

COP Renova 2012

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Statement of continued support

01 June 2012

To our stakeholders

We are glad to confirm our continued support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our culture and daily operations. In the reporting period, we put emphasis on developing especially labour and environment policies and actions of our business units resulting in much progress in these fields. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Alexey V. Moskov
Chairman of the Executive Board of the Renova Group

Human Rights (Principles 1 and 2)

Assessment, policy and goals:

Protecting and complying with internationally recognised human rights and freedoms are postulated by the Renova Group of Companies' Code of Business Conduct. Penalizing anyone exercising her internationally recognized rights and freedoms is utterly disallowed in the Group companies.

Implementation:

The Code of Business Conduct applies to all business units and companies of the Renova Group through various communications to all employees being also available at the Renova Group's website (http://www.renova.ru/files/Kodeks_delovogo_povedeniya.pdf). The Code of Business Conduct is an integral part of the contract of employment.

In communicating with employees, HR units of the Renova Group ensure that each employee can send an electronic or writing message of violation or possible violation of his or her colleagues' rights.

Measurement of outcomes:

Performance management systems provide for Compensation Committees' assessment of compliance with human rights and freedoms for almost all business units. Such assessment influences the remuneration and promotion of managers who have greater responsibility for respect for human rights and freedoms in the Group than others.

Our business practices are designed to promote freedom of expression, privacy, and other fundamental human rights.

Labour (Principles 3 to 6)

Assessment, policy and goals:

Respect for labour laws and corporate regulations, lack of discrimination and fair remuneration, safe and pleasant working environment, personal and business data confidentiality are an integral part of the Renova Group's Code of Business Conduct. These principles are published both in the Code (the Code is available on the corporate website) and in various internal personnel, health and safety regulations and documents. Supporting and developing the principles have been one of the high priority goals for the Group's social responsibility practice in the reporting years.

Implementation:

HR services of the Group companies and business units operate to ensure that the top management is timely notified of any health, safety and employees' rights violations. A number of procedures are put in place for regular assessment of labour safety and respect for employees' rights to be performed by the internal audit unit of the Renova Group. The assessment results are annually communicated to the top management as part of KPI's review process.

To receive feedback from our staff, a comprehensive questioning survey into staff engagement is held at least every two years to find out not only general staff engagement but also to define employees' needs in terms of various social and labour aspects of their day-to-day work.

Actions:

Apart from the above system activities, since 2009 the Renova Group has held a socially responsible business practice contest meant to reveal, transfer and develop best practices including health and safety ones, support and assist employees, encourage the Group staff to follow recognised social and ethical values.

The 2011 internal contest selected seven largest and most comprehensive projects encompassing labour health and safety, staff and job management (training, development, incentive, retention, remuneration, reserve systems, etc.). All the projects were assessed by the Russian Union of Industrialists and Entrepreneurs (a UN GC partner for the promotion of the UN GC principles in Russia), with two projects winning in their nominations:

- Safe Enterprise at the Novocherkassk Electrode Plant Project was recognized the best, the most comprehensive and efficient project nominated for Industrial Safety and Labour Protection;
- Employee of the Month, Employee of the Year (Novocherkassk-Prikamie Company) Project – best project nominated for Personnel and Job Management.

The following criteria were used to assess the project: scale, advanced knowledge and experience used in the nomination, comprehensiveness and efficiency.

The contest and announcement of winners was supported by an active communication program resulting in best practices reaching the maximum number of concerned employees and managers of the Group. The contest results are available at the corporate website (http://www.renova.ru/files/Premia_KSO_2011.pdf).

Measurement of outcomes:

Usually our performance management systems use two groups of criteria for efficient implementation of their principles:

- RAR, FAR, Number of Incidents, Fires and Traffic Accidents at the Enterprise, Loss Incurred – to assess industrial safety and labour protection;
In recent four years the Group managed to reach sufficient improvements in the field.
- No Collective Bargaining Claims, No of Notices of Violation Issued by Legislative Labour Authorities, Engagement Ratio – to assess personnel and job management (according to the survey held in early 2012, employee involvement of various companies and business units of the Renova Group varies from 32% -- low to 93% - very high). Personnel involvement, as the reverse side of a manager's competence in relations with employees, is also of importance for performance management and career planning systems.

What is more important is that the contest allowed for some projects to be used as a basis for launching the same programs in other business units and companies of the Renova Group, resulting in future improvement of industrial safety and labour protection conditions.

According to the Group's policy labor of children in the Group companies is not allowed. As any discrimination on the basis of nationality, age, sex or religious or political beliefs.

Environment (Principles 7 to 9)

Assessment, policy and goals:

'Support to the development of the regions where the Renova Group is present' and 'Environmental compliance and safety' are part of the Renova Group's Code of Business Conduct. These principles are clearly communicated through the Code and are reflected in various internal documents and regulations pertaining to the setting up of production processes, environmental protection and support of contractor initiatives in these areas. Supporting and contributing to the development of these principles have been identified as the Renova Group's priority areas of its social responsibility during the reporting period.

Implementation:

Given the fact that the majority of the Group's production facilities make environmental impact in one way or another, the Renova Group has created a special unit that coordinates environmental compliance issues

and engages in various projects in this area. In-house regulations and guidelines, as well as organization of processes involving coordination of divisions throughout the Renova Group with this unit prescribe strict adherence to these principles and describe a procedure for reporting any violations of the same. Operating results of the unit are communicated to the management annually in the form of KPI completion reports and are included in the performance management and succession planning systems of the Group's managers. Renova has signed special cooperation agreements with local governments in the regions where the Renova Group is present in order to support and promote their initiatives.

In 2011, the Group took part in joint environmental projects with the WWF and Wild Salmon Center. Outside the scope of these activities, since 2008 the Group has held its own competition for socially responsible business practices called on to identify, promote and develop best practices, including such practices in environmental protection and in supporting local environmental initiatives wherever the Group operates.

In particular, after the Year 2011 internal contest, the jury selected two largest comprehensive projects in 'Environmental safety and protection'. All projects have passed expert assessment by the Russian Union of Industrialists and Entrepreneurs (a partner of the UN GC in projects to promote principles of the UN GC in Russia), and the «Construction of sewerage treatment plants», the project submitted by Russian Utilities, was announced a winner. The project assessment was based on such criteria as scale, use of best practices and innovations in the area, level of integrity and result.

The competition itself and the announcement of its results were supported by a wide-scale communication campaign that contributed to dissemination of information on best practices to the maximum number of stakeholders among the Group's employees and managers.

Measurement of outcomes:

The Group's environmental risks are still attributed the status of 'regulated' risks, no major incidents have been reported during the period.

The projects that are implemented as part of the competition agenda make a major contribution to expanding relevant competencies of managers in charge of and employees engaged in environmental protection activities.

Anti-corruption (Principle 10)

Assessment, policy and goals:

'Honesty and transparency in relations with government authorities' and 'Anti-bribery and Anticorruption' principles are in the Renova Group's Code of business conduct. These principles are clearly communicated through the Code and are reflected in various internal documents and regulations of the Group, particularly in the ones that govern the activities of the internal audit service, since this is the division that makes a major contribution to implementing these principles.

Implementation:

The Renova Group of companies arranges regular communication and awareness creation campaigns for its employees and managers in respect of the anti-corruption principle and applies the same approach in relations with its partners, contractors and stakeholders.

Internal Controls:

Renova Group Internal Audit Services check the accuracy of the books and record keeping by our companies.

Measurement of outcomes:

The Group produces internal reports and has a system for reporting any violations of the above principle. We have not received any related complaints during the reporting period.

Additional Information

The Renova Group has and will continue to be actively involved in the development and improvement of the Social Charter of the Russian Business adopted by the Russian Union of Industrialists and Entrepreneurs (RSPP) and encourages the accession of companies and operations of the Group to this Charter. The Renova Group of companies is an active participant of RSPP initiatives. It engages in international business councils and supports the projects of Delovaya Rossia (Business Russia) and Opora organizations.

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