UC RUSAL

Sustainability Report for 2014

August 2015

RUSAL Sustainability Report 2014

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UC RUSAL Sustainability report 2014

A message from the CEO

Dear shareholders, partners and colleagues!

I have the honour to present for your attention UC RUSAL's ninth Sustainability Report, which is prepared in accordance with the provisions of GRI Guidelines and UN Global Compact principles. In 2014 we adopted the revised GRI Guidelines (G4), as these are in line with the best global practices related to sustainability reporting preparation.

I would like to highlight that an unstable global socio-economic and geopolitical situation and a volatile aluminium market environment did not impede RUSAL's 2014 sustainable financial performance.

A lot of work was carried out to achieve this: we took a number of steps to improve operational efficiency, including implementing rigorous cost controls at all levels of the production cycle, and increasing the volume of high-margin, value-added products. In addition, we continued work to enhance RUSAL's business system. During the reporting period we also focused on developing communications between RUSAL and its suppliers and clients, and paid special attention to our quality management system.

RUSAL, as a responsible manufacturer, pursued efforts in 2014 to reduce inefficient capacities with a view to preserving a demand and consumption balance in the global aluminium industry. The results of this include a significant cost reduction and a decrease in the cost of production in the aluminium segment, by 9.3% per tonne of metal.

RUSAL is currently one of the largest employers in Russia. Our manufacturing specifics require that each employee pays scrupulous attention to occupational health and safety issues. This is a priority for the Company, and we do our utmost to achieve our goals in this area. In 2014 a Statement on RUSAL Policy in the Area of Occupational Health, Industrial and Fire Safety was adopted. We are confident that the statement marks a major step on the road to further reinforcing the corporate occupational safety system of the Company.

One of RUSAL's key tasks related to environmental protection is an ongoing reduction in negative impacts stemming from production activity. One of the main results in this area worth highlighting is an early achievement and overachievement in 2014, by 3.6%, of the goal to reduce by 2015 greenhouse gas emissions by 50% in comparison with the 1990 baseline period.

During the reporting period we continued to be actively involved in stakeholder relations, with the aim of extending dialogue on a wide range of issues, such as environmental protection and the development of local communities, improvements to the quality of products, the professional development of staff, and creating, together with our partners and suppliers, a responsible supply chain. Given the environmental benefits provided by the use of aluminium in various sectors, in the coming years we intend, in cooperation with our partners and clients, to focus on manufacturing new types of products, equipment and machinery that will increase aluminium consumption in Russia and the CIS.

For over 10 years RUSAL has been engaged in implementing social investment programmes. In 2014 these focused primarily on supporting corporate volunteering initiatives, social entrepreneurship, and developing social infrastructure in regions of operation. I would also like to draw attention to the Company's role in addressing global challenges. In particular, RUSAL made a significant contribution to controlling the Ebola outbreak in Guinea, a country where our employees work. This initiative was implemented with support from the Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor), and made it possible to save hundreds of lives – both in Guinea and in other locations in Africa.

In order to retain its leadership in the sector, in 2015 the Company will proceed further with the implementation of projects in the field of sustainability.

Vladislav Soloviev
UC RUSAL General Director

Overview of operations

United Company RUSAL (UC RUSAL, or the Company) is the world’s largest aluminium producer and one of the sector's leading producers of alumina.

UC RUSAL comprises the following enterprises:

- 14 aluminium smelters (five of which have been mothballed)
- 11 alumina refineries
- 8 bauxite deposits
- 4 foil rolling mills

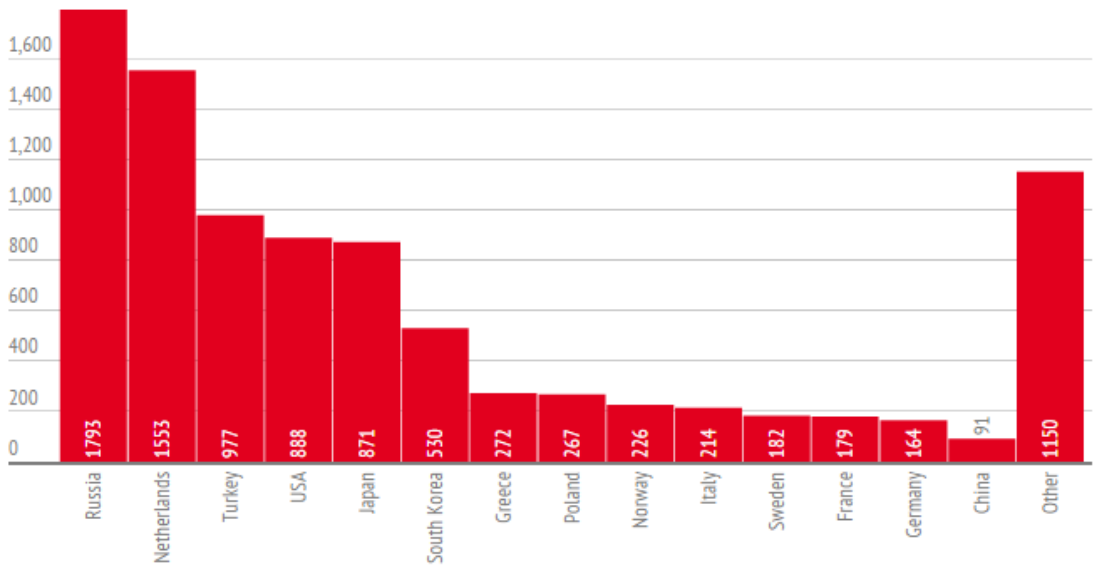
The following changes were made to the organisational structure in 2014 to improve management and production efficiency:

- Aluminium Division West was renamed the Directorate for New Projects
- the ALSCON aluminium smelter was removed from the Technological Process Department
- the KAZ branch of OJSC SUAL was moved from the Aluminium Division West to the Aluminium Division
- in October 2014 the alumina refineries located in Guinea and Australia were moved from the Supply and Logistics Division to the Alumina Division
- the organisational structure of the Sales Directorate was changed to optimise sales market development services for Asia, Russia and the CIS

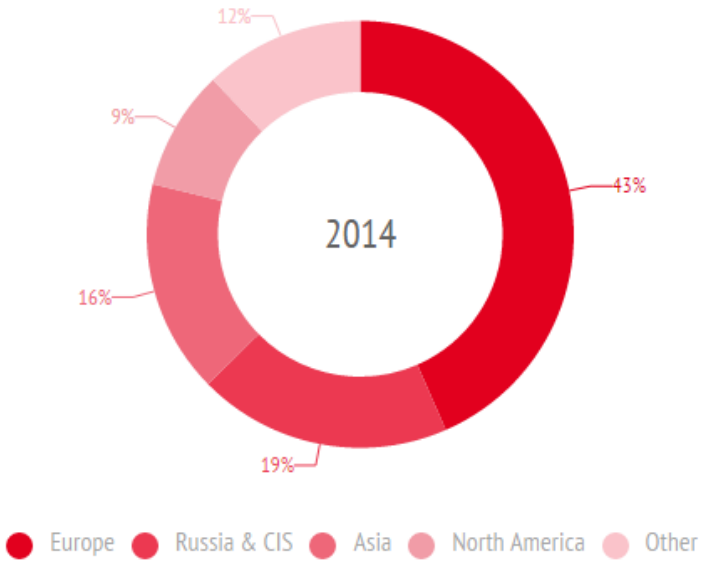
The production segment of UC RUSAL is distinguished by having a high level of vertical integration. In order to consolidate the Company’s position as one of the world’s most economically efficient aluminium producers, UC RUSAL strives to optimise and standardise its production processes, employing state-of-the-art technologies and quality management tools.

The Company’s main types of products are primary aluminium, aluminium alloys, foil, and alumina. The types of products produced by the Company are described in more detail below.

Sales by country, 2014, million USD



Sales structure by region in 2014



The main consumers of UC RUSAL products are companies in various industries and economic sectors, including the construction, transport, and packaging industries and the machine-building, energy and consumer sectors.

When implementing its production strategy in the reporting year, the Company focused on the manufacture of high-value-added products. UC RUSAL works with clients to create new types of cast products necessary for the manufacture of products for end-users. The Company plans to increase the share of value-added aluminium products in its production to 50% by 2015.

Geography

UC RUSAL's assets are located in 19 countries across five continents. Company enterprises are located in Armenia, Australia, China, Guinea, Guyana, Ireland, Italy, Jamaica, Kazakhstan, Nigeria, Sweden, and Ukraine. Its headquarters are located in Russia (Moscow).

UC RUSAL sells its products in Russia and the CIS, Europe, Asia and North America. In 2014 the Company's largest aluminium sales took place in the European market (33%), Asia (26%), and Russia and the CIS (19%).

A diversified supply chain enables the Company to provide its customers with the most practical and efficient logistical solutions. The Company's products are shipped by rail, automotive, river and sea transport:

Products delivery

Products	Means of transport
Aluminium in bags and ingots	Rail shipments (covered and combined wagons, containers), auto transport, river transport, sea transport (ships with a carrying capacity of 3,100 – 20,400 tonnes)
Aluminium in slabs (flat ingots) and billets (cylindrical ingots)	Rail shipments (open wagons), auto transport, river transport, sea transport (ships with a carrying capacity of 3,100 – to 20,400 tonnes)
Alumina	Rail shipments (hopper wagons, open wagons (including those equipped with big bags), combined and covered wagons), sea transport (ships with a carrying capacity of 23,000 – 25,000 tonnes)

UC RUSAL Products

Type of product	Industrial applications	Description
Primary aluminium	Primary aluminium is used in the transport, construction, electronics and packaging industries.	UC RUSAL produce primary aluminium in accordance with international quality standards, Russian GOST standards and a number of technical specifications developed at the request of consumers.
Alumina and bauxites	Metallurgical alumina and the semi-finished goods made from it, alumina trihydrate, have a wide range of industrial applications. They are primarily the intermediate products used to produce aluminium.	UC RUSAL enterprises extract bauxites and produce high-quality alumina using Bayer technology, the sintering technique and their parallel application.
High-purity aluminium	High-purity aluminium is used in electronics, chiefly for the production of computer hard drives and capacitor foil.	UC RUSAL is the only producer of high-purity aluminium in Russia and the CIS.
Aluminium alloys	The aluminium alloys produced by UC RUSAL are used in the transport, construction, electronics and packaging industries.	UC RUSAL has modern foundry facilities and produces a wide range of high-quality aluminium-based alloys.
Foil and packaging	The products of the Packaging Division of UC RUSAL are supplied to leading producers in the food, pharmaceutical, construction, tobacco and cosmetics industries.	UC RUSAL enterprises produce foil with thicknesses of 5 to 240 microns, flexible packaging using this foil, aluminium tape, and foil for domestic and technical needs.
Powder metallurgy	Aluminium powder, dust and pellets have a wide range of uses: they are used in the metals, chemical, energy, mining and construction industries, as well as in the	UC RUSAL is the largest Russian producer of aluminium powders.

Type of product	Industrial applications	Description
	manufacture of various types of military hardware.	
Wire rod	Wire rod is widely used in the cable industry, in ferrous metallurgy, and in the manufacture of other metal goods.	UC RUSAL produces wire rod in accordance with GOST standards and international technical specifications, and also pursuant to technical specifications developed together with the customer.
Silicon	Silicon is used in the metallurgy and electronics industries, as well as in the production of solar energy panels.	UC RUSAL produces metallurgical silicon for AlSi system alloy production, as well as refined silicon for the chemical and electronics industries.
Gallium	Gallium is a raw material used in the production of various chemical compounds used in the solar energy and electronics industries.	UC RUSAL produces metallurgical gallium with purity levels of 99.99% and 99.999%.
Corundum	Fused alumina is used in the production of abrasive tools, and in the manufacture of ceramic and fireproof products.	UC RUSAL is Russia's largest – and one of the world's largest – producers of white fused alumina.
Chemical products	The Company produces the following types of chemical products: sodium carbonate, which is used in various production industries; potassium sulfate, which is used in fertilizers, in the glass industry, in the manufacture of potassium aluminium sulfate and other potassium compounds; fluorite briquettes (fluorspar), used in ferrous metallurgy; zinc concentrate, which is a raw material used in the production of zinc metal; soda-sulphate mixture, which is used in the production of glass containers.	UC RUSAL produces high-quality chemical products whose properties and specifications meet contemporary Russian and international standards.

Figures

UC RUSAL demonstrated stable financial results in 2014 in an unstable global aluminium market. Throughout the reporting year, the Company focused on aspects of corporate strategy, and chief among these were:

- increasing efficiency
- strict cost controls in all links of the production chain
- increasing the output of high-value-added products

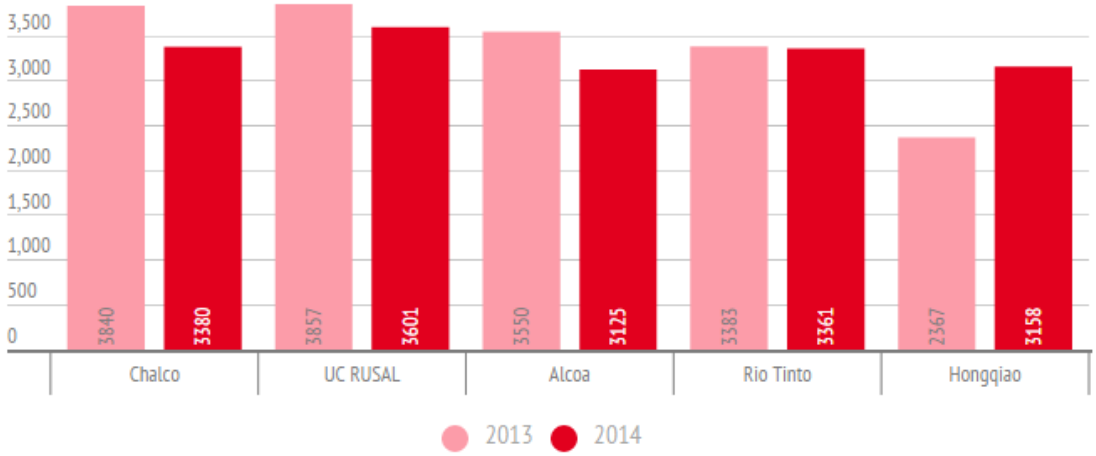
Due to a contraction in production along with a stable growth in demand, the global aluminium market (not including China) was in a deficit situation in 2014, which in turn helped increase the price of aluminium on the London Metal Exchange

Total revenues in 2014 stood at USD 9,357 million, which is USD 403 million (4.1%) lower than the previous year. The decrease in revenues from sales is chiefly related to the reduction in sales of primary aluminium and alloys, which account for 83.6% of total revenues.

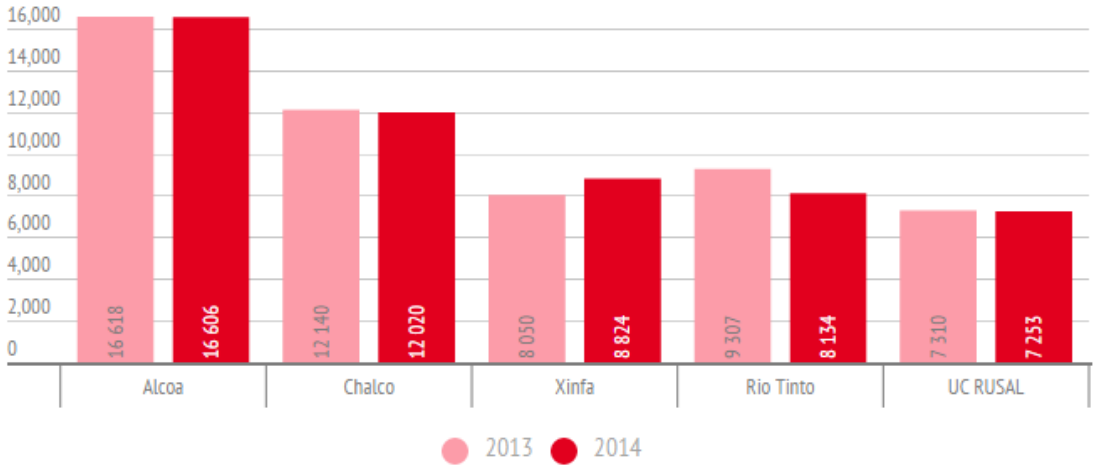
Key financial figures, 2012–2014[1]

Indicator, million USD	2012	2013	2014
Direct economic value generated			
Revenue	10 891	9 760	9 357
Financial income	25	51	30
Direct economic value distributed			
Operating costs			
Cost of sales	9 232	8 429	7 223
Distribution expenses	527	488	402
Administrative expenses	718	645	605
Salaries and other employee payments and benefits			
Wages and salaries	1 057	869	795
Contributions to defined contribution retirement plans	209	246	207
Contributions to defined benefit retirement plans	7	9	5
Payments to providers of capital			
Interest expenses on operating activity	920	787	1 361
Interest paid under financing activity	610	631	677
Repayment of principal	1 726	2 250	2 271
Dividends to shareholders	–	–	–
Payments to governments			
Income tax	26	81	238
Community investments			
Charity donations	10	14	13
Assets, liabilities and equity			
Total assets	25 401	20 480	14 857
Net debt	10 829	10 109	10 142
Equity	10 923	6 550	2 237
Key performance indicators, 2012–2014, thousand tonnes[2]			
Primary aluminium production	4 173	3 857	3 601
Alumina production	7 477	7 310	7 253
Bauxite production	12 365	11 418	12 108

Primary aluminium production in 2013–2014, thousand tonnes



Alumina production in 2013–2014, thousand tonnes



In 2014 UC RUSAL accounted for about 6.7% of global aluminium production and approximately 6.9% of the global processing of alumina.

As a result of the successful implementation of a programme to downscale inefficient production facilities, the output of primary aluminium in 2014 fell by 256 thousand tonnes, to 3.6 million tonnes, while the monetary value per tonne in the aluminium segment dropped by 9.3%, to USD 1,729 per tonne. In addition, the share of value-added products reached a record high of 45% of total aluminium production, vs. 42% in 2013.

In the reporting year UC RUSAL's total production of alumina was 7,253 thousand tonnes, which is 57 thousand tonnes less than in 2013. This drop in production is due to the unstable operation of the Achinsk plant, BAZ and the Nikolayevsk Alumina Refinery, which was partially compensated by higher production figures from the enterprises of QAL (Australia), the Aughinish Alumina Refinery in Ireland, and the Windalco Alumina Refinery in Jamaica. At the same time, total production at the Company's extracting enterprises rose by 2%, to 12,108 thousand tonnes.

January

- Results of the New Year's Charity Marathon We Believe in Miracles, We'll Make a Miracle! were finalised: recipients included more than 24 thousand individuals and 190 social institutions

February

- The bonds of OJSC RUSAL Bratsk were upgraded to the top level (A1) in the quotation listing
- A joint project between UC RUSAL and Siberian Federal University "Regional School Science Competition "The 13th Element: Alchemy of the Future" received official status from the Russian School Olympics

March

- Work was performed to improve the technological parameters of ultramodern RA–400cells
- A shareholder agreement was signed between UC RUSAL and the Israeli company Omen High Pressure Die Casting, a specialist producer of automotive components from non-ferrous metals, on the setting up of a joint venture to produce automotive components

April

- A three-year service contract was concluded with OJSC Freight One for the export of finished products in covered wagons
- Uralsk Aluminium Smelter (UAZ) manufactured pilot lots of products using red mud as flux additives

May

- An agreement was signed with Rosneft for the delivery of coke and natural gas to UC RUSAL enterprises
- The launch of the website of a new charity project, Helping is Easy (http://www.pomogat-prosto.ru/), aimed at involving people in volunteering and public-minded activity
- Production of a new high-technology product – series 6xxx flat ingots, used in the manufacture of automotive body panels (body in white, BiW) launched

June

- More than 15,000 people took part in voting on RUSAL Territory projects

July

- The Aughinish Alumina Refinery (Ireland) switches entirely from heavy fuel oil to gas for steam generation
- Preparations to build a new casting facility to produce cylindrical ingots at Krasnoyarsk Aluminium Smelter (KrAZ) began
- The results of a grant competition held as part of the RUSAL Territory social programme were announced: 75 winning projects were announced, 28 of which are aimed at raising the quality of social infrastructure, 42 at furthering civil initiatives, and five at implementing social enterprise projects

August

- UAZ launched a pilot manufacturing facility to produce scandium concentrate from red mud for the subsequent production of alloys
- An agreement was signed for the refinancing of syndicated loans of USD 4.75 billion and USD 400 million

September

- Irkutsk Aluminium Smelter (IrkAZ) began developing technology to produce nanostructured aluminium alloys with improved mechanical strength

October

- An Agreement of Cooperation was signed with Rospotrebnadzor on working together in the combat the Ebola virus

November

- The social initiatives competition Helping is Easy, aimed at identifying and supporting the best partnership practices, was launched in nine cities where the Company operates: Achinsk, Bratsk, Kamensk-Uralsky, Krasnoturinsk, Krasnoyarsk, Novokuznetsk, Sayanogorsk, Severouralsk and Shelekhova

December

- A contract was signed with the ELSO group to create Russian Radiator, a joint venture to manufacture aluminium heating radiators
- An import substitution programme was launched to replace special technologies used at aluminium smelters with Russian-made equivalents
- A programme to reduce metal prices was launched, aimed at stimulating consumption on the Russian consumer market

[1]According to data in the audited consolidated IFRS financial statements for the years ended 31 December 2012, 31 December 2013, and 31 December 2014.

Corporate governance

Compliance with international corporate governance principles helps the Company raise its investment appeal, improve the transparency of decision-making by management bodies, and effectively protect the rights of shareholders and other stakeholders.

Through interaction with international institutions, such as the European Bank for Reconstruction and Development and the International Finance Corporation, the Company has developed and implemented corporate governance standards based on the principles of transparent and responsible business operations.

The Company endeavours to continually improve its corporate governance system, implementing global best practices, and also ensuring that its activities comply with leading international standards and listing requirements.

The approaches and principles of organising the corporate governance system are governed by the Charter of the Company, the Code of Corporate Governance, the Corporate Code of Ethics, and by internal policies and regulations that govern the activities of management and control bodies.

Members of the Board of Directors believe that during the Reporting Period the Company complied with the provisions of the Code of Corporate Governance adopted in November 2010, except as described in the UC RUSAL Annual Report for 2014.

General Meeting of Shareholders

The General Meeting of Shareholders is the highest management body, giving shareholders the opportunity to participate in the management of the Company and to make decisions on all key matters relating to its activity. The Company ensures that the rights and interests of all shareholders are protected, and creates the conditions for their participation in managing the Company's business.

Shareholders

There were no significant changes in the major shareholders of the Company in 2014. The following companies directly or indirectly own the largest shares: En+, SUAL Partners, Glencore and Onexim. 10.05% of Company shares are in free circulation [1].

Shareholder agreements

A shareholder agreement with the Company and a shareholder agreement between major shareholders were concluded on 22 January 2010 and they determine a number of rights and obligations of shareholders to the Company and each other, established to prevent conflicts of interest. Summary information on these agreements is given in the UC RUSAL 2014 Annual Report.

Independence from major shareholders

Because major shareholders are companies that compete or may compete with UC RUSAL, and also have the right to initiate the appointment of their representatives to the Board of Directors of the Company, UC RUSAL conducted an analysis of the independence of the Board of Directors and senior management of the Group from the senior management of major shareholders. This included an analysis of the independence of the management bodies of companies, the independence of operating and financing activity, and an analysis of the level of competition between companies.

These factors were assessed to confirm that the Group can pursue its business activity separately and commercially independent of its major shareholders. The results of the analysis are available in the UC RUSAL 2014 Annual Report.

The Board of Directors and its committees

The Board of Directors (the Board) is the management body that performs the general management of the Company's activity and is responsible for the Company's sustainable development, building its strategy, and for monitoring compliance with corporate governance principles.

The Chairman of the Board of Directors ensures that the Board of Directors works effectively, presides over meetings, sets the agenda for Board meetings, and ensures that the Board adheres to corporate best practices and procedures.

The Secretary of the Board of Directors facilitates effective interaction between the Company's management bodies, ensures their compliance with both internal rules and external regulatory requirements, and acts as a consultant for Board members and senior management.

Board Committees perform the initial consideration of issues within their competence, which are then submitted to the Board. They also make recommendations to the Board on these issues.

The Board of Directors is collectively responsible for the management of the Company's activity. In addition to approving general development strategies, the responsibility of the Board of Directors also includes drawing up and supervising annual budgets, key business plans, monitoring and assessing the Company's operating indicators, and assessing and supervising the work of management.

The Board of Directors monitors compliance with corporate governance principles, which include protecting the interests of the Company's shareholders, business partners and employees, ensuring the transparency of the business, the timely and complete disclosure of information, and good relations with the investment community.

Following best practices in corporate governance, the Board of Directors performs an annual self-assessment of its effectiveness. Based on the results of this self-assessment, positive changes are analysed and areas for further development identified.

Members of the Board of Directors

In accordance with the Listing Rules of the Hong Kong Stock Exchange, independent non-executive directors are appointed to the Board of Directors. As at 31 December 2014 the Board of Directors of the Company consisted of 18 directors: four executive, nine non-executive, and five independent non-executive directors.

The Board of Directors believes all independent non-executive directors have the necessary work experience in industry or finance and are sufficiently qualified to perform their duties and to safeguard the interests of the Company's shareholders.

Meetings of the Board of Directors

In 2014 13 Board meetings were held, at which decisions were made on the most important strategic development issues of the Company, including in relation to sustainable development: personnel training and incentives, employee remuneration, environmental protection, and developing the Company's regions of presence.

Significant interest and conflicts of interest

During the reporting period, at each of the 13 meetings one or a number of directors had a significant interest or conflict of interest in issues under discussion:

- if a director had a significant interest that could lead to a conflict of interest, a decision on this issue was made by the necessary majority, excluding the directors with significant interest
- if the director had a conflict of interest, he did not attend the meeting either personally or through an acting director
- in order to uphold the independence principle when making decisions, at nine of the 13 meetings all independent non-executive directors were in attendance (at four meetings, one of the five independent non-executive directors was absent)

Committees of the Board of Directors

The following main committees of the Board of Directors of the Company have been set up and are operational: the Audit Committee, the Corporate Governance and Nominations Committee, the Remunerations Committee, and the Norilsk Nickel Committee. The regulations on the committees are available on the UC RUSAL website.

In addition, functional committees have been set up under the Board of Directors, which consist not only of Board of Director members: for example, the Marketing Committee and the Health, Safety and Environmental Committee. The tasks of the Health, Safety and Environmental Committee in particular include reviewing Company policy in these areas, assessing compliance with regulatory requirements and the obligations it has assumed, risk assessment, and overall Company performance in these areas.

More details on the members and activities of the Board of Directors and its committees, and on the attendance of Board of Director meetings in 2014, can be found in the UC RUSAL 2014 Annual Report.

Equality and diversity of the Board of Directors

The Corporate Governance and Nominations Committee is also responsible for compliance with the principles of equality and diversity of the Board of Directors.

The Board of Directors comprises citizens of various states, while their area of education ranges from physics and technology to economics, history, business and finance, accounting, and law.

The Company recognises that its performance will be enhanced if the Board of Directors has a diverse composition. A balanced Board composition is also one of the principles for successfully achieving the Company's sustainability goals.

President

The *President* is the management body responsible for strategic and corporate development, external communications, supervising investments in GMK Norilsk Nickel, investor relations, and developing initiatives on the domestic market.

The post of President of the Company was created in 2014, and Oleg Deripaska, who had previously held the position of CEO of the Company, was appointed president on 17 November 2014. Thus Mr Deripaska left the operational management of the Company to focus his attention on identifying new strategic areas of development that will allow the Company to not only maintain its status as one of the most efficient aluminium companies in the world, but also to consolidate its position as one of the most attractive investment targets in the global metals industry.

The *CEO* is the executive body responsible together with the Executive Committee for managing the current operations of UC RUSAL and for pursuing the strategy set by the Board of Directors.

The *Executive Committee* is the collegial executive body that assists the CEO and senior management in the day-to-day management of UC RUSAL. It also assists the Board of Directors in formulating and executing UC RUSAL strategy and monitoring its implementation.

Executive bodies and senior management

Chief Executive Officer

On 17 November 2014 Vladislav Soloviev, who previously held the position of first deputy CEO, assumed the position of Chief Executive Officer. As before, Mr Soloviev's key priorities will be to ensure the dynamic, long-term development of UC RUSAL by further increasing the efficiency of the Company's plants, the technological refinement of production processes, increasing the share of value-added products, replacing obsolete facilities with modern, environmentally friendly equivalents, entering strategic new sales markets and creating alliances with partners to expand the use of aluminium.

Executive Committee

To ensure the efficiency and appropriateness of functions, the Board of Directors has delegated the Group's day-to-day operations to the Executive Committee, which, in addition to assisting the Board of Directors in developing and implementing strategy, is also responsible for reviewing and expressing opinions on any issue for which expenses will exceed USD 75 million (before the issue is submitted for the consideration of the Board of Directors), and also for supervising and monitoring the results of the Group's financing activities.

The Executive Committee meets as often as is necessary, but at least twice a month. The committee also acts as the Management Board of RUSAL Global, and it has the right to occasionally set up committees consisting of its members, as well as other senior executives.

Remunerations policy

The remuneration policy is determined by the Remunerations Committee. The size of remuneration depends on the employee's qualifications and results achieved, as well as on the complexity of work to be performed.

In 2014, based on recommendations by the Remunerations Committee, the Board of Directors approved:

- KPIs for the management and the CEO, and also the formal qualifications of the CEO for 2013 and 2014, and the KPIs for key officials for 2014
- the conditions and size of compensatory payments to non-executive directors, the CEO, the President and individual senior managers

The total remuneration of directors for 2014, including salary, performance-based premiums, incentives and bonuses, was approximately USD 16.2 million. All other non-executive directors only have the right to receive Directors' fees, as well as additional remuneration for being a member of a Board committee or chairing a Board committee.

Additional information on conditions and amounts of remuneration is given in the UC RUSAL 2014 Annual Report and in Notes 10 and 11 to the consolidated financial statements.
Long-term incentives programme (LTIP)

On 11 May 2011 the Board of Directors approved the Company's long-term incentive programme (LTIP) and its rules of implementation. Under this programme the Board of Directors, at its discretion, selects employees to participate in the LTIP from a pool of eligible participants. Shares provided as remuneration are transferred to the selected employee over the course of five years, with 20% of the LTIP remuneration transferred each year.

Distribution of LTIP shares during 2014:

- in 2014 the Board of Directors did not approve any LTIP Award for 2013, and accordingly, no shares were granted as an LTIP Award
- of those shares granted in 2010 as an LTIP Award, the fourth tranche (1,353,514 shares) was transferred in November 2014

Production System Incentive Plan (PSIP)

In June 2013 the Board of Directors approved the establishment of the PSIP – a plan for rewarding employees with shares, with the aim of supporting Company employees for their achievements in implementing the Production System.

The PSIP is a one-time share award plan with the following objectives:

- to increase employee commitment to achieving the Group's strategic goals in implementing the Production System
- to share the Group's successes with its employees
- to recognise the contribution of individual employees in implementing the Production System
- to enhance the alignment between employee interests and other shareholder interests

The Company selected an employee (employees) for participation in the PSIP under the PSIP rules. Company directors and other connected persons are not eligible to participate in the PSIP.

The shares awarded under the PSIP, which are to be transferred to the selected employee, will be vested annually over three years.

2,006,218 shares were transferred to PSIP participants in July 2014.

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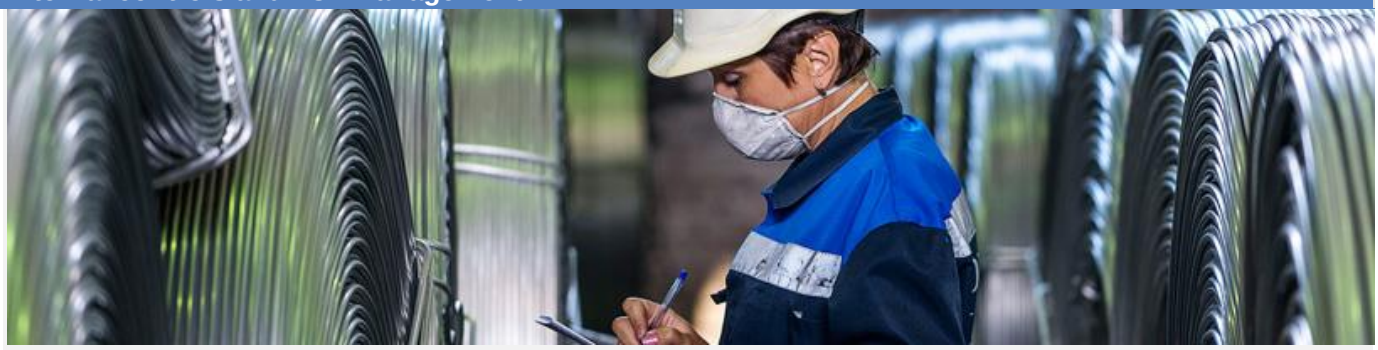
[1] More detailed information on the major shareholders and beneficiaries of the Company and their shares in the authorised capital as at 31 December 2014 is available on the Company's website and in the UC RUSAL 2014 Annual Report.

Internal controls and risk management



As the highest management body, the Board of Directors is responsible for creating, maintaining and analysing the effectiveness of the internal control and risk management systems. The Directorate for Control and the Audit Committee are the main bodies that develop and implement measures in these areas.

Through employee training and the implementation of modern management standards and procedures, the Company aims to develop a disciplined and constructive control environment and risk management system in which all employees understand their roles and obligations.

Internal control system

The Company's internal control system was developed and implemented in order to protect assets, improve business processes, ensure that financial, business and other activities comply with current laws, and maintain the control environment at the required level.

The *Directorate for Control, Internal Audit and Business Coordination* (the Directorate for Control) develops internal control measures over the operations of UC RUSAL enterprises, ensures that these measures are implemented by conducting appropriate audits and reviews, and is also responsible for developing and monitoring the Company's risk management policy.

In its activity the Directorate for Control is responsible for independently assessing the effectiveness of management decisions and for monitoring compliance with the requirements of external regulators. In connection with the fact that the Company purchases large volumes of raw materials, consumables, and services, the control and optimisation of procurement activities is a specific area of the Directorate for Control work.

The performance of internal control measures is governed by a number of internal regulations, procedures, and orders, which are regularly updated in accordance with changes in the Company and in connection with new statutory requirements.

Main internal control measures performed in 2014:

- The Directorate for Control continued to take measures to strengthen controls over the implementation of the Company's administrative documents and to improve the overall work of the Company's electronic document management system
- The Directorate for Control continued to implement online monitoring of compliance with external regulatory requirements (HKEx, Company shareholders) regarding transactions with related parties and associates
- Over the reporting period, the Directorate for Control performed 84 reviews, of which around 50% were unscheduled and were conducted on the instructions of Company management
- The Directorate for Control regularly monitors the execution by management of recommendations made on the basis of reviews and audit results. The 2014 results show that 80% of the Directorate for Control's recommendations were implemented, which is evidence of the high level of executive discipline among UC RUSAL management

Key steps taken to optimise procurement activities in 2014:

- The procurement of materials, equipment, transport and construction services was monitored on a regular basis; the successful functioning was ensured of the Company's unified supplier base created in 2013 and of the Group Tender Committee work, also created in 2013
- The Suppliers procurement information portal created in 2012 continued to operate. It is visited daily by around 3,000 suppliers
- Work continued with the Fabrikant electronic trading platform to raise the number of suppliers and opportunities to cut prices
- The electronic trading platform Transtrade.Rusal was set up to make tender procedures more transparent, so as to reduce the cost of transport services
- The transparency of procurement procedures was achieved by the online monitoring of the hotline and Suppliers portal on the Company's corporate website
- A project to sell the Company's illiquid and non-core assets was successfully launched

Sale of Non-Core Assets project

In 2014 the Directorate for Control launched a project to sell the Company's illiquid and non-core assets to make resource use more efficient and to cut costs. Since April 2014 a new version of the Regulations for Restructuring Non-Core Assets of Company Enterprises has been in effect.

As part of the project, a separate portal, Sale of Non-Core Assets, was created on the Company's website, where all information on the Company's illiquid assets was collected and made available in a single database.

The divisions of the Company estimated that the Directorate for Control's participation made it possible to substantially increase sales of non-core assets due to measures to classify assets, making the interface more user-friendly, and extending the range of potential purchasers.

Revenues from sales of non-core assets in 2014 totalled approximately USD 51 million – more than triple the target level of USD 15 million. The project will continue in 2015.

Anti-corruption and anti-fraud activity

Identifying and preventing corrupt activities is an important goal and one which the Company pays particular attention to. A leading role in achieving this objective is played by the Directorate for Control and the Central Company Resource Protection Directorate, which in turn coordinates the activities of corresponding departments at Company enterprises.

Security and resource protection departments work around the clock at each enterprise. In 2014 the Resource Protection Department, which was created at the Company's leading Aluminium Division, began operations.

The activity of the Directorate for Control and the RPD in the area of combatting corruption and fraud is governed by various internal documents, chief among which are: The UC RUSAL Information Security Policy (2010), the Information Security Management System Policy (2011), the Bad-Faith Actions Countermeasures Policy (2009), and the Regulations on Preventing and Settling Conflicts of Interest (2012).

The Directorate for Control performs regular audits of the Company's financial and business activity, which make it possible to prevent possible violations or minimise their consequences. Corruption and fraud risks are regularly analysed, and information on them is entered in the Company's risk map.

In 2014 reviews and analyses of identified shortcomings performed by the Directorate for Control resulted in the dismissal of 12 Company employees, including 10 senior executives of factories and the Central Company, while 28 Company employees were penalised.

In October 2013, thanks to the active measures taken to prevent fraud and increase the transparency of procurement activity, the Company became one of the most transparent Russian companies, as rated by Transparency International. The Company held sixth place in the overall transparency rating and was the sole Russian company in the top 20 list of participants.

Employee information and training

All employees are informed about current procedures in the area of combatting fraud and corruption. Company management receives weekly reports on RPD activity results. The emergency information system also applies to cases of corruption and fraud. It determines how quickly information is communicated to Company management, depending on the importance of the information.

The Human Resources Directorate regularly trains employees in methods of combatting corruption, with the participation of managers from the Resource Protection Directorate. In addition, during annual meetings of the enterprise's resource protection departments, experience in this field are exchanged, conclusions are drawn, and new goals are set.

One of the most effective current tools for combatting corruption and fraud is the RUSAL Line of Trust, which any employee of the Company can use to report cases of fraud or any other violations.

Over the reporting period, the Line of Trust received 34 reports, 100% of which were processed and approximately 50% of which were confirmed in whole or in part.

Monitoring, reporting and performance assessment of the internal control system

Directorate for Control, Internal Audit and Business Coordination

The Directorate for Control regularly (monthly, quarterly, annually) reports to the Board of Directors and the Audit Committee on the results of its work and the reviews conducted of the internal control system, including the results of the reviews of the work of management bodies.

Board of Directors and Audit Committee

The responsibilities of the Audit Committee include providing the Board of Directors with an independent assessment of the effectiveness of the Company's financial statements, internal control and risk management systems, and control over the audit process.

During the reporting period, the Audit Committee held 11 meetings, which considered the results provided by the Directorate for Control of the performance analysis of key business processes and audits and reviews of the financial and business operations of the Company's enterprises.

On the basis of the reporting, the Audit Committee makes a quarterly assessment of the performance of the Company's internal control system. Based on the assessment at the end of 2014, the Board of Directors believes that during the reporting period the Group's internal control system functioned in accordance with the CG Code [1].

Internal Audit Commissions

The Company has set up Internal Audit Commissions at all Company enterprises to monitor the effectiveness of financial and business activity and the organisation of the internal control system.

The activity of Internal Audit Commissions to analyse and review the financial statements of enterprises is carried out on an annual basis and is a mandatory stage in holding annual shareholder meetings of the companies and enterprises of the Company.

Risk management system

In order to reduce the negative effects of potential dangers and to ensure stable and sustainable business development, the Company pays particular attention to building an effective risk management system.

Risk management is part of the competence of the risk management group created by the Board of Directors as part of the Directorate for Control. The main internal documents governing activity in this area are:

- The Risk Management Policy (updated in 2013), which determines the general concept and employee obligations in the risk management process
- The Regulations on Risk Management (approved at the end of 2012), which organise the risk management process and include a description of the key tools and methods for identifying, assessing and mitigating risks

The key elements of the Company's risk management system are: defining and assessing risks, developing and implementing risk mitigation measures, risk management reporting, and assessing the performance of the risk management system.

Key steps taken in risk management in 2014:

- Organising 15 independent risk audits at Company enterprises conducted by specialists of the Willis Group and the Ingosstrakh Engineering Centre to reduce risks and optimise the Company's insurance programme
- Preparation of an annual Corporate Risk Map by the Directorate for Control and its quarterly updating
- Performance of risk management system reviews and audits by the Directorate for Control
- Preparation of the UC RUSAL risk insurance programme for 2014–2015

These measures made it possible to improve the risk identification system and to increase the responsibility of individuals participating in the risk management process. Work continues on an ongoing basis in new areas of risk not previously covered, and to improve the quality of information provided by Company enterprises.

Monitoring, reporting and performance assessment of the risk management system

The Directorate for Control regularly reports on its activities to the Board of Directors and Audit Committee. As part of these reports, the Directorate for Control provides information on the risk management system, the results of preparing risk maps, new risks, and the mitigation of various types of risks.

The Audit Committee oversees how well management monitors compliance with the Company's risk management policies and procedures. Based on the reporting submitted, the Audit Committee and Board of Directors reviews the Company's risk profile and the results of its risk management programmes on a quarterly and annual basis.

Management of key non-financial risks

Risks	Description	Risk management measures
Environmental risks	Risks related to damage caused by the Company to the environment and an increase in environmental pollution payments	To mitigate risks the Company monitors environmental legislation and implements a set of environmental protection measures (e.g. monitoring mud lakes)
Health and safety risks	Risks related to employee health and safety	To prevent accidents the Company develops an Occupational Health, Industrial and Fire Safety Management System, assesses risks in this area, trains employees, implements programmes and measures to ensure safe employment conditions, and conducts audits of the system
State regulation of the tariffs of state monopolies	Risks related to the legislative regulation of state monopoly tariffs for railways and electricity	These risks are managed by holding negotiations with the state authorities and by participating in discussions to amend legislative initiatives
Risks associated with social	Risks related to social tensions arising	Managing this risk includes ongoing conciliatory

Risks	Description	Risk management measures
tensions	from employee dissatisfaction with the current situation at enterprises	work with employees, management and trade unions. Work to prevent these risks is methodical and well-organised, and these risks are currently at a minimal level

[1] More details on the composition and results of the activity of the Audit Committee in 2014, as well as information on the external auditor of the Company, are available in the UC RUSAL 2014 Annual Report.

UC RUSAL business system

Approach

The sustainable development of the Company, which is a global corporation and a leader in the global aluminium industry, is inextricably tied to the effective functioning of the Business System of UC RUSAL. The creation of the Business System began in 2013, when the Company decided to expand the bounds of its Production System (PS) [1]:

- *Before transition to the Business System:* previously the Company focused primarily on seeking internal reserves as part of the development of the Company's PS: on the continuous improvement of technological processes, identifying and eliminating production and organisational waste, and the professional development of employees
- *After transition to the Business System:* the Company has now entered a higher level – the comprehensive creation and development of the Business System, whose purpose is not only to utilise the experience accumulated when implementing the approaches and methods of the PS, but also to establish relations of trust with the Company's partners, suppliers and consumers by effectively managing their expectations and needs

The underlying philosophy of the Company's Business System comprises six key values: safety, quality, meet customer demands at the shortest notice, production to order, immediate response, and minimal costs.

Main elements of the Business System:

- Safety – ensuring the health and safety of production activity, physical and psychological security
- Quality – preventing the appearance of defects, reducing the amount of equipment downtime, and interacting with consumers and suppliers on quality issues
- Meet customer demands at the shortest notice – rapid reaction to changes in client requirements through the fast work of personnel, the rapid reconfiguration of equipment, and the optimisation of logistics
- Production to order – equal distribution of loads on personnel and equipment as part of the timely production of all products in accordance with existing orders
- Immediate response – if the consumer experiences issues with items, parts, and components, the supplier must immediately take countermeasures and then evaluate their effectiveness.
- Minimal costs – cost reduction and optimisation, higher turnover of materials, increased share of value-added products

These components of the Business System are related, and require the maximum participation, understanding and involvement of all Company employees. For this reason, employee training and development in all mechanisms and tools of the Business System is a mandatory element of the management of the Business System.

The Production Development Director of the Company is responsible for managing the Business System. The PS Development and Training Department and the Quality Management Department report to him. At the same time, the Company has created the position of special PS development manager or PS development department at division level, to which local PS departments or PS development groups at production site level report.

Business System development goals are correlated with the Company's strategic goals and are set annually through establishing key goals and quantitative targets for the following reporting period.

The Company continues to adhere to the practice of establishing Business System development KPIs for employees. For example, in accordance with an internal Company order, each manager must have their own Business System project and report on its implementation to the CEO of the Company.

In addition, the Company has developed mechanisms to identify production leaders, which comprise various employee development measures, including assessments and recommendations based on the working results of employees.

Development of the Business System in 2014

In the reporting period 137 division projects to develop the UC RUSAL Business System, as well as 156 intra-smelter projects and 425 projects in A3 format, were being implemented at Company enterprises [2]. The aggregate economic effect of these initiatives was in excess of USD 72 million.

As part of the main areas of developing the Business System, UC RUSAL has begun to pay greater attention to how the Company positions itself and how it is perceived, above all by its customers and suppliers. This is especially pertinent in connection with the Company's strategic goal of increasing the share of value-added products, because this market segment shows greater competition, and, accordingly, requirements on product quality and the conditions of their transport are higher.

Focus on customers

The main goals in customer relations in 2014 related to ensuring product quality and reducing delivery time. The Company took the following measures to achieve these goals:

- *Implementing various projects to improve product quality*
  For a number of projects an analysis was performed of quality related claims from Company customers and how they are conveyed to UC RUSAL specialists. The main issues that need to be resolved are how to shorten the response time to customer issues and how to most effectively set up direct contacts between Company smelters and customers, in view of the fact that main UC RUSAL customers are companies located in Europe and America.
- *Analysis of all Russian and foreign ports of the Company*
  Attention was primarily paid to which types of and in what quantity products are stored in ports, what the storage and handling conditions are, what the turnover of these products is, what costs the Company incurs on port operations (unloading from rail transport/storage/repackaging/loading onto boats). Based on the analysis and the issues identified, recommendations were elaborated and appropriate measures taken. Work with the ports continues.
- *Analysing the process of delivering products from the Company to the end-user*
  The analysis was based on the product delivery route KrAZ – St Petersburg Port – Port of Rotterdam – customer in Germany. The volume of deliveries along this route is fairly large, and it was determined that the variation in delivery time reaches 20 days, and the goods travelled in total for 45 days. The Company's goal at present is to determine what the optimal delivery time should be and how to achieve it.

UC RUSAL management set the task of performing similar work for all product delivery routes (there are only about 20 for major customers), and at least 70% of such routes should be processed during 2015.

Customer satisfaction is the main indicator of success in customer relations and this indicator has been assessed annually since 2010. According to an analysis of customer questionnaires, customer satisfaction in the indicator "Product quality" increased to a score of 8.2, vs. 8.1 in 2013, while the indicator "Delivery performance" remained unchanged at 7.9.

Another indicator signalling a change in the quality of products is the number of claims received from customers. During the reporting period the Company received 137 claims in relation to the quality of finished products, 11.6% less than in 2013 [3].

Focus on suppliers

Similar goals to improve quality, reduce delivery times and optimise costs were set for work with suppliers.

The Production Department, together with the Commercial Directorate, determined six main suppliers (for key products – coke, pitch, aluminium fluoride, and foundry alloy), with each of which a joint venture was created to improve the performance of joint work, including such aspects as cost reduction, optimising production activity, and reducing timeframes for the performance of work.

The Company is currently implementing more than 10 projects to develop interaction with key suppliers. Also as part of joint work, in 2014 49 employees from suppliers underwent training in the approaches and tools of the Business System [4].

Management Committee meetings

Issues related to supplier and customer relations are regularly included in the list of key topics for on-site management committees. The purpose of these committees is to help develop the Business System at specific enterprises. Management Committee meetings are held four times per year, and each is attended by the President, CEO, key members of the Executive Committee, and representatives of the main functional areas of the Company.

In 2014 Management Committee meetings were held at the production sites in Irkutsk, Sayanogorsk, Bratsk and Krasnoyarsk. At each smelter, a list was drawn up of key topics and issues that were relevant to the activity of the specific smelter.

The highest-priority topics at Management Committee meetings in 2014 were:

- improving product quality
- training and developing employees and the talent pool
- supplying materials and optimising the logistics chain
- developing suppliers
- supporting and developing internal projects of the Business System

At the start of 2015 a Management Committee meeting was held for the first time in the Alumina Division, at the Achinsk refinery. The next Management Committee meeting is scheduled to be held in Sayanogorsk again, in order to ascertain and assess trends in key indicators.

Despite the shift in emphasis to developing cooperation with external parties, the Company continues to work diligently to develop its internal potential. Divisions have been assigned measurable goals, and progress in attaining these is tracked and analysed on an annual basis.

Safety

All Company enterprises comply strictly with current health and safety requirements. UC RUSAL has set the following safety goals: attaining zero accidents, eliminating emergencies, and preventing work-related illnesses.

As a result of the measures taken, in 2014 the lost time accident frequency rate (LTAFR) fell to 0.19 (vs. 0.22 in 2013) [5].

Increase in operating efficiency of equipment

Systematic work continues to improve the functional efficiency of industrial equipment, including work to reduce scheduled and unscheduled downtime. The Company has a Total Productive Maintenance (TPM) system in place, which makes it possible to adopt an integrated approach to operating and servicing production equipment.

During the reporting period the technical availability ratio (TAR) of the Company's main processing equipment rose from 91.7% to 92.7%.

The overall equipment effectiveness (OEE) indicator is also calculated under the TPM system in contrast to TAR, this indicator takes into account not only equipment downtime, but also a number of other factors such as loss in product quality and loss in equipment productivity. In this way, it was identified that the availability of the Company's equipment was in fact no higher than 40%, whereas the use of TAR showed equipment availability at the level of 90–94%. The Company analyses and compares these indicators to identify new problems and additional reserves in the operation of equipment.

Development of human resources

The professional development of personnel is performed regularly at the Company and is one of the keystones of the Business System. Since 2013 UC RUSAL has carried out a training and development programme in the methods and approaches of the Company's Business System for various categories of personnel (production, commerce, logistics, energy, etc.). The training of Executive Committee members and Kaizen team members in the principles and ideals of the Business System at training sites and model areas of key Company enterprises was also continued jointly with the HR Directorate.

For the Company it is essential to increase its employees' involvement in developing the UC RUSAL Business System. Company employees independently open Business System projects and oversee their implementation. The training that employees receive in Business System principles and methods has a direct effect on the level of their activity related to making proposals to improve this system.

In 2014 1,112 employees underwent training in the principles and tools of the Business System, including 210 internal trainings, 52 external trainings, and 850 eLearning trainings.

Active work continued at Company enterprises in 2014 as part of the Replication of Best Practices project. 11 practical training sessions were conducted in various subjects related to the organisation and improvement of the production process.

Important steps were taken in the reporting period to create a talent pool for the Company. In collaboration with the HR Directorate, the entire system for operating the talent pool was reviewed. The following Business System development aspects were especially significant:

- Changes in the process for selecting candidates for the talent pool
  The selection process became more transparent and more strict. Under the new conditions, each candidate must have their own Business System development project.
- Changes in the process for developing employees selected for the talent pool

The Company developed a number of tools that will be implemented in 2015 to increase incentives and the involvement of employees selected for the talent pool, including giving certain guarantees to employees who demonstrate good annual performance results [6].

Other Business System development initiatives of the Company in 2014

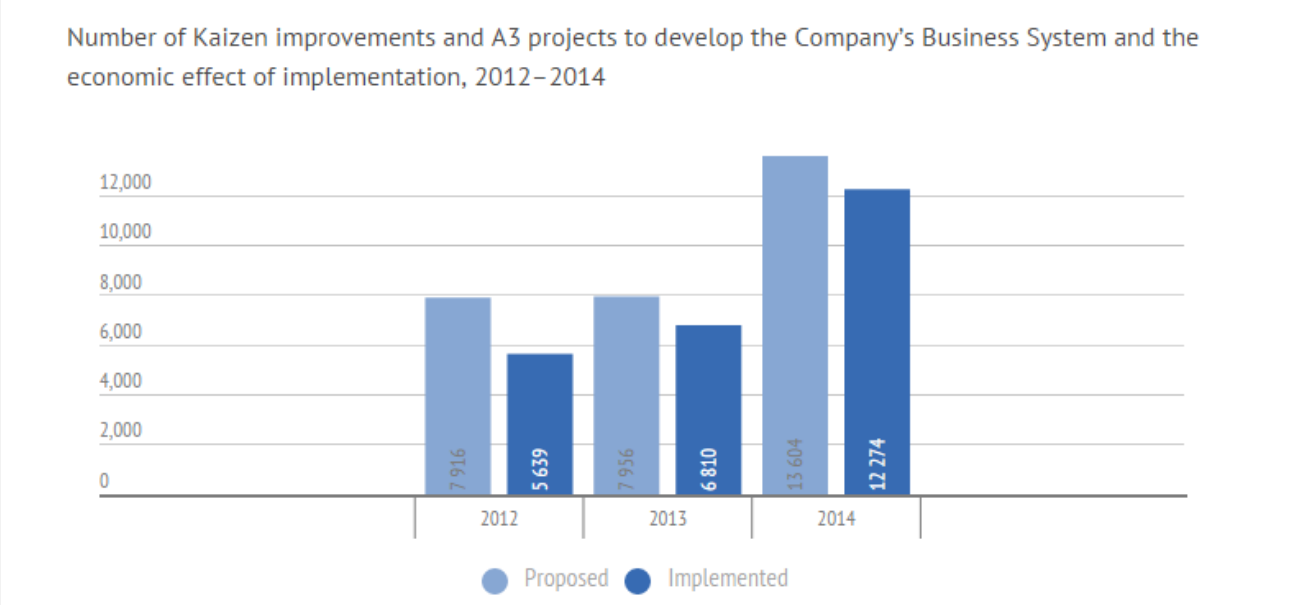
Kaizen workshops

Kaizen workshops actively operate in the Company, and are an effective tool that allows the Company rapidly and at no additional cost to implement employee proposals to improve the production process. At the end of 2014 Kaizen workshops operated at all Company plants, with 10 being created in total. Proposed and implemented Kaizens and A3 projects are entered in the internal corporate portal in the Business System section, where they are freely available.

Each year the Company receives significant social and economic benefits from implementing these improvements. In 2014 13,604 Kaizen improvements and A3 projects were proposed, of which 12,274 were implemented. The economic effect of this is put at USD 72 million (for comparison, in 2013 the figure was USD 55 million).

Each year UC RUSAL holds an Improvement of the Year contest among its employees. The contest has three categories: Safety and Quality, Productivity, and Cost Effectiveness. For employees, participation in the contest is a good opportunity to prove their worth, receive a positive assessment from Company management, and take another step in their professional

development. A total of 1,477 employees took part in the contest in 2014. The overall economic effect of related projects was almost USD 27 million.



Mothballing and conversion of inefficient production capacities

Despite the continuing unfavourable economic situation, in the reporting period the Company made no decisions on the closure or mothballing of production capacities. In fact, the reverse is true: UC RUSAL is preparing to open a new aluminium smelter (BoAZ) in 2015.

Work continued in the reporting period on projects begun in 2013 to streamline inefficient capacities – this involved the conversion of a number of production facilities [7].

BEMO Project

The Company continues to implement the Boguchansky Energy and Metals Complex (BEMO) project, an important project to strengthen and develop the Company's energy base. The project involves building the following facilities:

- Boguchansky Aluminium Smelter (BoAZ): as at 31 December 2014 the first phase of construction of the launch complex of BoAZ was estimated to be 80–85% complete; the first phase is scheduled for completion in 2015
- Boguchanskaya Hydro Power Plant (BoGES): BoGES received the final hydroelectric unit for industrial use on 22 December 2014; it is expected to reach full operating capacity in 2015 [8].

Creating an external portal for the Business System

The Company currently has an internal web portal for the Business System, which contains the Company's production methodology base. All the information is up to date and in demand among the employees of various management levels of the Company.

UC RUSAL professionals are currently working to create an external web portal, whose main purpose will be to ensure that customers and suppliers have access to key information about the Company's Business System, including a description of the system's principles and methods of functioning, contact information for key Company specialists and other important information, while at the same time making the portal user-friendly and accessible to external users. It is scheduled for launch in 2015.

The above projects and measures implemented in the reporting period are a clear indication of the shift in focus of UC RUSAL, from internal development to searching for additional resources and reserves in relations with the Company's external partners – its suppliers and customers. A key goal is to ensure that the Company has suppliers that are reliable and meet its needs, so as to have the greatest possible ability to satisfy the needs of clients [9].

Plans for 2015 and the medium-term outlook

In the next reporting periods the Company will continue to improve its corporate Business System as part of work to improve the safety and efficiency of production, ensure high-quality products, and develop human potential. Increased attention will be paid to relations with customers, an analysis of their needs, and developing suppliers by involving them in joint work to improve technologies, optimise costs, and improve the quality of purchased products.

The initiatives planned by the Company for 2015 include:

- Developing and setting up a publicly available portal for the Company Business System for external users
- Opening the Boguchansky Aluminium Smelter (BoAZ) and the initial output of products
- Further analysis of supply chains from the time of procurement raw materials to the end customer as part of the project to streamline the logistics system (70% of such chains should be processed in 2015)
- Opening of joint projects with suppliers of coke, pitch, and doping materials
- A reduction in transport costs, including Russian Railways and ports (a reduction in the inventory of finished products in Russian ports, a reduction in the turnover time for metals from smelters to export from Russian ports, and optimising the supply chain)

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[1] The UC RUSAL Production System is based on the principles of the Toyota Production System (TPS). More details on the approaches adopted in the production system, including a description of the principles and ideals of the Company's PS, are available in the Company's sustainability reports for 2011 and 2012, and also on the Company website.

[2] Improvement projects in A3 format are proposals on improvements submitted by an employee to management ("Initiatives from below").

[3] More details on the Company's customer relations regarding quality issues are available in the Quality Management section hereto.

[4] More details on the Company's supplier relations are available in the Supply Chain section hereto.

[5] More details on the results of the Company's health and safety activity are available in the Occupational Health, Industrial and Fire Safety section hereto.

[6] More details on the Company's personnel training and development results, and also on the creation of the talent pool, are available in the Personnel section hereto.

[7] More details on the Company's current projects on converting production facilities are available in the UC RUSAL 2013 Sustainability Report.

[8] More details on the Company's activity in investing, streamlining production and capacity usage are available in the Company's 2014 Annual Report, in the Business Overview section, and on the Company's website in the Who We Are – Investment Projects section (http://www.rusal.ru/en/about/invest/).

[9] More details on the Company's supplier relations are available in the Supply Chain section hereto.

Quality control

Quality management system

Each year, customers make greater and greater demands on the quality of the products that they purchase, including the quality of packaging and the reliability of transport. In order to best satisfy customer expectations, the Company has implemented and is successfully operating a Quality Management System (QMS), certified under ISO 9001:2008. In addition, a number of enterprises have confirmed that their quality management systems comply with the ISO/TS 169489 standard for suppliers to the automobile industry.

In unfavourable economic conditions, quality management is also a way to reduce production costs and make the Company's business more competitive.

In 2011 the Company approved a Quality Policy, which established uniform requirements and principles in the area of quality for all enterprises and functional units.

The Company regularly updates its documents related to quality and develops new standards and regulations. For example, the documents developed and approved in 2014 include: Procurement Regulations, the guidelines Sales: Quality Provisions, and the standard Permission to Deviate from Product Requirements.

UC RUSAL has established a special unit responsible for ensuring quality: the Quality Management Department. Local quality services, which report to the department, have been set up at production sites. Control procedures concern the following stages of the product life cycle:

- developing the concept for a product
- research into and development of a new product
- procurement raw and other materials
- production
- consumer-related processes
- storage and delivery of products

Reorganisation of quality services

The Company decided to reorganise quality services at pilot production sites in 2013: the Krasnoyarsk, Bratsk and Sayanogorsk aluminium smelters. The changes related to the composition of the quality services, working procedures, and relations with other factory organisational units [1].

The activity of the new services in 2013–2014 made it possible to raise the level of production discipline at pilot aluminium smelters, identify and resolve specific technological issues, and arrange work in terms of quality.

The positive results of the quality services reorganisation at KrAZ, BrAZ and SAZ are also confirmed by the significant drop in customer claims received in 2014 vs. 2013:

- 35% fewer at KrAZ
- 5.5% fewer at BrAZ
- 65% fewer at SAZ

In 2015, taking what has happened at these enterprises as an example, work is scheduled to begin on reorganising quality services at other aluminium smelters of the Company.

The Company sets quality goals on an annual basis, which become part of the list of functional unit KPIs. Progress towards achieving these goals is monitored on a monthly basis. The Company's Executive Committee receives an annual report on the performance of the quality management system.

The Company organises the regular training of personnel in the requirements of international quality standards ISO 9001, ISO/TS 16949, and also modern quality tools, including FMEA, Statistical Process Control (SPC), Measurement System Analysis (MSA), Advanced Product Quality Planning (APQP).

Measures taken to develop the QMS

In 2013–2014, increasing the effectiveness of relations with the Company's suppliers, ports and customers became a key quality development area. On the one hand, UC RUSAL raised requirements on the quality of raw materials purchases and organised joint projects to develop relations with suppliers on the other hand it also took measures to improve the efficiency of handling customer claims and improved customer relations mechanisms.

In 2013, based on an analysis of the QMS, a Company Programme for Quality Development in 2014–2015 was elaborated and approved (the Quality Programme). In 2014 47% of the measures planned for the two-year period were implemented.

Measures under the Quality Programme were elaborated in the following key areas:

- Management leadership and goals in the area of quality – measures to develop quality goals at all management levels, to draft the necessary documentation, to prepare and certify enterprises in the area of quality, and to train and develop employees
- Production processes – developing and implementing projects and measures at Company factories to raise quality, on standardising jobs and implementing the TPM equipment maintenance system, on developing a certification system and managing outsourced production processes
- Customer-related processes – measures to improve the analysis of customer requirements and to manage their claims, to implement projects in relations between marketing and production and in the area of safeguarding products during transport to customers, and also measures on auditing Russian and foreign ports
- Procurement procedures and supplier development – measures to develop Company suppliers, to improve claims-related work and implement a supplier rating system, to develop and supplement technical requirements on purchased materials, and to develop corporate procedures for requirements on the storage of raw and other materials in warehouses

Implementation of the Company's Quality Development Programme in 2014–2015, based on 2014 results

	Plan	Completed	Under way	Not yet begun	% completion
Implementation of programme measures	21	8	7	6	47%
Implementation of QMS standardisation plan for 2014–2015 [1]	21	6	7	8	42%

Audit of Company enterprises

All UC RUSAL enterprises regularly undergo both internal audits and independent external audits in order to confirm that enterprises' QMS comply with international quality standards. As at 31 December 2014:

- 25 Company enterprises, including remote offices, have quality management systems that are certified under ISO 9001, with one facility receiving certification in 2014 (OOO SUAL PM in Krasnoturyinsk)
- 4 production facilities and four remote offices are certified to comply with the international standard ISO/TS 16949 for the automobile industry4 производственные площадки и 4 удаленных офиса имеют сертификаты на соответствие требованиям Международного стандарта для автомобильной промышленности ISO/TS 16949.

In 2014 the ISO/TS 16949 certification of SAZ was expanded – in addition to cast alloys, flat ingots for the automobile industry were also certified. The SAZ ISO/TS 16949 certification area also included the process of producing cast alloys at the facilities of the Khakassk Aluminium Smelter. Active work is currently under way to draft documentation and to prepare BrAZ for ISO/TS 16949 certification.

In 2014 the preconditions were created to organise joint internal audits of enterprises, in which not only the quality service would participate, but also production specialists, the specialists of other factories, and services engaged in equipment repair. At the start of 2015 a joint audit programme was approved that will make possible a more integrated analysis and greater coverage of various areas affecting the quality of products. A corrective measures programme will be developed at factories, based on the audit results.

Key issues identified during the audit of Company enterprises in 2014

Audits	Plan	Fact	%	Key issues identified during the audits
Internal audits	33	27	82%	requirements on certain types of purchased inventories were not

Audits	Plan	Fact	%	Key issues identified during the audits
				established or updated enterprises lack an effective system of incoming control and organising purchased inventories certain cases were identified where standards were either missing or not adhered to on the job site shortcomings were identified in the process of considering customer claims the process of training personnel in quality and production processes requirements needs revision the goal-setting and goal distribution processes in organisational units needs revision to improve efficiency
Audits by certification bodies	26	26	100%	the process of analysing customer requests does not envisage the implementation of a number of ISO/TS 16949 requirements a number of shortcomings were identified in the product acceptance process employee knowledge of methodologies and tools (such as SPC, MSA, PPAP, and APQP) needs improvement an integrated and organised approach needs to be developed for the statistical methods of managing production processes a system for tracking technological changes needs to be developed and implemented improvements are needed in the Company's risk assessment and management process

Staff training

In 2014 the Functional Academy of the Environment and Quality trained employees in the requirements of international quality standards ISO 9001, ISO/TS 16949, and modern quality assurance tools (failure modes and effects analysis (FMEA)), and also in the organisation of quality management audits.

Number of employees receiving quality training, 2014

Type of training	Number of students
Internal	462
External	52
In the e-learning system (ELS)	648
Total	1162

Among others, 33 laboratory employees received training in 2014 (2015 target: 95).

The ELS gave training in the ISO 9001 Requirements course for the first time in 2014 (433 students). An internal course – "Analysis of types and consequences of failure: application of methodologies when developing and changing technological processes" – was also developed in the reporting period, and will be offered in 2015.

The Company plans to develop the following ELS courses in 2015:

- Analysis of types and consequences of potential technological process failures (ATCF)
- Resolution of problems "one by one" – applying a methodology to resolve quality issues in finished products
- Analysis of MSA measurements systems: general requirements on the process organisation and the application of MSA methodologies at enterprises

The Company has developed a competency matrix for quality services personnel, which includes the functions of a representative of each profession. The use of a matrix for each specific employee makes it possible to determine which additional training (including related to quality) the employee needs to undergo.

Work with suppliers

An important element of the UC RUSAL QMS is work with the suppliers of raw and other materials. The Company's goal is to improve the quality of the products it purchases by establishing long-term, mutually beneficial working relationships in which both the Company and the suppliers endeavour to meet each other's needs and expectations.

The Company has developed and made freely available the Uniform UC RUSAL Requirements for Suppliers, compliance with which is reviewed by the Company during regular supplier audits. Audits result in the assignment of an assessed rating, which serves as the basis for successful certification and for further relations with suppliers to be approved.

Joint work includes the implementation of projects to improve suppliers' production processes, aimed at improving product quality.

Detailed information on work with suppliers on product quality issues in 2014, examples of projects implemented and joint work on supplier development, as well as the Company's plans for 2015, are given in the Supply Chain section of this Report.

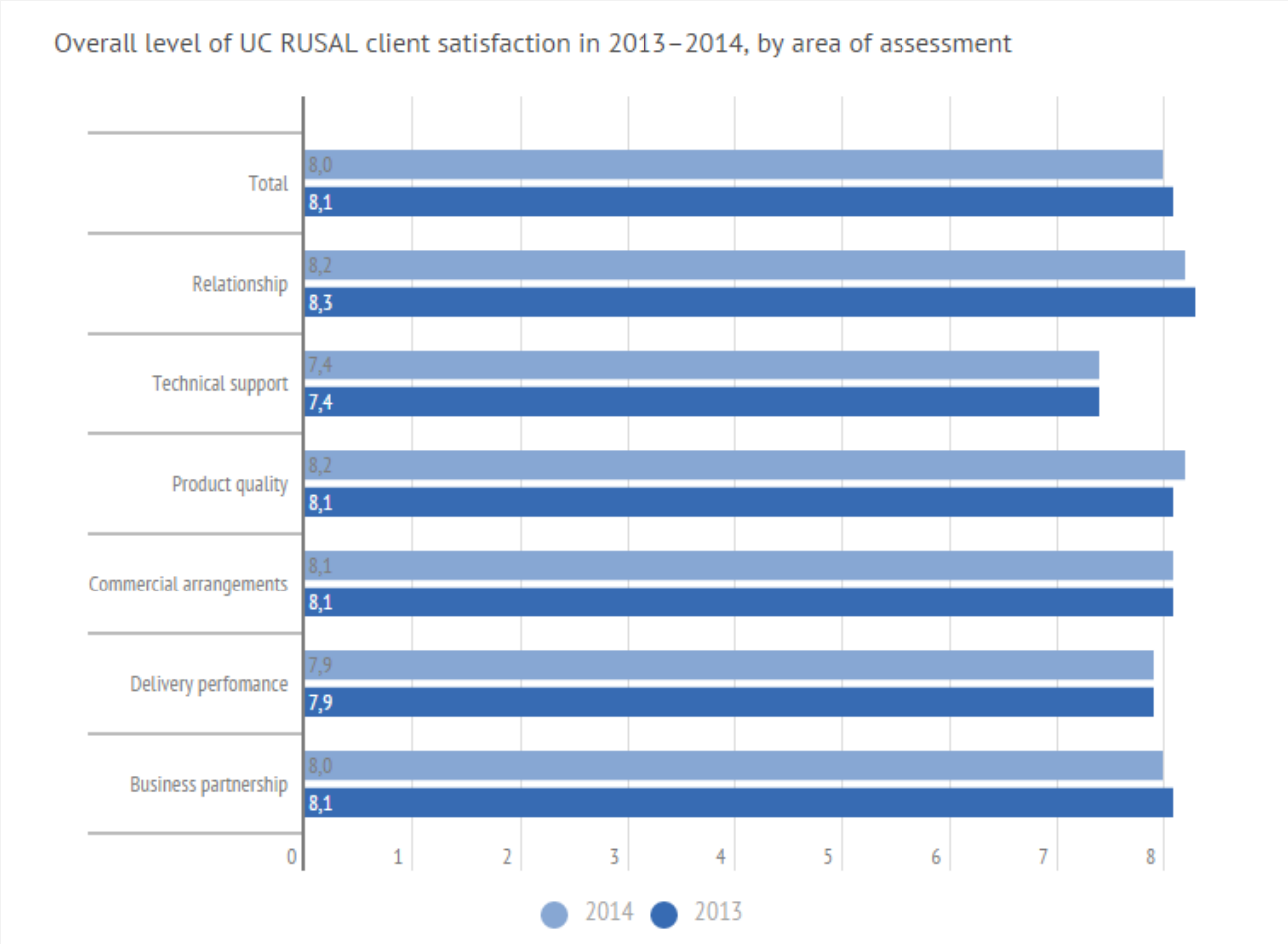
Consumer relations

A client-orientated approach underpins the Company's operations. In addition to striving for maximum satisfaction of customer needs and for decreased claims, establishing a constructive and effective dialogue with clients is becoming increasingly important.

Customer satisfaction survey in 2014

As part of its annual analysis of customer satisfaction in their work with UC RUSAL, 218 clients were sent questionnaires containing 57 questions covering nine areas. The response rate was 79%, compared with 71% in 2013. In the opinion of clients, UC RUSAL retains a number of significant advantages over its competitors, in various areas of cooperation.

The overall level of client satisfaction remains at a high level, only slightly lower than the previous year (8.0 vs. 8.1) due to the small drop in the areas Relationship and Business partnership, and also due to a deterioration in specific areas of cooperation with clients in certain regions. It should also be noted that during the reporting period the level of client satisfaction with the quality of products rose from 8.1 in 2013 to 8.2 in 2014.



Based on the research results, opportunities for improvement were identified and action plans developed in the following areas of relations with customers:

- the timely prevention of issues with delivery and flexibility
- packaging and marking at certain plants
- the provision of up-to-date information on delivery
- the physical condition of metal delivered at certain plants

- the quality and packaging of certain types of products
- technical support
- transport services for Asian and US clients
- consumer relations and communications
- long-term business partnership

The internal defect rate in the aluminium business was 0.25% of product output in 2014. The number of claims received per 10,000 tonnes of production in 2014 was 0.13. A substantial positive trend was evident at certain plants:

- a decrease in recognised customer claims in 2014 vs. 2013: 35% fewer at KrAZ, 5.5% fewer at BrAZ, and 65% fewer at SAZ
- a change in the level of internal defects: 12.5% less at KrAZ, 16% less at SAZ

The following key measures were taken in 2014 to establish effective relations with customers and improve customer satisfaction (as part of the Consumer Support Centre project):

- joint work with customers continued in the form of mutual visits to enterprises, technical seminars, and conferences
- port audits were performed to review compliance with the Company's requirements to preserve products during shipment, and a port audit schedule for 2015 was developed and approved
- the process of delivering Company products to the end consumer along a single product transport route KrAZ – St Petersburg Port – Rotterdam Port – consumer in Germany was analysed to optimise the logistics process and (among other things) cut delivery time
- work continued to improve customer claims management, taking into account restructuring activities in the Company
- work began on launching a system to track and manage claims related to silicon and powder production
- work on the project "Reengineering the business process of sales and production interaction" continued, under which the process of analysing customer requirements and preparing specifications for finished products was streamlined

Plans for 2015 and the medium-term outlook
UC RUSAL works continually to improve product quality and strives to satisfy customer requirements as far as possible. Quality Programme measures will continue to be implemented in 2015, including:

- continuation of projects related to UC RUSAL supplier development and the development of ports through which Company products pass [2];
- developing and implementing automated processing and the analysis of costs related to repackaging and cleaning products in foreign ports
- conducting port audits in accordance with the loading and unloading Port Audit Schedule for 2015 to review compliance with UC RUSAL requirements on the preservation of products during transhipment
- conducting internal audits of enterprises in accordance with the approved 2015 Audit Programme
- developing a performance assessment system for employee training, taking into account the practical application of knowledge attained on the job
- implementing a system for comparing the products of UC RUSAL plants with the best foreign competitors' plants, and establishing target indicators for the Company based on this analysis
- various measures to improve customer claim work
- implementing ISO 9001 and ISO/TS 16949 requirements and preparing a number of the Company's production facilities for certification

The Company also plans to hold the first UC RUSAL quality services conference in 2015, in order to analyse the current situation, exchange experience, and draft joint decisions on various areas of the Company's development related to quality.

Supply chain

Approach to supply chain management

UC RUSAL is open to long-term cooperation with suppliers that share the Company's dedication to high standards of business ethics, quality, and production efficiency.

When working with suppliers, the Company is governed by the following key principles:

- Mutual trust
- Respect and responsibility
- Improving product quality
- Improving technology
- Creating new types of products
- Continuous improvement of processes

The Company adopts a cautious approach to selecting suppliers, and employs a “Zero Defect” strategy, under which all products supplied must meet contractual and regulatory requirements.

In order to analyse how well a supplier meets Company requirements, UC RUSAL organises audits (systems, processes and products audits) at supplier enterprises. The process of audits is standardised.

The Company uses five main criteria to assess suppliers:

- Product quality
- Price
- Delivery terms
- Payment terms
- Delivery volume

The main requirement the Company sets suppliers is that they hold a certificate confirming that their quality management system (QMS) meets ISO 9001 and/or ISO/TS 16949 requirements. In addition, suppliers must maintain the product quality requirements that the consumers of finished products expect from the Company.

Supplier ratings

A supplier rating assessment system was developed in 2014. In 2015 a standard will be implemented governing the supplier assessment procedure.

On the basis of a number of parameters, including the results of commercial-scale test lots of raw materials, audit results, positive quality trends, and also how quickly the supplier reacts to comments and claims on the part of the Company, suppliers receive an assessed rating in the following percentage ratio:

- up to 50%: the supplier is not suitable for the Company
- 50-70%: development work must be conducted with the supplier
- above 70%: a reliable supplier that the Company can work with

If the supplier does not wholly satisfy UC RUSAL requirements (50%–70%), then the Company is prepared to provide support to develop such suppliers in order to achieve the level of “reliable supplier”.

Work with suppliers is performed on the basis of the following internal documents:

- Uniform UC RUSAL Requirements for Suppliers
- Regulations on Developing Supplier Specifications
- Regulations for Supplier Certification
- Procedure for Supplier Audits
- Standards for Raw and Other Materials, Equipment, and Services
- Raw Materials Procurement Regulations
- Regulations for the Procurement of Equipment, Materials, Plant Logistics Support, and Services

In addition to the existing documentation, in 2014 the Methodology was adopted to organise the accounting of materials that deviated from the requirements of regulatory documents. In accordance with this Methodology, a register of incoming raw materials is kept on the corporate portal, to which all responsible employees have access.

The management of the supply chain at the Company falls within the responsibility of a number of divisions in various functional areas: marketing and procurement, transport and logistics, and distribution.

As a rule, the divisions involved consult weekly, or more frequently if necessary. The effectiveness of divisions involved in supply chain management is assessed on a monthly basis using established target indicators.

Supplier relations in 2014

The Company worked with more than 90 suppliers in the reporting year. The Company’s main suppliers are:

- CJSC TsFR: the supply or transfer of electrical capacity
- Irkutskenergo: the supply or transfer of electrical capacity
- JSC RZD: rail shipments
- Rio Tinto Aluminium Limited: bauxite and alumina deliveries
- ENRC Marketing AG: alumina deliveries

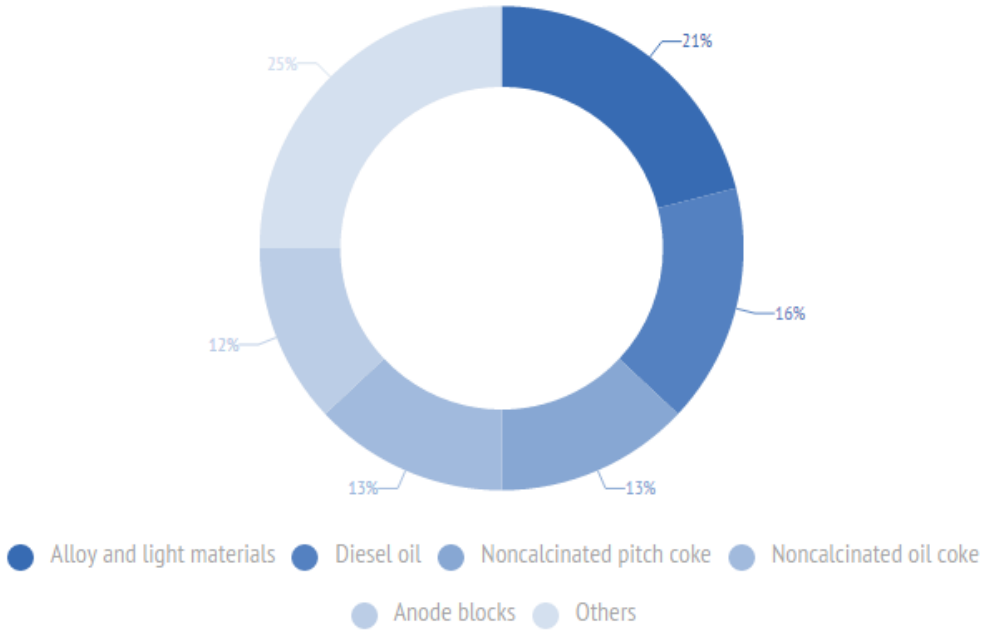
Total purchases by the Company in 2014 equalled USD 910,605 million. The five largest suppliers accounted for 24% of total UC RUSAL procurements in 2014, with the largest supplier accounting for 10% of total procurements.

In 2014 the largest procurement components among the main types of raw materials were foundry alloy and light materials and diesel fuel (21% and 16%, respectively). The Company's main suppliers in 2014 were located in China.

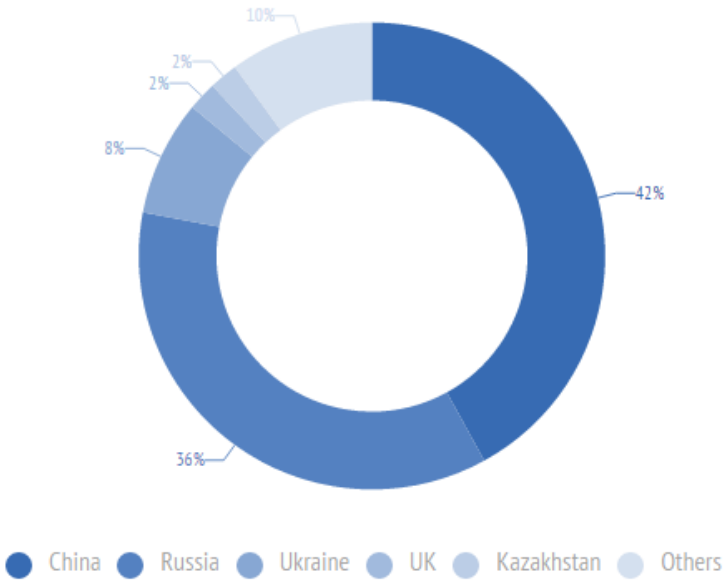
The Company seeks to work with and support local suppliers.

A local supplier is one for which the greater part of added value is produced within the Russian Federation. The share of procurement from local suppliers was 36% in 2014.

Share of procurement, 2014, by type of raw materials, %



Share of procurement, 2014, by location, %



Source: UC RUSAL management reporting

Supplier audits

UC RUSAL conducts supplier audits on the basis of prior notification to the supplier. During the audit the supplier provides UC RUSAL with access to all production areas, warehouse and auxiliary premises, and quality related documents.

Supplier audits are conducted for both new potential suppliers of the Company and existing suppliers, as part of the annual confirmation of compliance with UC RUSAL requirements.

Preparatory work was performed in 2014 to conduct joint audits of suppliers.

Specialists of the quality control service and a number of the Company's other functional divisions (the Business Development Directorate, the Commercial Directorate, the Technical Directorate, etc.) participate in joint audits.

In 2014 a total of 34 audits of suppliers and nine audits of ports were performed, during which key issues and problems to be resolved were identified and recommendations developed. The Company is working in cooperation with its suppliers to eliminate the identified deficiencies and to optimise its activity.

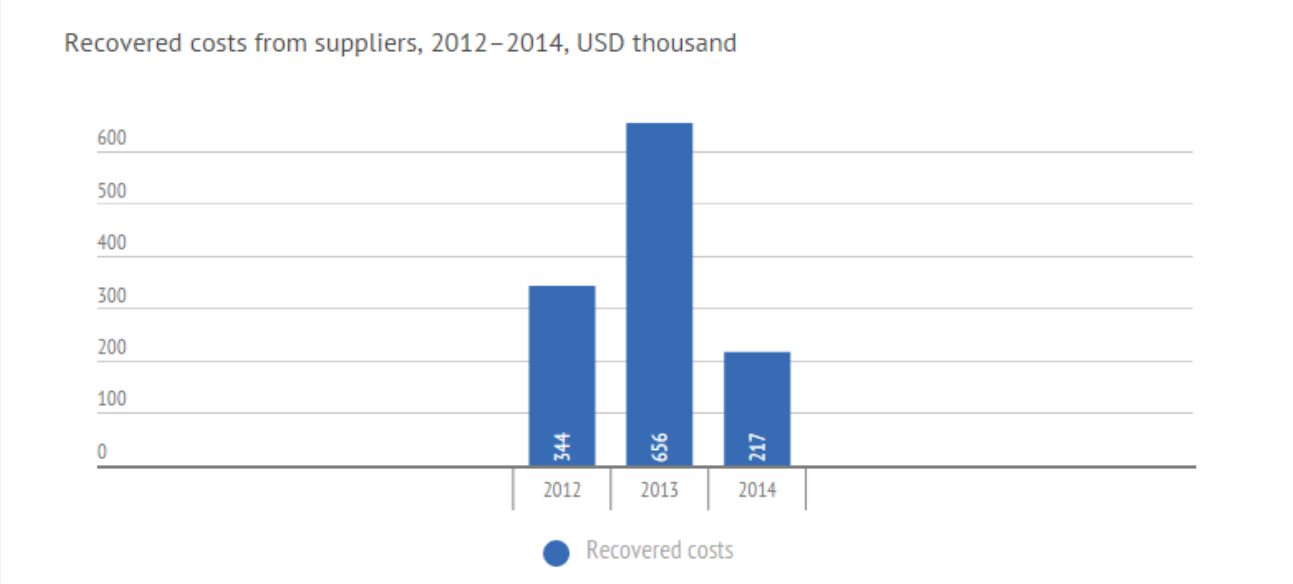
Key issues identified during supplier and port audits, 2014

Audit	Quantity	Key issues identified during audits
Audit of suppliers	34	incoming inspection and input control methods were not coordinated no clear requirements on the materials being procured damage/contamination had occurred during transport
Audit of ports	9	some containers had not been loaded to full capacity requirements during warehousing and storage of products had not been observed ship loading and unloading arrangements were not standardised requirements during handling operations had not been observed packaging materials were substandard and flimsy

Recovery of losses caused by suppliers

UC RUSAL product suppliers endeavour to comply with the Company's standards on quality, while at the same time continually improving production and business processes.

The Company consistently performs work to record discrepancies in the quality of incoming raw materials and other materials. Improvements continued to be made in claims settlement work with suppliers in the reporting period. The number of identified deficiencies was included as a criterion in the supplier rating system.



Other actions implemented in supplier relations

Other actions aimed at improving the quality of procured products included:

- developing and approving technical requirements for suppliers regarding procured smelting materials

- a programme to move ISO standards in relation to incoming inspections on all purchased inventories was developed (the unification of incoming laboratory testing inspections)
- work continued to develop the Company supplier base
- the percentage of discrepancies in procured products is taken into account during supplier assessment and selection

Supplier development

One of the Company's priorities in supplier relations is to develop and train suppliers and raise the level of their professionalism. Supplier development is one of the medium-term goals of UC RUSAL.

Since 2011 the Company has implemented a Supplier Development Centre project, whose objectives include:

- ensuring the reliability of suppliers and improving the corporate supplier certification system
- supporting the development of suppliers and reducing the level of non-compliance of procured products
- optimising costs related to the incoming inspections of purchased products and ensuring the appropriate level of recovery of losses caused by suppliers

As part of this project, in 2013 UC RUSAL began helping suppliers implement TPS principles and tools. The key stages of this work are familiarising suppliers with the Company's business system, and training specialists directly at supplier enterprises. A total of 49 people working at the Company's supplier enterprises received training in 2014.

The basic knowledge acquired of the functioning of the Company's business system, as well as the jointly developed recommendations and methods for resolving corresponding issues, enabled suppliers to achieve a significant economic effect. For example, over 10 supplier cost-cutting projects were being implemented at the end of 2014.

Example of joint work with alloy supplier JSC Solikamsk Magnesium Plant

The following measures were taken as part of joint work with JSC Solikamsk Magnesium Plant:

- cutting costs on equipment maintenance through implementing SWS
- reducing the fleet of machinery being serviced by 15%

Economic effect: USD 38.54 thousand per year.

By implementing joint projects with suppliers, the Company fosters the development of competition between them, which in the final analysis is reflected in the Company's ability to satisfy to the maximum possible extent the needs of its clients.

Plans for 2015 and the medium term outlook

The Company plans to implement a number of measures to further improve supply chain management processes in 2015:

- institutionalisation of supplier assessment rating procedures
- continued work to develop technical requirements and specifications on procured smelting and auxiliary materials
- continued implementation of the project to move to ISO standards in relation to incoming inspections on all purchased inventories (the unification of incoming laboratory testing inspections)
- implementation of the alloy supplier development project for foil quality products
- continued supplier development work at the Solikamsk Magnesium Plant, the Gomel Chemical Plant, and with the company Energoprom
- drafting regulations for the audits of ports and transhipment stations
- inclusion of a Quality section in supply contracts and performing work to include a discount matrix in procurement contracts (if the quality indicators for raw materials and other materials are not met)
- ensuring the implementation of the supplier and port audit plan

[1] Appendix to the Company Programme for Quality Development for 2014–2015.

[2] More details on the Company's plans related to supplier and port relations are available in the Supply Chain section hereto.

Research and technological development

Approach

One of UC RUSAL's key competitive advantages is having its own engineering and technological base, which sets the Company apart as being fully self-sufficient in terms of being able to effectively implement both technological advances and engineering and innovative solutions at its enterprises.

With this goal in mind, the Company has set up an Engineering and Technology Centre (ETC), where main research and development (R&D) is conducted, engineering work is performed, and Feasibility Studies (FS) are drafted. The Company has two design institutes used to design new constructions and to effect modernisation. The construction of the KhAZ and BoAZ aluminium smelters using its proprietary technologies is an example of this type of successful, full-cycle innovation.

The ETC is also constantly expanding its cooperation with leading Russian and foreign core higher education and research institutions so that UC RUSAL's innovative activity can benefit from related resources and the most recent developments in fundamental science. In 2014 the list of higher education institutions working with the Company increased to 21 educational and research institutions. Now, when selecting higher education partners, the Company expands the scope of its cooperation to include those institutes that focus not only on primary aluminium, but also develop the technologies required to obtain end products. In 2014 UC RUSAL's new partners from leading steel institutes included:

- The Boris Yeltsin Ural Federal University
- The Institute of Chemistry and Chemical Technologies of the Ural Division of the Russian Academy of Sciences
- The Institute of High-Temperature Electrochemistry of the Ural Division of the Russian Academy of Sciences
- The Joint Institute for High Temperatures of the Russian Academy of Sciences

UC RUSAL annually invests significant funds to develop innovative technologies, and to modernise and expand its enterprises. A number of R&D projects are being implemented using co-financing from the state.

Deliverables

In 2014, priority tasks in the performance of R&D and the subsequent modernisation of production facilities were as follows:

- increasing the share of high-value-added products (HVP)
- improving the quality of manufactured products
- improving the energy efficiency of production
- cost-cutting and reducing the cost of goods sold
- ensuring raw materials independence
- improving the environmental safety of production

All R&D development and implementation plans, as well as plans set by the Company in 2014 to modernise production facilities [1], were or are being performed.

Innovative technologies and research projects

UC RUSAL is continuously developing existing aluminium production technologies. From the Company's foundation in 2002 up to and including 2013, the ETC implemented over 460 R&D projects, of which over 80% were successfully implemented or are being implemented.

Today the Company is the developer and owner of its own proprietary energy efficient and environmentally friendly aluminium production technologies: RA-300 and RA-400. In the reporting period, the Company also began to design and build new facilities for the pilot production of heavy duty RA-550 electrolysis cells, for the further development and modernisation of its enterprises. The improvement of a number of environmental indicators was also factored in while developing this type of electrolysis cell.

One of the main R&D achievements in 2014 was the approval of the innovative Eco-friendly Soderberg (EcoSoderberg) aluminium production technology, which replaces conventional Soderberg electrolysis technology. The new technology

significantly decreases stress on the environment by reducing total emissions of gaseous compounds (by 13,600 tonnes per year and of electricity consumption to 400 kWh per tonne of aluminium. EcoSoderberg also makes it possible to increase the service life of the electrolysis cell and to make electrolysis cells more efficient and productive. After the successful completion of testing the technology in 2014, carried out in four buildings at KrAZ, it was decided that the technology would be implemented throughout KrAZ starting from 2015. The next stage will be the conversion of electrolysis cells to the new technology at BrAZ, NkAZ and IrkAZ.

Electrolysis cell with inert anodes

UC RUSAL's main innovation project to date, which is unprecedented in its environmental effect, is the production of aluminium using an inert anode.

Under the conventional technology, electrolysis cells with carbon anodes are used to produce aluminium, which leads to the emission of carbon dioxide, tarry and poly-aromatic matter. When producing aluminium using inert anodes that do not require carbon-based materials, the by-product is oxygen, not carbon dioxide. One electrolysis cell can produce the same amount of oxygen as 70 hectares of forest. An inert anode is also consumed much more slowly than a carbon anode, and only needs to be replaced once per year on average, which significantly reduces operating costs.

Main advantages:

- complete elimination of greenhouse gas and poly-aromatic hydrocarbon emissions during aluminium production
- more than a 10% reduction in production cost, due to savings on anodes
- more than a 30% reduction in capital expenditures on the construction of new plants

Project status

After the successful completion of the laboratory testing stage in 2013–2014, the Company put a trial unit into production at KrAZ in 2014, and proceeded to the commercial testing of the inert anode technology on one electrolysis cell in 2015. Commercial testing will continue in 2015–2017, and, if successful, UC RUSAL intends to convert its new production facilities to inert anode technology (replacing the EcoSoderberg technology).

The Company continues to test its own innovations for the Alumina Division. Specifically, as part of cost-cutting efforts, the Company focused in the reporting year on implementing energy saving projects and projects to enhance the effectiveness of alumina and bauxite extraction.

Vigorous efforts are being made to develop processing technology for red mud – the waste product of alumina production. Red mud contains a large quantity of valuable elements: ferrous oxide, titanium, and other metals. The creation of the technology to remove these components will eliminate the need for the expensive disposal of red mud residues, and will make it possible to generate a source of additional profit for alumina enterprises. Laboratory work was completed in 2014, and based on its results the commercial-scale pilot unit is currently being retrofitted with missing equipment. Testing there is scheduled to commence from autumn 2015.

The Company also continues to develop a completely new technology to obtain alumina from high-silica raw materials from the Siberian region, for the supply of competitively priced alumina to its enterprises. The process design criteria for a large-scale, full-cycle laboratory unit were developed in 2014. The Company intends to outfit and launch the experimental full-cycle unit in 2015 using funds from the Russian Ministry of Education and Science, which will make it possible to model the technology of the entire plant and to confirm the parameters and indicators of the technology.

A number of R&D projects which are planned for the period 2014 to 2016 are being implemented jointly with the Russian Ministry of Education and Science and the Russian Ministry of Industry and Trade, using ministerial grants exceeding RUB 490 million. In particular, the projects envisage the production of scandium-aluminium alloys and an increase in the strength of nanostructured aluminium alloys intended for use in electrical technology. Testing energy saving technologies for use during the electrolysis of aluminium is also performed.

You can read about other R&D projects aimed at enhancing the effectiveness of the production of aluminium, alumina and high-value-added products in the UC RUSAL Annual Report for 2014.

Modernisation and development

Given the situation on the aluminium market and the increase in the prices of energy resources and other materials, UC RUSAL is looking for new ways to reduce costs and to boost labour productivity. Accordingly, the Company continues to implement a programme to expand, rebuild and upgrade existing plants.

The goal of modernisation is to commercialise successful R&D. During the implementation of modernisation projects, R&D developers perform design supervision over the implementation of their technology and help rectify any issues that may arise.

The Company is continuing with its upgrades of the Alpart and Windalco plants in Jamaica (begun in 2014), transferring these alumina refineries from fuel oil to natural gas. The feasibility study on the conversion of the Alpart plant to low-sulphur coal and ethane was completed in 2014. It is expected that energy costs in this case will be significantly lower than traditional supplies of fuel oil and liquefied gas.

As part of the project to modernise aluminium powder production facilities, the upgrade of PM-Shelokhov was completed in 2014, the stock list of powders was expanded from eight to 15 brands, and the production of 85-120 tonnes of modern powders

per month was organised. The new equipment has increased production capacities by 30%. The modernisation of aluminium powder production facilities at another Company plant, BrAZ, continues. New types of aluminium powder are used in the construction industry to produce autoclaved aerated concrete – the market for aerated concrete in Russia and the CIS is the fastest growing in the world.

One of the projects being implemented to streamline production and to reduce costs is the construction of a 15 MW gas reciprocating unit at Urals Foil in 2014. Construction work is scheduled for completion in the second quarter of 2015. This project will make it possible to reduce the production process cost by using the Company's own electricity and heat, which can be generated by gas reciprocating units at a cost far below the purchase price.

To ensure raw materials independence, active work continues on the design of the Taishet Anode Shop (TAS), with an annual capacity of 870 thousand tonnes of prebaked anode blocks. The production technology is a proprietary development of UC RUSAL, designed by the ETC in Krasnoyarsk. TAS will supply prebaked anodes to the new production facilities of the Boguchansky and Taishet aluminium smelters (570 thousand tonnes) and also cover the current needs of other Company plants (300 thousand tonnes). The implementation of this project will in addition enable the Company to significantly cut costs, as the cost of the anode blocks produced in-house is well below the cost of blocks procured externally from other manufacturers. The design of the shop was completed, an expert evaluation was performed, and public hearings were held in 2014. The search for financing is currently under way.

During 2014 a total of 51 projects were being implemented, aimed at the expansion, reconstruction and modernisation of UC RUSAL enterprises, while work on another 63 is scheduled for 2015 under the approved budget and investment expenditures plan.

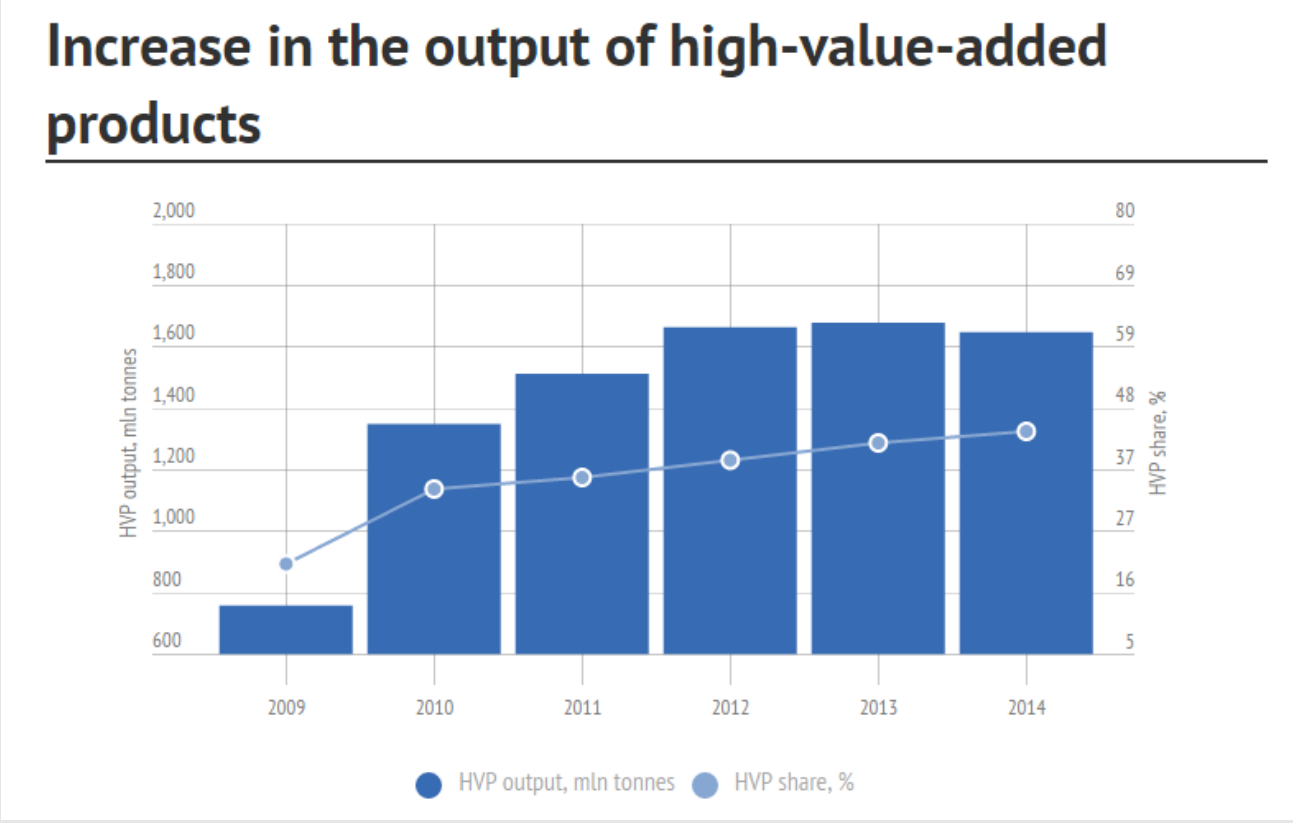
Increase in output of high-value-added products

Increasing the share of HVP in the structure of output is a priority strategic development area of the Company, aimed at increasing profits and improving the quality of customer service. UC RUSAL carefully monitors market demand and adapts its product line based on client needs, after identifying the most-in-demand alloys and rolled wire.

Alloying aluminium with other metals strengthens its properties, and expands its areas of use in various industrial sectors. The key modernisation projects for HVP production are focused on the automotive, construction and electrical industries.

The Company executed projects to upgrade and expand production at five aluminium smelters in 2014, as part of its efforts to increase HVP output.

At present, HVP output makes up nearly 50% of total production. Increasing HVP output to 55% by 2020 is one of the Company's overriding priorities.



Plans for 2015 and the medium-term outlook

The Company intends to continue paying special attention to developing and implementing R&D. In addition to those listed above, the Company's plans for 2015 also include:

Related to R&D

- developing and implementing energy efficient solutions for all types of electrolysis cells during overhauls
- developing the technology for calcinating coke in rotary kilns
- developing the technology for baking anodes to modernise SAZ during its overhaul
- developing the technology for receiving new reducing agents to lower the production cost of silicon
- creating the technology for producing high-strength, lean alloying alloys with a high iron content
- creating the technology for producing new types of rolled wire for use in electrical equipment, and other R&D projects
- developing the technology for producing aluminium alloys with scandium additives for the aviation, rocket production and other high-technology industrial sectors

Related to modernisation and development

- organising the output of extrusion billets in Casthouse No. 1 at KrAZ
- modernising the baking furnaces at IrkAZ to produce 92 thousand tonnes of calcinated coke and to satisfy all IrkAZ's needs for this raw material
- constructing melting furnaces at SAZ, KrAZ and BrAZ to reduce economic losses from the sale of ingot butts
- creating slag, waste and SFA (secondary foundry alloy) scrap processing areas and including metal in the production of primary aluminium alloys
- installing a Properzi horizontal continuous casting foundry unit at Casthouse No. 2 of KhAZ
- expanding alumina production to 900 thousand tonnes, and other modernisation projects

In 2015 the Company plans to implement a number of R&D projects using the funds of the Russian Ministry of Education and Science, received based on a tender held in May 2015 for implementing scientific developments with higher education institutions (approximately RUB 300 million).

The Company also applied to participate in a tender on the allocation in 2016 of subsidies for implementing R&D projects developed jointly with higher education institutions. The subsidies will be allocated by the Russian Ministry of Education and Science accordance with Russian Government Resolution No. 218, which establishes the rules on state support for developing cooperation between Russian higher education institutions and organisations implementing projects to create high-technology production facilities [2].

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[1] For more details, see the Sustainability Report for 2013.

[2] Russian Government Resolution No. 218 of 9 April 2010 On Measures of State Support for Developing Cooperation Between Russian Higher Education Institutions and State Research Institutions and Organisations Implementing Comprehensive Projects to Create High-Technology Production Facilities Under the Subprogramme "Institutional Development of the Research and Development Sector" of the Russian State Programme "Development of Science and Technology for 2013–2020".

Environmental protection – Approach

UC RUSAL believes that environmental activity forms an integral part of production activity and participation in state sustainable development projects. UC RUSAL enterprises impact the environment during the extraction of natural resources and the processing of mineral raw materials. In order to mitigate and offset this impact, the Company undertakes to meet a number of legal and regulatory requirements on environmental protection and recognises the part it has to play in regulating global and regional environmental issues and in seeking new approaches to resolve them.

In line with its environmental policy and its assumed obligation to regularly review and update its regulations, UC RUSAL is continually improving and optimising its system of environmental protection measures and implementing the principles of its environmental policy at all production facilities. The system for managing environmental protection and ensuring the responsible use of natural resources requires compliance with environmental impact standards set by local legislation in those jurisdictions where UC RUSAL operates.

As an environmentally aware company, UC RUSAL continues to implement programmes to reduce its negative impact on the environment and the quantity of waste produced, thereby ensuring compliance with all applicable legal and regulatory requirements on environmental protection.

UC RUSAL's administrative decisions at all levels and in all areas of activity are based on the following guiding principles:

- **risk management:** identifying and assessing environmental risks, setting goals and planning work, taking into account environmental risk management issues
- **compliance:** striving to fully meet the requirements of environmental legislation of the countries where the Company operates, and its voluntary commitments on environmental protection
- **prevention:** leveraging the best available technologies and methods to prevent pollution and to minimise the risks of environmental damage as well as other adverse environmental impacts
- **training:** organising trainings for Company employees in environmental standards applicable to their area of operations, in order to improve their understanding of available options and their responsibilities and the environmental consequences of violating these standards
- **interaction:** considering stakeholder opinions and interests, establishing environmental requirements when selecting suppliers and contractors, and helping them attain these requirements
- **measurability and assessment:** establishing, measuring and assessing environmental indicators, as well as the self-assessment of compliance with environmental legislation in the countries where the Company operates and voluntary commitments on environmental protection
- **openness:** publicly disclosing environmental plans and achievements, including through the Company's public reporting

The strategic areas of UC RUSAL's activity under its Environmental Policy are:

- achievement by Company enterprises by 2020 of atmospheric emissions standards established by the laws of the countries where it operates
- protecting the Company's interests regarding the regulation and reduction of greenhouse gas emissions
- creating closed-loop water-supply systems for the main production processes at Company enterprises by 2020
- increasing the annual share of treated and utilised waste, ensuring its safe storage and disposal
- replacing equipment and eliminating waste containing polychlorinated biphenyls (PCBs) by 2020
- increasing the annual share of rehabilitated land and assisting in the preservation of biodiversity
- creating a corporate management system to manage environmental aspects and risks and the certification of all enterprises selling products on the market in accordance with ISO 140001 by 2020
- assisting in creating a modern regulatory legal framework on environmental protection in relation to aluminium and alumina production

Other important areas of the Company's environmental planning activity include ensuring reliable access to sources of environmentally friendly renewable energy, and efforts to reduce the Company's carbon footprint. For the performance of these tasks, UC RUSAL has concluded long-term contracts with hydroelectric power plants in Siberia, making it possible to produce

85% of aluminium using renewable, environmentally friendly hydroelectric power and, as a result, to reduce greenhouse gas emissions.

Each year, UC RUSAL performs an internal assessment of the extent to which it has implemented the principles and approaches codified in the provisions of the Environmental Policy.

Plans for the period 2015–2017 include a re-evaluation of the strategies of the UC RUSAL enterprises under the jurisdiction of the Russian Federation concerning the attainment of maximum allowable emissions, as a result of the need to perform an objective review of key technologies from the perspective of compliance with effective requirements, which will result in developing technological emission standards for UC RUSAL key technologies and, as a result, in the inclusion of the Company's technology in the directory of best available technology.

In 2007 UC RUSAL signed a memorandum of intent with the UN Development Programme, becoming the first Russian company to publish a report on corporate implementation of the UN Global Compact. The goal of the memorandum of intent is joint activity to reduce greenhouse gas emissions. The Company also participates in the activity of the International Aluminium Institute to reduce greenhouse gas emissions and rational energy use.

UC RUSAL is a member of the Russian National Committee for the United Nations Environment Programme (UNEPCOM). UNEPCOM is a non-profit partnership of individuals and legal entities which works to support the efforts of civil society and entrepreneurs to preserve the environment, improve public health, ensure the sustainable development of the Russian Federation, and assist in the fulfilment of Russia's international commitments to the UN Environmental Programme and other international organisations handling these issues. The Company intends to continue working to improve its operations until it has attained the level of international best practice.

Results of sustained work on environmental protection

Based on the results of longstanding supervision by the Khakassia station of the state agricultural chemical service, SAZ was recognised as an enterprise that does not have an adverse impact on the water, soil and plant products grown in Khakassia. Specialists have established that the fluorine content of vegetable crops does not depend on the distance of the plants being studied from the territory of the smelter. SAZ performs a number of environmental protection measures to minimise the smelter's environmental impact, including: upgrading equipment, soft landscaping of the buffer zone, and the rehabilitation of land around the smelter. Over the past 10 years, SAZ has spent more than RUB 500 million on achieving its environmental goals.

Management structure

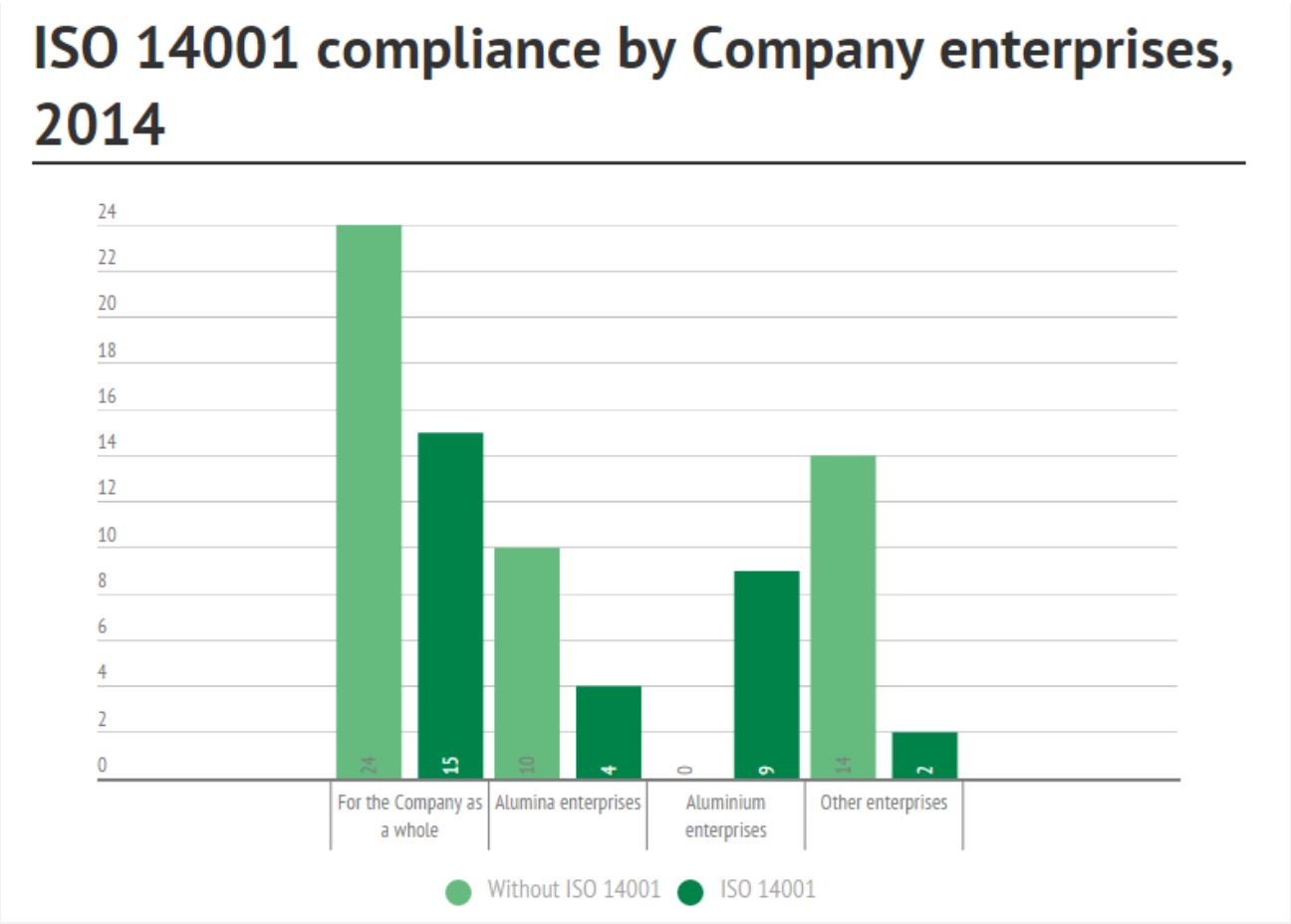
In 2014 the Department of Health, Safety and Environmental Protection, which organises the planning of, control over and reporting on environmental protection activity, was included in the structure of the Technical Directorate. The Department comprises an occupational health and safety office and an environmental standards and monitoring office.

The day-to-day management of environmental protection issues at enterprises (including agreeing their goals and budgets, financing environmental measures, monitoring permit documentation, and assessing environmental risks) is the responsibility of the divisional services of health, safety and the environment. At enterprise level, specialised departments of health, safety and the environment are directly responsible for operational activities relating to environmental protection [1].

As part of efforts to develop and improve its environmental protection system, UC RUSAL ensures the certification of aluminium and powder production enterprises in accordance with the ISO 14001 international standard for environmental management systems. For example, in 2014 Det Norske Veritas (DNV) performed a supervisory audit and confirmed the compliance of the umbrella environmental management system for 2013–2015 with the ISO 14001 standard.

As at the end of the reporting period, 15 UC RUSAL enterprises had been certified. The change compared to the previous year (16 enterprises) was due to the exclusion of one aluminium plant from certification due to its mothballing for subsequent reprofiling.

By 2020 the Company plans to obtain ISO 14001 certification for all enterprises selling products on the market (foil, silicon).



The Company implements a strategy to continually improve its environmental indicators, based on the adopted Technical Policy:

- at newly commissioned facilities, through implementing cutting-edge technologies
- at existing enterprises through:
  - modernising the existing production cycle
  - replacing obsolete gas treatment equipment
  - creating closed-loop water-supply systems, or building modern treatment facilities to prevent the discharge of untreated effluent if a closed-loop water-supply system cannot be created
  - building modern warehouses for production waste, to ensure its safe long-term storage
  - building facilities to process waste for customers selling (for example, crushing and sorting equipment)
  - replacing and disposing of electrical equipment containing PCBs
  - environmental reclamation through the restoration of disturbed land and decommissioned waste storage facilities
  - installing the best available technologies

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[1] The structure of the Department of Health, Safety and the Environment is described in section 4, Occupational Health, Industrial and Fire Safety, hereto.

Climate change

Approach

Achieving a reduction in greenhouse gas emissions is one of UC RUSAL's main goals. The Company continues to take measures to reduce these emissions into the atmosphere as part of the "Strategy for a Safe Future" initiative [1] adopted in 2007.

Under the existing agreement with the International Aluminium Institute, UC RUSAL keeps annual data on emissions of CO_2 equivalent and energy consumption during the production of primary aluminium, energy consumption on foundry production and during the production of alumina, and on the use of anodes and anode paste.

Since 2011 Aluminium Division enterprises have, pursuant to a Greenhouse Gas Protocol (GHG Protocol) initiative, submitted reports on the calculation of direct greenhouse gas emissions created during the reduction process based on the methodology of the International Aluminium Institute (IAI).

Work was performed during the reporting period to develop a corporate method for the stocktake and metering of greenhouse gases. Further plans include improving the existing format of internal environmental documentation, and prescribing an additional assessment of indirect greenhouse gas emissions.

Reduction in direct greenhouse gas emissions created during the reduction process at UC RUSAL enterprises (not including the ALSCON plant in Nigeria)

Year	CO_2 (t)	Perfluorocarbons (t CO_2equivalent)	Total (t CO_2 equivalent)	% reduction vs. 1990 (t CO_2equivalent)
1990	5,883,019	11,880,331	17,763,350	0%
2012	7,290,169	2,552,580	9,842,750	45%
2013	6,322,988.96	2,608,152.40	8,931,141.36	49.7%
2014	5,979,062.85	2,256,007.62	8,235,070.47	53.6%

Results

In the reporting period UC RUSAL met its goal for 2015 of achieving a 50% overall reduction in direct greenhouse gas emissions into the atmosphere by existing aluminium smelters. This goal had in fact already been met in the 2014 reporting year, when the indicator was 53.6%.

The reduction in greenhouse gas emissions was achieved as a result of transitional modernisation measures and the mothballing of inefficient plants.

The Company continues efforts to reduce its greenhouse gas emissions, independent of the decision of the Russian Federation to participate in the second stage of the Kyoto Protocol (Kyoto-2 to 2020).

In addition to primary production, Company enterprises have begun work to record and analyse greenhouse gas emissions from alumina and silicon production enterprises.

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[1] The Strategy for a Safe Future initiative is aimed at reducing atmospheric impacts and minimising the effects on the climate.

Land and biodiversity

The restoration of disturbed land and efforts to maintain biodiversity are some of the areas covered by the UC RUSAL environmental strategy.

Since 2008 the Company has had an operating policy in place entitled Decommissioning and Environmental Restoration: Requirements for Organising Work and Assessing Liabilities, which establishes:

- uniform corporate approaches and requirements on the restoration of disturbed land
- unified rules for assessing obligations to decommission facilities and environmental restoration

In accordance with the UC RUSAL Accounting Policy, expected decommissioning and environmental restoration costs are shown in the Company's international financial statements as provisions.

Land resources

Approach

The Company restores disturbed land in the following ways:

- Restoration of soil topography and fertility after the completion of mining work (exhaustion of quarries and mines)
- Reclamation of landfill sites for production and consumption waste
- Restoration of disturbed and polluted land

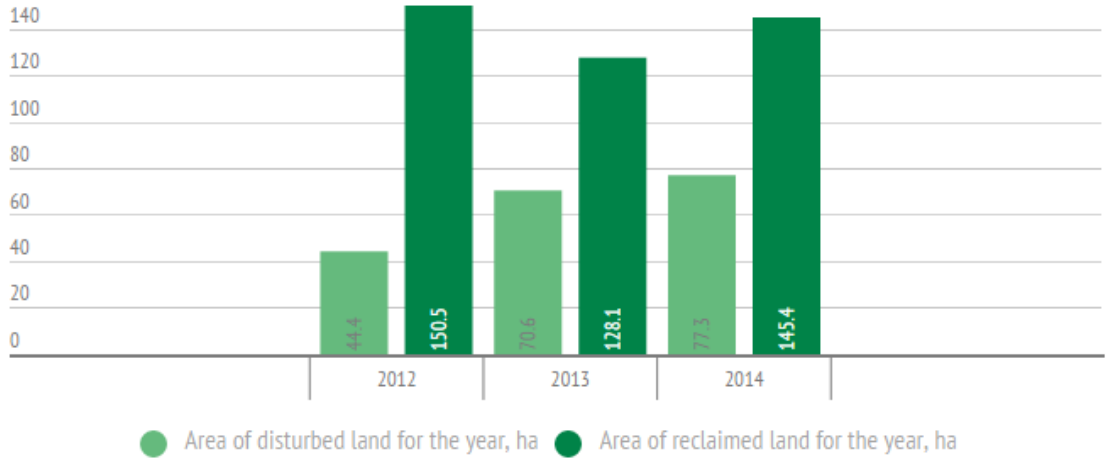
Results

The trend towards restored land exceeding the area under development continued. The reclamation coefficient in the reporting period changed very slightly to 1.9 (in 2013 it was 1.8), chiefly due to an increase in the share of restored land, while the development of new quarries remained practically at the 2013 level. The total amount of disturbed land at Company enterprises in 2014 was 7,373 ha, which is almost the same as the previous year's level. Mud disposal sites and landfill sites for production waste account for 51% of total disturbed land quarries, while dumping sites account for a further 42%.

In the reporting period UC RUSAL reduced its decommissioning and restoration obligations by 23.2% vs. the previous reporting period, which equalled USD 377 million. In 2014 obligations arising in connection with the closure of Eurallumina equalled USD 167 million, representing 44% of total obligations.

As part of UC RUSAL's partnership with UNEPCOM, a land restoration technique using soil modifiers was proposed. Use of the properties of the components used to produce the modifiers makes it possible to remedy soil intoxication, neutralise heavy metal salts, and double or triple plant germination. Laboratory tests of technology for red mud processing at UAZ were performed in 2014, and positive results were obtained.

Ratio of disturbed land to reclaimed land, 2012–2014, ha



Data consolidated for all Company enterprises, apart from Compagnie des Bauxites de Kindia (Guinea), the Friguia Bauxite and Alumina Complex (Guinea), ALSCON (Nigeria) and the Bauxite Company of Guyana.

Resolving a pollution issue in the territory adjacent to the Achinsk Alumina Refinery (AGK) sludge disposal site

Recognising the magnitude of AGK's impact on the environment, UC RUSAL makes every effort to improve the environmental situation in and around the refinery.

Because the refinery began working nearly 45 years ago, many of the technical solutions in use when it was built do not meet modern environmental safety requirements. Despite significant funds invested by AGK in the implementation of current environmental protection measures, the problem of environmental pollution persists. This is due to the constant longstanding impact of drainage and seepage waters which, together with soil compaction, have led to a deterioration in the hydrogeological situation, flooding, and pollution of the soil and ground water. A large number of oxbow cut-offs and lakes located in the marshy bottomland of the Chulym River (the floodplain terrace of which contains a sludge disposal site) are potentially in danger of pollution.

Major work to modernise AGK from an environmental standpoint began in 2013, when public discussions and an environmental impact study of the construction of sludge pond No. 3 were held. A year later, a plan of restoration work (PRW) stipulating the following measures was prepared:

- a set of works to reconstruct the sludge ponds, to ensure their maximum utility and to prevent the widening of the land area for the storage of sludge
- works to stabilise the collection and return of drainage waters for use in the production and construction of a system to intercept seepage waters and to return them to the refinery's closed-loop water-supply system
- localisation of the land exposed to adverse environmental impacts
- reimbursement of damage to areas adjacent to a sludge disposal site
- gradual drainage of land plots, their decontamination using chemical reagents, the application of top soil and the restoration of vegetation through planting grass and shrubs as part of the biological reclamation of polluted land

The PRW stipulates specific timeframes for the completion of measures and to appoint responsible in-charges. The constant monitoring of the condition of the facilities themselves and the environment will also be organised in order to rule out the possibility of recontamination. The PRW is planned for implementation before 2020.

Biodiversity

Approach

UC RUSAL enterprises are located in various regions and countries, and some are located near nature preserves. The Company's main production facilities are located in Siberia, an ecoregion that has unique flora and fauna.

The land on which UC RUSAL enterprises are located are not on or adjacent to specially protected natural areas (SPNA).

Adhering to sustainability principles and the provisions of the Environmental Policy, the Company works actively to maintain biodiversity.

In 2014 the Company continued work on long-term programmes aimed at maintaining and preserving biological diversity:

- Participating in establishing and opening visitor centres and ecological trails in SPNA which assist in developing the infrastructures of these territories
- Yenisei Day – a joint project with the Russian Geographical Society to remove refuse from the banks of the Yenisei River and to establish special recreational areas
- A joint project with the Russian Geographical Society to study and protect the snow leopard, aimed at improving the effectiveness of conservation measures in the Altai-Sayansk ecoregion

The ecosystem of the Altai-Sayansk Mountains, located at the boundary of steppe and taiga regions, is listed on the Global 200, which comprises those regions of the world most in need of preservation. Together with the Conservation Country national foundation (which performs public work to support specially protected natural regions of Russia), and also the Centre for Environmental Projects, the conservation areas and national parks of the Altai-Sayansk Ecoregion, and other environmental protection organisations, UC RUSAL implements the project Environmental Monitoring in the Impact Zone of UC RUSAL Enterprises. The measures performed under this project make it possible to monitor changes in the populations of common, rare and endangered species of flora and fauna in the impact zone of enterprises. The results of this monitoring are taken into account when taking decisions on the building of new and the operation of existing Company facilities.

Results

In the reporting period employees of VgAZ, KrAZ, KAZ, AGK, BrAZ, IrkAZ, NAZ and UAZ participated actively in social and environmental projects to clean up the territories and water conservation zones of bodies of water, as part of cooperation with the Russian national environmental movement Green Russia aimed at improving the environmental condition of cities and regions.

Activists of the youth organisations of UC RUSAL enterprises regularly take part in municipal campaigns and environmental programmes for the soft landscaping of the urban environment, the cleaning of water conservation zones at the initiative of municipal administrations, and local state environmental agencies.

The Company assists in environmental education and the fostering of environmental awareness among the younger generation as part of its work with universities and general education institutions.

The ecosystem in which the largest alumina refinery in the world, Aughinish Alumina, is located has been recognised as the top-ranked site using conservation evaluations in Ireland

According to a National Parks and Wildlife Service of the Republic of Ireland report on the Irish Semi-Natural Grassland Survey, the Aughinish peninsula, which houses one of the alumina refineries of UC RUSAL, was the top-ranked site using conservation evaluations of semi-natural grasslands. This ecosystem is a habitat for many rare and protected types of flora, as well as invertebrate animals, birds and mammals.

Despite Aughinish Alumina being the largest alumina refinery in Europe, the peninsula’s 400 hectares have a huge diversity of rare plants, including the two rarest in Europe, on which burnet bloodwort and other endangered species of plants flourish.

Water

Approach

One of the Company's goals is to create a closed-loop water supply system at its production facilities, in order to enable it to reduce water consumption and the amount of discharged effluent.

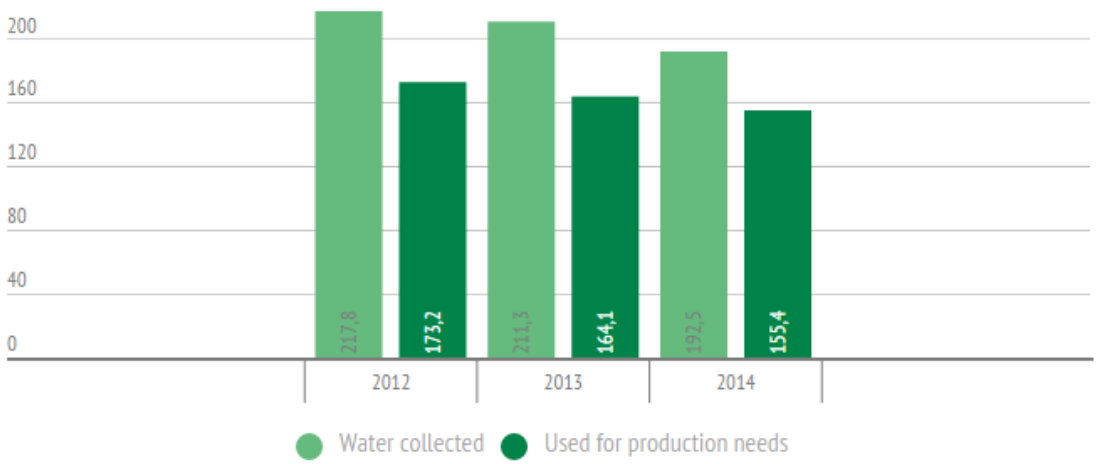
Results

In 2014 the Company successfully reduced the quantity of water collected, by 10% compared to the previous reporting period, with a less significant reduction in the indicator of water used for production needs (by 6% vs. 2013).

This positive trend was tied to the implementation during the reporting period of an important water conservation measure – a project was launched at AGK to convert the combined heat and power plant (CHP) to a closed-loop water supply system, outlet No. 1 was fully liquidated, and the storm sewer system was rebuilt, facilitating a several-fold reduction in the collection of river water.

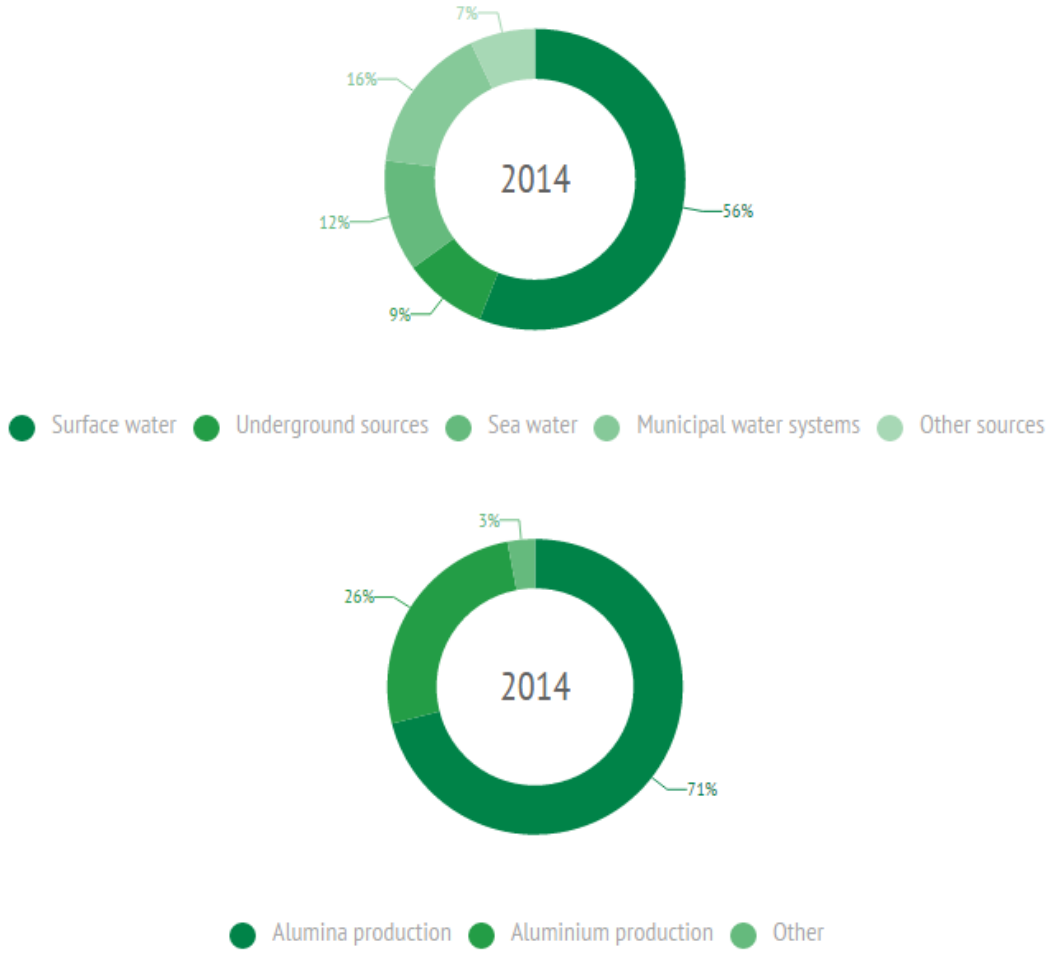
A project to return conventionally clean condensate to the boiler desalinated feed-water system is also being implemented in order to meet the goal of reducing water consumption and the discharge of effluent at the AGK CHP.

Water collection and use for production needs, 2012–2014, million m3



Data consolidated for all Company enterprises, except Compagnie des Bauxites de Kindia (Guinea), the Friguia Bauxite and Alumina Complex (Guinea), ALSCON (Nigeria) and the Bauxite Company of Guyana.

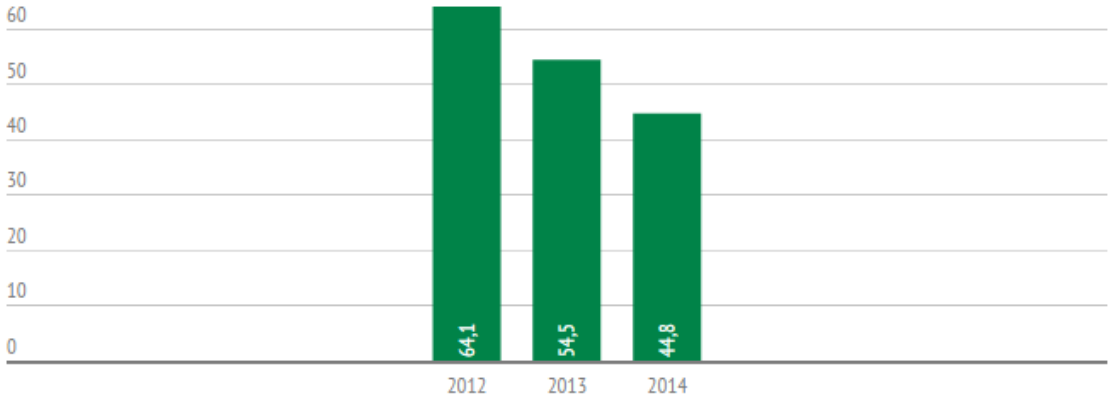
Water collected by source and type of enterprise, 2014



Overall, the structure of water consumption at the Company by source and type of enterprise remains unchanged. The greatest amount of water is collected from surface-water bodies (56% of the total quantity). Its level remained unchanged from 2013.

The Company's alumina refineries remain the largest consumers of water. Their operations used 71% of the total amount of water consumed in the reporting year, which is identical to last year's indicator.

Discharge of industrial effluent, 2012–2014, million m3



The total amount of effluent discharged in 2014 fell by 18% vs. the previous period.

Effluent released without treatment in 2014 equalled 26.9 million m³, which is noticeably lower than the 2013 level (a 33% reduction). The main contributor remains AGK, which accounts for 69.1% of untreated effluent.

The liquidation of outlet No. 1 at AGK made it possible to terminate the discharge of effluent into the waters of the Chulym River. The main effect of this is expected in 2015, as outlet No. 1 was liquidated at the end of the reporting period. The expected level of reduction is 30 million m^3/year. The remaining outlets No. 2 and 3 are used to pump water from the Mazoul limestone mine and from the pumping and filtration station, after potable water treatment. Ultimately, these outlets will also be liquidated.

The construction of a water supply system for irrigation, to be used by people at several horticultural societies located nearby, can be deemed a socially important measure to be performed as part of the environmental modernisation of AGK's sludge basins.

Energy

Approach

As UC RUSAL produces 85% of its aluminium using renewable and environmentally friendly hydroelectricity, the Company endeavours to have the smallest possible carbon footprint in the industry as part of its energy efficiency measures.

The Energy Efficient Production programme is of the highest priority.

Targeted programmes and energy efficiency projects are being implemented at all Company enterprises, without exception.

Energy saving technology is being installed on a mass scale, with energy savings being achieved through measures to optimise energy control arrangements, electrolysis cell designs, and drafting engineering and technical parameters for production (in particular, a reduction in heat losses, the use of slotted and linear anodes, amendment of the regulations on the performance of process operations, and a reduction of current strength).

Scientific advancements in reducing energy consumption could play a key role.

Results

During the reporting year, energy efficiency projects were successfully implemented at all Aluminium Division smelters, and all Alumina Division refineries participated in major energy saving programmes.

Special measures to improve energy efficiency in 2014 made it possible to reduce the overall specific electricity consumption of smelters at all production sites of the Aluminium Division by 189 KWh/t compared to 2013. The biggest successes were achieved at SAZ, KhAZ and KrAZ, where testing was successfully completed of energy efficient electrolysis cell designs for subsequent use at other production facilities of the Division.

Company enterprises achieved the following energy saving indicators:

- SAZ: average electricity consumption to produce a tonne of aluminium fell from 14,809 KWh/t to 14,636 KWh/t
- IrkAZ: electricity consumption fell by 100 KWh per tonne of aluminium
- NkAZ: process electricity consumption stood at 15,453 KWh per tonne of aluminium, which is 93 KWh less than the year before

UC RUSAL enterprises continue work to perform regular energy audits. The results of these are used to prepare plans for optimising energy efficiency parameters.

Air

Approach

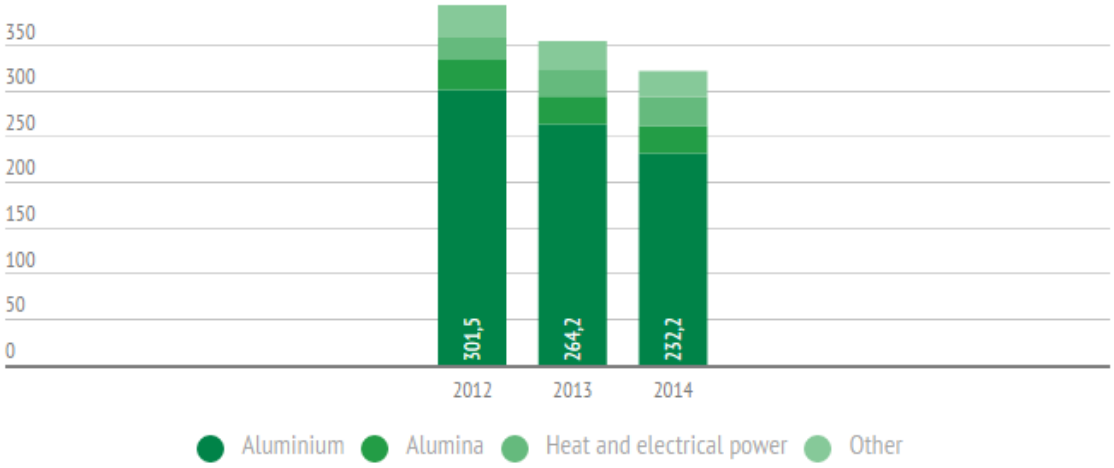
Following its Environmental Policy, UC RUSAL is implementing measures to reduce its adverse impact on the atmosphere.

The Company has set a goal for UC RUSAL enterprises to meet by 2020 atmospheric emission standards established by the laws of countries where the enterprises operate.

Results

Total emissions of pollutants into the atmosphere in 2014 fell by 9% compared to the previous period, and equalled 322 thousand tonnes. In addition to the presence in the reporting year, as in 2013, of mothballed capacities, the reduction in this indicator was also due to the performance of transitional air protection measures.

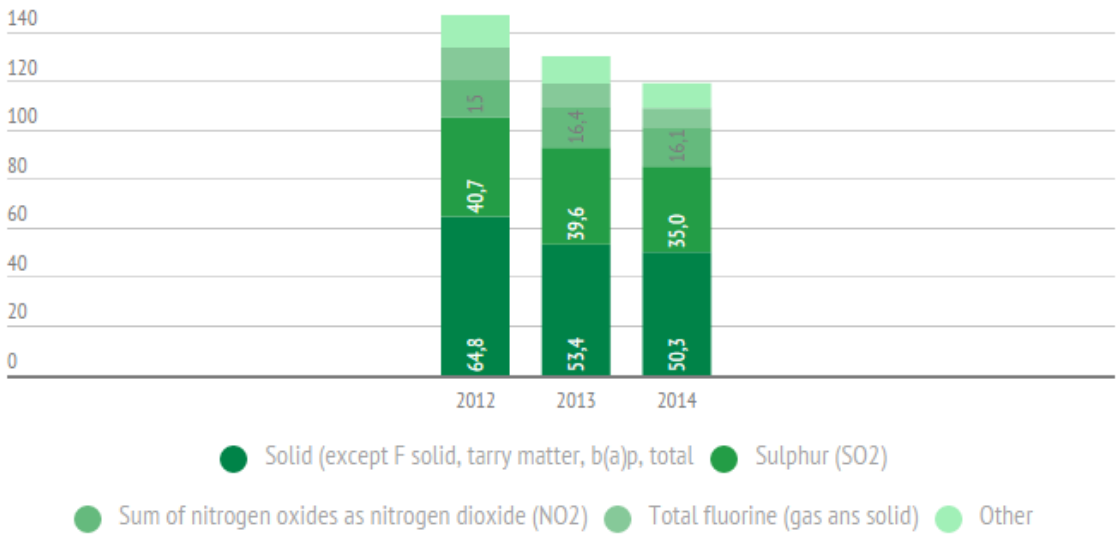
Emissions by line of production (including carbon monoxide), 2012–2014, thousand tonnes



Data consolidated for all Company enterprises, except Compagnie des Bauxites de Kindia (Guinea), the Friguia Bauxite and Alumina Complex (Guinea), ALSCON (Nigeria) and the Bauxite Company of Guyana.

The structure of overall emissions by line of production remains largely unchanged –aluminium smelters account for most emissions (72% in the reporting period), which generally is in line with the previous year's level. Alumina refineries, heat and electricity and other production facilities accounted for 9%, 10% and 9% of total emissions of pollutants, respectively.

Emissions of air pollutants (not including carbon monoxide), 2012–2014, thousand tonnes



Data consolidated for all Company enterprises, except Compagnie des Bauxites de Kindia (Guinea), the Friguia Bauxite and Alumina Complex (Guinea), ALSCON (Nigeria) and the Bauxite Company of Guyana.

Among the air pollutants discharged by UC RUSAL enterprises, the largest portion consists of carbon monoxide – in the reporting period, this indicator equalled 202.7 thousand tonnes, or 63% of the Company's total emissions. Emissions of this pollutant were reduced by 9% compared to the previous period. Out of all the types of air pollutant produced as a result of operations at Company enterprises, carbon monoxide has the least adverse environmental impact.

While a positive trend towards a reduction in overall emissions of pollutants can be observed, the structure of emissions of pollutants by type remains the same: the largest share was solid particles (except for benzo(a)pyrene, solid fluorine, tarry matter): 50.3 thousand tonnes, or 16% of total emissions; then sulphur dioxide, 35.0 thousand tonnes, or 11%; nitrogen oxides, 16.1 thousand tonnes, or 5%; gross fluorine (solid and gaseous), 7.7 thousand tonnes, or 2%; and other substances.

In the reporting period the Company continued work to upgrade enterprises' main production equipment and gas purification units (GPU).

As part of the implementation of the key EcoSoderberg project, the Company performs measures for gradual conversion to the new electrolysis cell technology at KrAZ. A decision was taken in the reporting period to in future fully convert all KrAZ buildings to this technology. Implementation is scheduled for early 2015.

The project to convert the pilot batch of electrolysis cells (building No. 8) to the EcoSoderberg technology with the installation of AFS and ADC systems continues at BrAZ.

The next stage will be the conversion of electrolysis cells at NkAZ and IrkAZ.

Work continued in the reporting period on the first stage of modernisation of the gas purification facilities for anode production at KrAZ. The coke dust and tarry matter collection coefficient after the commissioning of the facility will be 97-98%, and the coefficient for benzo(a)pyrene will reach 91%. The modernisation is scheduled for completion in 2015.

Planned air protection measures were also performed in 2014:

- six foam units and two cyclone dust separators were replaced at IrkAZ, making it possible to improve the effectiveness of hydrogen fluoride collection to 98.5%, and of sulphur dioxide to 99.5%
- at BrAZ the design has been completed and construction has begun on four high-performance dry gas purification units for electrolysis cell production: the effectiveness of the equipment for hydrogen fluoride, solid fluorides and inorganic dust is 99.8–99.9%. The commissioning of the first of the units is scheduled for 2015, with the completion of the construction of remaining GPU planned for 2015–2016
- the first dry gas purification unit, with a collection coefficient of 99.7%, was installed at BoAZ

An important event during the reporting period was the implementation of measures to liquidate the causes of dusting at sludge disposal sites nos. 1 and 2 at NGZ, including the development and implementation of the reconstruction project for sludge disposal site No. 1, constantly improving the technology for storing and processing sludge at sludge disposal site No. 2, R&D work on the use of bonding additives to ensure dust control, the acquisition and use of specialised equipment for surface

processing of sludge ponds to exclude dust formation, and the instrumental monitoring of the condition of sludge disposal sites and the environment.

A sprinkler dust control system, which ensures sprinkling of 100% of the surface of the sludge basin with water, was assembled, tested and commissioned at the experimental area of NGZ. The tests were positive, and work will continue in future.

As part of a large-scale modernisation programme to improve the environmental performance and cost efficiencies of the Aughinish Alumina Refinery (in Ireland), measures were performed for the complete conversion of steam production facilities from fuel oil to natural gas.

UC RUSAL enterprises pay close attention to the performance of environmental monitoring measures.

The industry public health laboratory at KrAZ acquired modern analytical equipment to monitor atmospheric air, workplace air and industrial emissions during the reporting period, which will make it possible to accurately determine the concentration of main pollutants (carbon monoxide and benzo(a)pyrene).

Waste

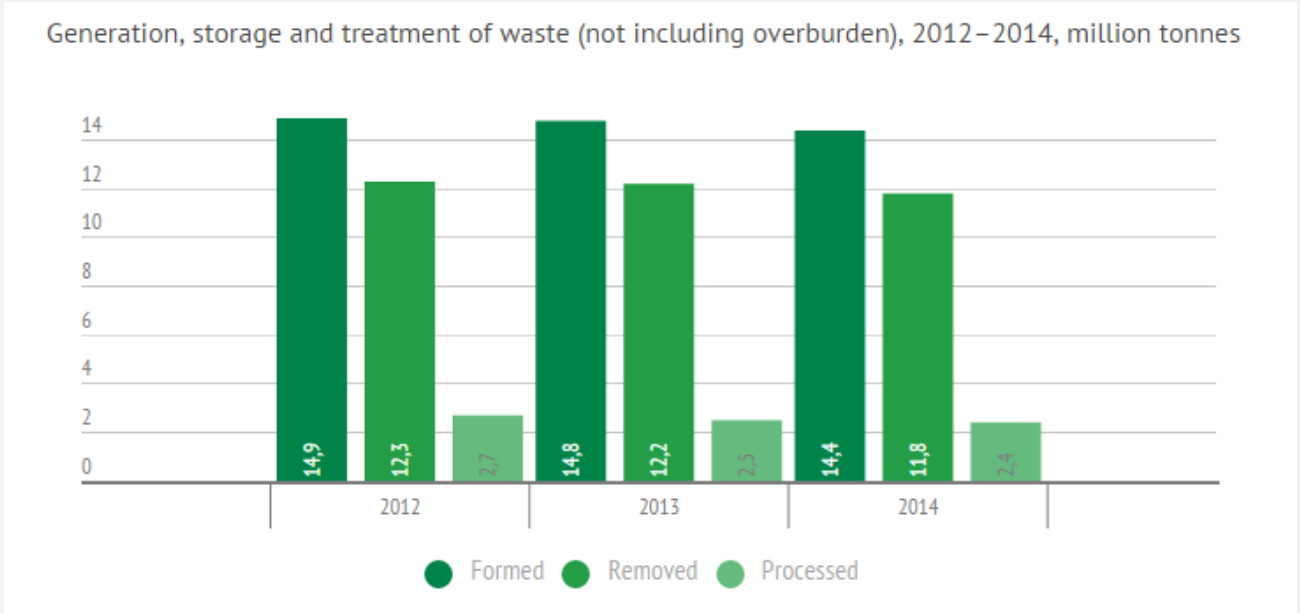
Approach

UC RUSAL's waste management activity is aimed at meeting the following main strategic goals: increasing the ratio of waste processing and recycling, safe waste storage and disposal, the complete rejection of using equipment containing PCBs, and the disposal of existing PCB waste [1].

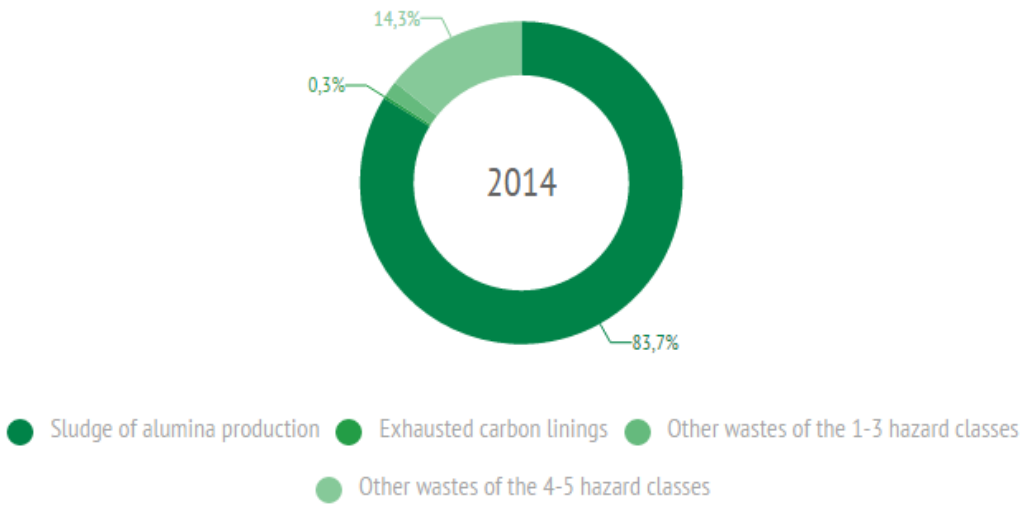
To ensure the safe storage of waste, the Company is actively building new and rebuilding and modernising existing waste disposal sites.

Results

The trend towards a correlation in the quantity of waste generated, disposed of and treated continued in 2014. For example, the share of waste disposed of at in-house sites or transferred to outside organisations was 83%, while the share of treated waste was16.7%, which is 0.3% lower than the 2013 level. Fluctuations in the quantity of the treatment of waste generated depend directly on the volume of treatment of red mud and nepheline mud. The total quantity of waste generation, not including overburden, was 14.4 million tonnes.



Generation of waste, 2014, %



Share

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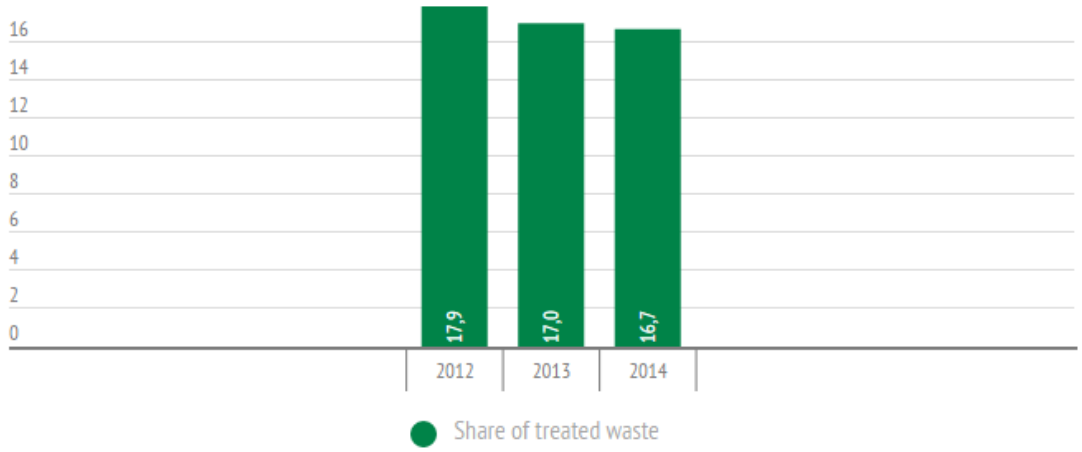
Share of treated waste in total waste generation, 2012–2014, %



The generation of red mud and nepheline mud, which are waste by-products of alumina production, also decreased in the reporting period and equalled 12.02 million tonnes, or 83.7% of total waste (not including overburden), which is 5.3% lower than the 2013 level. Fluctuations in the volume of mud generated are connected with a change in the volume of production, as well as the depth of ore deposits and the percentage of alumina contained in ores and bauxites being processed.

The key event performed in 2014 as part of waste management environmental protection measures was the receipt of positive state environmental impact assessment findings related to the project Reconstruction of the AGK Sludge Disposal Site.

The goal of the project to expand the existing BAZ sludge disposal site was to resolve the waste storage issue. The project prescribes an increase in the depth of the existing sludge pond and the construction of a new sludge pond adjacent to the existing one. The total volume of the two sludge ponds will suffice for BAZ's needs until 2036.

The second most significant production waste of UC RUSAL enterprises after sludge is used carbon lining of electrolysis cells. Since 2014 recycled material from its processing has been sold to the West-Siberian Metal Plant.

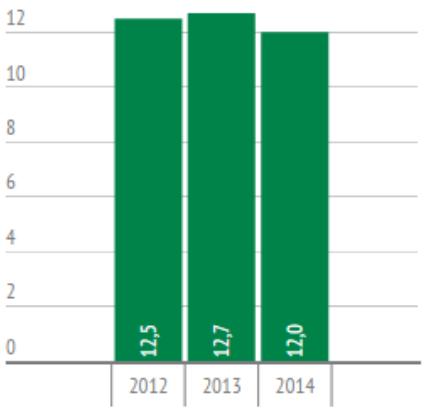
Positive results have been achieved in the use of red mud and nepheline mud from aluminium production to manufacture cements (at NGZ up to 250 thousand tonnes per year).

In cooperation with research centres and institutes, UC RUSAL continues work to develop and implement new technologies for processing specific waste created from aluminium and alumina production.

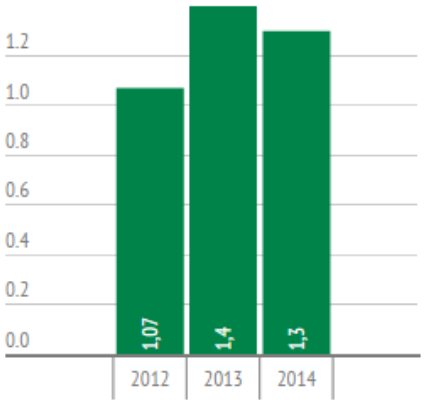
In 2014 5.3% less mud was generated during alumina production, while the treatment of mud almost remained at the 2013 level and equalled 1.3 million tonnes. The amount of treated mud depends directly on the performance of measures to create sludge ponds.

The quantity of used carbon lining generated in the reporting period was down 7% vs. 2013, equalling 43.3 thousand tonnes. The amount of this waste generated depends directly on the number of electrolysis cell overhauls at Company enterprises. The amount of treated carbon lining waste rose significantly over the previous reporting period, exceeding the 2012 level.

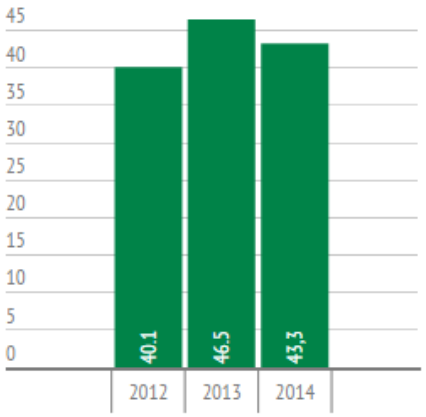
Generation of mud from alumina production, 2012–2014, million tonnes



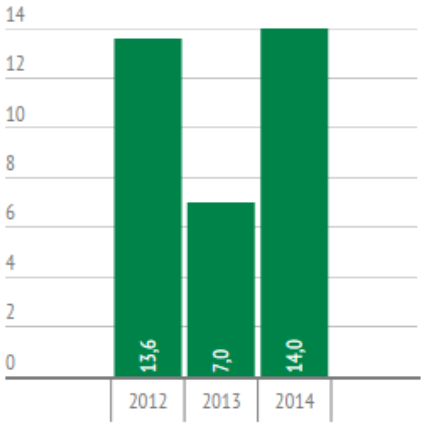
Treatment of mud from alumina production, 2012–2014, million tonnes



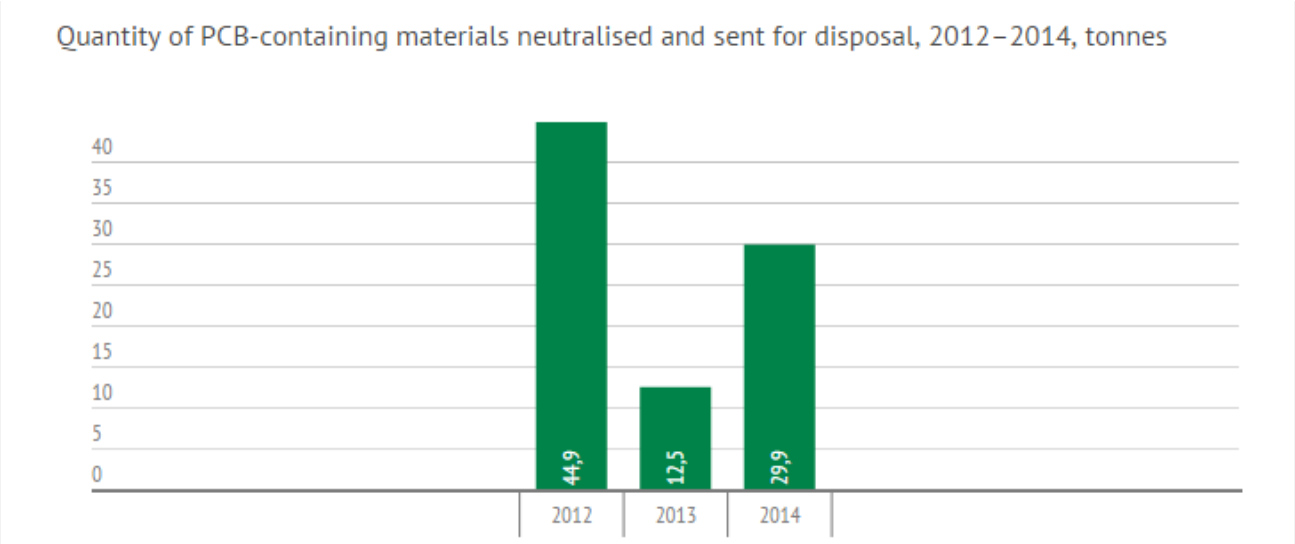
Generation of carbon linings, 2012–2014, thousand tonnes



Treatment of carbon linings, 2012–2014, thousand tonnes



As part of continuing work to replace equipment containing PCBs, 29.9 tonnes of PCB waste, or twice more than the previous year, were neutralised and sent for disposal to external organisations. At the end of the reporting period the quantity of PCB waste was 224.2 tonnes, which is 24% less than in 2013.



In 2014 UC RUSAL implemented a significant number of environmental projects to build and reconstruct sludge disposal sites, among the most important of these were:

- construction began of the sludge disposal site at AGK (sludge pond No. 3, 146 hectares)
- work finished to increase the service lives of sludge disposal sites nos. 1 and 2 at AGK
- construction of plot No. 2 of sludge disposal site No. 2 (increasing the depth to 217 metres) at BAZ-SUAL was commissioned
- primary work finished on construction of sludge pond No. 3 of sludge disposal site No. 3 at UAZ (initial delivery date November 2015)

As part of the work to generate less waste, a pilot site for the separation of raw scandium oxide concentrate from the red mud flow was built.

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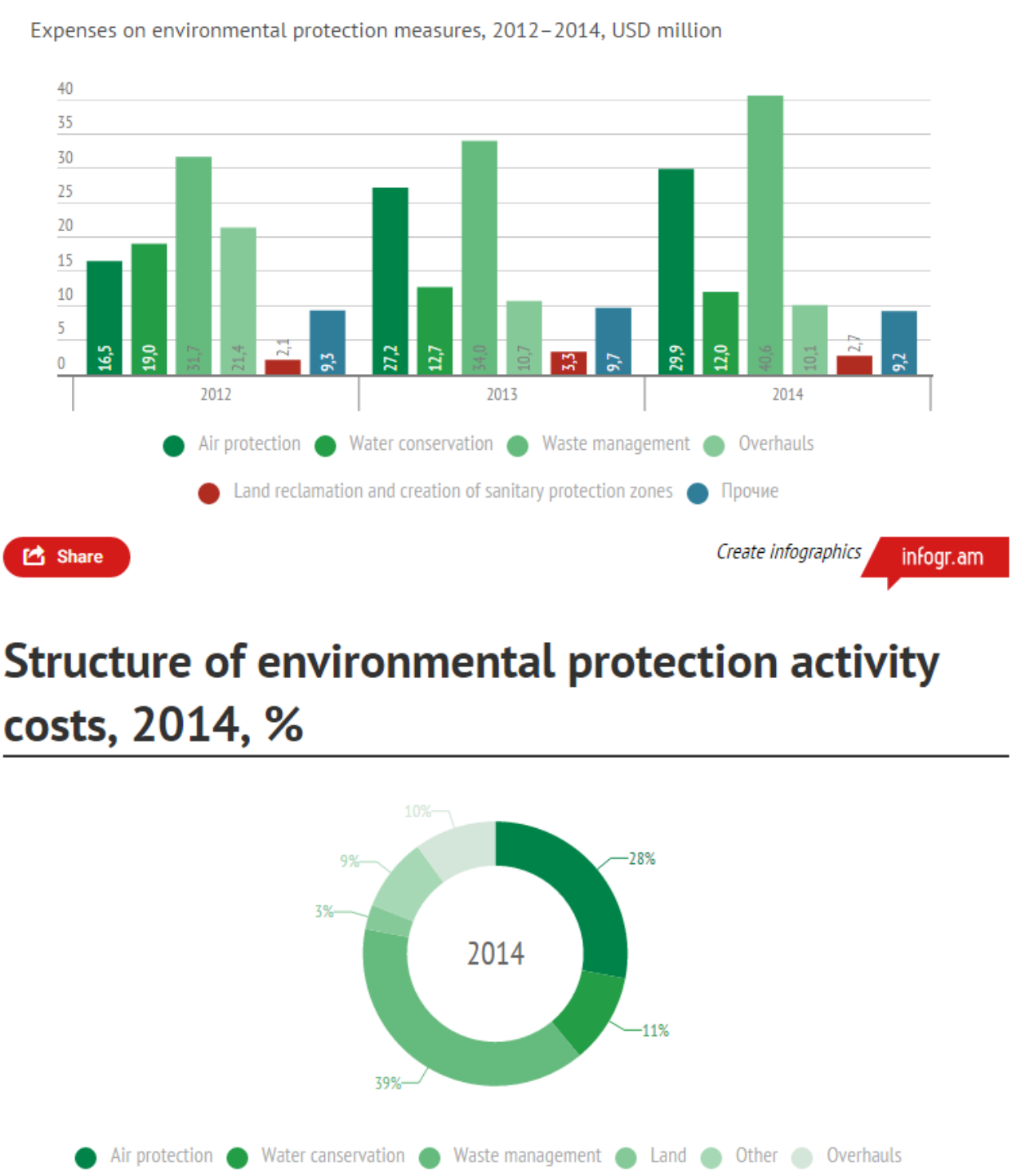
[1] Polychlorinated biphenyls (PCBs) are persistent organic pollutants. PCB oils are used as a dielectric in electric transformers and capacitors.

Investments in environmental protection

In 2014 UC RUSAL continued to invest in environmental protection measures in accordance with its strategic goals determined by the Company's Environmental Policy.

Funds expended on environmental protection measures totalled USD 104.5 million, or 7% more than during the previous year.

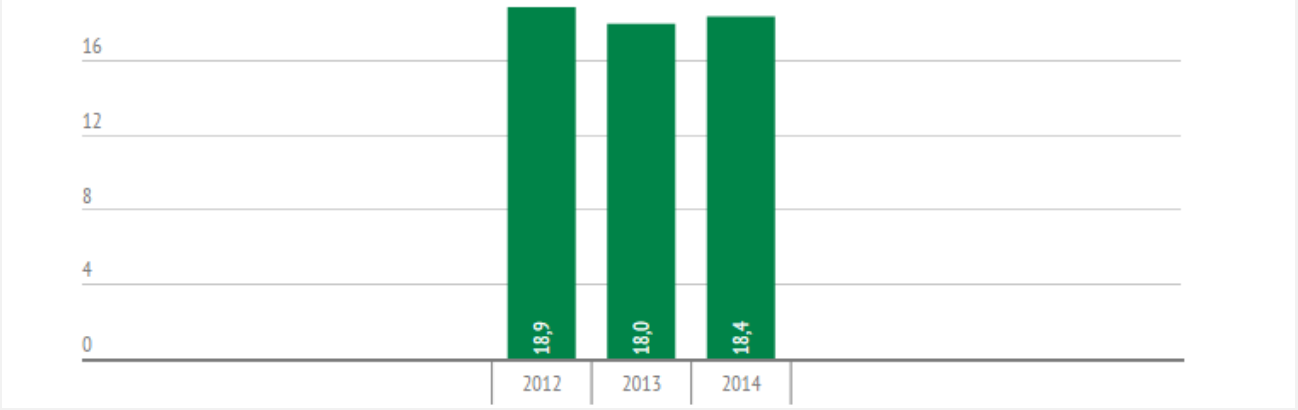


Structure of environmental protection activity costs, 2014, %

The structure of the allocation of funds by areas of environmental protection activity was more-or-less unchanged. The largest amount of funds was allocated to the handling of waste and protection of the atmosphere: 39% and 29%, respectively.

Major environmental protection projects during the reporting year included the continuing upgrade of aluminium smelters, the replacement and upgrade of gas purification units, the construction and reconstruction of sludge collectors, implementation of a project to convert AGK's CHP to a closed-loop water system, and the rebuilding of the storm sewer system.

Environmental pollution payments, 2014, USD million



Despite the reduction in production volumes in 2014, environmental pollution payments rose by 2% compared to 2013, and stood at USD 18.4 million. This was due to a rise in the quantity of above-limit emissions.

The structure of environmental pollution payments remained the same: payments for atmospheric emissions accounted for the largest share (50%), while payments for waste disposal and the discharge of pollutants into bodies of water accounted for 40% and 10%, respectively.

Plans for 2015 and the medium-term outlook

As an environmentally aware company, moving forward UC RUSAL will continue to implement programmes to lessen its environmental impacts.

The following have been specified as the Company's key objectives and plans for 2015:

- assessing the carbon footprint of aluminium production
- performing measures to achieve standards on maximum allowable impacts on the atmosphere
- performing transitional measures to reconstruct and upgrade mud basins and to build modern waste disposal facilities
- modernising production through the EcoSoderberg project
- modernising gas purification units
- developing and implementing waste treatment and utilisation technologies
- restoring disturbed land

Health and safety – Approach

The occupational health of employees, and the industrial and fire safety of production processes and production facilities, is a continuing priority for UC RUSAL.

Based on UC RUSAL's ethical principles and standards in the area of occupational health, industrial and fire safety (OHIFS), each Company employee, from specialist to director, must:

- recognise their personal responsibility for their life and health and for the lives and health of those around them
- be aware of the risks inherent in their activity
- promote, by personal example, safe behaviour by their colleagues and contractors

UC RUSAL's activity to ensure safe working conditions and to reduce work-related illness and injuries is regulated by the Declaration on the UC RUSAL Occupational Health, Industrial and Fire Safety Policy prepared in 2013 and adopted in 2014, which takes into account changing Russian legislative requirements relating to OHIFS.

To meet OHIFS requirements, the Company is governed by the following goals and principles.

Principles

- The life and health of a human being are more important than production or economic performance
- Full integration of the health and safety management system into the overall business management and production activities
- All accidents are preventable
- Compliance with the law is a mandatory and necessary prerequisite for UC RUSAL operations
- The competence and responsibility of our employees is the key to achieving safety at work
- The safe behaviour of employees is to be encouraged and promoted
- Mutually beneficial relations with suppliers and contractors
- The monitoring and assessment of occupational health, industrial and fire safety indicators

Goals

- To strive for zero injuries, zero emergencies and zero fires
- To ensure the compliance of equipment and production processes with legal and regulatory requirements related to occupational health, industrial and fire safety
- To ensure personnel safety and health at workplaces, improving the workplace environment on an ongoing basis in order to increase the level of safety
- To prevent occupational diseases

Management system

UC RUSAL believes that guaranteeing working conditions at production facilities that are safe for life and health is the direct responsibility of the directors at all levels of the Company. The Company has established a vertical OHIFS management system. The system's work is coordinated by the Health, Safety and Environment Committee under the Board of Directors.

Based on the reports on the OHIFSMS operating results and the adequacy of OHIFS provisions and policies, the Committee analyses information received twice a year and sets objectives for divisions.

Day-to-day health and safety issues are decided on a regular basis at meetings of the Company's Executive Committee, as a rule once every two weeks, where progress to attain KPIs by the Company and divisions and OHIFS incidents are analysed.

At UC RUSAL the development of strategic and annual goals, the organisation of their dissemination, and the monitoring of their achievement all fall under the remit of the Department for Health, Safety and the Environment (DHSE).

The planning and actual organisation of this work is performed by the divisional directors and managers of OHIFS divisions and directorates. At enterprise level this function is performed by the relevant OHIFS services.

In 2014 188 employees worked in the divisions making up the management structure of OHIFS.

The Company has an occupational health, industrial and fire safety management system (OHIFSMS) in place. Use of the OHIFSMS at each production facility includes:

- a risk management system
- the development of an emergency response plan and measures to eliminate the consequences of emergencies
- a procedure for drawing up the budgets for health and safety measures
- a system for communicating information on incidents and learning lessons from them
- a system for rating OHIFS key performance indicators and assessing their achievement
- employee training pursuant to federal legislation in the countries of operation and the Company's internal requirements
- a corporate electronic remote learning and training system on safe working methods

To ensure that UC RUSAL's activities comply with best practices, the OHIFSMS of 10 production enterprises (BrAZ, NkAZ, KrAZ, SAZ, ZALK, SUAL – PM – Volgograd AGK NGZ the Achinsk branch of RIK, and Metallurg Service Centre) and the Management Company (ZAO RUSAL GLOBAL MANAGEMENT B.V.) were certified for compliance with international safety standard OHSAS 18001:2007.

In 2014 Det Norske Veritas Germanishcher Lloyd performed recertification audits of three production enterprises and of the Management Company. The audits resulted in the confirmation of compliance of the OHIFS management system with OHSAS 18001:2007.

The functionality of the OHIFSMS for compliance with the standard OHSAS 18001:2007 is not only assessed by external auditors, but is also monitored during the performance of internal audits. For example, UC RUSAL performed 28 internal audits in 2014, including of Company enterprises that do not fall within the scope of OHSAS 18001:2007.

Training

A series of OHIFS instructional trainings (introductory, basic, refresher, ad-hoc, and extra training courses) and occupational safety training sessions are provided to each employee on a mandatory basis, to ensure that they receive the required knowledge.

Employees that run, service and monitor hazardous and dangerous production facilities receive additional training on industrial safety.

Periodic knowledge assessments, once a year on occupational safety and once every three years on industrial safety, are organised to test the preparedness of employees.

Mentoring is used at Company enterprises to help employees acquire and develop the necessary skills. An experienced specialist is assigned to a newly hired employee to both monitor the latter's OHIFS activity and to help the employee develop a culture of safe behaviour.

As part of the training of future line managers, including on OHIFS issues, a Talent Pool project is implemented at UC RUSAL enterprises [1].

An e-learning system, containing a full range of training courses and OHIFS programmes, continues to function at the Company [2].

OHIFS trainings and knowledge assessments are performed in strict compliance with the legislation of the countries of operation of the Company's production facilities. The requirements contained therein are also regulated by the internal documents of UC RUSAL enterprises.

Special programmes to ensure safety

As part of its training, UC RUSAL implements a number of topic-orientated programmes aimed at drawing additional attention to occupational safety at production facilities.

The Project to Improve the Quality of Crane Operator Internships at SAZ

The Project to Improve the Quality of Crane Operator Internships was developed and implemented to improve the quality of crane operator internships and to reduce the risk of incidents during loading and unloading work. As part of the project's implementation, vocational training foremen were appointed that have passed a special training programme on the topics "Training and mentorship", "Hoisting device operating safety", and "Accidents and injuries on hoisting devices".

Two special potroom crane training simulators were installed at the enterprise to allow practical skills to be obtained outside actual production activity. Internship programmes updated as part of the project stipulate that interns are only granted access to equipment after completing the required number of hours on the stimulator and passing a practical examination using the simulator.

The Forklift Safety Project at NGZ

To lower the injury rate during work with loading equipment, the OHIFS division at NGZ developed the Forklift Safety Project. A staff survey with questionnaires was performed as part of the project to assess working conditions and a number of proactive measures were developed. According to the initial results, the project will make it possible to improve working conditions and safety, injury prevention and employee health at the enterprise, and will improve production fixed assets.

The Third-Party Rail Safety in Guinea Project at Compagnie des Bauxites de Kindia

Due to the high level of injuries to third parties on UC RUSAL's sections of railway in Guinea, a project was begun in 2007 to reduce the risk of injury and financial and image costs. The key problem was identified – unauthorised access to railway lines during the passing of trains, and use of the railways by the local population for cross traffic flow.

To implement the project, the Company is cooperating with the national police force, carrying out work to raise awareness and performing measures to install rail crossings and to establish rail security. This project has led to a planned reduction in the level of injuries on the railways.

The Preventing Falls and Safe Mine Projects at North Urals BM (SUBR)

These projects are aimed at reducing on-the-job injuries due to falls during movements and when working at heights.

In particular, the Preventing Falls Project stipulates the performance of measures to analyse the causes and dangerous factors involved in falls during movements at mine workings, train workers in the "Movement of people along horizontal, vertical and sloping mine workings and measures to prevent falls" (with a review of actual falls at the enterprise's mines), to determine potential dangers that could lead to falls, and to investigate man ways at horizontal, vertical and sloping mine workings.

The Safe Mine Project stipulates risk assessment training for directors and specialists, identifying and determining the magnitude of risks in all lines of business and their assessment, developing and implementing measures to mitigate risks and to reduce work-related illnesses, and elaborating practical measures to reduce the amount of manual labour at the mine. The expected result is a reduction in on-the-job injuries and zero incidences at workplace fatalities.

Division Safety Data Sheet Project at VgAZ

The enterprise began implementing the Division Safety Data Sheet Project in 2014. This project is dedicated to carrying out a comprehensive assessment of a division's occupational health and fire safety activities, using a number of objective indicators. Each indicator is assigned a score, making it possible to determine the overall safety level at a division.

The measures under this project will make it possible to record the number of occupational health violations by an employee during their work at the enterprise, determine the contribution of an individual employee using occupational safety criteria, evaluate the work of a specific division, and assess the level of safety at directorate level.

Collective bargaining agreements

Collective bargaining agreements containing a separate section devoted to health and safety (occupational health) have been concluded with most employees of Company enterprises, providing an opportunity to improve the OHIFS management system [3]. *Contractors*

As part of OHIFS, UC RUSAL devotes special attention to suppliers and contractors, setting out its requirements in service contracts (which are identical to the requirements placed on its own employees).

Company divisions are governed by the following corporate documents in their OHIFS-related work with suppliers and contractors: the Regulations on Occupational Health, Industrial, Fire and Environmental Safety Management of Contracting Organisations, and the Regulations on the Supplier Accreditation System.

Contractors are selected based on the following criteria: qualifications, availability of personal protection equipment, and knowledge in the area of work safety. OHIFS requirements are attached to each contracting agreement. If contracting organisations violate these requirements, they will be subject to penalties – up to and including termination of the agreement.

OHIFS services work together with suppliers and contractors to provide the following services:

- training employers and employees in occupational health, industrial and fire safety and in first aid
- performing periodic and preliminary medical examinations
- in-process monitoring of working conditions
- special assessment of working conditions
- performing repair and construction works (to monitor compliance with OHIFS requirements)
- transport
- developing internal regulatory documents on fire safety
- performing expert appraisals of industrial safety
- supplying personal protection equipment and work clothes as well as their cleaning and repair
- replenishing fire extinguishers, treating structures with a fire retardant mixture, inspecting external and internal fire-combatting water supply networks

UC RUSAL recognises its responsibility for the health and lives of the workers of contracting organisations and hence investigates all incidents and keeps records of all accidents.

Emergencies

The Company continues its active work to prevent, respond to and mitigate the consequences of emergencies.

An emergency public address and alert system is in place, the risk of emergencies arising is assessed, and action plans to prevent emergencies and emergency response plans are drafted. Recognising the danger that emergencies pose, the Company has regulations in place to notify management about emergencies occurring in the Company's work, and it maintains a high level of preparedness of both manpower and equipment for emergency response and rescue operations.

Dangerous situations are monitored to prevent the occurrence of emergencies at Company enterprises. Monthly reports containing data on identified situations, indicating the effectiveness of remedial actions taken, are drafted.*Чрезвычайные ситуации*

Measures

To meet the occupational health, industrial and fire safety goals established by UC RUSAL, the Company performs a wide range of OHIFS measures.

Action plans to improve and sanitise working conditions are developed at all enterprises, and approved by the chief executive officers. These plans include the development and implementation procedure for measures to reduce harmful and dangerous production factors at work stations, the appointment of responsible individuals, and completion deadlines. The plans are agreed with trade unions.

Special assessments of working conditions (special assessments) are performed at the Russian production sites of Company enterprises, in accordance with Russian law. For example, in 2014 special assessments were performed at 15 UC RUSAL divisions, and the working conditions of 9,591 employees were evaluated.

UC RUSAL issued a special internal document entitled the Regulations on the organisation and performance of a special assessment of working conditions at Company enterprises located in the Russian Federation, with due account of the specifics of certain Company production sites.

Taking into account the previous certification of workers (in effect until the expiry of its effective term), all work stations were evaluated at the entire Company.

Measures to monitor OHIFS are performed at the following levels:

- the line manager (foreman), as part of day-to-day production activity
- a middle manager of the enterprise (shop manager), as part of periodic reviews
- the area director, as part of regular reviews
- HSE Department representatives, as part of regular internal audits by the Management Company

Company enterprises continually carry out measures to reduce the number of on-the-job injuries and accidents, improve working conditions, and reduce the risk of work-related employee illnesses.

There are three main focal points of this work:

- performing internal and external audits, developing and implementing remedial measures
- implementing divisional programmes to reduce on-the-job injuries and the risk of work-related illnesses
- implementing annual action plans to improve the working conditions of workers

Given that on-the-job injuries are due primarily to the failure of employees to comply with OHIFS requirements in their work, the Company performs across-the-board behavioural safety audits.

Targeted projects

In addition to annual programmes to reduce on-the-job injuries, the following programmes were launched at a number of Company enterprises:

- chessboard – a project aimed at minimising dangerous production factors, including the timely identification of problem areas, calculating the level of risk, and preventing the occurrence of potential incidents
- safe mine – a project to mitigate risks associated with rockslides
- programmes to improve work stations in the Company's existing production system
- programmes to reduce on-the-job injuries and the risk of work-related illnesses
- programmes to identify, register and eliminate dangerous situations, and also to prevent dangerous actions
- pedestrian and support service vehicle safety

[1] For more on the Talent Pool project, see the Employees section hereto.

[2] For more on the e-learning system, see the Employees section hereto.

[3] For more information on the collective bargaining agreements, see the Employees section hereto.

Operating results

The continual implementation of measures to optimise the Company's OHIFS activity makes it possible to achieve positive results in this area.

The Company has Uniform Occupational Health, Industrial and Fire Safety Reporting Regulations in place as a guideline for determining the procedure for collecting, preparing and submitting information on occupational health, industrial and fire safety at all management levels. Records of accidents and near misses are kept under different categories in accordance with these Regulations, with all incidents divided into six groups, from near misses to fatalities. Records are kept of minor injuries and of incidences of employees seeking medical assistance. Statistics for the reporting period and as a running total are automatically consolidated at enterprise level, and then subsequently at divisional and Company level.

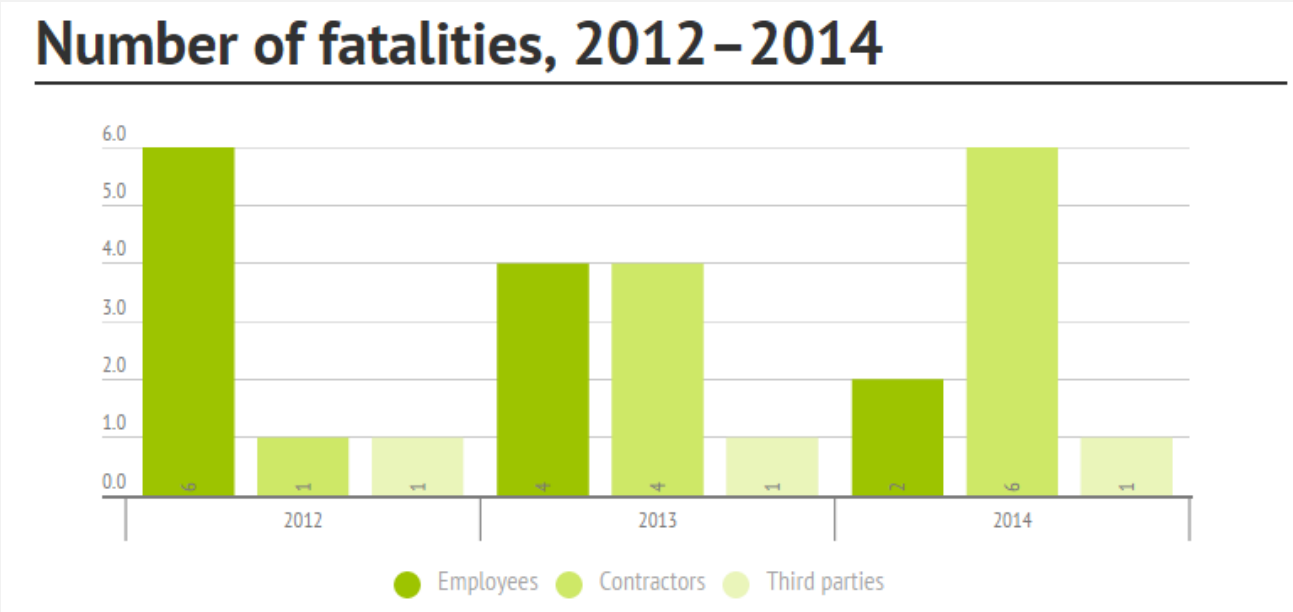
The Company identifies the following as being among the key OHIFS performance indicators:

- fatal accidents (Fatality)
- lost-time accident frequency rate (LTAFR)
- lost-time injury severity rate (LTISR)
- accidents caused by violations of industrial safety requirements (Accident)

UC RUSAL works actively with the state executive authorities and expert panels [1] to achieve optimal results in the area of OHIFS, with Company specialists and directors taking part in legislative activity.

Key OHIFS indicators improved in 2014, due to the Company's methodical work in this area. For example, the number of fatalities among employees fell to two, half the indicator for 2013. The number of fatal accidents with contractors also fell, to three (2013: four), while the statistics for third-party fatalities remained the same.

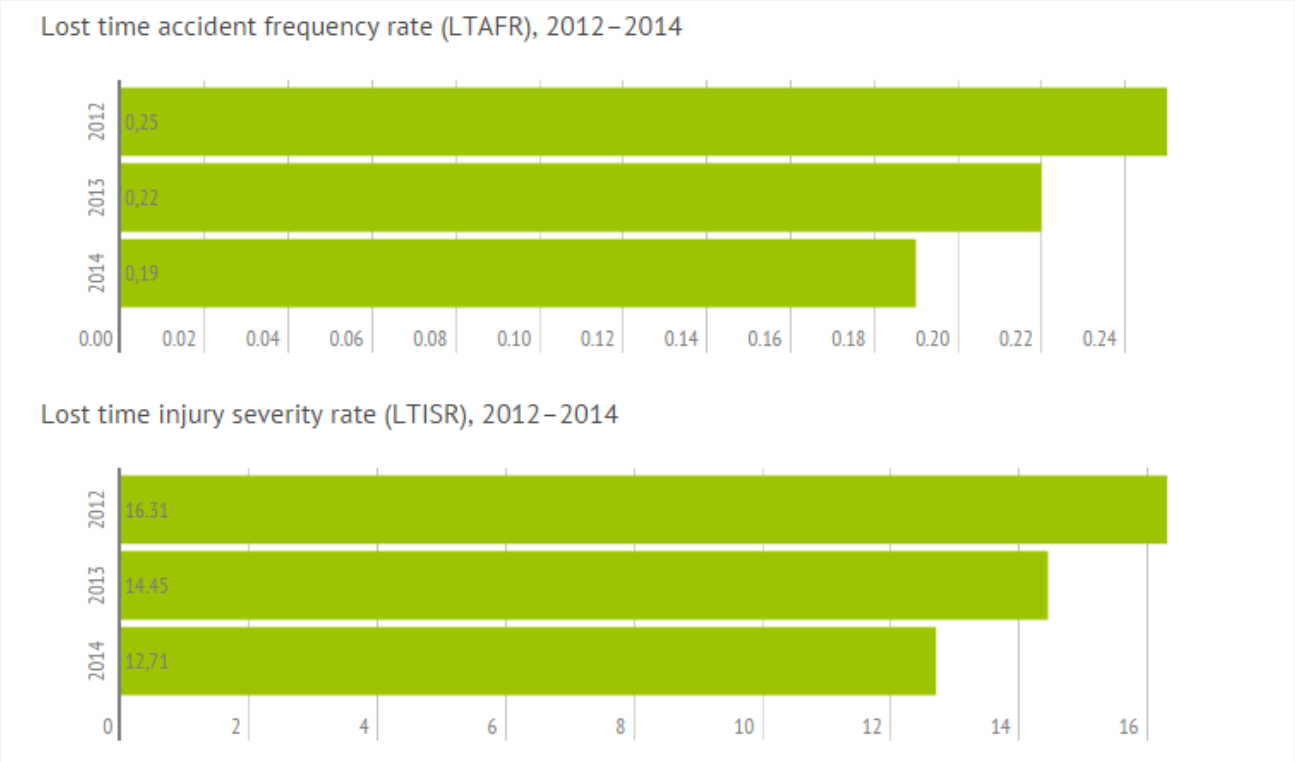
Fatal on-the-job accidents were primarily due to the violation by workers of HSE requirements during the performance of work, and personal negligence.



The Company on an ongoing basis monitors the results of the following indicators:

- Lost time accident frequency rate (LTAFR)
- Lost time injury severity rate (LTISR)

The Company met target LTAFR and LTISR figures in 2014, with a positive trend achieved in respect of both indicators vs. the previous year: The LTAFR indicator fell by 12% to 0.19, which is lower than the 0.23 target, while LTISR fell by 11% to 12.71 (vs. a 14.75 target).



According to the International Aluminium Institute, UC RUSAL demonstrated a comparative injury rate that is 37% lower than the industry average (the lower the figure, the better the result).

Company enterprises have demonstrated a trend towards maintaining an absence of accidents and fires that could have had a significant impact on the output of finished products (10% or more of an enterprise's production plan), thus attesting to the effectiveness of the industrial and fire safety system.

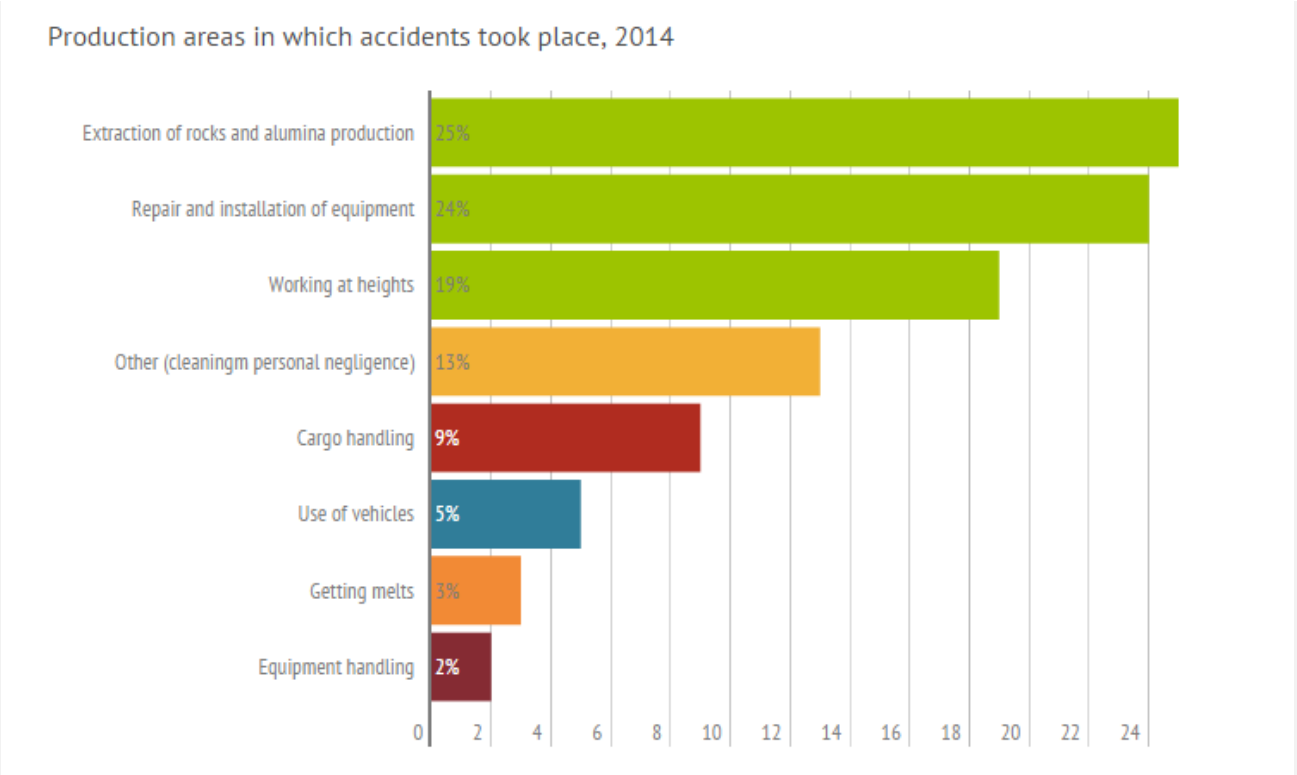
A qualitative and quantitative assessment of OHIFS performance results is performed every six months at a meeting of the Board of Directors core committee. An analysis of on-the-job injuries is performed for Company employees, the workers of contracting organisations performing services for the Company, and third parties.

Reasons for accidents

The Company carefully scrutinises each fatal on-the-job accident, performs an internal investigation, and analyses the reasons for the accident.

The process of identifying, investigating, keeping records of and identifying the reasons for accidents at the Company is carried out in accordance with the Regulations on internal investigation and analysis of OHIFS incidents. After each incident, Company employees are notified using the corporate information system, an investigation is performed, the root causes are identified, an action plan for eliminating the causes is drawn up, and a report on the lessons learnt is issued. The Regulations are a universal tool for investigating accidents in countries where local legislation falls short of global best practices. However, adhering to the legislative norms of the regions and countries where UC RUSAL's production facilities are located is a mandatory requirement of the OHIFS management system.

During planning in the reporting period, main efforts to minimise on-the-job injuries focused on those production areas in which accidents were recorded most frequently. For example, the highest number of accidents took place during the extraction of rock and alumina production (25%), the repair and installation of equipment (24%), and when working at heights (19%).



Occupational medicine

The main area of the work of occupational medicine is to prevent occupational diseases and work-related illnesses and to take measures to maintain and improve the health of employees.

Work to prevent occupational diseases among Company employees is performed by introducing progressive environmental protection technologies and using quality personal protection equipment that has passed relevant certification.

RUSAL Medical Centre (RMC) plays a leading role in preventing non-industrial accidents. The RMC's main objective is to provide highly qualified general medicine, preventative and emergency medical care and to perform regular medical examinations in accordance with Russian law.

RMC operates a network of 12 health care facilities located in 12 regions where the Company operates. 483 employees work in RMC's health care facilities.

The RMC's activity focuses on rehabilitative and preventative treatment to lower the risk of unexpected fatalities at production sites for somatic reasons and to prevent heat stroke, and on pre-shift medical examinations of employees belonging to the at-risk health group.

The RMC not only provides medical assistance to UC RUSAL workers, but also to residents in the areas of operation who have an MHI policy.

Combating the Ebola virus in Guinea

The Company performed extensive work in the reporting period to combat the Ebola virus in Guinea. Its efforts embraced not only UC RUSAL employees but local residents as well.

UC RUSAL and Rospotrebnadzor signed a partnership agreement on the organisation of disease-control measures, vaccination against infectious diseases, ensuring safe conditions for personnel in the country of operation, and providing prompt diagnostic help to Company employees to early identify illnesses.

The Company built the Epidemiological and Infectious Disease Centre during the reporting period. The launch of the hospital is scheduled for 2015.

In February 2014 UC RUSAL established a headquarters for organising and coordinating work to combat the Ebola virus. A mobile laboratory to diagnose infectious diseases, including Ebola haemorrhagic fever, was organised jointly with Rospotrebnadzor. The Company assisted in the transport and set up of the laboratory in Guinea, as well as with its technical and logistical support.

Emergency disease-control measures were performed at Company enterprises in Guinea and at the residences of employees to reduce the risk of infecting expats and local communities (disinfection of premises and buildings, work stations, raising awareness of personal hygiene issues). The indicated measures were developed with due account of the recommendations of leading Russian physicians working with infectious diseases and international medical organisations.

UC RUSAL assists medical institutions in Guinea, providing them with medicines, disinfectants and specialised equipment. A modern medical isolation ward was set up in Simbaya with the Company's help. At UC RUSAL's initiative and with its support, medical aid posts were established at the Port Autonome de Conakry, and volunteers specially trained to recognise the signs of infection were brought in.

Among other things, the Company was involved in setting up a mobile hospital in Guinea under the auspices of the Russian Ministry of Defence.

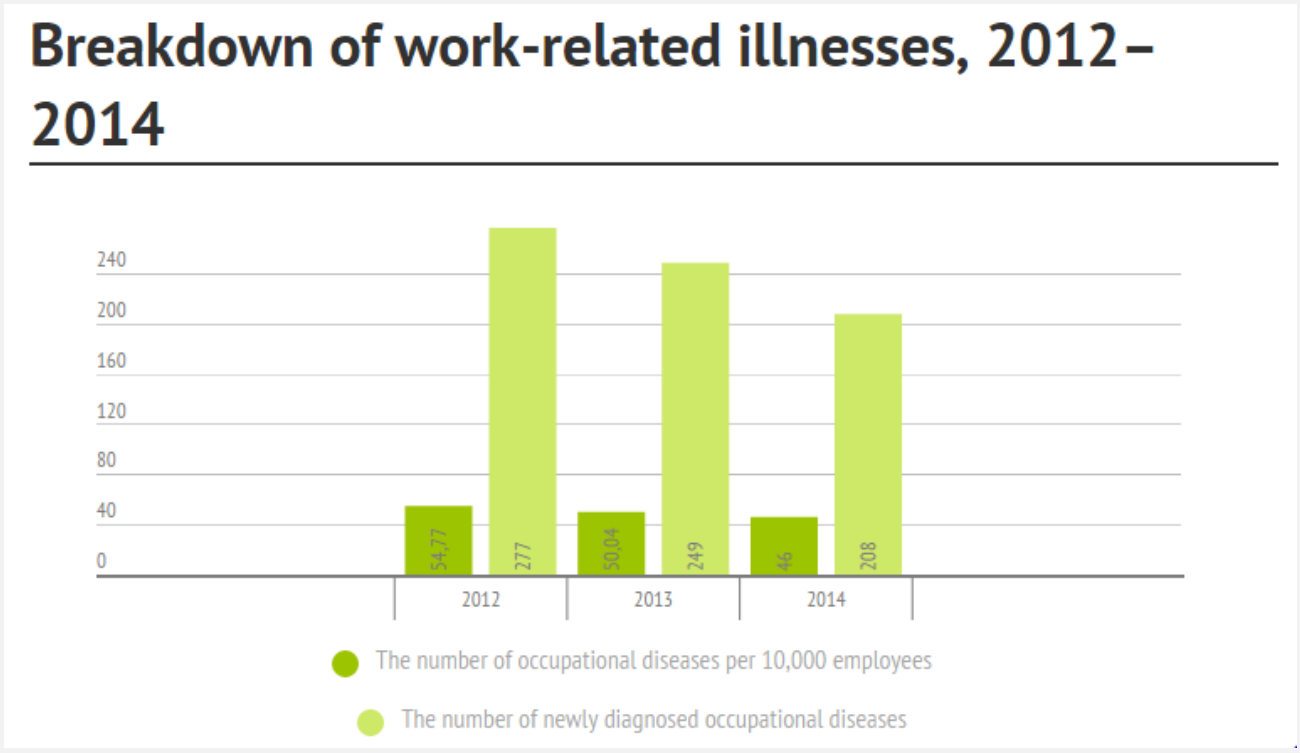
UC RUSAL is actively working with Russian and foreign scientists to develop an Ebola vaccine. In addition to participating in theme-based scientific conferences, the Company also organises visits of specialists to medical centres in Guinea equipped by UC RUSAL. This enables scientists to perform medical research based on actual clinical findings on the disease and to receive access to virological material.

In 2014 the Company continued its work with Rospotrebnadzor, the Social Insurance Fund and regional occupational pathology centres on the Comprehensive Interdepartmental Work-Related Illness Management Programme, whose measures include:

- compilation of a brief description of production characteristics
- occupational hygiene and assessment of health risks at each work station
- work station certification
- performance of on-site medical examinations (using the resources of the RMC, municipal outpatient clinics, and occupational pathology centres)
- medical and preventative measures (vaccinations, etc.) as well as emergency medical assistance
- medical and social programmes and wellness programmes
- instructional research on the impact of hazardous and dangerous production factors on the health of workers and effective preventative treatment
- the health testing of workers and corresponding adjustments to the Programme

For early diagnosis and the prevention of diseases, the annual vaccination of employees was performed at Company enterprises – not only against the flu virus, but also pneumococcal infection (which is a leading cause of disease). Thanks to this measure it was possible to lower lost work days both in terms of the number of employee illnesses and the length of each illness in days.

In the period under consideration, relative and overall illness indicators improved: the number of work-related illnesses per 10,000 employees fell by 17% vs. 2013, and the number of newly identified cases of work-related illness fell by 8%, which in 2014 amounted to 208 and 46 cases, respectively.



The structure of illnesses with lost time of UC RUSAL employees remained the same: 41% are respiratory illnesses, 28% diseases of the musculoskeletal system, 23% injuries, and 8% diseases of the digestive system.

Awards

In the reporting year UC RUSAL employees and divisions were recognised and received certificates for achievements in the area of occupational health and industrial and fire safety: IrkAZ – a letter of appreciation from the Irkutsk Oblast Administration of the State Labour Inspectorate for achieving positive results to improve working conditions, KrAZ – a second-class honours diploma in the regional review competition in the nomination “Best organisation of Krasnoyarsk Krai in occupational safety work” in the industry group “Metallurgical production and the production of finished metal products, production of machines and equipment”, BGZ – a certificate of participation in the Russian National Competition for Best Organisation of Working Conditions and Occupational Health”, “Safety Success 2014”, with an indication of its position in the Russian national rating.

Best occupational health worker competition

UC RUSAL organised a competition in 2014 for best occupational health worker. The goal of this and similar competitions is to foster leadership qualities in the area of occupational health among workers, to study safe work practices and safety rules at production facilities, and to incentivise the proper use of personal protection equipment.

The prize winners were seven representatives of the Company’s Siberian smelters. According to the regulations, the winners of the plant-wide stages were rewarded with a training visit to the production enterprise Skincare, the maker of personal protective dermotological products.

Pot operators, anode operators, founders, boxmen, incinerator operators and chemical analysis laboratory assistants from SAZ, IrkAZ, BrAZ, KrAZ and NkAZ took part in the programme. The winners were awarded with a trip to Moscow for the XVIII International Exhibition, Occupational Health and Safety – 2014.

Plans include further developing this area and holding competitions for the title of best occupation health worker among all Company enterprises.

Plans for 2015 and the medium-term outlook

The Company plans to continue active work to improve its OHIFS management system. Work will continue next year, with an emphasis on the following areas of business:

- full standardisation of work stations within their business system, including working conditions and safety of operations
- a special assessment of working conditions at work stations
- an across-the-board behavioural safety audit
- creating and developing a culture of leadership skills and personal commitment to work safety
- identifying hazardous situations and working to prevent them
- an increase in KPI weighting for attaining OHIFS goals to incentivise commitment to work safety
- training the talent pool in safe working techniques, and internships for new hires for clearance to unsupervised work

[1] A list of state executive authorities is provided in the UC RUSAL Annual Report for 2014..

Employees – Approach

The UC RUSAL HR Management System is intended to develop the corporate environment, facilitating the dynamic expansion of the Company. The Company seeks to create the necessary conditions for establishing a close-knit, highly skilled team which adheres to a sustainable system of corporate values.

Corporate culture

In order to develop a corporate culture based on high ethical standards, the Company has implemented a Corporate Code of Ethics (the Code). The Code regulates the standards of mutual relations between employees and the Company based on UC RUSAL values, and it is geared to preventing possible violations and conflicts [1]. The Code strictly prohibits discrimination based on gender, race and/or religion, as well as any type of child, forced or compulsory labour, even in those regions where this is allowed under applicable law. The provisions of the Code apply to all employees of each company that is a part of UC RUSAL, who must undertake to adhere to them in their work, regardless of their position and status. UC RUSAL has a procedure in place to ensure that all new hires read and understand the Code, and has implemented a training course on corporate ethics.

Employees are advised on any corporate ethics issues at the Company's enterprises by corporate ethics representatives (CER). In total, the Company has 36 CER at its Russian and foreign enterprises.

In 2014 CER processed 198 requests and held 230 meetings. The following issues were the most important and were widely discussed at enterprises during meetings:

- the position of the Company on the market during times of crisis
- the restructuring of enterprises
- special work assessment conditions
- the compensation and benefits system

Corporate ethics representatives are elected for three years. On the expiry of this term, they undergo a performance assessment procedure. In 2014 70% of the CER underwent the performance assessment procedure.

The Company has a line of trust that employees can use to obtain answers to questions of interest to them. The line of trust also notifies management of instances of Code violations. Information on the work of the line of trust is made available to all UC RUSAL employees.

Employment relations

The Company has in place an HR Policy. The policy contains the underlying principles of the following integrated elements:

- Staff selection
- Staff performance
- Staff motivation, compensation and remuneration
- Staff learning and development

The collective bargaining agreement is an additional document that regulates employment relations at the Company. This agreement regulates such issues as employee working hours, occupational health and safety procedures, the remuneration system / amount of remuneration, annual wage increases, and social guarantees and benefits.

Collective bargaining agreements are concluded with the trade union organisations at each Company enterprise. Around 60% of Company employees are members of trade unions, and 90% of employees work in accordance with the collective bargaining agreement.

The UC RUSAL Social Council operates as the social partnership body between employer and employees. The following issues were assessed and discussed in the reporting year at the meeting of the Social Council:

- UC RUSAL's performance for 2013
- The Company's plans for 2014
- The commissioning of BoAZ
- Implementing individual provisions of the collective bargaining agreement (the procedure for wage indexation, the provision of voluntary medical insurance, and the rehabilitation of employees and their family members)

To improve communications, a working group was set up in 2014, comprising representatives of the Company and trade unions.

In addition, employment relations and the compensation and benefits package at the Company are regulated by the industry tariff agreement for the mining and metals complex of the Russian Federation.

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[1] You can find out more about the Code on the Company's website http://www.rusal.ru/investors/corp_management/corp_kodex.aspx

Staff structure

Average headcount in 2014 was 61,235, a fall of 9% on 2013. Staff turnover contracted in 2014 and was 7.2%, which is lower than the figures for 2013 and 2012 (16% and 8.4%, respectively). The number of employees working part-time was 1.1%, while freelance employees accounted for around 1.4% of all employees.

In 2014 the ratio of workers to DSO (directors, specialists, officials) was 77.7% to 17.6%.

In view of the Company's operating specifics, most employees, including management, are men – over 85% of the total.

Average headcount, 2012–2014 [1]

Division	2012	2013	2014
Aluminium	20,877	24,647	17,922
Alumina	20,570	19,336	19,996
Engineering and Construction	18,836	17,573	15,517
Energy	36	34	29
Packaging	1,883	1,964	2,131
Management Company	593	659	620
Commercial Directorate	4,857	–	–
Technical Directorate	1,620	1,222	775
Other	2,000	1,875	4,245
Total	**71,272**	**67,310**	**61,235**

Breakdown of management (senior management)* in 2014, %

- Men– 91%
- Women – 9%

Breakdown of management (excluding senior management)** in 2014, %

- Men – 85%
- Women – 15%

Plans for 2015

UC RUSAL wishes to further improve the HR management system. A number of measures are planned in this area, including:

- improvements to the project bonus system
- creating a personal Intranet-room for an employee
- improvements to the goal-setting system
- adapting in-house regulations and automated systems at all Company enterprises so that they are in line with legislative amendments on special assessments of working conditions
- creating shared service centres to deal with staff administration issues at production sites
- providing employees for the new BoAZ factory
- employee training and development
- launching production trainers and simulators
- employee assessment and updating the internal talent pool
- continuing with the implementation of external talent pool programmes (the further development of the scholarship programme will continue as part of the targeted student recruitment programme)

[1] The data consolidation perimeter in the table may differ from other sources due to changes in the Company’s structure in 2011–2014.

Appealing employer

Relations with educational institutions

The Company pays particular attention to recruiting and training young specialists. UC RUSAL actively cooperates with educational institutions that work in the professional preparation of specialists in the mining and metallurgical sectors. The Company implements the following interaction programmes with educational institutions:

- Targeted student recruitment programme
- Scholarship programme
- International educational programmes..

Targeted student recruitment programme

In the reporting year the Company continued to implement the targeted student recruitment programme. The programme enables school graduates to receive training in core areas of expertise for the Company and to subsequently take up employment at UC RUSAL enterprises. The targeted student study programme includes an in-depth study of general educational subjects and lessons on occupational health and safety, UC RUSAL's production system, and the Corporate Code of Ethics. In addition to the theoretical basis, students receive on-the-job training at Company enterprises. Upon completion of their studies, the students of target groups have to work for at least three years at UC RUSAL's enterprises in their cities.

In 2014 31 students from Krasnoyarsk and Sayanogorsk studied at Siberian Federal University, nine from Bratsk and Irkutsk at Irkutsk State Technical University, four at Ural Federal University, four at Siberian State Industrial University, and a further four from Severouralsk at Ural State Mining University.

Scholarship programme

A scholarship programme is in place in those cities that do not have a targeted recruitment programme (Sayanogorsk, Krasnogorsk, Irkutsk, Bratsk and Novokuznetsk). UC RUSAL awards scholarships to talented and capable students in core areas of the Company's expertise, and who play a proactive role in the scientific and technical activities of educational institutions. Candidates are nominated by the leadership of the educational institutions. In total, 24 educational institutions participate in the programme, including HKUST [1], IrGTU and the St Petersburg State Institute of Technology. Students are guaranteed payment of dormitory expenses for the entire period of their studies, scholarships of up to RUB 5,000 a month (depending on their academic performance), reimbursement for travel expenses to their place of residence, and practical training at a plant, including the reimbursement of travel expenses.

Study programme of students from Guinea, Guyana and Jamaica

UC RUSAL continues to implement a large-scale educational programme for young people from Guinea, Guyana and Jamaica. Under this programme 100 students aged between 18 and 25 study at leading Russian higher education institutions – PFUR, MIIT, UrFU and UGGU. The Company covers all expenses related to their studies and accommodation, provides them with on-the-job training at its enterprises in Russia, and guarantees them employment at UC RUSAL enterprises in their native countries after they graduate.

Formula of the Future

This Programme has been operational at the Company since 2011. The goal of the programme is to involve graduates, students and young specialists aged up to 35 in UC RUSAL's industrial and social activities. The following form the main areas of this programme:

- My choice – understanding the Company's mission, values and internal rules
- My profession – mastering a profession and the necessary skills
- My career – career planning and professional development
- My company – developing industrial and social activities and responsibility

Competitions, excursions to UC RUSAL factories, and internships are conducted as part of the programme, and youth councils are established at enterprises.

Internal talent pool

UC RUSAL has established and is constantly updating an internal talent pool in order to ensure continuity in the area of human resources. The selection process for the talent pool is recorded in the Company's information system, thereby ensuring the transparency of the entire process, and facilitating the establishment of equal opportunities for all employees.

The Company has in place an Internal Competition programme, which grants employees the right to rotate among Company enterprises. Information on vacancies is published regularly on the internal information portal.

The concept of the system for creating the UC RUSAL talent pool and an up-to-date Company competency profile were established.

In 2014 an assessment of succession pool members for management positions at the Company was performed. This involved a knowledge audit of pool members in terms of compliance with the level required for the position. As part of the assessment, one-year study programmes were compiled for succession pool members.

A total of 1,406 employees were registered in the talent pool database in the reporting year.

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[1] Hong Kong University of Science and Technology

Training and development

UC RUSAL endeavours to create for its employees all the conditions that they need to develop their potential and attain professional competencies. For this purpose the Company holds regular assessments and staff trainings.

The Corporate University operational at UC RUSAL is responsible for the development and functioning of the training and development system. It offers a number of training method programmes for employees: its own training centre, functional academies and training centres, and e-learning programmes.

Functional academies

Functional academies have been launched to improve employee qualifications in 12 areas, ranging from energy and HR to quality and commercial services. The training includes different formats, depending on the stated requirement (face-to-face, remote learning, group learning, one-on-one, external and internal providers). The training is conducted within the framework of a single training centre.

Modular training system

UC RUSAL was the first industrial company in Russia to initiate modular training programmes.

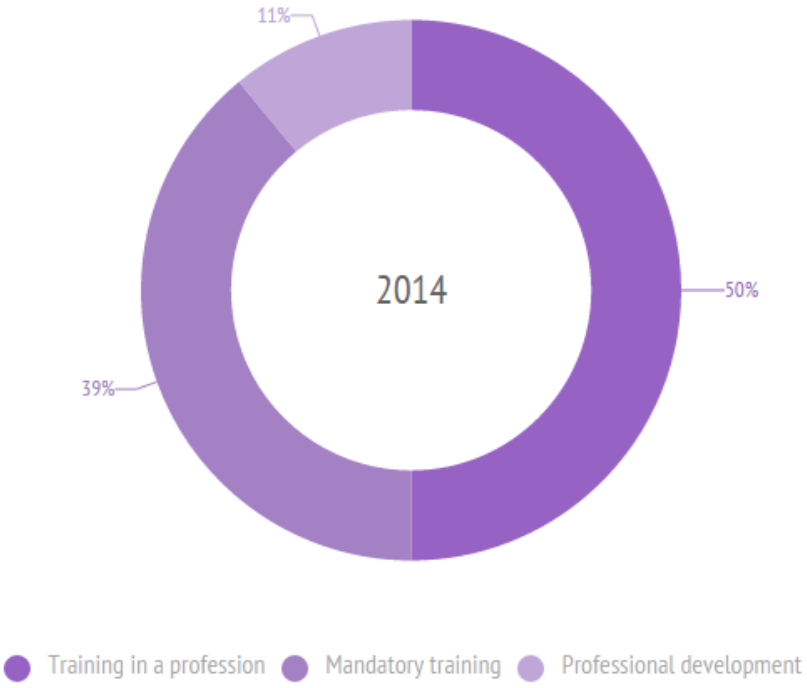
At present, the Company is conducting 35 modular professional training course programmes, including mandatory training programmes as well as supplemental advanced training programmes.

The key staff training and development activities of the Company in 2014 were:

- professional training of foremen
- mandatory training programmes for senior management and engineers

In 2014 25,471 people were trained at the Company.

Proportion of employees who received training in 2014 broken down by type of training, %



The Company pays special attention to the development and application of training tools and production simulators.

In 2014 the Company launched a programme for using training simulators during work with equipment. As part of this programme overhead crane simulators were developed for four enterprises: BrAZ, SAZ, KhAZ and IrkAZ, and a forklift loader simulator for KrAZ.

In addition to the simulators, overhead crane and forklift loader simulators have been created at the above enterprises. In the reporting period an overhead crane simulator was already being used successfully at KrAZ during training. In addition to the simulators, electrolysis simulators have been developed at SAZ, KHAZ, IrkAZ and KrAZ to ensure the effective training of employees.

E-Learning System

The Company actively uses an e-learning system (ELS), which facilitates the training of employees both at their workstations and remotely. In 2014 over 50 UC RUSAL enterprises and divisions used the ELS. In 2014 8,027 people were trained through it.

The ELS system includes electronic courses on management, logistics, foreign languages, time management, presentation skills, stress management, and documentation management. At present there are more than 200 courses for specialists of worker professions, managers, and students of higher education institutions studying areas that are core to UC RUSAL. In addition to the courses, tests and surveys are also performed remotely, thus making it possible to track the effectiveness of the educational process and to receive feedback.

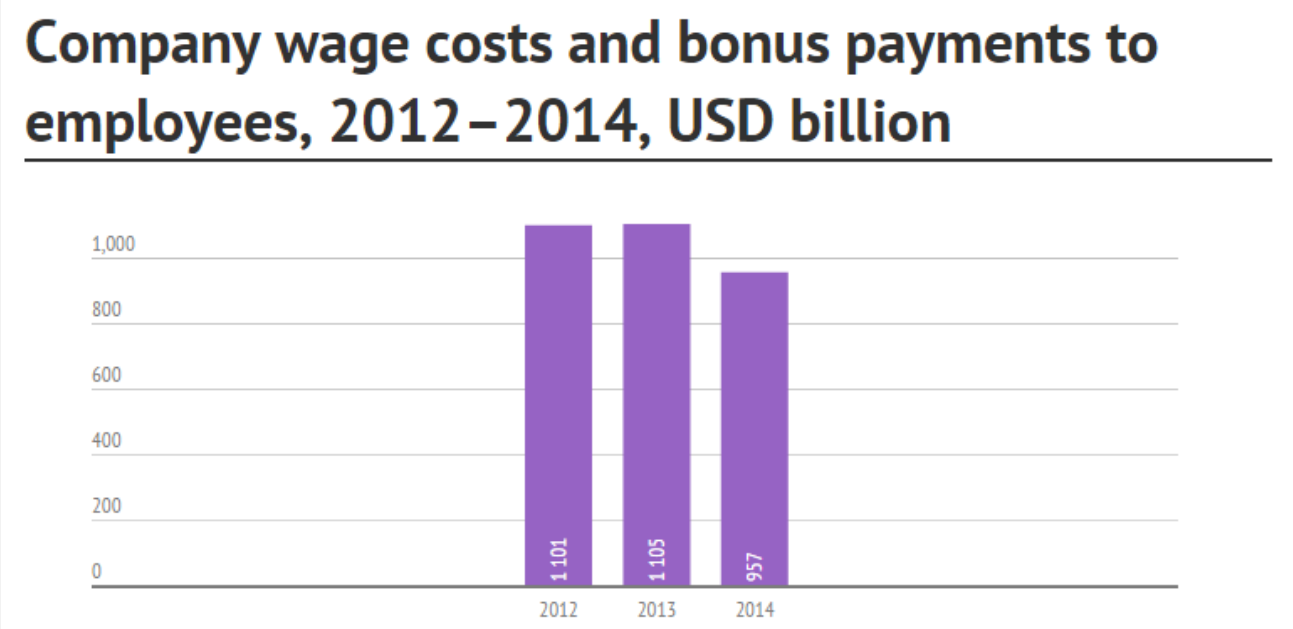
Incentive system

UC RUSAL provides its employees with stable and competitive wages on a regular basis and offers a comprehensive social benefits package. The amount of remuneration payable to an employee depends on the employee's qualifications and productivity, on the difficulty of the work to be performed and the tasks to be tackled, and employee performance. As a rule, employee wages are reviewed annually, and indexed with due account of growth in the consumer price index and local labour market terms and conditions.

An employee's wage consists of a fixed component (salary/tariff rate, statutory additional payments, surcharges and compensation, including for work in districts of the Far North and equivalent localities, for work in harmful and/or hazardous working conditions, and for work underground) and a variable component (a monthly bonus for achieving production targets and complying with labour discipline, occupational health and safety requirements, a bonus from the enterprise development fund (EDF) (paid for achieving the overall annual key performance target of the enterprise and the Company), project bonuses for partaking in implementing UC RUSAL Production System projects, Kaizen bonuses, and bonuses from the fund of the managing director of the enterprise, payable for current service and achievements).

The Company has a staff assessment system implemented through the electronic staff assessment system, while goal setting and corresponding performance assessments are performed quarterly.

The minimum wage of the lowest-category employees of Company enterprises based on full-term employment exceeds the minimum wage in corresponding regions. The average wage of the Company exceeds the regional minimum wage by 5.5 times. In 2014 the Company's wage expenses and bonus payments amounted to USD 957 million.



The reduction in wage costs and bonus payments in 2014 compared to 2013 is related to the closing of a number of inefficient enterprises and production facilities, and a resultant reduction in staff numbers.

The Company is implementing employee automated data processing and cost accounting standardisation procedures. Under this project around 90% of production facilities have installed 1C:Enterprise 8, and a standard payroll accounting and calculation method using the new software system has been approved.

Share option programmes

UC RUSAL currently operates two share incentive programmes:

- The Production System Incentive Programme (PSIP)

- The Long-Term Incentive Programme (LTIP)

In 2014 the Company continued to implement the Production System Incentive Programme. New shares in the Company were not issued for the programme. The maximum number of shares in the PSIP does not exceed 0.05% of the total number of issued shares as at the date of their award.

Shares awarded under the PSIP programme are transferred to an employee annually for three years.

In July 2014, 2,006,218 shares was transferred to PSIP programme participants.

In the reporting year the Long-Term Incentive Programme continued to be implemented. Board of Director members may, at their discretion, select employees to participate in the LTIP from a list of eligible participants.

During 2014, in connection with corresponding key performance targets not being reached for 2013, members of the Board of Directors did not approve the award of the LTIP Bonus for 2013; as a result, shares were not awarded under this programme for 2013.

Social security

UC RUSAL offers employees an employment benefits package which is required by labour law, as well as additional benefits, such as meal allowances, travel to and from work, vouchers for adults to health and recreational resorts, vouchers for the children of workers to children’s camps, sports activities, and cultural events.

Unified medical services programme

The programme offers outpatient and inpatient care and dental services for employees, and the preventative treatment of occupational diseases.

In connection with the challenging economic situation, the Company decided (effective 1 January 2014) to stop financing the corporate voluntary medical insurance programme for all employees working at UC RUSAL facilities in Russia. At the same time, the Company gives employees the opportunity to buy insurance policies at a special corporate price.

In addition, the Company has a RUSAL Medical Centre, which has medical rooms at industrial sites fitted with equipment that enables a wide range of medical services to be provided to employees.

Sports programmes and events

The Company offers favourable tariffs for sports activities in fitness centres and participation in corporate sports events.

Cultural events

The Company celebrates Metalworker's Day and the Birthday of the Company, New Year, a children’s creativity competition, and photography competitions.

Corporate award system

Division heads use different types of non-financial rewards for encouraging employees and workforces, including:

- Commendations and letters of thanks to the best employees
- Pennants to employees or workforces
- Thanks from an enterprise head to an employee or workforce for attaining the best indicators in implementing the production system or cost-cutting, etc.
- Letter of thanks from an enterprise head to a family for an employee’s achieving success in production, occupational health and safety, or environmental protection
- A badge on overalls for an employee’s achieving success in occupational health and safety or environmental protection, or to the winners and prize winners in the Improvement of the Year competition

Stakeholder relations

UC RUSAL, a leader in one of the largest and most rapidly developing industrial sectors globally, recognises that the future of the industry depends on its actions, the state of the environment, and the prosperity of the employees and residents of the regions where its enterprises are located (the majority of which are the dominant employer in their towns). On the other hand, UC RUSAL is a public company that has obligations to investors and shareholders that believe in its vision and goals.

To observe a balance between its own and society's interests, the Company seeks to factor in the interests and expectations of a wide range of stakeholders, including individuals or organisations that impact the Company's operations, or that are directly or indirectly influenced by the Company. The following are key UC RUSAL stakeholder groups:

- shareholders and investors
- clients, suppliers and business partners
- employees
- trade unions
- state and regional authorities
- local communities
- non-profit organisations (NPOs)

The Corporate Code of Ethics is a key document which governs relations between UC RUSAL and all of its stakeholders [1]. It specifies both the standards for relations within the Company (requirements for employees, the obligations and expectations of the Company), as well as the principles governing relations with external stakeholders – with investors, clients, business partners, competitors, the state executive authorities, and local communities.

UC RUSAL is constantly developing and improving the processes and mechanisms for stakeholder relations, elevating them to a new level and making the transition from simple interaction to active engagement.

Participation in industry initiatives and forums

As one of the world's largest aluminium producers, UC RUSAL takes part in international initiatives. The company is a member of:

- the International Aluminium Institute
- the European Aluminium Association
- the China Nonferrous Metals Industry Association (CNIA)
- the UN Global Compact
- the Russian National Committee for the UN Environmental Programme (UNEPCOM)

The Company also participates in the activities of the Russian Union of Industrialists and Entrepreneurs.

In March 2014 UC RUSAL participated in the 11th Krasnoyarsk Economic Forum. As part of the forum, the Company's senior management took part in sessions and round tables relating to issues such as the regulation of adverse environmental impacts, staff mobility, and social entrepreneurship. Two agreements were also concluded within the framework of the forum:

- An agreement between the Boguchany Aluminium Smelter (BoAZ) and the Agency of Labour and Employment of Krasnoyarsk Krai on organising HR support for the smelter, entailing hiring 840 employees for the operation of the first BoAZ start-up complex
- An agreement to provide preferential loans to social entrepreneurs between the Innovation Centre in the Social Sector of UC RUSAL, Krasnoyarsk City Innovation-Technology Incubator and Soyuz Bank stipulates the provision of preferential loans at an interest rate of 8.25% to social entrepreneurs

In May UC RUSAL participated in the XVIII St Petersburg International Economic Forum, which focused in particular on developing Russian regions, and also developing cooperation with Chinese partners, including in relation to aluminium production.

Economic forums generate opportunities for interaction with business partners and are also an important platform for discussing material issues of concern to the business community and the state executive authorities.

UC RUSAL took part in the 10th International Specialised Exhibition and Conference Aluminium-2014 in Dusseldorf

In October 2014 UC RUSAL participated in the 10th International Specialised Exhibition and Conference Aluminium-2014, which is the largest international platform for suppliers of raw materials, semi-finished products and finished products from aluminium, and also aluminium production and processing equipment manufacturers.

The Company's delegation held meetings with numerous partners and clients at its stand, which had a winter sports theme design. Based on the results of the exhibition, it was proposed that clients express their views on the convenience and usefulness of information materials and services offered at the UC RUSAL stand.

An international conference of such proportions is an important tool for client and partner relations, makes it possible to gain a better understanding of the needs of the Company's counterparties, and in addition creates an opportunity to study important industry issues and to exchange experience.

Key topics and forms of stakeholder engagement

UC RUSAL seeks to establish effective communications channels that meet stakeholder requirements and facilitate the due consideration of their interests.

The table below presents the main forms of the Company's engagement with stakeholders and the main topics of interest to them.

Stakeholder relations

Stakeholder	Topics of interest	Forms of communications
Shareholders and investors	Performance The sustainability of the business Reputational risks	Presentations, media presentations and conference calls from Company management for the investment community Publishing materials on agenda items of the General Meeting of Shareholders on the corporate website Meetings of Company management with analysts and investors, including as part of the road show and in industry conferences Regular meetings with minority shareholders The annual general meeting of shareholders
Clients, suppliers and business partners	Quality Reliability of supplies The sustainability of the business The sustainability management approach of the Company Ethical business practices	The procurement standard, information on tenders being conducted, and the Company's procurement-related plans Implementing Improved Customer Satisfaction Programmes at Company enterprises and structural divisions Meetings with customers, including industry conferences, technical seminars and mutual enterprise visits Meetings with (potential) suppliers and business partners An annual client survey Supplier audits The weekly consideration of customer claims Concluding contracts on the supply of products and services, and monitoring compliance with requirements imposed on counterparties Feedback requests on trial consignments Preparing responses to client requests related to the Company's sustainability activities
Employees	Safety Compensation	The HR and occupational health and safety policies The internal corporate media system, including

Stakeholder	Topics of interest	Forms of communications
	Professional development	the corporate magazine, corporate social network and feedback system Regular meetings with management Management conferences Considering appeals made via the hotline Participating in reputation surveys Safety precautions at the workplace Implementing social and material incentive programmes
Trade unions	Protection of employee interests Compliance with employee rights	The HR and the occupational health and safety policies Reports on implementing the provisions of the Collective Bargaining and Occupational Health and Safety agreements Regular meetings with management Meetings with employees (members of trade unions) Drafting the Collective Bargaining Agreement Concluding Trilateral Agreements
State and regional executive authorities	Payment of taxes Compliance with statutory requirements Developing regions of operation Establishing workplaces	Holding public hearings and advice during the modernisation and expansion of existing production facilities and the building of new facilities Dialogue with the state executive authorities on issues of legislative and statutory regulation Implementing joint projects
Local communities	Developing regions of operation Establishing workplaces Environmental protection	Disclosure of information and reporting Publications in the local media Holding public hearings and advice during the modernisation and expansion of existing production facilities and the building of new facilities Meetings with the representatives of local communities Participating in reputation surveys Implementing joint projects Concluding partnership agreements
Non-profit organisations	Joint projects The sustainability management approach of the Company	Information disclosure and reporting Publications in the local media Holding public hearings and advice during the modernisation and expansion of existing production facilities and the building of new facilities Meetings with the representatives of NGOs Concluding partnership agreements

UC RUSAL signed a memorandum of understanding with the Orenburg Oblast government

In March 2014 UC RUSAL signed a memorandum of understanding with the Orenburg Oblast government, which stipulated that the Company transfers to the region title to unused areas belonging to the South Urals Cyrolite Plant for the setting up of industrial production on this land. Production was successfully launched. All the enterprise’s employees are residents of the district and the city of Kuvandyk.

On its part, the local administration undertook to build its own boiler and to rebuild existing networks connecting to the boiler, which will ensure the supply of heat and hot water to residents of the Cryolite residential district of Kuvandyk. Previously the residential heat supply was handled by the boiler unit of the South Urals Cyrolite Plant, whose main task was to generate hot steam for the production process.

This joint solution with the local authorities will make it possible not only to provide the heat system of the city with its own boiler, but also to diversify the city's economy and to resolve local employment issues.

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[1] You can study the Corporate Code of Ethics by clicking on the following link: http://rusal.ru/investors/corp_management/corp_kodex.aspx

Approach to the development of local communities

The exceptionally responsible attitude of UC RUSAL to its social mission, which is to support the sustainable development of the regions where it operates, is manifested in the fact that the Company pays special attention to developing local initiatives and working in partnership with a wide range of stakeholders, including the state authorities, social institutions and activists.

The following principles serve as the basis for all UC RUSAL corporate social responsibility programmes: long-term strategy, maximum efficiency, well-organised partnerships, equal opportunities, and qualitative changes.

The Company's priority areas of charity activity and social investment are:

- developing the social infrastructure of regions of operation
- education
- sport and a healthy lifestyle
- support for vulnerable groups

The Company has a social investment management system in place [1]. The main structural body implementing the Company's social and charity programmes is the Centre of Social Programmes (CSP), which has been operational at the Company since 2004 and performs the role of expert institute on best practice social technologies and corporate charity and volunteering in the regions where UC RUSAL enterprises operate.

The Company makes social investments in cooperation on a parity basis with the Centre of Social Programmes, with the active support of regional and municipal administrative structures, public non-profit organisations, and business associations and socially responsible business. Understanding the importance of applying global best practices in social work, UC RUSAL seeks to share experience and knowledge with its regional partners.

The CSP implements the social programmes of the Company in accordance with the priorities of the Company's charity policy and the needs of communities where UC RUSAL operates. The CSP's activities adhere to the principles of a project-based approach.

The Company's programmes cover not only the constituent subjects of the Russian Federation, but also regions in Africa and Central America and Europe. In 2014 the Company continued to implement social programmes in countries outside the former Soviet Union (Guyana, Guinea, Ireland, Nigeria, and Jamaica), and considerably expanded its charity and social activity in Russia, developing a new toolkit to increase financial stability and to improve the effectiveness of regional development programmes.

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[1] For more details on the social investments management structure, see the UC RUSAL Sustainability Report for 2012.

Results of 2014

A part of the Social Development Strategy approved in 2013 [1] the main goals of UC RUSAL for 2014 were to enhance the sustainability of the financial and conceptual model of corporate philanthropy, modernise programmes being implemented by the Company, and expand social partnership practices. Over the past year the Company has managed to significantly increase the range of its social programmes, achieve systemic changes regarding the contents of projects and the technologies for promoting them, and improve the efficiency of spending on charity projects.

The active involvement of partner co-financing was the main tool used to enhance the financial sustainability of social projects. Whereas only one programme had been built according to this model by the start of 2014, at present all UC RUSAL social projects are being implemented based on the joint financing system.

Against a backdrop of increased financial sustainability of social programmes in the regions where the Company operates, the Company also continued to participate in and win grant competitions.

During 2014 UC RUSAL's social programmes won two federal Presidential grants, received a federal subsidy from the Russian Ministry of Economic Development, and subsidies from the Agency for Implementing the Social Development Programmes of Krasnoyarsk Krai with the Marathon of Good Deeds (RUB 663,967.30) project and the Republic of Khakassia Ministry of Social Security (RUB 180,000).

Significant changes to UC RUSAL's programme activities chiefly concern provisions adopted in 2014 to continually increase investments raised to develop regional initiatives, and increasing the engagement of both direct participants (in corporate projects) and the public (in a general sense).

In 2014 the Company's social investments focused on four key programmes: RUSAL Territory, Helping is Easy, Formula of the Future and the Social Entrepreneurship Development Programme..

Social programmes outside the former Soviet Union

UC RUSAL is interested in strengthening sustainable and mutual relations with local communities and in developing corporate philanthropy programmes in all the countries where it has a presence. In 2014 the Company continued to make social investments in selected priority areas abroad.

Contry	Results in 2014
Guyana	Since the launch of its activities in Guyana in 2004, UC RUSAL has implemented a large-scale investment programme in the social sector. During its years of operation in the country, UC RUSAL has created energy and water supply infrastructure, and also made it possible to receive television programmes in regions where it has a footprint. A joint venture between UC RUSAL and the government - the BCGI (Bauxite Company of Guyana) maintains the upkeep of local roads, using for this purpose its own equipment and materials. In 2014 the company laid a new wood-cutting route from Hururu Amerindian village, where the Company had previously brought electrical power and established uninterrupted supplies of drinking water from treatment plants. UC RUSAL is implementing an international scholarship project, which enables talented young people from Guyana to study at one of the best Russian universities, the People's Friendship University of Russia. The Company is also a permanent sponsor of sports events. In particular, it is a partner of the Kashif & Shanghai football tournament – the largest sports event in Guyana. In 2014 UC RUSAL sponsored the organisation of television broadcasts in the country from the Sochi Winter Olympic Games.
Guinea	UC RUSAL, the largest foreign employer in the country and one of the most important investors in the Republic of Guinea, has the official status of a "socially orientated company", following a decision of the Guinean Government in 2006. UC RUSAL has promoted the development of culture and sport for more than 10 years, built socially important infrastructure assets, implementing projects aimed at the professional training of youth, and helped strengthen cultural ties between Russia and Guinea, organising free education for Guinean students at Russian institutions of

Contry	Results in 2014
	higher education. In the period 2011 to 2014 the Company implemented charity projects and programmes in Guinea that had a total value of USD 7.6 million. In 2014 implementation continued of the charity education programme RUSAL Scholarship, which was launched in 2011. During this time, 100 Guinean students were selected on a competitive basis for the programme and sent to study in four Russian institutions of higher education. The total contribution to the development of the project exceeded USD 5.5 million. One of the first foreign companies to work in Guinea, UC RUSAL launched a programme to support the local health care system and to tackle the Ebola virus. In 2014 the Company procured a consignment of pharmaceuticals, sanitation facilities and preventative drugs for USD 24,000 and gave it to the Ministry of Health of the Republic of Guinea. In the same year UC RUSAL began building the Centre for Microbiological Research and Treatment of Epidemic Diseases in Guinea. At the end of the year the Company signed an agreement with Rospotrebnadzor on cooperation in organising measures to combat the spread of epidemics, perform vaccinations against infectious diseases, and protect the safety of Russian citizens in the Republic of Guinea. UC RUSAL became the only public company globally to implement a capital investment project to tackle the spread of the Ebola virus. The Company has invested over USD 10 million in the construction of an epidemiological centre. To date the Company is the only source of electricity and drinking water for the 120,000 residents of the Guinean city of Friguia. In the reporting year UC RUSAL continued to implement a number of significant infrastructure projects in the city, including the drilling of blow wells and the creation and maintenance of social infrastructure: schools for children from disadvantaged families, a swimming pool, a sports hall, a mosque and a Catholic church.
Ireland	UC RUSAL endeavours to maintain active dialogues with local communities, underscoring the importance of preserving biodiversity and maintaining the environmental balance. In particular, regular meetings are held at the enterprise, where the Company's representatives discuss with local residents the current state of environmental protection and other relevant topics.
Nigeria	UC RUSAL is systematically implementing in Nigeria a number of social programmes to improve local living standards. As in previous periods, the main social initiatives of the Company in 2014 were conducted in four priority areas: the supply of electricity to local residents; assistance in developing school education; investments in qualitative changes in the system of higher education; and the training of medical staff.
Jamaica	UC RUSAL actively invests in the social programmes of subsidiaries in Jamaica. All the Company's programmes are aimed at the sustainable development of the region and are based on partnerships with state and commercial organisations. In the reporting period the Company continued to pay special attention to programmes to restore and rehabilitate land at exhausted bauxite mines. Another important social project for the Company is Facts on Rails, an educational cycle of seminars for schoolchildren, whose main goal is to develop and reinforce in the young of the country safe rail transport behaviour.

RUSAL's social activity in Russia

In 2013 UC RUSAL approved four priority programmes for further development and consolidation in the key areas of the Social Development Strategy of the Company.

- *RUSAL Territory* – socio-economic development programmes in the regions where the Company has a presence
- *Helping is Easy* – a corporate volunteering support and development programme
- *Formula of the Future* – a programme to support youth initiatives
- *Social Entrepreneurship* – a programme to support social entrepreneurs

In 2014 the RUSAL Territory programme underwent a number of significant qualitative changes, became more accessible and open to participants, and became a part of the social infrastructure of the cities where it was implemented. The programme has already existed for four years, and during this time hundreds of socially important infrastructure projects have been implemented with the Company's assistance.

The Helping is Easy programme grew out of the RUSAL Emergency Aid project and represents a natural continuation of this project.

In the reporting period the Company managed to materially ramp up the volunteer pool, engage new beneficiaries in the programme, and increase the number of actions to be held. The number of permanent programme partners ready to contribute systematically both financial funds and other resources to developing this area also increased.

The main activities of the Formula of the Future programme are implemented by youth councils, informal associations of young and energetic employees of UC RUSAL enterprises, who seek to participate in the life of the Company and in city life. In 2014, thanks to the scrupulous regulation of tools and mechanisms of the project activities of the Councils, these structural groups became an effective lever for raising loyalty and motivating employees, both within industrial sites and in cities where the Company operates.

In 2014 the Social Entrepreneurship Programme made the transition to a new development round. In order to support the social business projects of participants at social entrepreneurship schools, mentors were attracted from a number of experienced entrepreneurs. To improve financial stability and to reduce the Company's costs related to awarding grants, a mechanism of recoverable borrowings was implemented.

RUSAL Territory

The RUSAL Territory programme is aimed at achieving a qualitative improvement in people's lives in the regions where the Company operates, and it is implemented in two main forms:

- Through developing social infrastructure and establishing a comfortable city environment
- Through supporting local community social projects and civil initiatives in the area of education, culture, sport and leisure

In 2014 the programme agenda was expanded significantly, following the establishment of two new competition categories and the development of a pilot project to socially involve citizens in project activities. The amount of the partnership contribution in the programme budget accounted for 61% of the total value, vs. 30% in 2013, which attests to an increase in the financial sustainability of the project. The Company set a goal for 2014 to mitigate risks that bad-faith contracting and partner organisations might be selected. This was achieved thanks to verification tools used by the UC RUSAL security service and the implementation of a tender approach when selecting contractors.

During the reporting period, as part of the programme the Company provided grant financing to implement 88 projects: in total 378 bids were made.

The projects that won in the tender included the opening in Krasnoyarsk of a state-of-the-art youth park for recreation and entertainment with sports, dance floors and playgrounds, providing a diverse programme of activities. Occupational guidance courses were organised in Bratsk on medical areas of expertise for senior high-school students. A project was presented in Novokuznetsk to equip the kindergarten with a set of state-of-the-art ophthalmological tools for visually impaired children, while the Centre of Children's and Youth Technical Creativity of the city received an innovative robotic engineering laboratory.

As the expert appraisal of the projects is one of the key aspects of the programme, in the reporting year the Company conducted a number of measures to increase the efficiency of the assessment system and to monitor the transparency and quality of the projects. In particular, the structure of the expert appraisal changed: the regional assessment stage was implemented, and projects were defended publicly by applicants. In order to ensure maximum transparency for the tender and to increase the public level of information awareness about the Company's social activities, a public online voting system was developed on the website of the Company's partner, the Iopolis portal, where any resident of a city where UC RUSAL has a presence can cast a vote for the project that they liked most.

In 2015 there are plans to launch a new format of the territorial development programme (involving active city communities), enhance the quality of the public expert appraisal of projects, and participate in significant city, regional and federal actions related to developing the urban planning agenda and aimed at engaging active citizens in environmental change projects.

RUSAL Territory Programme

Input	Output	Impact
Financing – contest budget: RUB 63 million Temporary resources Expert knowledge – participation of representatives of production facilities in expert appraisal of projects Partnership Network	378 applications 88 grants 15,444 who voted for projects on the Iopolis portal Series of seminars, round table meetings aimed at engaging residents in generating city development ideas Participation of the media, executive authorities and partners in the expert appraisal of projects Increase in the share of partnership co-financing to 61%	Development of regions where it has a footprint Increase in the effectiveness of project implementation Development of dialogue between the business, executive authorities and society on developing the city environment

Input	Output	Impact
		Engagement of active city communities in projects aimed at changing the city environment and developing public spaces Implementation and development on social activity platforms previously created as part of the programme Consolidation of UC RUSAL's reputation as a socially responsible company

Helping is Easy

Development of the corporate volunteer movement and promotion of the general volunteering culture are recognised priorities of UC RUSAL's social activities. The previous RUSAL Emergency Aid programme in 2014 was subsequently developed under the new name, Helping is Easy.

The Emergency Aid Programme was created specifically to provide Company employees and their family members with an opportunity to become involved in volunteering activity, to organise social activities or events for vulnerable target groups, and to attract material aid for those in need. The main development objective of the programme in 2014 was to increase the number of volunteers and to raise their contribution towards resolving social issues of the cities where the Company has a presence through tools for gratuitous assistance, the collection of funds, and mobilising the resources of active citizens.

It proved possible to achieve the set goals primarily thanks to the launch of the Volunteering School educational project and the Helping is Easy portal. The Volunteering School was organised in January 2014 as part of a grant from the Russian Ministry of Economic Development won in/by nine cities / programme participants. The representatives of the voluntary organisations of higher and secondary special academic institutions, schools, charity funds, corporate volunteers, including UC RUSAL, received training for five months. In total, approximately 10 training courses, master classes and workshops were held.

The project helped consolidate and train city volunteers, while joint campaigns and events were developed and implemented. UC RUSAL's corporate volunteering experience is now used actively by partner organisations.

The Helping is Easy project was established to unify volunteers and charities interested in joint social actions and to promote volunteering ideas in cities where the Company operates. Since the launch of the portal, 800 corporate volunteers and 165 organisations have linked up, coordinated actions, and implemented 242 public actions.

An important role in strengthening UC RUSAL's volunteering programme has been played by the New Year marathon, which has already become a tradition: "We believe in miracles, we create miracles!" The marathon represents a series of charity actions, as part of which over two months teams of UC RUSAL volunteers and partner organisations compete in good causes. The results of the New Year marathon 2014 were 17 cities participating in the programme, 3,107 volunteers, 895 volunteering actions, and 173,154 direct beneficiaries.

Using such new media tools as the information-educational portal for volunteers of Helping is Easy, the goal of developing the New Year marathon from a purely corporate format to a general city format was attained, expanding coverage of a significant number of city residents by volunteering outside industrial platforms.

The programme's sustainability indicators represent continual growth in the number of volunteers and their willingness to continue to work on the project. Compared to the previous reporting period, the number of volunteers rose by 29%.

Programme development plans for 2015 include further promotion of the portal and creating local organising committees from among the representatives of government, business and NGOs relating to the joint development of the volunteer movement, implementing a number of federal measures jointly with partner organisations, and information support for activities both inside and outside the enterprise.

Helping is Easy

Input	Output	Impact

Input	Output	Impact
Financing – contest budget: RUB 1.9 million Temporary resources Expert knowledge Partner network	The number of engaged volunteers increased by 29%, totalling 5,537 40,807 direct beneficiaries 570 partner organisations The number of events involving representatives of executive authorities, NGOs and educational institutions increased Launch of the Volunteering School educational programme and the Helping is Easy portal The contribution of partners to joint projects increased A promotional clip was created to attract participants to the Helping is Easy portal A grant was received from the Russian Ministry of Economic Development A Volunteering School was organised Representatives of volunteering organisations of higher and secondary vocational academic institutions, schools, charities, corporate volunteers and activities of MC received training, after visiting 10 training courses, master classes and workshops *Helping is Easy Portal* 862 volunteers 135 organisations 210 projects/assignments *New Year marathon "We believe in miracles, we create a miracle!"* 17 cities participated in the programme 3,107 volunteers 895 volunteer campaigns 173,154 direct beneficiaries Raising a total of RUB 1.7 million in funds	Development of corporate volunteering Unification of city and corporate volunteers The Social Programme Centre and MC are the resource centres for developing volunteering in the cities A rise in the number of volunteers and an increase in their contribution to resolving difficult social issues of cities where it has a footprint Volunteer projects reach a qualitatively new level when volunteers work not only as participants in voluntary campaigns, but initiate and independently implement projects A city wide scope of volunteer projects Translation of the corporate volunteering experience of UC RUSAL The development of the professional skills of volunteers Alignment of partner relations with representatives of city volunteer troops and the implementation of joint events Technologies for charity activities, which are demonstrated by SPC, are proactively adopted by

Input	Output	Impact
		other organisations

Formula of the Future

The Formula of the Future programme aims to involve enterprising young employees of the Company in developing their own enterprises and in actively participating in municipal life.

9 youth councils previously created as part of the programme, which brought together 500 active employees, participated in 2014 in implementing innovations in the Company's business system, prepared and held 233 social voluntary actions, and facilitated implementing occupational guidance programmes for the students of secondary schools and higher educational institutions.

In the reporting year the youth council of Novokuznetsk Aluminium Smelter and the branch of RIK registered its non-profit organisation / Autonomous Non-Profit Organisation Formula Centre for the Development and Support of Social Initiatives. This legal and corporate entity has expanded significantly the range of opportunities of young activists, enabling them to attract additional resources and to strengthen materially the extent of their involvement in the life of the local community and the extent to which important solutions have an impact. ANPO Formula participates actively in the public life of the city, city and regional competitions, and acts as the partner of major events. The School of Active Youth project, introduced as part of the Formula of the Future programme, was implemented in 2014 at nine industrial enterprises, where 150 young UC RUSAL employees received training in the development and organisation of social projects together with the representatives of local public and youth organisations.

In the same year the project received a grant from the Russian Youth Association for RUB 2 million. Thanks to this grant the number of engaged young specialists increased, as did the number of partner organisations which helped implement the project and organise and hold the municipal Forum of Working Youth, an important event for promoting the programme in cities where the company has a presence.

In 2015 there are plans to ramp up the programme to include city wide and inter-regional levels, and to draft and implement as part of the programme youth competition projects in the areas of scientific and technical creativity, environmental and sports events.

Formula of the Future

Input	Output	Impact
Financing –contest budget: RUB 1.2 million, including: ○ ○ Trainers, moderators and management staff service costs: RUB 257 thousand, ○ Printing costs: RUB 314.7 thousand, ○ Consumables: RUB 600 thousand ○ Event organisation costs: RUB 28.3 Temporary resources Expert knowledge Partner network	2,403 engaged young employees 574 young activists 501 participants youth councils (YC) 233 events 125 partner organisations Youth councils established in eight cities Letters of thanks, diplomas and prizes of YC representatives from regional and municipal authorities for their proactive work Membership of YC representatives on public councils attached to municipal administrations Excursions and occupational guidance meetings for students, schoolchildren and the wards of orphanages Implementation of the Active Youth School programme RUB 2 million financing from a Russian Youth Union grant	Increased independence of youth councils Promotion of the Company's youth leaders to the executive state authorities, regional non-governmental and professional organisations and associations Recognition of YC leaders as experts in the area of corporate volunteering Transformation of the programme into a city wide and federal format; the engagement of a large number of participants Alignment of partner relations with other organisations and the implementation of joint events

Social entrepreneurship

The improvement in living standards in the regions where the Company operates is a priority area in the social mission of UC RUSAL. Social entrepreneurship makes it possible to create new opportunities and to provide an effective toolkit to enable the most active groups of local communities to resolve the most urgent problems facing their city, with the support of existing national and regional resources.

In 2014 UC RUSAL continued to implement measures aimed at supporting and promoting social entrepreneurship in the regions where it operates. The geography of the activities of the corporate innovation centres in the social sector expanded from three to five cities. Social entrepreneurship schools opened for the first time in Achinsk (Krasnoyarsk Krai) and Severouralsk (Sverdlovsk Oblast). In five cities 120 new social entrepreneurs (out of 196 admitted) received training and began drafting their own social sector initiatives. During 2014 48 new workplaces were established as part of the existing projects of programme participants.

To encourage entrepreneurial activities, in the reporting period UC RUSAL presented jointly with Soyuz JSB and the Krasnoyarsk municipality a favourable loan programme for business projects related to developing Krasnoyarsk's social infrastructure.

In addition, in 2014 the Company for the first time issued interest-free loans to implement projects of the graduates of the Social Entrepreneurship School. Such financed projects include the book store-club, the centre of inclusive education for the children of pre-school and school age in Krasnoyarsk, the extended day centre for children, the small-scale production of wood products in the city of Krasnoturyinsk, and the service dog training centre in Bratsk.

The Company and ANO CISS's (Centre of Innovations in the Social Sector) activities to develop social entrepreneurship received in 2014 extensive public recognition at both federal and regional level. The Company won the Impulse of Good Prize of the Fund for Regional Social Programme "Our Future" for its systematic and methodical approach, and also won the Start-Up nomination in the employer best practices competition "Creating the Future" of the Russian Ministry of Education and Science. The Social Entrepreneurship School programme ANO CISS of RUSAL was declared the best in Russia, based on the results of the Our Future Foundation competition. The Social Entrepreneurship School project won grants from the Krasnoyarsk Krai Agency for Implementing Public Development Programmes.

There are plans in 2015 to involve the regional executive in providing joint support to social entrepreneurs, obtain a licence for the educational activities of CISS, and to increase SES participant awareness through promoting projects at both regional and federal level.

Social entrepreneurship development programme

Input	Output	Impact
Financing – contest budget: RUB 490 thousand 5 projects obtained interest-free loans totalling RUB 3.95 million Temporary resources Expert knowledge Partner network	120 participants graduated from the social entrepreneurship school Entrepreneurship School 22 agreements with organisations implementing small- and medium-business support programmes 37 entrepreneurial projects were launched RUB 2.22 million in municipal and regional subsidies was raised to implement projects by SES participants Interaction with municipalities, banks and the entrepreneurial community 19 mentors worked within the project, providing pro-bono services totalling RUB 292,000 Attracted partner funds totalled RUB 1 million The provision of premises and resources for no consideration for the amount of RUB 275,000	The development of social entrepreneurship in Russian regions Developing regions of operation Expansion of the programme scope CISS – regional resource centres for training, developing and supporting social entrepreneurs Establishment of working models and technologies to support social entrepreneurship, to be replicated subsequently in Russian regions

[1] You can find out more about the Strategy in the UC RUSAL Sustainability Report of 2013.

Plans for 2015 and the medium-term outlook

The Company seeks to continue to methodically and effectively develop its social agenda. The main objectives for 2015 include an improvement in the sustainability and effectiveness of the SPC, organisational and staff development, engaging new partners, and consolidation of the project co-financing model.

Special attention will be paid to drafting joint municipal development strategies, and engaging local residents, NGOs, and the representatives of business and the authorities.

Work continues to optimise the programme administration tools of the Company; as part of this UC RUSAL intends to cut costs through the automation of current processes.

The Company intends to develop its project portfolio just as effectively:

- As part of the Helping is Easy and The Formula of the Future programmes, grant competitions will be launched in 2015
- Within the context of ramping up the Social Entrepreneurship programme, entrepreneur support projects will be launched jointly with regional executive authorities in Krasnoyarsk Krai, Kemerovo and Sverdlovsk Oblasts
- To strengthen the social impact and to consolidate volunteering resources, the Helping is Easy programme will be included in the agenda of the newly established National Corporate Volunteering Council
- The licensing of the educational programme Social Entrepreneurship School was carried out in order to increase sustainability and strengthen the status of the SES; in a number of projects the Company continues to engage partner organisations and to implement social initiatives

The 15th anniversary of UC RUSAL will be an important landmark in 2015. The development of new social projects and the implementation of an extensive PR campaign will be timed to coincide with the celebration of this event.

Regarding information support for the Company's successful projects, a code of measures will be adopted to promote successful social entrepreneurship at both Russian and international level. The introduction of an international prize for young social entrepreneurs, the Social Impact Award Russia, is also projected for 2015. The Company requires active participation in international projects related to the development and promotion of this topic.

In terms of the strategic development of UC RUSAL's social agenda, there are plans to consolidate the Company's positions as the leader in the social sector and to increase sustainability through implementing major federal-level partner projects.

GRI Table and compliance with UN Global Compact principles

GRI Table and compliance with UN Global Compact principles

	Indicator	Reference	UN Global Compact Principle	Comments	Excluded information
Strategy and analysis					
G4-1	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and its strategy	Statement from the CEO			
G4-2	Description of key impacts, risks and opportunities	2.2 Internal control and risk management			
Organisational profile					
G4-3	Name of the organisation	1.1 Overview of operations			
G4-4	Primary brands, products and/or services	1.1 Overview of operations			
G4-5	Location of the organisation's headquarters	1.2 Geography of operations			
G4-6	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the Report	1.2 Geography of operations			
G4-7	Nature of ownership and legal form	Annual Report 2014: Background information on the Company			
G4-8	Markets served	1.1 Overview of operations			
G4-9	Scale of the organisation	1.3 Key economic indicators			
G4-10	Total headcount by employment type, employment contract, region and gender	5.2 Staff structure			
G4-11	Percentage of total employees covered by collective bargaining agreements	5.1 Employees: Approach		Article 43 of the Russian Labour Code: The collective bargaining agreement applies to all	

				employees of the organisation, the sole proprietor, while the collective bargaining agreement concluded at the branch, representative office or other standalone structural division of the organisation, applies to all employees of a corresponding division. The Company strictly adheres to the Russian Labour Code	
G4-12	Supply chain of the organisation	2.5 Supply chain			
G4-13	Any significant changes to the size, structure, ownership or supply chain of the organisation or that occurred during the reporting period	8 About this Report: Reporting boundaries 2.1 Corporate governance 2.5 Supply chain			
G4-14	Whether the organisation is using the precautionary principle and how	8 About this Report: Compliance with standards and calculation methods			
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses	8 About this Report: Compliance with standards and calculation methods 6.1 Participation in industry initiatives and forums			
G4-16	Member of associations (for example, industry associations) and/or national and international advocacy organisations	6.1 Participation in industry initiatives and forums			
Identified material aspects and boundaries					
G4-17	All legal entities whose reporting was included in the consolidated financial statements or equivalent documents	8 About this Report: Reporting boundaries			
G4-18	Methodology for defining the Report content and the Aspect Boundaries	8 About this Report: Process of identifying material topics			
G4-19	List of all material Aspects identified in the process for defining Report content	8 About this Report: Process of identifying material topics			
G4-20	Boundary of each material Aspect within the organisation	8 About this Report: Process of identifying material topics			
G4-21	Boundary of each material Aspect outside the	8 About this Report: Process of			

	organisation	identifying material topics			
G4-22	Effect of any restatements of figures published in previous reports, and the reasons for such restatements	8 About this Report: Reporting boundaries			
G4-23	Significant changes in the Scope and Aspect Boundaries compared to previous reporting periods	8 About this Report: Reporting boundaries			
Stakeholder Engagement					
G4-24	List of stakeholder groups engaged by the organisation	6 Stakeholder relations			
G4-25	Principles for identifying and selecting stakeholders to engage with	6.2 Key topics and forms of stakeholder engagement			
G4-26	Approach of the organisation to stakeholder engagement, including the frequency of engagement by form and by stakeholder group, as well as components of the engagement specifically undertaken as part of the Report preparation process	6.2 Key topics and forms of stakeholder engagement			
G4-27	Key topics and concerns raised by stakeholders during engagement with the organisation, and how the organisation has responded to these key topics and concerns, including through the preparation of its reporting	6.2 Key topics and forms of stakeholder engagement			
General information on the Report					
G4-28	Reporting period for which the information is provided	8 About this Report			
G4-29	Publication date of the previous sustainability report	8 About this Report			
G4-30	Reporting cycle	8 About this Report			
G4-31	Contact person for questions regarding this Report or its contents	Feedback form			
G4-32	Version of the reporting “in accordance” option selected by the organisation with GRI guidelines, and the GRI Content Index for the chosen reporting option	8 About the Report: Compliance with standards and calculation methods			
G4-33	Policy and applicable practice of the organisation with regard to seeking external assurance for the sustainability report	No external assurance of the Report is performed			

Corporate governance					
G4-34	The corporate governance structure of the organisation, including the committees of the highest corporate governance body	2.1 Corporate governance		For more details on the activities of the committees, see the Annual Report 2014: Corporate Governance Report	
G4-36	Whether the organisation has executive-level positions or positions with responsibility for the resolution of economic, environmental and social problems	2.1 Corporate governance			
G4-38	The composition of the highest corporate governance body and its committees	2.1 Corporate governance		For more details on the composition of the highest corporate governance body and its committees, see the Annual Report 2014: Corporate Governance Report	
G4-39	Whether the chair of the highest corporate governance body is also an executive officer			The chair of the highest corporate governance body is not the executive officer	
G4-40	The procedure for nominating and selecting candidates for members of the highest corporate governance body and its committees	2.1 Corporate governance		For more details on the appointment procedure, see the Annual Report 2014: Corporate Governance Report	
G4-41	The procedure used by the highest corporate governance body to ensure that conflicts of interest are avoided and managed	2.1 Corporate governance		The position of the Company and related actions related to conflict of interests are documented in the Corporate Code of Ethics of Employees, section 3.6 Conflict of interests	
G4-45	The role of the highest corporate governance body in identifying and managing economic, environmental and social impacts, risks and opportunities	2.2 Internal control and risk management			
G4-46	The role of the highest corporate governance body in reviewing the effectiveness of the risk management methods used by the organisation related to economic, environmental and social issues	2.2 Internal control and risk management			
G4-47	The frequency with which the highest corporate governance body reviews economic, environmental	2.2 Internal control and risk management			

	and social impacts, risks and opportunities				
G4-51	Remuneration rules for members of the highest corporate governance body and senior executives	2.1 Corporate governance		For more details about remuneration amounts, see the Annual Report 2014: Corporate Governance Report	
G4-52	Procedure for determining the amount of remuneration	2.1 Corporate governance		For more details about the procedure for determining the amount of remuneration, see the Annual Report 2014: Corporate Governance Report	
Ethics and integrity					
G4-56	The values, principles, standards and norms of behaviour of the organisation, such as codes of conduct and codes of ethics	2.1 Corporate governance 5.1 Employees: Approach	1		
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines	2.2 Internal control and risk management	1		
G4-58	Internal and external mechanism for reporting unethical or unlawful behaviour, and also matters related to organisational integrity	2.2 Internal control and risk management	1		

Specific standard disclosures

	Reference	UN Global Compact Principle	Comments	Excluded information
Economic performance indicators				
Aspect: Economic performance				
EC1	Direct economic value generated and distributed	1.3 Key economic performance indicators		
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	3.2 Climate change	7		
EC3	Coverage of the organisation’s defined benefit plan obligations			UC RUSAL employees are participants in the pension systems of corresponding countries. The Company allocates	

				funds for the future pension security of its employees as a specific percentage of the amount of the wage fund. For this purpose, the following special-purpose funds have been created in different countries. For more details, see the Sustainability Report for 2009–2010 and the Annual Report for 2012	
Aspect: Indirect Economic Impacts					
EC7	The development and impact of infrastructure investments and services provided for no monetary consideration	7 Investments in developing local communities	8, 9		
EC8	Significant indirect economic impacts, including the extent of impacts	7 Investments in developing local communities	8, 9		
Aspect: Procurement practices					
EC9	Proportion of spending on local suppliers at significant locations of operation	2.5 Supply chain			
Environmental indicators					
Aspect: Materials					
EN2	Percentage of materials used that are recycled input materials	3.7 Waste	8		
Aspect: Energy					
EN3	Energy consumption within the organisation		8		
EN4	Energy consumption outside the organisation		8		
EN5	Energy intensity		8		
EN6	Reduction of energy consumption	3.5 Energy consumption	8	The report provides information on individual plants to reduce energy consumption for production of 1 tonne of aluminum, reflecting the results of systematic measures to reduce energy consumption.	The report does not include other data on indicators of energy consumption, as currently the centralized collection of information is being set throughout the

					company.
EN7	Reductions in the energy requirements of products and services		8,9		
Aspect: Water					
EN8	Total water withdrawal by source	3.4 Water resources	8		
EN9	Water sources significantly affected by the withdrawal of water		8		
EN10	Percentage and total volume of recycled and reused water		8		
Aspect: Biodiversity					
EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	3.3 Land resources and biodiversity	8	The territories on which UC RUSAL enterprises are located do not encompass land within specially protected natural reservations (SPNR) and do not border them	
Aspect: Emissions					
EN15	Direct greenhouse gases (Scope 1)	3.2 Climate change	8		
EN19	Reduction of greenhouse gas emissions	3.2 Climate change	7,8,9		
Aspect: Effluent and waste					
EN22	Total water discharge by quality and destination	3.4 Water resources	8		
EN23	Total weight of waste by type and disposal method	3.7 Waste	8		
Aspect: Overall					
EN31	Total environmental protection expenditures and investments by type	3.8 Environmental protection investments	7,8,9		
Indicators on practice in employment relations and decent work					
Aspect: Employment					
LA1	The total number and percentage of new hires, as well as employee turnover by age group, gender and region	5.2 Staff structure	6		
LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of	5.5 Remuneration system		UC RUSAL provides all staff with identical employment benefit packages	

	operation				
Aspect: Occupational Health and Safety					
LA6	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and total number of work-related fatalities, by region and by gender	4 Occupational health, industrial and fire safety	1		
LA8	Health and safety topics covered in formal agreements with trade unions	4 Occupational health, industrial and fire safety	1		
Aspect: Training and Education					
LA9	Average hours of training per year per employee by gender, and by employee category	5.4 Training and development			
LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing retirement	5.4 Training and development			
LA11	Percentage of employees receiving regular performance and career development reviews, by gender and employee category	5.5 Remuneration system			
Aspect: Diversity and Equal Opportunities					
LA12	Composition of governance bodies and breakdown of main employee categories by gender, age group, minority group membership, and other indicators of diversity	2.1 Corporate governance		For more details on the diversity of the Board of Directors, see the Annual Report 2014: Corporate Governance Report	-
Aspect: Labour Practice Grievance Mechanisms					
LA16	Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms	5.1 Employees: Approach	1		
Social indicators					
Aspect: Local Communities					
SO1	Percentage of divisions with implemented local community engagement programmes assessing the impact of activities on local communications and local community development	7 Investments in developing local communities			

	programmes				
Aspect: Anti-Corruption					
SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	2.2 Internal control and risk management	10		
SO4	Communication and training on anti-corruption policies and procedures	2.2 Internal control and risk management	10		
SO5	Confirmed incidents of corruption and actions taken	2.2 Internal control and risk management	10		
Aspect: Product and Service Labelling					
PR5	Results of surveys measuring customer satisfaction	2.4 Quality management			