employment		*part-time employment*		*fixed-term employment contract*		*unlimited-term employment contract*							
	male	*female*	*male*	*female*	*male*	*female*	*male*	*female*	*male*	*female*	*male*	*female*	*male*	*female*
Executive staff	2,165	998	0	1	87	20	2,078	979	2,166	999	11	0	0	0
Specialists / Experts	1,811	2,980	0	1	81	175	1,730	2,806	1,811	2,981	9	25	7	10
Workers	10,900	3,632	0	1	258	198	10,642	3,435	10,899	3,633	15	11	34	19
Employees	17	235	0	0	3	18	14	217	17	235	0	7	24	3
Total	**14,893**	**7,845**	**0**	**3**	**429**	**411**	**14,464**	**7,437**	**14,893**	**7,848**	**35**	**43**	**66**	**32**

* *the total number means the total number of payroll employees (including employees on maternity leave), external part-time workers and workers working under civil law contracts at the end of the reporting period*

Personnel structure, rate of staff turnover, salary

Indicator	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*
Headcount as of the end of the reporting period, number of persons	31,026	30,903	31,373	30,525	30,043	29,400	27,556	25,653	22,768
Average headcount, number of persons	31,291	30,295	31,183	30,287	29,796	29,501	28,652	26,543	24,435
Personnel gender structure, %									
Men	60.9	61.3	61.2	64.2	64.7	65.0	65.6	65.9	65.5
Women	39.1	38.7	38.8	35.8	35.3	35.0	34.4	34.1	34.5
Personnel age structure, %									
under 30 years old	20.9	21.7	22.2	21.8	21.5	19.9	19.5	19.2	18.6
30–50 years old	57.3	54.9	54.4	53.5	53.9	54.4	55.5	58.0	59.7
over 50 years old	21.8	23.4	23.4	24.7	24.6	25.7	25.0	22.8	21.7
Employee turnover rate, %	9.0	10.0	10.5	10.3	9.8	9.0	8.6	8.7	8.4
Total Employee turnover rate, %	29.6	23.4	24.8	26.7	24.8	24.6	28.5	30.4	39.3
Total Employee turnover rate excluding temporary workers, %	24.6	15.8	16.2	17.3	15.5	14.0	17.5	16.8	18.2
Average salary, thousand rubles	45.9	62.9	79.1	89.8	97.1	102.2	121.1	124.3	126.7

[69] *the information in the appendix is presented according to the data of PJSC ALROSA*

Staff training in PJSC ALROSA

Indicator	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*
Managers, specialists									
Total headcount by categories as of the end of the reporting period, number of persons	10,517	10,545	10,521	10,142	10,287	10,191	9,666	9,126	8,234
Completed training and advanced vocational training, number of persons	3,092	5,737	9,204	9,378	6,494	6,689	6,467	6,528	8,710
Expenses on training and advanced vocational training, thousand Rubles per person	2.3	2.7	4.3	4.4	4.9	6.9	8.1	10.5	10.8
Workers									
Total headcount by categories as of the end of the reporting period, number of persons	20,509	20,358	20,852	20,383	19,756	19,209	17,890	16,527	14,535
Completed training, attended briefings and advanced vocational training, number of persons	7,173	8,178	8,611	8,989	9,490	9,522	10,057	10,562	9,660
Expenses on training and advanced vocational training, thousand Rubles per person	2.1	3.5	3.6	3.6	6.0	7.4	9.5	10.5	8.8

Social investments in the personnel by PJSC ALROSA, million Rubles

Areas	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*
TOTAL	**2,549.5**	**3,922.5**	**3,347.0**	**4,103.6**	**3,238.2**	**3,258.4**	**3,900.5**	**4,469.6**	**4,658.0**
Personnel training and development	**70.7**	**102.8**	**129.5**	**127.6**	**175.8**	**219.1**	**255.0**	**275.3**	**218.5**
Personnel training and vocational advanced training (including briefings)	**68.5**	**100.7**	**120.8**	**119.3**	**169.2**	**212.5**	**247.2**	**268.3**	**217.3**
Managers and specialists	23.7	28.6	45.6	45.0	50.4	70.7	78.7	95.5	88.9
Workers	44.8	72.1	75.2	74.3	118.8	141.8	168.5	172.8	128.4
Pre-university occupational guidance for schoolchildren	**2.2**	**2.1**	**2.4**	**2.3**	**2.4**	**2.0**	**1.4**	**1.3**	**1.2**
Expenses upon the Comprehensive Occupational Guidance Program of PJSC ALROSA in the Mirny District of the Republic of Sakha (Yakutia)	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2
Expenses for holding regional academic competitions (under agreements with higher education institutions)	0.9	0.8	1.1	1.1	1.2	0.8	0.2	0.1	0.0
Corporate educational allowances to students under contracts[70]			**6.3**	**6.0**	**4.2**	**4.6**	**6.4**	**5.8**	**0.0[71]**
Health care and healthy lifestyle	**738.0**	**976.8**	**1,068.2**	**1,164.6**	**1,236.5**	**1,330.0**	**1,453.9**	**1,642.7**	**1,548.0**
"Health" Program, total	**146.7**	**179.8**	**196.7**	**235.6**	**268.4**	**245.4**	**289.0**	**399.4**	**386.4**

[70] *allowances payment data are not consolidated for the period of 2009–2011*

[71] *data for 2018 was not presented due to changing approaches of PJSC ALROSA to youth policy, and changes in the system of interaction with universities and attracting promising and talented students as Company scholars*

Areas	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*
Under voluntary health insurance contracts	139.9	173.8	190.6	167.3	189.2	168.1	284.7	394.6	386.4
Under direct contracts with healthcare centers	5.2	4.6	4.7	5.8	4.1	3.9	4.3	4.7	0.0
Medical Center services[72]	0.0	0.0	0.0	62.5	75.1	73.4	0.0	0.0	0.0
including employees vaccination	1.6	1.4	1.4	0.0	0.0	0.0	0.0	0.0	0.0
"Wellness and Recreation of Employees and their Family Members"	**518.9**	**672.3**	**720.4**	**791.0**	**817.7**	**876.1**	**1,018.0**	**1,017.0**	**1,019.8**
Leisure trips (including organized children's leisure)	242.2	255.7	287.3	300.2	315.4	338.8	374.2	383.2	379.1
Health and recreation centers at industrial sites (including organized children's leisure)	276.7	416.6	433.1	490.8	502.3	532.0	640.5	631.0	639.7
Children's air transportation services, costs of accompanying children to summer camps						5.3	3.3	2.9	1.0
"Culture and Sports" Program	**72.4**	**124.7**	**151.1**	**138.0**	**150.4**	**208.5**	**146.9**	**226.3**	**141.8**
Housing Program[73]	**1,244.1**	**1,345.0**	**954.4**	**823.2**	**773.1**	**500.3**	**466.8**	**528.1**	**397.1**
Capital investments (construction and purchase of housing property)	967.2	1,148.8	453.0	435.2	501.9	358.3	307.8	423.0	285.0
Compensation to the employees provided with housing property (encumbrance relief)	191.6	144.9	201.4	76.5	43.0	23.4	23.5	19.4	55.8
Assistance provided to the employees by the Company	31.2	19.0	0.8	106.3	51.0	71.4	72.3	31.7	0.0
Transactions execution costs	21.6	19.0	23.0	15.6	5.3	4.3	6.1	2.7	0.3
Mortgage lending program (compensation of mortgage interest)	9.2	10.3	27.6	41.3	42.3	40.4	57.1	51.3	37.3
Apartment repairs	23.3	3.0	2.5	0.0	0.0	2.5	0.0	0.0	0.0
Housing construction compensations to the employees	0.0	0.0	246.1	0.0	0.0	0.0	0.0	0.0	0.0
Other (losses due to housing exchange)	0.0	0.0	0.0	148.3	129.6	0.0	0.0	0.0	18.7
Other investments	**20.7**	**21.6**	**22.5**	**23.1**	**22.6**	**24.0**	**23.0**	**22.8**	**26.5**
Purchase of kits for newborns	3.0	3.2	3.4	3.4	3.0	4.0	4.0	3.8	24.0
New Year gifts	17.7	18.4	19.1	19.7	19.6	20.0	19.0	19.0	22.5
Contributions to Non-Government Pension Fund "Almaznaya Osen"	**476.0**	**1,476.3**	**1,172.4**	**1,965.1**	**1,030.3**	**1,185.0**	**1,701.8**	**2,000.7**	**2,467.9**

[72] Medical Center of PJSC ALROSA, as a structural unit of the Company, started to operate in the second half of 2012

[73] Investments in the Housing Program are presented without including the amounts allocated to gratuitous transfer to municipalities of housing property, previously being on the Company's balance sheet.

APPENDIX 5. ENVIRONMENTAL PERFORMANCE[74]

GRI 301-2 Percentage of the materials are considered as recyclable or reusable waste

Recycled waste used in the production

thousand tons

Indicators	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*
Overburden and tailings	1,940.7	6,026.2	5,799.5	1,942.2	8,549.2	22,648.9	17,445.1	14,197.3	**15,910.9**
Waste oils	1.419	0.899	0.848	1.105	1.087	1.037	0.332	0.371	**0.398**
Scrap tires	0.171	0.008	0.003	1.368	3.966	–	–	–	**–**
Scrap cover tires	0.597	0.553	0.826	0.918	0.413	0.496	0.151	2.153	**0.828**
Ferrous scrap	0.001	0.110	0.085	0.118	0.116	0.112	0.238	0.161	**9.366**

GRI 302-1 Direct energy consumption with specifying primary energy sources

thousand gigajoule (GJ)

Indicators	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*
Electric power generated by a Hydro-power Plant (HPP)	5,744.9	5,461.3	5,542.3	5,457.7	5,422.4	5,340.9	5,284.9	3,576.7	**3,643.3**
Natural gas	7,772.4	6,171.7	6,509.0	6,480.6	6,976.1	6,055.7	6,706.4	1,115.3*	**965.5**
Oil	1,467.6	629.2	496.6	329.5	303.1	226.4	254.3	89.3	**123.4**
Diesel fuel	854.0	830.7	880.4	831.6	829.5	807.8	733.7	721.6	**81.8**
Coal	206.4	165.2	153.3	157.0	139.9	122.6	95.9	38.0	**19.7**
Thermal energy consumption**	–	–	–	–	–	–	196.7	1,503.3	**1,369.1**

** excluding the Heat and Power Supply Enterprise, which was withdrawn from the PJSC ALROSA on January 1, 2017.*

*** thermal energy consumption from "PTVS" LLC from January 1, 2017.*

[74] *The information in this Appendix was presented based on the data by the subdivisions of the PJSC ALROSA located in the Republic of Sakha (Yakutia)*

Ratios for conversion of fuel and energy resources to equivalent fuel:
1 ton of oil — 1.43 ton of equivalent fuel;
1 cubic meter of natural gas — 1.14 ton of equivalent fuel;
1 ton of diesel fuel — 1.45 ton of equivalent fuel;
1 Gcal (gigacalorie) of thermal energy — 1 ton of hard-coal — 0.751 ton of equivalent fuel.

GRI 303-1 Total water intake from natural sources

million cubic meters

Indicators	*2012*	*2013*	*2014*	*2015*	*2016*	*2017**	*2018**
Total water intake from natural sources, as follows:	26.782	22.954	24.350	21.061	19.348	2.062	**2.664**
the Irelyakh River	0.091	0.192	0.356	0.000	0.000	0.477	**1.122**
the Malaya Botuobiya River	0.310	0.304	0.341	0.283	0.271	0.002	**0.005**
Irelyakh water reservoir	12.645	9.956	10.460	9.579	8.322	0.000	**0.000**
"Sytykan" water reservoir, a hydro system on the Sytykan River	5.736	5.931	6.082	5.503	5.503	0.000	**0.000**
water reservoir on the Oyuur-Yurege stream	5.888	4.253	4.726	3.885	3.539	0.000	**0.000**
water reservoir on the Markha River	1.614	1.521	1.440	1.409	1.343	1.196	**1.160**
buffer water storage reservoir on the left tributary of the Khannya River	0.234	0.243	0.278	0.288	0.265	0.287	**0.284**
Wells	0.042	0.045	0.078	0.048	0.043	0.046	**0.03**
the Lena River	0.024	0.013	0.012	0.011	0.013	0.011	**0.019**
the Olenyok River	0.001	0.001	0.0005	0.001	0.000	0.000	**0.000**
artesian well No. 116-E	0.015	0.014	–	0.000	0.000	0.000	**0.000**
the Sokhsolookh River	0.006	0.029	0.027	0.048	0.000	0.000	**0.000**
the Sordonnokh Lake	0.006	0.004	0.013	0.000	0.009	0.000	**0.000**
the Vilyuy River	0.011	0.011	0.008	0.005	0.005	0.002	**0.005**
the Taas-Yuryakh River	0.004	0.004	0.0004	0.000	0.000	0.000	**0.000**
the Bolshaya Botuobiya River	0.002	0.002	0.002	0.002	0.002	0.000	**0.002**
the Ongkhoi River	0.159	0.431	0.526	0.000	0.000	0.000	**0.000**
Alymdya-Tuorata stream					0.033	0.039	**0.000**
water reservoir on the Markha River "Bezymyanniy-1" stream							**0.016**

* *excluding the Heat and Power Supply Enterprise, which was withdrawn from the PJSC ALROSA on January 1, 2017*

GRI 303-3 Percentage and total volume of water recycled and reused

million cubic meters

Indicators	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017**	*2018**
Water reuse (multiple use), including:	198.19	231.09	226.38	229.53	208.36	218.05	213.89	199.77	**226.45**
recycling water supply	121.56	153.46	149.17	150.57	136.17	140.42	143.72	144.34	**157.18**
water recycling	76.63	77.63	77.21	78.96	72.19	77.63	70.17	55.43	**69.26**
Intake of mineralized water from the underground aquifers	12.63	12.07	13.24	11.54	12.71	12.13	14.66	22.68	**25.11**
Total water intake (2017 – natural sources + supplier)	30.38	28.58	26.78	22.95	24.35	21.07	19.35	5.97	**5.79**

* *excluding the Heat and Power Supply Enterprise, which was withdrawn from the PJSC ALROSA on January 1, 2017*

GRI 305-7 Emissions and pollutants NOx, SOx and other significant air emissions by type and weight

tons

Indicators	*2010*	*2011*	*2012*	*2013*	*2014*	*2015.*	*2016*	*2017**	*2018**
Emissions of pollutants into the atmosphere, total	8,158.9	8,592.4	8,135.1	8,734.8	9,020.6	9,420.7	8,951.0	7,536.7	**9,795.0**
including: suspended substances	2,537.4	3,029.2	2,651.8	2,443.5	2,450.3	2,383.0	2,313.0	2,333.0	**2 841.1**
Gas and liquid substances	5,621.5	5,563.2	5,483.3	6,291.3	6,570.3	7,037.7	6,638.0	5,203.7	**6 953.9**
including: sulphur dioxide	721.6	502.5	471.4	413.0	392.4	405.8	346.4	201.6	**219.1**
carbon oxide	2,878.3	3,037.1	3,008.6	2,897.2	3,006.6	2,789.8	2,542.4	2,001.3	**2,607.1**
nitrogen oxides (expressed as NO2)	1,461.6	1,444.7	1,446.4	1,462.4	1,502.7	1,562,1	1,411.1	1,025.3	**1,050.1**

Indicators	*2010*	*2011*	*2012*	*2013*	*2014*	*2015.*	*2016*	*2017**	*2018**
Hydrocarbons (without volatile organic compounds)	141.9	149.5	128.4	1,047.6	1,266.5	1,880.9	1,959.0	1,691.6	**2,773.0**
volatile organic compounds	257.5	291.2	298.9	300.4	341.2	336.6	277.4	231.7	**297.0**
other gaseous and liquid emissions or pollutants	160.6	138.2	129.5	170.7	60.9	62.4	101.7	52.1	**7.5**

* *excluding the HWSE, which was withdrawn from the PJSC ALROSA on January 1, 2017*

GRI 306-1 Total discharge by quality of wastewater and relevant facility

million cubic meters

Indicators	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017**	*2018**
Total discharge to surface water bodies	19.84	16.67	16.78	15.44	14.46	12.66	11.76	0.62	**0.57**
Contaminated (untreated)	0.77	0.60	0.91	0.41	0.00	0.00	0.00	0.031	**0.00**
Contaminated (undertreated)	19.04	16.05	15.85	15.02	14.45	12.65	11.75	0.581	**0.549**
Treated to standard quality	0.03	0.02	0.02	0.01	0.01	0.01	0.01	0.01	**0.02**
Water discharge to tailing ponds and storage tanks	5.29	3.87	3.16	2.45	1.88	1.88	2.20	2.00	**1.93**
Water discharge to underground aquifers	15.28	15.44	14.70	14.26	13.65	15.55	15.41	22.62	**25.11**

* *excluding the Heat and Power Supply Enterprise, which was withdrawn from the PJSC ALROSA on January 1, 2017*

GRI 306-4 Total mass of waste by type and disposal method

Information on generation, use, neutralization and disposal of industrial and consumption waste by PJSC ALROSA enterprises in 2018

thousand tons

Indicators	*Total*	*Waste by hazard class*				
		Class I	*Class II*	*Class III*	*Class IV*	*Class V*
Waste at the beginning of the reporting year	140,305.302	0.002	0.003	0.436	2.140	140,302.722
Generation of waste during the reporting year	66,989.410	0.014	0.017	0.722	7.863	66,980.795
Received from other organizations	1.631	0.000	0.000	0.003	0.029	1.599
Waste used	15,921.595	0.000	0,001	0.405	0.828	15,920.361
Waste neutralized	0.021	0.000	0.010	0.005	0.006	0.000
Transferred to other companies,	135.837	0.013	0.008	0.446	5.739	129.631
including: for use	17.408	0.000	0.006	0.162	0.724	16.517
for neutralization	1.870	0.013	0.002	0.285	1.570	0.000
for storage	115.875	0.000	0.000	0.000	2.848	113.027
for burial	0.684	0.000	0.000	0.000	0.598	0.086
Disposal of waste at the burial sites of the Company	191,235.426	0.000	0.000	0.000	0.306	191,235.120
Waste at the end of the reporting year	3.464	0.023	0.000	0.305	3.152	0.004

GRI 307-1 Monetary value of significant fines and total number of non-monetary sanctions imposed for non-compliance with environmental laws and regulations

Indicators	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*
Number of fines for non-compliance with environmental laws and regulations	1	1	2	3	3	0	0	6**	8*
Total amount of fines imposed for non-compliance with environmental legislation, thousand Rubles	70.5	4.0	50.0	938.0*	4,161.0	0.0	0.0	1,380.0**	830
The number of non-financial sanctions – orders following the results of the inspection by the Federal Supervisory Natural Resources Management Service (Rosprirodnadzor), including:	…	…	…	…	…	6	4	11**	5*
the number of violations eliminated	…	…	…	…	…	4	3	9**	0

** The amount includes the compensation for damage amounted to 888 thousand Rubles, to land resources as a result of petroleum product spill due to a traffic accident; the amount of the compensation was calculated using a special methodology*

2017 year

*** following the results of the inspection by the Rosprirodnadzor of the Republic of Sakha (Yakutia) in October 2017, the Company was issued the following orders: 6 Reports on administrative violation, 2 of them — related to natural resource use (180.0 thousand Rubles), 4 — related to subsoil use (1200.0 thousand Rubles), 11 regulations, 5 of them — related to subsoil use conditions (3 violations were eliminated, 2 in operation), 6 — related to environmental management (violations were eliminated).*

2018 year

** Following the results of inspections conducted by the Rosprirodnadzor of the Republic of Sakha (Yakutia), Russian Federal Fisheries Agency (Rosrybolovstvo) of Yakutia, Ministry of Ecology of Yakutia for the period of August — October, due to negative consequences as a result of an emergency (as a result of a flooding caused by abnormal amount of rainfall, the production facilities of the Company were affected and destructed), whereupon the Company was issued the following orders:*

8 Reports on administrative violation, specifically:

• 6 Reports — related to natural resource use, for a total amount of 230 thousand Rubles. (1 report was annulled by the Ruling of the Rosprirodnadzor of the Republic of Sakha (Yakutia), 2 reports were canceled in the course of the litigation and 3 reports are under challenge in courts),

• 2 Reports — related to natural resource use, for a total amount of 600 thousand Rubles (both these reports were canceled by a court order).

5 Rulings on elimination of violations, 3 of them — related to natural resource use (violations were eliminated), 2 — related to subsoil use (violations were eliminated).

APPENDIX 6. GLOSSARY

Terms

Charity	Voluntary activities of the Company related to transfer without seeking profit or donations (gratuitously or on preferential terms) of any property to citizens or legal entities, including money, free of charge work, provision of services and provision of other assistance.
Safe working conditions	Safe working conditions mean the working conditions, under which there is no exposure to harmful and hazardous workplace factors or the level of such exposure does not exceed the sanitary norms.
Stakeholder Engagement	Stakeholder engagement means activities of the Company aimed at identifying expectations and concerns of its stakeholders and involving the stakeholders in the decision-making process.
Payments and benefits	Benefits mean direct payments made by the Company or its subdivisions to employees, payment for the services rendered to employees or reimbursement for the expenses incurred by employees. Severance pay amounts exceeding the minimum amounts prescribed by the law, payments due to suspension of production; additional payments due to occupational injuries, survivor benefits and extra paid days off.
Global Reporting Initiative (GRI)	An international company headquartered in Amsterdam city (the Netherlands). "Global Reporting Initiative", a company established in 1997 by the Coalition for Environmentally Responsible Economies (CERES) in partnership with the United Nations Environment Program.
Stakeholders	Stakeholders mean individuals and legal entities or groups of persons / companies, who / which may affect the Company's activities or get affected by its activities, and having a right to directly bring claims against the Company in accordance with the law and international conventions. The stakeholders include shareholders of the Company, investors, employees, suppliers, contractors, consumers, trade unions and other public organizations, public authorities and local self-government bodies, mass media, residents of the area where the Company operates, etc.
Corporate Social Responsibility	Corporate social responsibility means a philosophy of behavior and a concept for building the activities by a business community, companies and certain representatives of a business community aimed at meeting expectations of the stakeholders for the purpose of sustainable development.
Corporate Social Program	Corporate social program means voluntary social, economic and environmental activities of the Company, which are systemic and aimed at satisfying the needs of the Company stakeholders.
Collective Agreement	Collective agreement means a legal instrument regulating social and labor relations at an enterprise or the Company, and specifying the bonuses and guarantees provided at the own expense of the employer.
IUCN Red List (the International Union for Conservation of Nature and Natural Resources)	IUCN Red List means a list of threatened plant and animal species with information on their global conservation status, developed by the International Union for Conservation of Nature (IUCN).
Local suppliers	Local suppliers mean organizations or companies, or persons supplying products or services to a reporting organization and located within the same geographical market as such a reporting organization or company (i.e., no interstate payments to a supplier are made). In geographical terms, "local" in respect of procurement activities of the Company means "in the Russian Federation".
Local residents and indigenous people	Local population means the population of a certain area without taking into account its ethnic composition and cultural characteristics.
Local community	Local community means individuals and population groups living and / or working in all areas exposed to economic, social or environmental impact (positive or negative) of subdivisions of the Company. The local community may comprise people living in proximity to these subdivisions and remote isolated settlements affected by these subdivisions.
Mission	Mission means a reason for existence, the purpose of the Company, which makes it different from other similar companies.
Motivation	Motivation means a mechanism for improving labor efficiency and productivity, the process of motivation and incentive of an employee or a group of employees who engaged in the activities aimed at achieving any goals or concepts of the Company.
Young worker	Young worker means a worker of the PJSC ALROSA under 30 years of age regardless of the level of education.
Young specialist	Young specialist means an employee of the PJSC ALROSA under 30 years of age and who received a higher education or secondary vocational education based on middle-ranking specialist training programs, employed by the Company on the basis of an employment contract concluded for an indefinite period or a fixed-term employment contract, irrespective of the employment history.
Occupational incident or accident	Occupational accident means an event resulting in an injury or other health impairment or damage of an employee in the course of performance of the respective duties under an employment contract, within the territory of production facilities of the Company or while traveling to or from the place of work by transport provided by the Company, that requires to transfer such an affected employee to another job, entails temporary or permanent occupational disability or death.
Occupational Safety and Health	Labor protection means a system for ensuring safety of life and health of employees at their workplaces, including legal, social, economic, organizational, technical, sanitary, medical, rehabilitation and other activities.
Defined Contribution Pension Plans	Defined retirement contribution plans are retirement compensation arrangements for the Company to pay fixed contributions to an independent organization (fund) and has no legal obligations or obligations arising out of the practice to pay additional contributions in case the fund does not have sufficient assets to pay employees all the benefits relating to performance of their duties in the current and prior periods.
Specified Payments Pension Plans	Specified retirement benefit plans are retirement compensation plans, except for defined benefit pension plans.
Environmental Activities and Resource Saving	Environmental activity and rational use of resources means an area in which the Company at its own initiative implements programs aimed at reducing its environmental impact.
Social and Environmental Report of PJSC ALROSA (non-financial report)	Social and environmental report means an open, reliable, fair and duly balanced description of the Company's operations and performance in the areas related to values, goals, concepts and sustainable development policy on the matters most essential to key stakeholders. This is a public document for informing the Company's shareholders, partners, and other stakeholders on by which activities and means the Company achieves its mission goals related to economic sustainability, social wellbeing and environmental stability.
HR Management	Personnel management processes mean an end-to-end integrated personnel management system that includes all stages of interaction between employees and the Company – from engagement, adaptation, retention of an employee in the Company and until the employee's retirement.
Community Development Assistance Programs	Assistance programs for local community development are social programs of the Company implemented on a voluntary basis and aimed at contributing to the development of the local community.
Community Development Programs	Local community development program means a detailed plan of actions to minimize, mitigate and compensate for the adverse social and / or economic impacts, that is developed to identify opportunities and measures to enhance the positive effect of the project on the local community.

Occupational disease	Occupational disease means a disease that appears and develops due to systematic and prolonged exposure of an employee to workplace factors peculiar to such an occupation or to conditions peculiar only to a certain industry.
Environmental protection activities expenses	Environmental protection expenditures mean all the expenses associated with environmental protection incurred by or on behalf of the Company, with a view to prevent, reduce, control and document environmental aspects, environmental impact and environmental hazards. They include the costs of waste handling, treatment, environmental improvement and environmental damage remediation.
Region of primary activities of the PJSC ALROSA	Region of primary activities of PJSC ALROSA means the Republic of Sakha (Yakutia), where the Company is registered as a legal entity, and its main production facilities are located, and where over 90% of its personnel work.
Risks	Risk means a threat of adverse impact of external and internal factors on the achievement of the Company's corporate goals.
Senior Executives	Senior executives mean top managers of the Company holding senior managerial positions (President or CEO, Vice President, Head of a structural subdivision).
Certification	Certification means confirmation of conformity of quality to the level required by a quality standard.
Social Policy of the Company	Social policy of the Company means activities of employers, managers and employees aimed at retaining and/or changing their social status, satisfying social needs, arrangement of social interests, implementation of social rights and guarantees, provision of social services and social protection of personnel.
Social Partnership	Social partnership means a system of relationships between employees (their representatives), employers (their representatives), public authorities and local self-government bodies aimed at arrangement of interests of employees and employers with regard to regulation of labor relations and other relations directly related to them.
Social Programs	Social programs mean the Company's voluntary effortsor activity to develop and motivate personnel, create favorable workplaces conditions, develop corporate culture, and support local community and charity purposes; it has a systemic nature and is related to the business strategy and aimed at meeting the balanced demands of different stakeholders. From the managerial point of view, a social program is a set of measures providing an effective solution for the internal (internal corporate program) or external corporate tasks (external corporate program) that are aligned with each other in terms of resources, designated employees or responsible persons and implementation time frame.
Turnover of Staff	Employee turnover means the number of employees that leave the Company voluntarily (other than the retired employees) or are dismissed for other reasons (violation of labor discipline and by agreement of the parties).
Injury, injuries	Injury rate and injuries mean the damage inflicted to an employee's health caused by an occupational accident that resulted in occupational disability.
Sustainable Development	Sustainable development means a concept developed by the United Nations and recognizing the role of business in ensuring sustainable development of society. The concept of development of the world community that provides for considering the interests of not only the present generations, but also the interests of future generations (introduced during the Earth Summit in Rio de Janeiro in 1992).

Abbreviations

ISO	International Organization for Standardization
PJSC ALROSA	ALROSA, a Public Joint-Stock Company
AMPD (AGOK)	Aikhal Mining and Processing Division
JSC	Joint-Stock Company
WTO	World Trade Organization
PMI (DMS)	Private medical insurance
USO (ESO)	United Selling Organization
CSC (KSK)	Cultural and Sports Center
MMPD (MGOK)	Mirny Mining and Processing Division
IFRS	International Financial Reporting Standards
IUCN (MSOP)	International Union for Conservation of Nature and Natural Resources
NMPD (NGOK)	Nyurba Mining and Processing Division
NPF (NPF)	Non-Government Pension Fund
R&D (NIOKR)	R&D – research and experimental development
United Arab Emirates	UAE
EP (OOS)	Environmental Protection
IRA (NPO)	Industrial Research Associations
PD	Production Division
RF	the Russian Federation
RS (Ya)	the Republic of Sakha (Yakutia)
MSE (RSS)	Managers, specialists, employees
USA	the United States of America
ST	Specialized Trust
Mass media (SMI)	Mass media
EMS (SEM)	Environmental Management System
CIS (SNG)	Commonwealth of Independent States
OHSMS	Occupational Health and Safety Management System
UMPD (UGOK)	Udachny Mining and Processing Division
HRTC	HR Training Center
RSA	Republic of South Africa

CONTACT FORM

Dear readers,

You have got acquainted with Social and Environmental Report of the PJSC ALROSA for 2018. Your opinion is very important for us and we will appreciate your feedback that will help us to improve our reporting quality. Please complete the questionnaire below.

1. Have you learned anything new about the Company from this Report? ☐ yes ☐ no

If yes, what exactly? _____

_____

_____

2. Your assessment:

Completeness	☐ 5	☐ 4	☐ 3	☐ 2
Wording and style	☐ 5	☐ 4	☐ 3	☐ 2
Design and graphics	☐ 5	☐ 4	☐ 3	☐ 2
Total rating	☐ 5	☐ 4	☐ 3	☐ 2

5 — excellent, 4 — good, 3 — satisfactory, and 2 — bad

3. What additional information would you like to see in the next Social and Environmental Report of PJSC ALROSA?

_____

_____

4. Your comments, proposals, and expectations:

_____

_____

5. Which stakeholder or individuals group do you belong to?

☐ Company's employee ☐ Supplier ☐ Shareholder ☐ Consumer

☐ Member of a Non-commercial organization ☐ Media representative

☐ Resident of the Company's operation region

☐ Other stakeholder group (please, write) _____

Thank you!

You can send the completed form in any way convenient for you:
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