

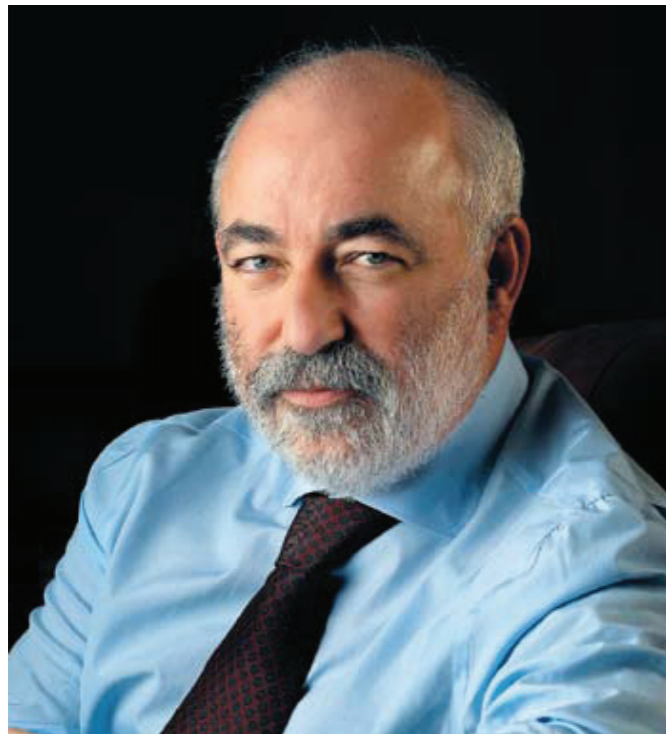
RELIABLE
PARTNERSHIP
**SUCCESSFUL
OVERCOMING**



2008-2009 Report
on Implementing Responsible
Business Practice Approaches
and Achieving Sustainable
Development Goals
in Renova Group of companies

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"We allocate our investment and management resources to the establishment and development of sustainable and competitive businesses encouraging companies in which we hold share to improve their operation based on responsible business principles. We achieve this within corporate management framework and by developing a culture of responsible business practices, supporting and promoting companies and individual employees of Renova Group who are able to act in compliance with the best international practices and follow corporate citizenship principles."

Victor Vekselberg,
Chairman of the Board of Directors
of Renova Group

This report describes the most important events of Renova Group in 2008–2009. It is easier for us today, in 2010, to look back to that period: we can now talk about the crisis lessons, and even success.

What we consider important is, first of all, our team. Effective management and active participation of shareholders in decision making process helped us find the right ways to ensure economic sustainability of existing businesses. With this, we managed to preserve the foundation for sustainable social and economic development of the territories where members of Renova Group operate.

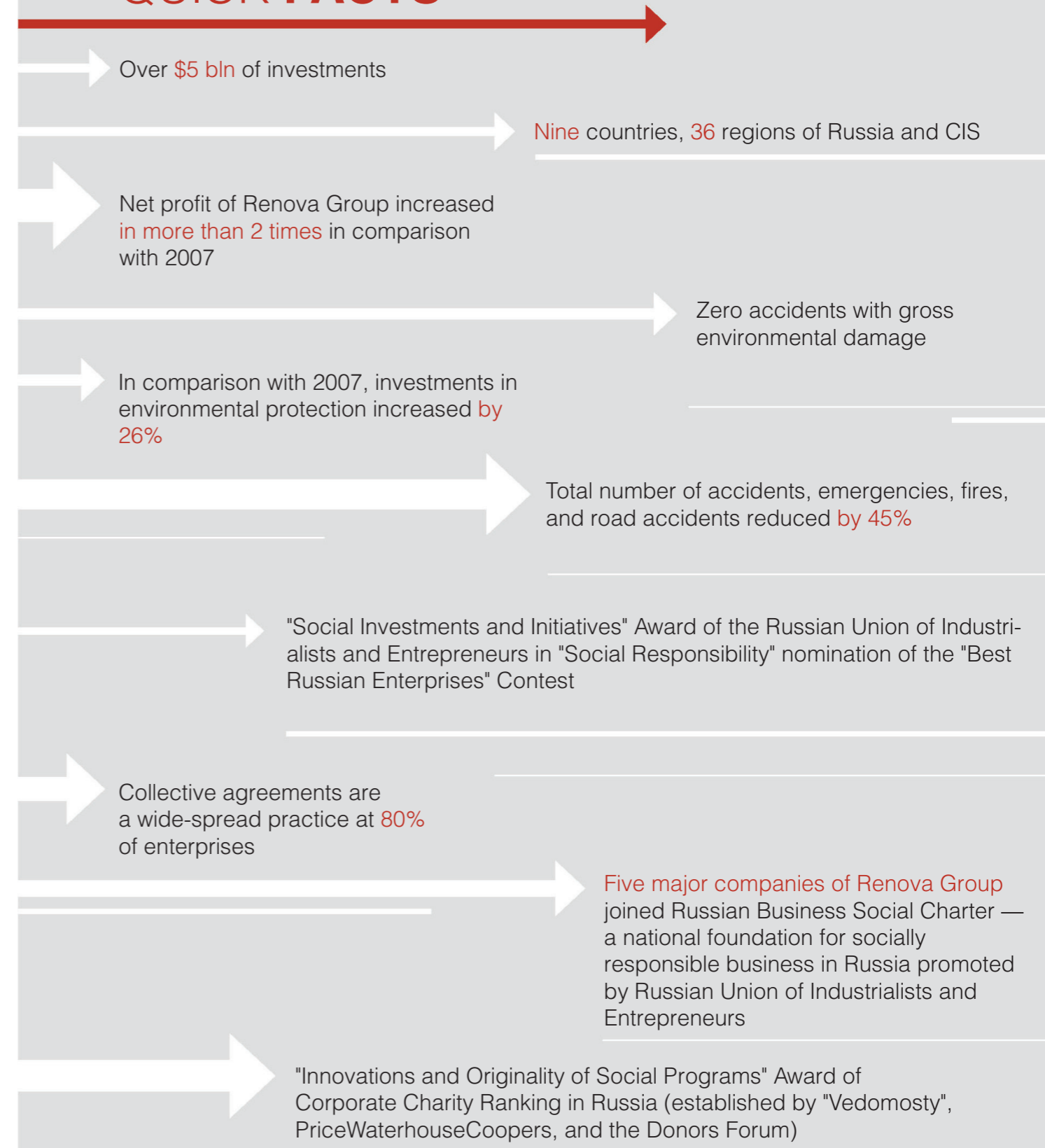
Second, despite the adverse economic situation of that period, it is evident that responsible business approaches are actively gaining ground in the companies of the Group. We managed to show the responsible approach to business in taking socially vulnerable decisions related, first of all, to staff cutting and modification of social responsibilities

under collective agreements, and investment projects as part of anti-crisis measures.

All this is a great satisfaction and points to the fact that the main principle of partnership relations (taking decisions in agreement with major stakeholders – employees, local community, authorities, and consumers) successfully passed the strength test and ensured positive outcomes for business and our stakeholders.

When developing plans for the future, we still remember that big business means big responsibility based on understanding of the goals and targets of the business. We will strive to enhance strategic partnership inside the Group, leveraging business synergy opportunities, and to ensure achievement of sustainable development goals by taking effective economic decisions and taking into consideration the public interest.

QUICK FACTS



1. RENOVA Group of companies: YESTERDAY, TODAY, TOMORROW

We set a goal of opening new development horizons for the businesses we hold stake in, and confidence in their business abilities in the modern market

1.1. Profile of Renova Group

Renova Group of companies is a leading Russian private business group, owning and managing assets in metal, oil, mining, chemical, and construction industries, energy sector, telecommunications, hi-tech engineering, utilities, and finances in Russia and abroad.

Renova Group is a strategic investor and shareholder of the leading international and Russian enterprises including global leaders, such as TNK-BP, UC Rusal, Oerlikon, and Sulzer. These companies are not in the Renova Group perimeter¹.

Renova Group incorporates direct investment funds and management companies in energy sector (Integrated Energy Systems, Avelar Energy), utilities (Russian Utilities Systems), real estate (Renova-StroyGroup), portfolio investments (Columbus Nova), telecommunications (Akado group of companies), chemical sector (Renova Orgsintez), mining and metal industries.

Renova Group invests in 36 regions of Russia, in Switzerland, Italy, South Africa, Ukraine, the USA, Latvia, Kirgizia, and other countries.

Renova Group is a part of the UN Global Compact (UN GC) and Partnering Against Corruption Initiative (PACI) of World Economic Forum in Davos, participates in five international business councils, and is a member of the Russian Union of Industrialists and Entrepreneurs.

Renova Group's strategy is based on the following:

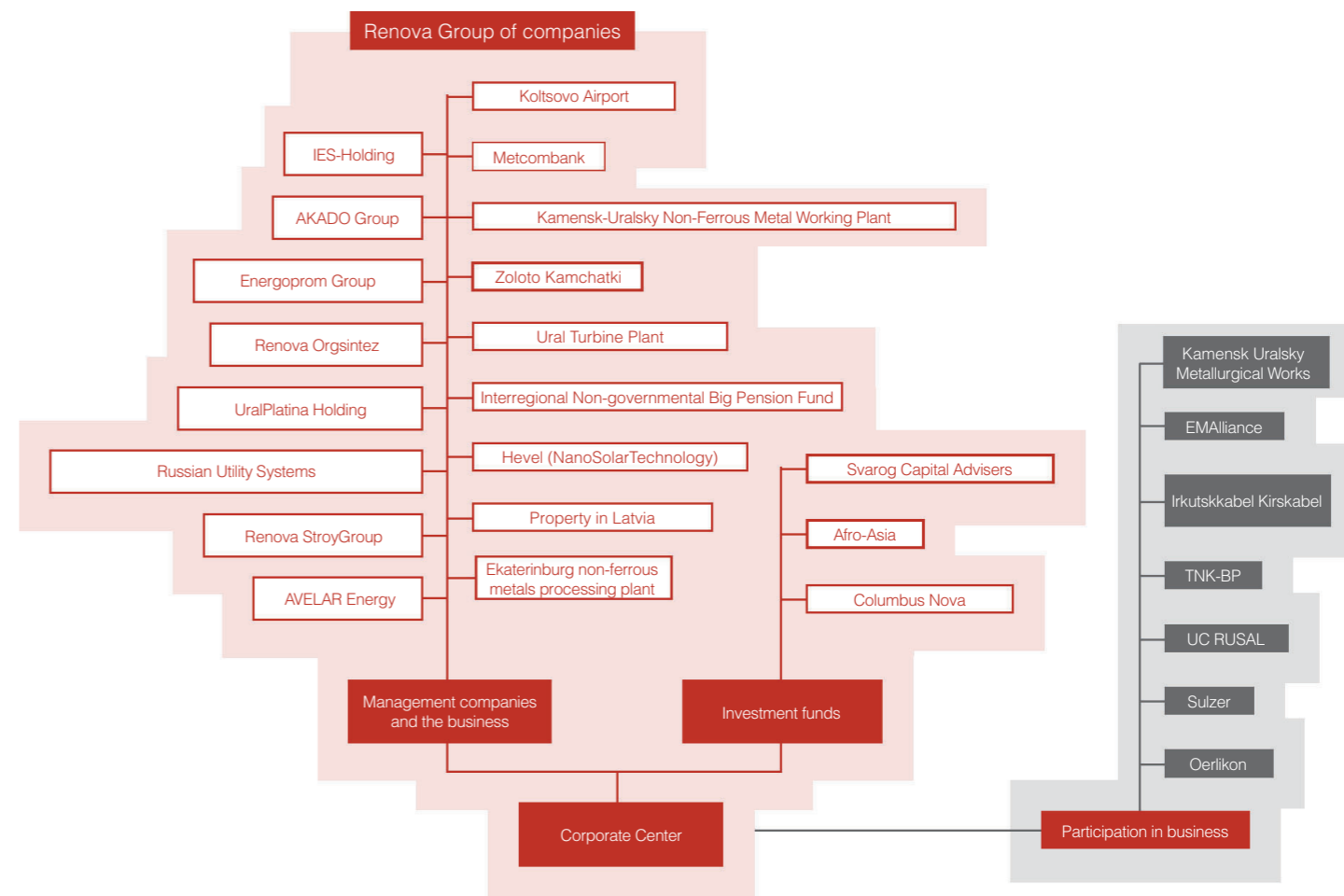
- ▶ Purchasing assets in Russian and foreign industries with significant growth potential, consolidation and synergetic opportunities in relation to the existing businesses
- ▶ Investments in major projects with a possibility of control and active management on the part of the Group
- ▶ Concentration of investment and management resources on establishing industrial leaders
- ▶ Following the principles of responsible business practice and sustainable development, implementation of global corporate management standards and leveraging advanced world manufacturing and management technologies
- ▶ Active leveraging of partnerships and alliances to optimize joint capital investments outcomes.

Investment policy of the Group provides for the following:

- ▶ Keeping most (at least 80%) of assets in Russia
- ▶ Decreasing an asset share in oil and gas industry and increasing participation in hi-tech sector
- ▶ Decreasing the share of non-profile assets: a need for specialization and increasing competitiveness of existing businesses.

¹ The term "companies of Renova Group" is not applied to these companies.

STRUCTURE OF RENOVA GROUP



Note. The perimeter of Renova Group (the left and central parts of the diagram) includes companies in which Renova Group owns a controlling interest, or is a managing partner. By type of investment activity of Renova Group, these structures are management companies, investment funds, or separate businesses implementing investment projects as management projects. Renova Group does not include companies in which its share is less than 50 % (the right part of the diagram).

1.2. Major milestones and outcomes in 2008–2009

No significant changes in the structure of the Group and its geography occurred over 2008–2009 reporting period. The Group continued implementation of the major strategic projects approved in 2007.

Just like in 2007, over 80 % of assets controlled by the Group are located in Russia. Companies that support the development of Russian economy and technology operate in nine economic sectors, in 36 regions of the country.

In 2009, most companies of the Group decreased their regional expansion rate due to participation in anti-crisis measures. Renova StroyGroup expanded its regional presence — the company now implements projects in Yaroslavl and Moscow regions, and Krasnodar Territory. Interregional Non-governmental Big Pension Fund opened new offices in several RF regions. Despite the decrease in regional presence of the Russian Utility Systems (from 12 regions in 2007 to only 9 in 2009) after transferring some enterprises to Integrated Energy Systems holding, the number of regional customers of RUS did not fall.

Renova Group of companies demonstrated only slight increase in foreign investments, which was connected with growing the Group's share in capital stock of Oerlikon OS (Switzerland) to 45% in 2008 — it is a good practice of the Group as strategic investor, which unlike a speculative investor, aims at increasing control in asset management. In 2009, another Russian company joined to the Group — Hevel LLC established with the support of Russian Corporation of Nanotechnologies (RUSNANO) and aimed at creating and developing production of thin-film solar modules in Russia. These modules are widely used all over the world in alternative energy sector. Oerlikon Solar (a part of Oerlikon OS) will supply a manufacturing line for the facility.

Despite the need in 2008–2009 to concentrate efforts on supporting resistance of existing businesses to market fluctuations caused by the global economic crisis, the Group managed to follow the course to increase high-tech, innovative component in its activity. Moreover, implementation of technological synergy, leveraging new technologies for effective use of energy resources, provision of new products and services by the businesses of the Group in the period of severe competitive struggle for the market and the consumers, have helped create a safety factor for the businesses

of the Group for the post-crisis period. For details, see Chapter 2 "Investment Management".

Major performance indicators of Renova Group, \$ bln²

Indicators	2006	2007	2008	2009
Return	4.6	6.1	1.8	15.3
Asset value	15.9	23.8	20.0	25.5
Net asset value	13.2	16.0	6.7	10.5
Aggregate investments	1.8	2.2	3.7	1.4
Net profit	2.6	1.8	(11.0)	4.1

Source. Consolidated reporting data of Renova Group

Over the reporting period, almost all businesses of the Group demonstrated positive economic performance despite challenging economic conditions. The 2009 outcomes showed that the situation has not just recovered, but significantly improved in comparison with previous periods. Significant proceeds and profit growth (as compared with 2006–2007) was possible due to expanding the business of the Group companies. Negative profit value in 2008 was only due to asset revaluation in accordance with IFRS methods that include recalculating asset value for the reporting period into a profit calculation.

1.3. Performance indicators of Renova Group

MANAGEMENT COMPANIES

Business management companies (MC) are aimed at implementing strategic investment projects of Renova Group. The strategy of these companies aims at establishing highly effective business structure that ensures leadership of a business in the market. Important strategy components for each management company are as follows:

- ▶ Provision of an effective business model and development strategy
- ▶ Asset acquisition and establishing the vertically integrated corporate structure
- ▶ Ensuring strategic position in the market
- ▶ Asset structure and quality optimization
- ▶ Increasing return on investments
- ▶ Operating efficiency optimization
- ▶ Management optimization and increasing transparency of activity
- ▶ Ensuring good growth rate of production and financial indicators for all assets
- ▶ Attracting financial resources for development, including IPOs.

Some companies of the Group combine management functions not being a holding structure. They are related to business projects in the structure of Renova Group.

ENERGY SECTOR

Renova Group owns strategic/controlling interest in TGC-5, TGC-6, TGC-9, and Volga TGC. These energy assets are controlled and managed by **Integrated Energy Systems (IES Holding)**, the largest private company in Russia operating in electric-power industry and gas distribution sector, established in December, 2002 (simultaneously with the launch of energy reform in Russia). Major business areas: energy and heat generation, gas distribution, retail (power supply).

Today, Integrated Energy Systems owns 73 operating stations in 16 regions of Russia and takes the fifth place among Russian energy companies by installed capacity. Ten millions physical persons and 62,000 legal entities are customers of IES energy providers. Gas distribution enterprises of the holding work with 4 millions users and 20,900 enterprises.

The holding was expanded during the reporting period. A new business model of the company has been developed, and a division structure in accordance with major business areas has been established.

In 2009, a major investment program called Diadem (till year 2015) was launched. During this period, new advanced generating capacities will be established in 10 regions of the RF: Mari El Republic, Kirov Region, Udmurt Republic, Perm Territory, Komi Republic, Sverdlovsk, Nizhny Novgorod, Ivanov, Orenburg, and Samara regions.

Major events of the reporting period:

- ▶ Electronic trade platform for competitive procurement has been launched
- ▶ "Energy Efficiency of the Year" and "30 Days of Energy Saving" contests were launched among energy consumers in areas where IES operates. These contests are aimed at developing the culture of energy use, promoting active participation of the public in effective energy use practices and supporting the most advanced energy consumers who apply energy saving and energy efficiency technologies
- ▶ IES holding and Ural Turbine Plant specializing in steam and gas turbines and spare parts signed a Technical Cooperation Protocol for servicing energy equipment of the holding's thermal stations that are already 30–40 years of age. Power engineers and mechanic engineers noted that such cooperation is first of all aimed at supporting hi-tech sector of Russian industry, renovation and upgrade of existing manufacturing sector and turbine servicing.

See details at www.ies-holding.com

Main performance indicators, mln USD:

Indicators	2007	2008	2009
Asset value	2,473	6,387	7,019
Return	4,592	6,503	6,676
Capital investments	87	516	449

Source. Company's consolidated reporting data

Renova Group also implements projects aimed at developing alternative energy sources in Italy, Hungary, and Czech. These projects are managed by AVELAR Energy.

UTILITIES

Main asset of Renova Group in this sector is **Russian Utility Systems, OJSC** — a private multi-product company working in different segments of utilities sector: water supply and sewerage, municipal heat power engineering, energy networks, service retailing, and billing.

Today, RUS is a major federal utilities operator, with annual turnover of 27 bln rubles. 46% of RUS business are heat supply services, municipal electric energy occupies 33% of business, water supply and sewerage — 21 %. The latter is a priority for the company's

investment activity: since 2007, RUS has increased its share in this segment by 6%, and as of today, it manages water systems of such regional centers as Tambov, Kirov, Petrozavodsk, Perm, Blagoveschensk, as well as Krasnokamsk and Bereznyaki.



As of the end of 2009, RUS subsidiaries and managed companies operate in 150 municipal entities of nine RF regions, serving over 4.5 mln consumers. RUS holds the status of a guaranteed supply company in power supply networks of three Russian regions.

Strategy 2014 has been approved by RUS OJSC during the reporting period. Strategic initiatives of Russian Utility Systems are aimed at reduction of costs and losses, and improving control over rate policy and property relations, establishing long-term constructive relations with regional authorities based on partnership principles. This will enable RUS to help local authorities improve the quality of life (utility services) in the regions. Moreover, together with local authorities (on co-funding terms or independently), RUS implements investment projects for improving reliability and efficiency of utility facilities, and development of the municipal utility infrastructure. Since 2006, RUS spent about 5 bln rubles on investments to the regional infrastructure. Budget co-funding for these projects reached about 1 bln rubles.

Advanced automated block-modular boilers have become a real "trademark" of RUS in municipal heat power engineering. RUS has also implemented a number of major municipal water systems projects: reconstruction, upgrade, and construction of new water and sewage purification facilities. Since 2009, RUS managed to attract the funds of the Investment Foundation of the RF for joint financing of three major regional projects.

In June 2009, RUS OJSC has become one of the founders of non-commercial partnership "National Union of Water and Wastewater Treatment Plants". One of the major tasks of the Union is ensuring productive cooperation between water and wastewater treatment plants, state and municipal authorities for successful development of the industry, introduction of new regulations and norms, and implementation of self-regulation mechanism as an effective management tool for water and wastewater treatment plants.

See details at www.roscomsys.ru



² All major performance indicators data about Renova Group assets and the Group on the whole (unless specified otherwise) for 2007–2009 are brought in compliance with Renova Group consolidated reporting (IFRS) as of the first day of the year following the one specified.

Main performance indicators,
mln USD:

Indicators	2007	2008	2009
Asset value	421	282	312
Return	832	1,062	683
Capital investments	16	39	13

Source. Company's consolidated reporting data

TELECOMMUNICATIONS

In telecommunications, Renova Group owns shares of TV, high-speed Internet and telephony service providers working with corporate and private customers in Moscow, St. Petersburg, Ekaterinburg, and Minsk (Belarus Republic). **AKADO Group** controls and manages the telecommunication assets. Assets were expanded after purchasing shares in Olympus NSP Ltd. (Ekaterinburg) and R2 Ltd. (St. Petersburg) in 2008.

In the reporting period, AKADO Group concentrated its efforts on the modernization of the service provision system by implementing an integrated program aimed at significant improvement in the quality of services and making the services more attractive to customers. As a result, AKADO Group managed to retain clients despite growing competition, and even increase their number, preserving its second place among broadband operators in Moscow, achieving leadership in Internet + TV segment.



Participant of the Social Charter of Russian Business

In 2009, AKADO project "Reforming the Service Provision Infrastructure in AKADO-Stolitsa" won the Russian national People Investor-2009 contest. This contest is aimed at identifying and distributing successful experience and innovative practices in the sphere of human resource management, business partner relations, and local communities development with a view to improve transparency and business performance in Russia.

Major events of the reporting period:

- ▶ Major companies and services were rebranded under a single brand — AKADO
- ▶ The payroll system was optimized, the Standard motivation system was approved in regional companies, as well as the industrial and labor safety program
- ▶ Permanent administrative bodies have been established: budget committee; expert council; a working team for management reporting of AKADO-Stolitsa on telecommunications networks acquired in Moscow; a working team for introducing of evaluation procedures for new projects investment attractiveness.

See details at www.akado-group.ru

Main performance indicators,
mln USD:

Indicators	2007	2008	2009
Asset value	1,255	1,174	1,150
Return	205	312	279
Capital investments	133	224	116

Source. Company's consolidated reporting data



CONSTRUCTION AND DEVELOPMENT

Renova StroyGroup holding implements major projects of the Group in this sector. The company invests in different development projects related to land plots, engineering infrastructure, and residential and commercial property in different regions of Russia.

This is the first Russian company that showed a good example of leveraging best practices of European town planning – projects of comprehensive territory development. Comprehensive territory development means creating an attractive urban environment with an integrated and well-balanced town planning solution (residential property, infrastructure, work places, social sphere, recreation) implemented at a specific land plot. The project contains a significant environmental component — unique approaches and techniques are leveraged to protect the environment.

Comprehensive territory development projects form a foundation of the corporate business strategy. To implement these projects, Renova StroyGroup tries to establish a private-public partnership system which would be in full agreement with interests of all stakeholders of the project.

Project offices of the company are located in Ekaterinburg, Chelyabinsk, Perm, Yaroslavl, Krasnodar, and Moscow Region. About 400 people work in the company and its regional subsidiaries. The major comprehensive territory development projects as of today are two Ural initiatives: Academic project (Ekaterinburg) and Sun Valley project (Chelyabinsk).

See details at www.renova-sg.ru

Main performance indicators,
mln USD:

Indicators	2007	2008	2009
Asset value	1,152	712	900
Return	21	91	199
Capital investments	5	9	73

Source. Company's consolidated reporting data

CHEMICAL INDUSTRY

As of the end of 2009, there are two strategic assets of Renova Group in this segment: Khimprom OJSC (Novocheboksarsk) and Neftekhimia CJSC (Novokuibyshevsk).

These enterprises manufacture different types of chemical products: caustic soda, hydrogen peroxide, PVC, resin chemicals, chlorine, ethanol, ethyl alcohol, liquefied gases, etc. These enterprises pay special attention to developing the environmental management system and implementing this system as a benchmark at the enterprises managed by the company.

Main performance indicators of Khimprom OJSC,
mln USD:

Indicators	2007	2008	2009
Asset value	151	178	170
Return	159	187	148
Capital investments	19	7	10

Source. Unaudited corporate data (IFRS)

Main performance indicators of Neftekhimia CJSC,
mln USD:

Indicators	2007	2008	2009
Asset value	76	56	51
Return	40	78	34
Capital investments	0	1	1

Source. Unaudited corporate data (IFRS)

Economic crisis had an impact on chemical industry due to demand decrease, however by the end of 2009 the demand was partly restored, while a number of production items showed an

increase in sales. Moreover, Khimprom OJSC managed to open up new markets. See details in Chapter "Implementation of sustainable development goals".

During the reporting period, enterprises received multiple awards and prizes, including the following: an award for significant contribution in implementing measures related to the Year of the Youth, diploma of Renova Group prize for achievements in the sphere of responsible corporate business practices (Neftekhimia CJSC), an award of the VII All-Russian Competition "High Social Efficiency in Russia", and the IV Annual All-Russian Contest among the consumers of electric and heat energy "Golden Pylon" (Khimprom OJSC).

Since 2006, strategic investments of the Group in the chemical sector were implemented by **Renova Orgsintez Holding**. The company puts a lot of effort into developing new businesses in Russia, CIS countries, and the Baltic countries. Expansion of acquisitions and sales to the countries of Eastern Europe, Africa, and the Middle East is our nearest outlook.



Participant of the Social Charter of Russian Business

See details at www.renova-org.ru

Renova Orgsintez Holding took active part in the project aimed at establishing and developing production of thin-film solar modules in Russia. This project is implemented by Renova Group together with Russian Corporation of Nanotechnologies (RUSNANO). A new plant will be constructed on the basis of Khimprom OJSC production facility in Novocheboksarsk (Chuvash Republic). Oerlikon Solar (a part of Oerlikon Corporation) will supply a manufacturing line for the facility. Since mid-2009, Hevel LLC established in cooperation with RUSNANO has been operating this project.

METALLURGY

In metallurgy sector, Renova Group owns shares of RUSAL joint company³ and Kamensk-Uralsky Non-Ferrous Metal Working Plant. In addition the Group is a managing partner in **Energoprom Group** — an industrial holding including different manufacturing facilities in Rostov, Novosibirsk, and Chelyabinsk regions.

Major spheres of activity of Energoprom Group: production and sale of carbon graphite products (graphitized and carbon electrodes, cathode and anode blocks, etc.). Among the consumers of these products are iron industry companies, mechanic engineering enterprises (including automobile and aerospace industries), producers of primary aluminium, silicium and chemical companies, ferroalloy enterprises in Russia and abroad, as well as atomic and defense industry enterprises. 43% of the Group's output is supplied to the Russian market, while Energoprom Group's share in some export markets ranges from 1 to 20%.

All corporate enterprises are equipped with up-to-date efficient equipment. A number of products and technologies produced and leveraged by the Group are unique in the global market. Quality characteristics of the products comply with international standards, and exceeding some of those. All enterprises are ISO 9001:2000 certified, while some of them have ISO 14001:2004 (environmental management) and OHSAS 18001:1999 (health and industrial safety management) compliance certificates. Novosibirsk Electrode Plant (ZAO NovEZ) started preparing for social responsibility standard (OHSAS 18001:1999) implementation.

With a view to strengthen the competitive advantage of the company, all enterprises perform integrated upgrade and renovation of capacities, construct new capacities for production of the most promising types of products capable of satisfying the demand of metallurgy enterprises that leverage the newest metal production techniques, and the growing global demand for carbon graphite products.

Major events of the reporting period:

- ▶ Group structure optimization
- ▶ Asset control optimization
- ▶ Preliminary registration of electrode plant products for European REACH regulations compliance has been completed.

In 2008–2009, the Company had established its own energy distribution organization that later became one of the entities of the Wholesale electric energy and capacity market. An independent formed parts production business has been established on the basis of ENERGOPROM — NovEZ OJSC and the plant's subsidiary — NovEZ Repairs and Construction Administration LLC.



Main performance indicators of Energoprom Group, mln USD:

Indicators	2007	2008	2009
Asset value	385	350	330
Return	346	399	266
Capital investments	29	10	7

Source. Company's consolidated reporting data

Kamensk-Uralsky Non-Ferrous Metal Working Plant OJSC

— is a leading Russian non-ferrous metal processing enterprise. It manufactures products of copper, nickel, zinc (about 16,000 items), and over 140 alloys. Its products are used in different branches of industry: electrotechnical, metallurgical, energy, mechanical engineering, shipbuilding, chemical and oil processing industries, instrument engineering, and aviation equipment.

See details at www.kuzocm.ru

Main performance indicators of Kamensk-Uralsky Non-Ferrous Metal Working Plant, mln USD:

Indicators	2007	2008	2009
Asset value	135	98	78
Return	291	269	102
Capital investments	4	24	5

Source. Unaudited corporate data (IFRS)

MINING INDUSTRY

Major assets of Renova Group in this sector are both extractive companies and enterprises performing deep processing of precious metals, development of the existing and exploration of new deposits. Among them are one of the oldest Russian enterprises, Ekaterinburg non-ferrous metals processing plant, as well as the Ural Plant of Chemical Reagents, and one of the largest enterprises of eastern Russia — "Zoloto Kamchatki".

Main performance indicators of "Zoloto Kamchatki", mln USD:

Indicators	2007	2008	2009
Asset value	147	114	196
Return	44	39	66
Capital investments	–	2	2

Source. Company's consolidated reporting data

Main performance indicators of Ekaterinburg non-ferrous metals processing plant, mln USD:

Indicators	2007	2008	2009
Asset value	113	81	88
Return	35	22	34
Capital investments	1	14	1

Source. Unaudited corporate data (IFRS)

Main performance indicators of the Ural Plant of Chemical Reagents, mln USD:

Indicators	2007	2008	2009
Asset value	7	6	5
Return	9	9	5

Source. Unaudited corporate data (IFRS)

Since 2005, investments of Renova Group in the sphere of precious metals mining and ore mining industry are implemented by **UralPlatina Holding**. The company controls the Group's assets in Mongolia and Kirgizia. Also, since 2006, Renova Group has been developing manganese deposits in South Africa.



FINANCES

Metcombank OJSC is one of the largest Ural banks. Metallurgical plants that serve as township-forming enterprises for Kamensk-Uralsky have become the founders and the first clients of the bank. Nowadays, the bank also serves many physical persons, small and medium business enterprises. In 2009, the bank has entered the TOP 100 Russian banks rating.

During the reporting period, the company introduced a new organizational structure and created an integrated risk management system. The bank continued expanding its subsidiary network in economically developed Russian regions: it opened its branch offices in Perm and Kirov.

In 2008–2009, the bank has been augmenting the capital (as a result, **the amount of the internal funds reached 7.7 bln rubles**) and worked on supporting its international ratings with a view to increase transparency, reliability, and expand its operations.

See details at www.metcombank.ru

Main performance indicators, mln USD:

Indicators	2007	2008	2009
Asset value	566	650	1 122
Return	57	77	83
Capital investments	1	4	2

Source. Company's consolidated reporting data

³ This company is not within the perimeter of the Group. For more information on this company's business see section "Major Renova Group Investments" on page 16.

REGIONAL PRESENCE OF RENOVA GROUP



TRANSPORTATION

Koltsovo Airport (Ekaterinburg, Sverdlovsk Region) is a major asset of Renova Group in this sector.

By passenger traffic, Koltsovo Airport is the largest regional airport in Russia, it is third largest Russian airport after Moscow aviation node and St. Petersburg airport. Major types of activity: comprehensive air traffic support, passenger and freight handling. Since 2004, a large-scale renovation program has been implemented in Koltsovo aimed at establishing one of eight transportation and logistics nodes (hubs) in Russia on the basis of this airport.

Over the last 6 years, the passenger flow of the airport increased in 1.9 times, and in 2008 exceeded 2.5 mln people for the first time over the last 15 years. Ten-percent decrease of the passenger flow in 2009 was caused by general reduction in the number of passengers transported by aviation companies, which are partners with Koltsovo, because of the economic crisis.

Nowadays, Koltsovo cooperates with over 30 Russian and foreign air companies that directly connect Ekaterinburg with over 70 cities of Europe, Asia, and North Africa.

After implementing the large-scale investment program, the convenient geographical position of the airport was supplemented by an infrastructure which is necessary for a transportation hub.

In June 2009, a modern 3,025 m long landing strip was re-commissioned after reconstruction. The airport can now accept all types of aircrafts. On June 15, 2009, within SCO and BRIC summits held in Ekaterinburg, the President of the RF Dmitry Anatolyevich Medvedev opened a new international air terminal. After commissioning the new terminal, the total area of Koltsovo airport complex exceeded 85,000 sq. m, while its throughput doubled and reached 8 mln passengers a year.

Since summer 2009, Koltsovo Airport implements a development program for transfer air transportation. It is expected to expand the coverage area of the airport and increase the passenger flow in Koltsovo.



See details at www.koltsovo.ru

Main performance indicators, mln USD:

Indicators	2007	2008	2009
Asset value	178	239	262
Return	191	269	142
Capital investments	47	18	83

Source. Unaudited corporate data (IFRS)

Major indicators	2007	2008	2009
Number of staff at the end of the calendar year	3 094	2 880	2 663
Number of customers, including:			
Passenger flow, mln passengers	2.3	2.5	2.2
Number of air companies	40	45	37
Number of new service consumers (from among air companies)	6	6	5

Source. Corporate data



MECHANICAL ENGINEERING

Renova Group's main asset in this sector in Russia is the Ural Turbine Plant CJSC (UTP) — one of the leading Russian engineering enterprises designing and manufacturing energy equipment. The company specializes in manufacturing steam and gas turbines, as well as gas-compressor units for transporting natural gas.

Among major events of this reporting period is concluding the collaboration agreement between the largest Russian energy equipment manufacturers



(SATURN Scientific-Production Association OJSC, ELSIB Scientific-Production Association, EMALLIANCE OJSC, and the Ural Turbine Plant) in the sphere of steam gas and steam power units design, manufacture, and delivery. Steam turbine servicing cooperation with the Sulzer company also expanded.

See details at www.utz.ru

Main performance indicators, mln USD:

Indicators	2007	2008	2009
Asset value	121	109	107
Return	63	53	47
Capital investments	4	1	2

Source. Unaudited corporate data (IFRS)

One of the major foreign assets of the Group in this sector is the Sulzer AG company. For more information on this company see section "Major Renova Group Investments" on page 24.

NANO TECHNOLOGIES

Hevel LLC is a managing company of a joint venture between Russian Corporation of Nanotechnologies (RUSNANO) and Renova Group of companies. The company was founded in summer 2009 with a view to build and develop production of thin-film solar modules in Russia. A production facility with total capacity of 130 MW (over 1 mln solar modules annually) will be located in Novocheboksarsk (Chuvash Republic). Oerlikon Solar (a part of Oerlikon Corporation) will supply a manufacturing line for the facility. Total funding of the project reaches 20.1 bln rubles, with RUSNANO's share in the charter capital of Hevel LLC amounting to 49%.

In this sector, Renova Group also owns shares of a largest Swiss company, Oerlikon. For more information on this company's business see section "Major Renova Group Investments" on page 17.

INVESTMENT FUNDS

Investment funds in Renova Group implement a strategy of direct investments for at least 3–5 year period. The direct investment strategy is based on purchasing a share in an asset with a view to receive dividends in the future. Investment funds participate in strategic business management. According to the 2010 investment program of Renova Group, a share of investment funds in the Group's investments shall not exceed 30%.

SVAROG CAPITAL ADVISERS (named Renova Capital until 2008) is a Russian direct investments foundation engaged in different projects in Russia and CIS countries in the spheres, which development is determined by purchasing power dynamics. The company manages direct investments funds of Renova Capital One and Russian Growth Fund (2012 investment horizon). Total capital managed by these funds exceeds 500 mln dollars. Since their foundation, the funds invested over 460 mln dollars in 13 companies, including Natur Produkt Holdings, Relogix, Multinational Logistics Partnership, Corbina Telecom, SPSR Express, Holiday Group of companies, and Spar Moscow Holdings.

In 2009, Renova Group of companies left the group of shareholders of the first fund, and now acts as an anchor investor of the Russian Growth Fund. Renova Group is currently holding shares in Natur Produkt, MLP, and Relogix.

Main performance indicators of Natur Produkt OJSC,
mln USD:

Indicators	2007	2008	2009
Asset value	100,965	80,239	32,843
Return	126,837	182,625	44,671

Columbus Nova is an investment fund managing assets over 2 bln USD. The fund was established in 2000. Offices of Columbus Nova are located in New York, Los Angeles, Charlotte (USA). The company operates in US markets and manages assets to the amount of 2.5 bln USD.

Columbus Nova invests in biofuel, property, healthcare, insurance, financial brokerage, manufacturing equipment and maintenance, oil and gas sector, telecommunications, construction.

See details at www.columbusnova.com

Afro-Asia specializes on investment projects in mining and metallurgic industries all over the world. The company manages several operating projects in Russia (platinum mining, gold mining, refining of precious metals), Kirgizia (uranium products manufacturing), and South Africa (manganese ore mining and ferroalloys production).

See details at www.afroasia.ru

MAJOR INVESTMENTS OF RENOVA GROUP: BRIEF OVERVIEW OF COMPANIES IN WHICH THE GROUP PARTICIPATES

METALLURGY

UC RUSAL (Renova Group share — 6.8%) is one of the largest aluminium and aluminum oxide producers in the world. The company has been founded in 2007 after joining of assets of RUSAL, SUAL Group, and Glencore company. The company aims to become an international diversified mining and metallurgy corporation to lead in a number of new trends in extraction of raw materials and metal production spheres. Enterprises of RUSAL joint company operate in 19 countries on five continents.



Main performance indicators,
mln USD:

Indicators	2007	2008	2009
Asset value	22,063	24,005	22,303
Return	13,588	15,685	3,757
Investments	10,429	6,602	6,201

Source. Corporate data

OIL AND GAS

TNK-BP (Renova Group share — 12.5%) is the third Russian company by oil output, and one of the ten leading private oil companies in the world. The company' share of total oil production volume in Russia is about 16% . The company was founded in 2003. Nowadays, TNK-BP portfolio includes mining, processing and sales assets in Russia and Ukraine. Corporate personnel works mostly in eight largest regions of Russia and Ukraine.

Main performance indicators,
mln USD:

Indicators	2007	2008	2009
Asset value	27,904	31,179	29,403
Return	35,995	45,128	12,764
Investments	13,901	16,022	16,158

Source. Corporate data



NANO TECHNOLOGIES

Oerlikon Corporation AG (Renova Group's share — 45%) specializes on manufacturing hi-tech products, leveraging semiconductor, vacuum, data storing technologies, and innovative space developments. The company is a leading supplier of manufacturing systems for semi-conductors and microchips industry. Oerlikon includes 170 enterprises in 35 countries of the world. The headquarters of the company are located in Pfaffikon, Switzerland. The company is engaged in innovative developments in the sphere of space exploration, solar energy, laser and nano technologies. The company aims at developing into a high-tech industrial group.



The company provides non-financial reporting.

Main performance indicators,
mln USD:

Indicators	2007	2008	2009
Asset value	5,583	5,188	4,183
Return	4,507	4,311	2,652
Investments	228	259	89

Source. Published corporate consolidated reporting data



MECHANICAL ENGINEERING

Sulzer (Renova Group's share — 31.2%) is an international company that has accumulated significant experience of technical innovative developments in the sphere of mechanical engineering, equipment manufacturing and coatings production, and is a leading global producer of pumping systems and other equipment for oil and gas production and processing. The company has 120 subsidiaries in all countries of the world. The headquarters are located in Winterthur (Switzerland).



Main performance indicators,
mln USD:

Indicators	2007	2008	2009
Asset value	3,077	3,249	3,227
Return	2,950	3,457	3,119
Investments	108	103	102

Source. Published corporate consolidated reporting data

For more details on other assets and investment projects of Renova Group see section "Group Structure" on the official website <http://www.renova.ru>, and Chapter "Investment Management" of this report.

2. Investment Management

Renova Group's investment strategy aims at developing high performance businesses in priority sectors that, in turn, promote social and economic development of the covered territories.

2.1. Modification of investment strategy: goals, trends, and tools

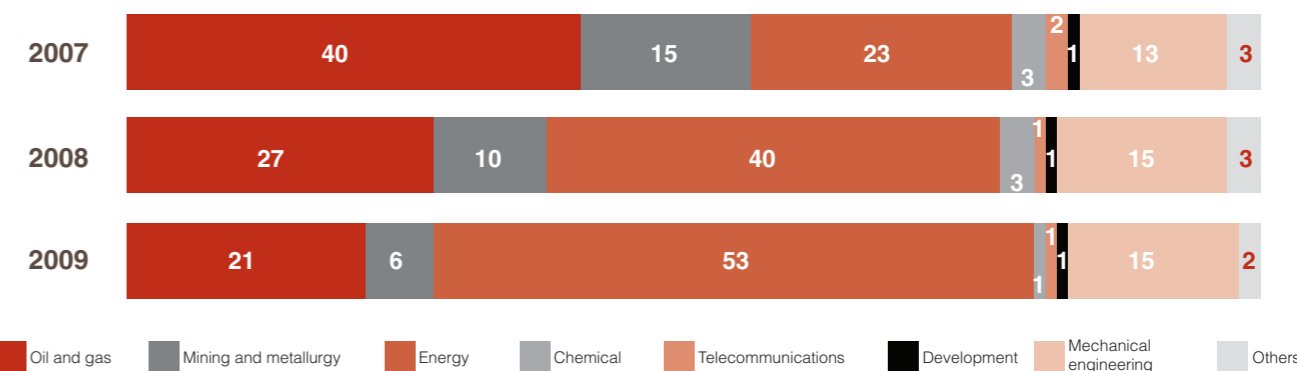
The strategy defines the priorities of Renova Group development aimed at solving the following tasks:

- ▶ Ensuring sustainable development of the Group as a strategic investor due to participation in promising projects in different industrial sectors with high growth potential
- ▶ Development of successful, sustainable, and competitive businesses in which Renova Group participates.

The long-term investment strategy of the Group includes decreasing the Group's share in mining industries and expansion into the new, high-tech industries, such as telecommunications, IT, and software products, modern mechanical engineering and equipment manufacturing, alternative sources of energy. From the point of view of business sustainability, these sectors demonstrate the most significant growth potential, ensure economic modernization and help leverage Russian educational and intellectual potential in accordance with up-to-date demands and the current economic situation in Russia.

- ▶ In 2009, as compared with 2007, the share of oil and gas sector in the industrial asset structure of Renova Group of companies decreased from 40 to 21%, while its share in energy sector and utilities showed significant increase.
- ▶ The amount of investments in 2008–2009 reached about 5 bln USD and exceeded the same indicator over 2006–2007.
- ▶ Despite the challenging economic situation, the consolidated profit of Renova Group increased almost in 1.5 times, as compared with 2007.
- ▶ The companies of the Group significantly increased their investments in environmental protection. In 2008–2009, no accidents with significant adverse environmental impact were registered at the Russian enterprises controlled by Renova Group of companies.

Industrial asset structure of Renova Group, %



Source. Consolidated reporting data of Renova Group.

In handling this task, Renova Group actively collaborates with foreign companies possessing advanced technologies and expertise, including those in scientific developments commercialization and venture capital attraction, which can significantly streamline national modernization processes. Renova became the first Russian company holding shares in the leading foreign innovation companies, such as Sulzer AG, and Oerlikon.

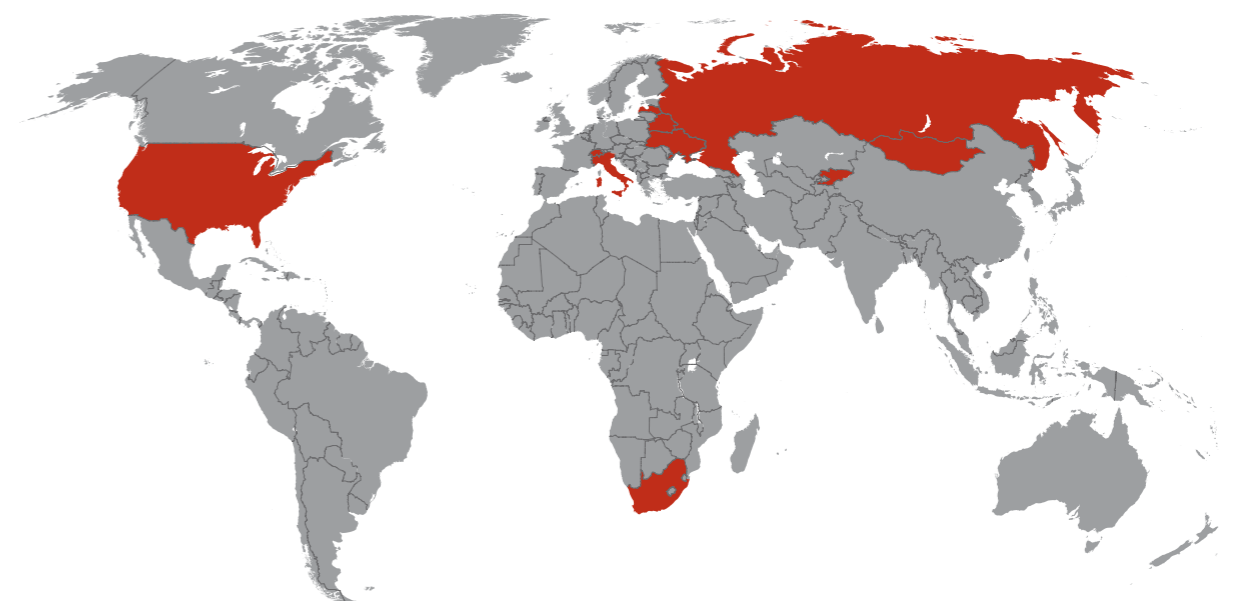
All these projects are correct from the strategic point of view, however, they are connected with high risks. In such projects, the risk is an inherent feature of activity. Besides, the world of high-tech is a sphere of severe competition. Therefore, such projects do not always follow the plan and lead to expected results. Managing such projects demands agility and insight. However, such risks offer significant opportunities in leaving the competitors behind and taking the lead in the markets.

"Self-isolation — is a way to nowhere. Therefore, we need to be able to accept the new and the advanced, and to adopt it to our own situation as fast as we can", mentioned Victor Vekselberg, the Chairman of the Board of Renova Group at the meeting of the Modernization Committee under the President of the RF.

Economic crisis changed investment plans of the Group: it had to adjust the financial decisions taken earlier in view of significant economic changes, some projects were postponed or suspended. Such approach was taken by both holding companies of the Group and the businesses they control. However, the major projects continued through 2008–2009; moreover, a new investment area related to the implementation of energy saving systems on manufacturing facilities developed. Energy saving programs became an anti-crisis measure, and at the same time, a step on the road of upgrading manufacturing assets.

Avelar Energy engaged in solar panels production and installation successfully operates in Italy and a number of countries in Southern Europe. It is one of the major participants in the European alternative energy market.

Geography of Renova Group



Energy saving is a new investment trend and multiple business opportunities for Renova Group.

Renova Group deems expansion of energy saving and energy efficiency measures as a timely and topical initiative, since this does not only has the positive economic effect, but helps create strategic advantages for companies and increase manufacturing profitability. So, this is directly related to ensuring economic sustainability of the business.

In 2008–2009, because of critical economic situation, the companies of Renova Group implemented measures aimed at cutting non-production losses and increasing resource utilization control. One of the most important anti-crisis measures related to increasing performance of the current assets was looking for ways to optimize energy consumption. Energy saving measures helped achieve a very important short-term advantage, i. e. to preserve financial resources. However, a number of programs developed by the companies included integrated technical or methodological solutions that require technical and methodological modernization to increase the efficiency factor of equipment, reduce consumption, and effectively conserve the environment.

Example. IES Holding adopted a unified long-term environmental policy aimed at reducing the energy and material capacity of energy production. The strategic program provides for measures helping optimize generating capacities and distribution networks, and develop metric-based payment systems. All this is to help reduce energy consumption by 20%, and total energy consumption — by 10%. These measures are also to ensure almost double decrease in the energy cost rate in comparison with growth of tariff rates, and significant decline of atmospheric emissions.

"IES holding is a modern energy company that sets consumers needs as its priority. Our main target is to establish such an energy distribution system that would enable the most effective and streamlined utilization of resources for satisfying all the different needs of our customers."

Mikhail Slobodin,
President of IES Holding.

A number of heat electropower stations have already successfully transferred their equipment to the low-temperature vortex fuel combustion technology, a number of new boilers and turbines have been installed. Intelligent electric energy billing systems have been implemented as part of a trial project in Perm Region. Energy audits have been conducted by the sales division of the holding in Orenburg. The pipelines have been replaced (over 70 km of new pipes were laid in 2009), and an innovative pipeline integrity control system has been implemented.

Apart from changes in technologies and major business practices, companies of Renova Group actively engaged their stakeholders (employees, consumers, and local communities, etc.) in energy saving measures. A number of information awareness campaigns were held with the support of partnering public and municipal organizations (see section "Provision of high-quality products and services that are in high demand" on page 33 and section "Interaction with stakeholders" on page 45).

Koltsovo Airport: developing a five-year energy saving program

The Board of the Company approved targeted program "Energy Saving and Environmental Protection in 2008–2013". Implementing the measures in 2009 helped save over 10.5 mln rubles. The most significant effect was achieved by optimizing operating modes of the ventilation systems in areas with irregular passenger traffic (Terminal A), and utilization of exhaust air heat (the task handled at the construction stage) by leveraging heat reclaim units in ventilation systems (rotor and plate recuperators) to heat incoming air with the heat of the exhaust one, thus saving heat-transfer agents.

Joint projects of industrial and financial companies

In the reporting period, joint projects of Renova Group's companies and the International Financial Corporation (IFC) were launched. This financial institution implements a special program that enables parity funding of systematic solutions for developing and implementing resource and energy saving technology and equipment.

Renova Orgsintez and Renova StroyGroup are currently at different stages of implementing these programs.

New services in the market of energy efficient solutions

With a view to increase energy efficiency among commercial energy consumers, Orenburg Energobyt OJSC (IES subsidiary) has developed a unique service for its clients — energy audit. By analyzing the enterprises of all utilities providers in a locality (district, town, or a city) and evaluating their energy resources performance, the company is able to provide its customers with an energy efficiency optimization roadmap that includes:

- ▶ Quick ROI and low cost measures
- ▶ Measures requiring moderate capital investments and a 3–5 year ROI
- ▶ Long-term measures requiring significant investments.

An evaluation of one of the districts (10 thousands inhabitants) in 2008 helped discover above-level losses to the amount of 50 mln rubles. In 2010, IES will be able to offer such services to all its customers.

By mid 2010, AKADO Group represented by Comcor OJSC (AKADO-Telecom brand) plans to complete the establishing of a single automated commercial energy billing system for the Moscow united energy company.

Implementation of this system is aimed at increasing the effectiveness of energy production and distribution. The new system would make it possible to select optimal equipment operation modes, identify losses of heat energy and hot/cold water, plan and implement energy saving measures, and to handle accidents in a timely way. The system would capture energy consumption data from common household energy billing nodes and transfer these data to dispatching units of the Moscow united energy company in real time.

Engaging staff in thoughtful energy consumption

In 2009, Renova Group declared a contest for its staff to offer the best ideas for

- ▶ Optimizing costs (or saving resources) that are excessive or unnecessary and do not impact performance
- ▶ Optimizing procedures and practices (regulations, processes, infrastructure, etc).

Fourteen proposals were submitted, and all of them containing realistic and practicable measures that would enable disciplined use of electric appliances and office equipment, implementation of electronic workflow, telephone and Internet cost optimization. A number of offers were implemented within the frames of a unified system of office costs optimization.

In 2009, these measures helped the company save over 15 mln rubles (over 600,000 USD).

Within the frames of the events devoted to the 20th anniversary of Renova Group of companies in 2010, a corporate Energy Efficiency conference should be held. It is aimed at exploring global best practices and the measures implemented by the Group, as well as developing a single Renova Group energy efficiency and resource saving roadmap.

2.2. Life goes on: Renova Group continues large-scale investment projects, supporting the development of Russian economy

Major areas of innovative investment projects of Renova Group include the following:

- ▶ Investments in projects that are the points of growth for the Russian economy
- ▶ Development and construction of a new, social-important, infrastructure
- ▶ Purchasing assets with a view to expand business and diversify a range of services
- ▶ Renovation of manufacturing facilities, implementation of modern technologies, offering new products, and improving the quality of products manufactured (mostly for manufacturing facilities).

Renova Group builds cities of the future: a new district in south-eastern Ekaterinburg — "Academic" project by Renova StroyGroup.

Renova StroyGroup specializes on construction and real estate projects aimed at solving Russian urban problems. The company was first in Russia to offer a unique product in 2005–2006 — COMPREHENSIVE TERRITORY DEVELOPMENT projects for creating a new, attractive urban environment. Its attractiveness is ensured by developing an integrated and well-balanced town planning solution (residential property, infrastructure, work places, social sphere, recreation) implemented at a specific land plot.

The major project of Renova StroyGroup is the construction of a new residential district at the south-east of Ekaterinburg — "Academic" district. In the new district, a qualitatively new town planning solution will help create a comfortable and at the same time environmentally friendly urban environment for its residents.

In accordance with the state target program for construction of affordable and comfortable housing, residential facilities in "Academic" district can be divided into 5 classes: economy class (51%), middle class (33%), business class (11%), elite housing (4%), and town houses (1%). The company is now completing the first stage of the project by erecting residential facilities and some commercial facilities in the district. The second stage of the project will be launched in 2015.

Currently, over 70 thousands sq. m of housing in economy sector is commissioned (five housing blocks with 1,185 apartments). By the end of 2010, population of this district should increase to 15 thousand people. Almost half of apartments will be transferred to the Ministry of Defense under state contracts at the prices set by the Ministry of Regional Development.

On "Academic" project

Academic project is the largest construction project in Russia and Europe, implemented by Renova StroyGroup in Ekaterinburg since 2007 within the frames of private-public partnership. The project includes the creation of a new district for 325,000 people, at the area of 1300 ha, within 20 years. The new district will become an integral part of the metropolis and will concentrate significant housing resources, commercial facilities, trade centers and office buildings, educational and medical institutions, sport facilities and entertainment centers. The district will be situated in the environmentally safe part of the city (south west), between two urban forests. Forests and a river nearby add a powerful "natural" context to this town planning project: multiple channels cross the urban landscape, while nearby forests expand to the center of the city due to wide tree belt areas. By estimates, there would be at least 8 sq.m of greenery for each resident of the new district. Onsite generating capacities will provide heat and electric



energy in the district. Three highways will connect "Academic" district with the center of Ekaterinburg, fast-speed tramway line will be commissioned, significant attention is paid to pedestrian and bicycle routes.

Qualitatively new utilities solutions are implemented in the district. An autonomous environmentally friendly and energy efficient boiler house (on natural gas) has been commissioned. New boilers that help minimize heat transfer losses will be installed in the nearest future. In the future, spending of in-house energy resources will be closely monitored enabling energy efficiency audit. In the long view, low pressure turbines may be installed in the new boiler house to provide electric energy for the "Academic" district.

Energy saving street lamps have been installed in the district. The lighting system outside of houses is equipped with photo relays. Electric energy is to be supplied by a new electric power substation to be completed in 2012. The substation will increase the effectiveness of the heat electropower station that will provide new buildings in the district with heat energy. This infrastructure development will help reduce utility bills of the residents almost in 2 times.

To connect a district under construction with the city center, a new type of transportation would be launched — a light rail train.

Another important infrastructure element is telecommunications: Exclusive telecommunications rates are established for the new district: for example, connecting a telephone to an urban network will cost only 100 rubles. An economy telephony service will be provided for long-distance calls. Sixteen TV channels will broadcast in the district for a minimum subscription fee.

To increase affordability of quality housing for urban population, a modern loan program is implemented in cooperation with the largest Ural banks: Sberbank, Metcombank, Vneshtorgbank, Gasprombank, and Sverdlovsk mortgage agency. These institutions will provide mortgage loans to the residents.

In 2008–2009, the company invested over 240 mln USD in "Academic" project in total.

Within this period, Renova StroyGroup continued implementation of other projects in Chelyabinsk, Moscow, and Yaroslavl regions, Perm and Krasnodar territories. To ensure the new quality level of residential environment in other projects the company follows the main comprehensive territory development principles: combining architectural diversity, natural context, and technical innovations with effective energy resources management and environmental responsibility.

Total volume of investments of Renova StroyGroup in 2008–2009 reached about 500 mln USD.

New national transportation infrastructure: major Koltsovo Airport reconstruction project mostly completed

Koltsovo Airport (Ekaterinburg) is the largest transportation hub of the Ural Federal District taking the third position in the all-Russian airport rating after Moscow aviation hub and St. Petersburg airport.

Since 2004, 10.4 bln rubles in total was invested in airport development. These were both public (40%) and private funds (60%). Most measures within the investment program for reconstruction of Koltsovo Airport have been completed in 2008–2009.

Over these years, new terminals for servicing internal and international airlines were commissioned complying with international standards. As a result, in 2009, a new modern **airport complex exceeding 85 thousands sq. m with a throughput of 8 mln passengers annually** was commissioned. The new spacious airport complex provides a lot more space per passenger than

the old airport, constructed in the Soviet times; new equipment is installed, and advanced technologies are used for fast and comfortable passenger service; convenient registration procedures are implemented, luggage waiting times are reduced. The project helped raise the quality of service for passengers and air companies.

A railway platform was commissioned in Koltsovo, in October 2008. With RZD OJSC funds, a new railway line connecting the new station Koltsovo Airport and the center of Ekaterinburg has been constructed and put in operation, and a railway platform adjoining to the railway area of the airport has been erected with private funds. This enables city residents and guests to reach airport, or the city center, within 30 minutes.

In September 2009, at the railway area of Koltsovo airport, a new modern 9-storey hotel and business complex (Angelo) was put into operation. The complex of 17 thousands square meters costs 1.8 bln rubles and has been constructed by the initiative of Renova Group who also was one of the investors. The Group partnered with Austrian development company Warimpex Finanz- und Beteiligungs AG. The Angelo hotel is managed by Austrian hotel operator Vienna International Hotel Management present in 10 European countries where it manages over 40 hotels. This is the fifth Angelo hotel in the Vienna International hotel network. Angelo airport hotel in Ekaterinburg

includes 211 double rooms and suites, a conference center with total area of 1344 sq. m (12 modern conference halls), a restaurant, lobby bar, VIP bar, underground parking for 54 vehicles, and a fitness center.

Koltsovo is the first Russian international airport in which a multilateral permanent air crossing point was opened in 2009 for transferring passengers, freight, and luggage through the state RF border. The first to pass this point were the participants of the international SCO summit held in Ekaterinburg in June 2009.

Reconstruction of landing strips in 2008–2009 helped significantly improve the safety level of the airport. A new highly durable and

smooth coating was installed on the landing strips, new radio, light, and meteorological equipment was commissioned.

A new modern building (48 m high) was erected within half a year. Construction costs reached 147 mln rubles, another 25.5 mln rubles was spent on purchasing special equipment. Flight control tower is equipped with all necessary technical tools for control air traffic within the airport area. The tower hosts the Federal Air Navigation Service (Ural) and several airport services: aviation and meteorological, operational and dispatching, IT, and electric radiotechnical connection support.

Due to the above-mentioned, the airport may now accept all aviation crafts, without limitation, attract new air companies, and open new routes.

Finishing stages of Airport Koltsovo investment program are to be implemented in 2010–2012.

Koltsovo Airport

The major reconstruction project (Renova Group has been acting as strategic investor of the project since 2004) includes the construction of a new air terminal building and reconstruction of the aerodrome complex, expansion of the aviation route network and the land transportation system, as well as the construction of logistic, hotel and business complexes. The project is implemented on private-public partnership principles within the strategy of the RF Ministry of transportation aimed at developing the transportation potential of the country with the construction of an airport hub network (air transportation nodes). Koltsovo Airport shall help solve these tasks on the Europe — South-East Asia direction.



Full modernization of this airport complex is a great contribution of Ekaterinburg's airport in optimization of aviation transport network of Russia, and another step on the way to international hub development.

Interregional Non-governmental Big Pension Fund guarantees an adequate provision of pensions for Renova Group employees and local communities.

The need to reform a pension provision system is one of the most topical issues of modern Russia. The reform presupposes a transition to the accumulative pension model when responsibility for the pension provision is shifted onto an employee and its employer.

Renova Group of companies has been actively participating in the process and joined the United Pension System in 2003. This is the first and the only example when employers collaborate with a view to ensure effective staffing policy and improving the quality of life of their employees on pension. Interregional Non-governmental Big Pension Fund has become the central point of the United Pension System, it processes individual pension accounts of its participants. The Fund has been established in 1995, and is now one of the oldest non-governmental pension funds in Russia.

Interregional Non-governmental Big Pension Fund was one of the first in the country to receive a license for an additional and mandatory pension provision, and started its activity in this market.

See details at www.bigpension.ru

As of today, Interregional Non-governmental Big Pension Fund is one of the largest non-governmental pension funds of Russia that services over 500,000 clients in 47 regions of Russia. Since the beginning of 2008, the number of branch offices increased in more than two times — from 12 to 26. Subsidiaries were opened in St. Petersburg, Novosibirsk, Makhachkala, Izhevsk, and Ufa. In 2010, Interregional Non-governmental Big Pension Fund is to open offices in Krasnoyarsk, Ulan-Ude, and Orenburg.

Activity of Interregional Non-governmental Big Pension Fund is another important initiative of Renova Group aimed at increasing social protection of its employees, members of their families, and the local population.

Besides Renova Group, major Russian employers, a number of industrial and municipal enterprises joined the United Pension System. As of today, the System unites 450 commercial and municipal enterprises from different economic sectors that form their staff pensions with the help of Interregional Non-governmental Big Pension Fund, which is almost twice as many in comparison with 2008. The Fund is constantly increasing its client base with both participants of corporate pension programs and residents of municipal centers in which Renova Group's companies and other participants of the United Pension System operate.

Interregional Non-governmental Big Pension Fund works on the principles of full information transparency and openness both before external control agencies, and its own clients. It is very important that the Fund's client base increased during the last months of 2008. This demonstrates how the selection criteria for non-governmental pension funds changed: earlier, depositors paid most attention to the yield, while today they value reliability and financial stability of the Fund most of all.

Over 15 years of its existence, Interregional Non-governmental Big Pension Fund has been meeting absolutely all of its liabilities to clients and has not suspended non-governmental pension payments (over 14,000 people as of January 1, 2010). Since 2009, Interregional Non-governmental Big Pension Fund and members of the United Pension System participate in the state pension cofinancing program. Companies of Renova Group participating in the program together with the state encourage their employees to invest their own funds in forming their pensions.

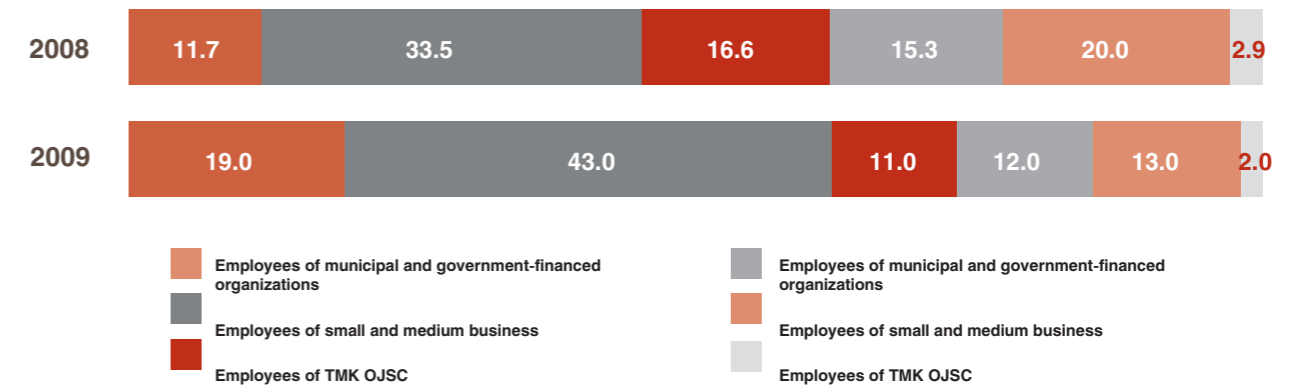
Since foundation, Interregional Non-governmental Big Pension Fund employs a conservative investment strategy aimed at preserving the assets and avoiding risky financial investments. Interregional Non-governmental Big Pension Fund demonstrates one of the highest pension saving yields. For example, in 2005-2009, average annual yield of pension savings reached 13.1% (RF Pension Fund demonstrated only 5.76% yield) while average annual inflation rate for this period constituted 10.4%.

Interregional Non-governmental Big Pension Fund is one of the most reliable funds in the country as confirmed by evaluations of leading rating agencies. By the results of 2009, Interregional Non-governmental Big Pension Fund increased its rating in the independent rating agency (RA Expert) to A level (high level of reliability).

Energy efficiency innovations: the "Sun" project

The project includes the creation of a full technological cycle for manufacturing solar batteries of new generation (based on "thin film" technology) at Khimprom OJSC manufacturing facilities (member of Renova Orgsintez holding) in Novocheboksarsk. Oerlikon Solar (a part of Oerlikon Corporation) will supply a manufacturing line for the facility. Main participants of the project: Renova Group of companies owning 51% of shares in the newly established company (Hevel LLC), and the Russian Corporation of Nanotechnologies (RUSNANO) owning 49% of shares. Total amount of investments in the project reaches 20.1 bln rubles. Expected capacity: about 1 mln solar modules annually (130 MW per year).

Client structure of Interregional Non-governmental Big Pension Fund, %



"It is very important that we all understand: this is not just the construction of a new plant, but a huge step in establishing a new industry — an alternative energy sector — that complies with modern requirements and enables us to reach the level of the advanced technological solutions that exist in the world."
 Victor Vekselberg,
 Chairman of the Board of Directors,
 Renova Group.

"It is assumed that our country has plenty of cheap electric energy. This is not true. The accident at the Sayano Shushenskaya hydro-electric power station showed that our country with its huge territory and low population density needs local sources of energy, and solar energy is quite a viable alternative."
 D.L. Orekhov,
 Quality Director,
 Khimprom OJSC.

Hevel LLC (the managing company of the project) made the first investments in the project in 2009 for construction site development, equipment purchasing, necessary examinations, and evaluating raw materials supply opportunities.

The construction of the plant is estimated to take about three years. Reaching rated capacity is planned for the fourth quarter of 2012. ROI period — about 8 years. About 1300 jobs will be created at the primary and adjoining manufacturing facilities in Chuvashia.

The project may become a "point of growth" for national manufacturing industry, with new competence centers, and advanced marketing projects that are in high demand in the global market.

Microcrystalline Silicon project

Microcrystalline silicon is widely used for solar energy projects. Its shortage is globally evaluated at 40%, while market demand is increasing by 10% annually, on average. Silicium from which solar modules are produced is also called the oil of the XXI century. Evaluations show that a solar module with 15% efficiency factor produced with 1 kg of silicium will produce up to 300 MW/h of electric energy over 30 years of operation. Therefore, 1 kg of silicium can be equaled to 75 tons of oil. Russia may take up to 10–15% of global microcrystalline silicon production within the next 5 years.

Having evaluated these market prospects and over 30 years of experience in trichlorosilane production (one of the most widely used ways to produce silicium), Renova Orgsintez started developing a project for launching a polysilicon production facility (with 5 thousands tons capacity) on the basis of Novocheboksarsk Khimprom.

The project was prepared during 2008–2009, including negotiations with foreign companies mastering innovative technologies in this sphere. By expert estimates, the cost of polysilicon production at Khimprom OJSC will be one of the lowest in the world.

The integrated polysilicon production facility is to be completed in 2011. Total investments will reach about 25.5 bln rubles (640 mln euro). This would be the first comprehensive chemical industry project in modern Russian history.

Project for productive use of shales

Oil-shales are considered alternative sources of hydrocarbon and used as fuel in electric energy sector and raw materials in petrochemical industry. Deep processing of oil-shales into synthetic oil is one of the most promising areas in the alternative energy sector. Oil-shales can also be used in metallurgy.

"Shales" project is an innovative Renova Group project aimed at restoring and developing shales industry in Russia. The Group is a major shareholder of Leningradslanets OJSC, and owns share of Zavod Slanets OJSC in Slantsy (Leningrad Region). Leningradslanets OJSC is the largest shales extraction enterprise in Russia. Oil-shales resources on the territory of Leningrad deposit where the enterprise is located are evaluated at over 1 billion tons.

The current strategy of project development is optimizing operations of Leningradslanets OJSC, increasing production, expanding sales market, development and supply of engineering solutions for the construction of the energotechnological complex for processing oil-shales into shale oil. Another important trend of the project is restoring production collaboration between Zavod Slanets OJSC and Leningradslanets OJSC. This will help improve an economic and social infrastructure of a monoprofile town, Slantsy (Leningrad Region).

Metallurgy is the area where Zavod Slanets has found its main consumer, Yuzhuralnickel Plant (member of the Mechel Group) with which a supply contract for 140 thousands tons of oil-shales has been concluded. Production experiments have also been conducted at Kolskaya GMK OJSC (an enterprise of Nor Nickel Russian OJSC) and Sredneuralsky copper smelting plant (an enterprise of the Ural Mining and Metallurgical company).

Investment projects of Renova Group

Many companies of Renova Group implement their own investment programs aimed at solving current or future strategic tasks.

Despite the challenging economic situation in comparison with 2007 the total volume of capital investments increased significantly (see section "Performance Indicators of Renova Group" on page 6). During the reporting period, as a result of implementation of investment projects the maximum renovation rate of fixed assets at manufacturing enterprises reached about 6% annually, in transportation sector — about 44%, in energy sector — 16 %, in financial sector — up to 26 %.

In 2008–2009, the implementation of investment programs helped the company improve its market position, new products were launched, and the quality of the existing products increased significantly.

Manufacturing Upgrade

Four investment projects have been completed at Khimprom OJSC (Renova Orgsintez) during the reporting period, three more are at the implementation stage. For example, a fume gas utilization unit has been installed which enabled a double decrease in resource consumption (sodium carbonate) and a 92.5% decrease of contaminated emissions.

Another important project is the completion of a major reconstruction project stage at the chlorine manufacturing facility with introducing a separate carbonization unit. This was preceded by ample preparations, purchasing Sulzer company's modern

equipment which was installed in strict compliance with industrial safety regulations.

"Technical renovation enables energy savings and improving the characteristics of the products (for example, a completely dry chlorine) which increases its competitive advantages and provides for sales market expansion — quite an important factor in the current economic conditions."

Sergey Kuzmin,
General Director,
Khimprom OJSC.

Technological modernization of chlorine and caustic soda production will ensure sustainable and safe operation of one of the major chemical enterprises of Chuvash Republic and the whole country, which is also one of the requirements of Responsible Care international program joined by Khimprom OJSC in 2008, and the Industrial safety policy of Renova Group of companies.

Investment projects of RUS OJSC Group in 2008–2009

RUS implements a comprehensive investment program in all regions of its presence: within only 2 years the amount of investments in municipal infrastructure modernization reached over 3.4 bln rubles (including all sources of funding). Some projects (Vladimir, Petrozavodsk, Perm, and Kirov) are implemented within private public partnership on co-funding principles with the use of different funding sources (private investments and budget allocations). Within this period RUS has also implemented a number of major municipal water systems projects: reconstruction, upgrade, and construction of new water and sewage purification facilities.

For instance, in Petrozavodsk, RUS has constructed a launching assembly for reconstruction of the water purification system. Within this project, a two-stage water purification system is implemented to ensure the high quality of drinking water. Reconstruction of biological purification plants in Perm helped stop emergency release of contaminated wastewaters. The company is now completing the construction of purification plants and a bucket water intake structure in Kirov. Water deferrization station has been launched in Tambov.

In 2008–2009, municipal infrastructure modernization projects (boiler houses, electric networks, etc.)

were also implemented in Vladimir, Blagoveschensk, Bryansk, Vladimir regions, and Perm Territory.

IES Holding's "Diadem"

"Diadem" is a comprehensive program for generating capacity construction. It is implemented in 10 regions in Russia: Mari El

Republic, Kirov Region, Udmurt Republic, Perm Territory, Komi Republic, Sverdlovsk, Nizhny Novgorod, Ivanov, Orenburg, and Samara regions. There would be constructed 16 new facilities with capacity from 10 to 440 MW. All projects shall be completed in 2015.

Each investment project bears a name of a precious or semiprecious stone, so the whole program was called "Diadem".

In 2009, IES Holding launched some projects under this program. For example, a number of new blocks are being constructed at Syzran heat electropower station (to be launched in 2011) Perm heat electropower station 6 (Perm Territory), Kirovsky heat electropower station 3 (Kirov Region), Sormovskaya heat electropower station (Nizhny Novgorod Region), and Syzran and Novokuibyshevsk heat electropower station (Samara Region).

2.3. Improvement of corporate management in Renova Group

Quality of corporate management determines the competitive advantages of the business and the way stakeholders perceive it.

The corporate management system of Renova Group is based on the following principles:

- ▶ Complying with the terms of shareholder agreements
- ▶ Raising the professional level of corporate management bodies
- ▶ Agreement of partners' interests and mutually profitable dispute resolution on the basis of corporate business culture shared by all business partners
- ▶ Interaction with stakeholders on running business.

In 2008–2009, Renova Group's companies actively participated in corporate construction processes⁴.

The major outcome of the reporting period was the adoption of Corporate Codes by all companies. In accordance with corporate center recommendations, all documents included the mandatory provisions: following the principles of responsible business practice and cooperation with major stakeholders (employees, local communities, etc). In particular, the codes describe the following responsibilities:

- ▶ Comply with the country of presence legislation, regulations and other obligations taken by Renova Group or the companies themselves
- ▶ Strive for positive dynamics of changes in economic, social, and environmental sphere of activity; exceed average industry and regional values or try to reach these depending on the abilities and opportunities of the company
- ▶ Constantly improve management practice taking into consideration international experience and best practice
- ▶ Develop cooperation with stakeholders on the basis of partnership and openness principles.

⁴ As of the beginning of 2010, strategic management of the Group is performed by the Board of Renova Group that includes the shareholders of the Group. Operational management and general coordination of activity of the Group are ensured by the Executive Committee of Renova Group, while multiple advising bodies (committees and commissions) are established under the management bodies.

⁵ For more details on the results see sections "Provision of safety work places" on page 35 and "Environmental protection" on page 39.

As internal monitoring shows, the quality of management in Renova Group's companies changed significantly over the last several years. This is mostly due to increasing professional expertise of management and orientation for leadership in its sector. One of improvement indicators is the decrease in number of claims on the part of supervising authorities, consumers, and other stakeholders.

Another important change within the reporting period is the development of independent directors concept in the boards of directors of all holding companies of the Group and financial sector companies. Also, external audit committees have been established under the boards in all companies, and the compensation committees in all major holding companies.

To increase responsibility of managers of the first and second management levels for the outcomes, the managing companies have developed a number of key performance indicators which in 2008–2009 included economic performance targets and industrial safety, labor safety and environmental performance indicators. For improving these indicators, managers and line personnel shall receive material remuneration. Heads of profile areas in managing companies (MC) and managing directors of MC controlled enterprises do not receive from 50 to 100% of their annual bonus if an accident with significant damage (over 1 day of downtime or financial losses over 7.5 mln rubles) or a fatal case occurs during the reporting period. A system of KPIs, as well as a KPI compliance report, shall be annually approved by the board of directors of each business based on recommendations of the committees under management bodies of each business. With a view to expand managerial responsibility for anti-crisis measures, in 2008 and 2009, the KPIs were expanded by special indicators calculated on the basis of significant liability risks (including social sector liabilities)⁵.

With a view to optimize motivation system, the practice of non-material reward of managers and experts of single companies or the Group on the whole gained ground during the reporting period. The winners of corporate awards are selected annually since 2008 in 7 nominations and are approved by the Board of Renova Group of companies.

Another important achievement of the reporting period was improving the corporate management structure: policies and corporate standards were documented, measures to improve information transparency were taken (despite insignificant share of public companies in the Group), etc.

Example. IES Holding approved corporate charters in a new version, which include modifications and additions in accordance with the existing legislation and ensuring implementation of rights and interests of shareholders and other stakeholders. New documents were approved: for example, the Regulations on convocation and organization of the Board meetings (new version) describe the decision taking procedure by the Board of directors, taking into consideration the rights of minority shareholders whose representatives are elected to the Board of directors. Regulations on provision reward and compensation to the members of the Board and the Revision commissions were declared invalid which enabled introduction of a new rewarding policy which implies defining the amount of reward by the decision of the General meeting of shareholders. Some local acts on issues not within the scope of the Board of directors in according with the Charter were declared invalid which helped improve the performance of the Board of directors that can now concentrate on solving strategic tasks.

Policy development and approval in all major functional areas

Another important achievement of this period was adoption of Industrial safety, labor safety, and environmental protection policies by all companies of the Group. These policies set unified principles and approaches to personnel health maintenance, reducing the risks of accidents, and environmental protection. Unified reporting indicators and formats have been put in operation and are now used for compiling annual reporting. During the reporting period, corporate center put much effort in working with Renova Group's companies for better understanding of the tasks set and ways to achieve them⁶.

The companies in their turn approved policies and other important documents regulating risk reduction in personnel management, product quality, etc.

Development and approval of regulations and corporate standards

These documents regulate different aspects of management (establishing management and control bodies, handling claims and reclamations, asset control, trade secrets, procurement procedures, etc).

Improving business process management, development and optimization of risk management system (including non-financial risks).

Example. Legacy systems have been used for personnel management and payroll accounting at Leningradslanets OJSC over a long period of time: HR and accountants worked with scattered databases, time keeping was executed solely with hard copies. Taking into consideration the fact that around 1,000 people work at the enterprise, payroll accounting was time-consuming and ineffective. To optimize performance of HR and accounting, new software was purchased to unite several departments into a single information environment. As a result, all data are registered in a new information system on a daily basis based on the enterprise specifics. Fully automated HR workflow: all documents are timely registered and show correct information, which makes payroll calculation transparent and controllable.

Example. AKADO Group set a goal of improving performance and competitive ability of the company by optimizing management systems of the companies within the Group. The company management decided to establish the following permanent bodies: budget committee; expert council; a working team for management reporting of AKADO-Stolitsa on telecommunications networks acquired in Moscow; a working team for introducing of evaluation procedures for new projects investment attractiveness.

Example. In accordance with Metcombank Board of directors decision, a new organizational structure was introduced in the company in 2009. Its major distinction is defining three major lines of business (corporate business, retail business, VIP business) and distribution of responsibility for business processes. Besides, a task was set to improve methods of bank risks management which is seen by the management as one of the most important way to improve reliability and sustainability of the company, and to ensure its high performance. A comprehensive risk management system for identification, measurement, control and adjustment of all risks taken by the bank has been introduced in the bank for optimal management of the existing risks. Major aspects of this system are described in "Bank Risks Management Policy" approved by the Board of directors, and in "Risk Management Regulations of METCOMBANK

OJSC" approved by the Executive Council. The Executive Council of the bank has also approved another standard – "On Business Reputation Loss Risk Management in METCOMBANK OJSC". The following committees have been established in the bank to implement the Policy: resource committee, credit committee, tariffs committee, and technology committee. Structural divisions of the bank regularly collect data on identified risk factors, and develop mitigation measures. For each type of risk, special indicators for evaluating these risks and the performance of the company have been approved.

Group-level audit committee, industrial safety committee, HR management committee, reputation and responsible business practice committee are important risk monitoring and management tools. During the reporting period, all these committees monitored anti-crisis measures in different spheres, coordinated activities of the companies on implementing standards and regulations, risk mitigation, participation in large-scale projects, and analyzed best-practices.

New principles of forming the Board of directors (introduction of independent directors)

In accordance with Federal Securities Market Commission recommendations, independent directors are members of the Board at IES Holding, RUS, Renova Orgsintez, Metcombank, and Avelar Energy.

Transparency optimization measures

Public companies of Renova Group disclose information on their activities in accordance with FSMC requirements and the established procedures: they publish annual and financial reports, and other documents.

Example. Koltsovo Airport is an issuer with mandatory disclosure of information, so the company publishes quarter reports, annual reports, incorporation documents and other documents to be disclosed in accordance with the "Regulation on Information Disclosure by Issuers of Emission Securities", on www.koltsovo.ru.

At the same time, most companies (even non-public) follow the guideline of Renova Group on improving openness and transparency in line with responsible business practices and reputation strategy of the Group and expand the scope of information disclosed.

Websites are still major communication tools of the companies who maintain and regularly update these sites and publish information on economic and social aspects of activity, as well as reports on sustainable development.

Another important achievement in this sphere is active participation in national and international contests and awards related to corporate responsibility and business practice, and other similar events.

Adoption of or joining socially responsible initiatives

Renova Group's companies join different voluntary initiatives to improve responsible business practice, and comply with modern business optimization and risk mitigation tendencies.

For instance Renova Orgsintez enterprises participate in international Responsible Care program for the companies from chemical industry. The program defines sustainable development priorities, sets tasks on environmental impact mitigation, raising the safety level of work places, and constant interaction with stakeholders on the quality and characteristics of their products. For more details on the program and its participants see <http://www.ruschemunion.ru>

The "Russian Business Social Charter" is a voluntary initiative of Russian Union of Industrialists and Entrepreneurs aimed at comprehensive management optimization based on responsible business practices and sustainable development principles. In 2009, all major Renova Group's companies joined this initiative: RUS, AKADO Group, Renova Orgsintez, Renova StroyGroup, etc.

⁶ For more details on the results see sections "Provision of effective and safety work places" on page 35 and "Reduction of adverse environmental impact" on page 39.

3. IMPLEMENTATION OF SUSTAINABLE DEVELOPMENT GOALS IN RENOVA GROUP IN 2008–2009

3.1 Goal 1. Economic sustainability

"Economic sustainability is a priority requirement for any company. Successful business positively influences public wellbeing which is reflected in repayment of taxes to budgets of different levels, in procurement activity, provision of jobs and workers' incomes." Position of Renova Group in relation to responsible business practice.

Global economic recession started to impact Russian companies in the second half of 2008. Decreasing demand for manufacturing products on internal and external markets lead to cutbacks in production in a number of spheres (up to full suspension of production) and falling revenues. Problems with refunding of external debts required effective measures on liquidity management. The main factor that impacted sales in the service sector was decreasing purchasing power and changes in consumer behavior.

Despite this, Renova Group companies demonstrated their ability to withstand the crisis and control the situation.

- ▶ **Return:** This indicator fell in three companies operating in mechanical engineering, chemical industry, and transportation (Koltsovo Airport). Other companies demonstrated positive dynamics in 2009.
- ▶ **Capital investments:** Companies that suffer from decreasing demand the most had to cut back their capital investments, while the rest companies of the Group kept investing in business development, and in some cases, 2009 investments significantly exceeded the similar indicator in 2007 and 2008 (RUS, IES, AKADO group, for instance). In some cases, previously planned investment projects were suspended or modified.
- ▶ **Taxes:** Companies of the Group steadily provided tax revenues to budgets, while the amount of taxes, naturally, depended on general financial outcomes.
- ▶ **Staffing:** We managed to preserve our human resources. Employee release programs demonstrated pre-crisis dynamics. Total staff reduction in the Group amounted to 8.8% (from 119,929 in 2008 to 109,324 in 2009)⁷.

⁷ In relation to staffing numbers as of the end of 2007, the reduction of staff in 2009 amounted to about 15%.

Anti-crisis programs adopted in Renova Group encompassed several areas:

- ▶ Increasing effectiveness of current capital management : optimization of production costs and administrative expenses (these measures gave about 50% of total economic effect of anti crisis measures taken)
- ▶ Reviewing investment projects: some projects that have no strategic impact for business have been suspended or postponed
- ▶ Measures to reduce risks of accounts payable and receivable
- ▶ Reviewing social obligations under collective agreements
- ▶ Changing market behavior
- ▶ Improving corporate management in relation to major stakeholders cooperation.

Anti-crisis measures were planned based on the specifics of the sphere, the degree of crisis manifestation in the markets, and individual specifics of the businesses. Obligations under anti-crisis programs were reviewed based on major risks, including risks of responsible business practice violation. Another priority during this period was strengthening industrial and labor safety: these measures were funded in full. All decisions on changing corporate plans and the scope of obligations were approved on the level of supervisory councils and boards of directors.

Reviewing investment projects

Taking into consideration limited financial resources available and attracting loans problem, the companies changed their investment plans. By selecting projects that can be suspended or postponed, they took into consideration the positions that were strategic for business development, and the agreements reached with stakeholders (partners, local authorities, etc.) during implementing these projects.

For information on projects that were continued see section "Investment Management".

Preserving financial sustainability of the business

Example. Because of a long production cycle, Energoprom Group strived to decrease its current capital in inventory and production in progress to limit the expenditure budget of cash flow. This policy helped free some monetary funds from circulation, and to decrease the credit portfolio, relieving interest load from business. A large credit portfolio including "short-term" credit products meant the business needed to constantly work with crediting organizations to restructure their loans and fund current capital, avoiding non-performance of obligations of the holding. Year 2009 resulted in a balanced credit portfolio structure (in currencies and repayment dates).

Costs optimization

Optimization of manufacturing costs and administrative expenditures is widely used by all companies of the Group as an effective tool to ensure fast positive result. The measures taken had an additional



positive effect since they promoted labor productivity optimization, cutting energy and material consumption of manufacturing facilities (by implementing saving programs for energy, water, heat, and expendable materials). This helped increase overall ROI of manufacturing activity.

A number of companies with corporate centers in Moscow were able to ensure significant savings due to reviewing office leasing terms, and the terms of building utilization.

Example. Heating energy payments are one of the major costs for Renova Orgsintez holding. Energy saving measures helped Khimprom OJSC (Novocheboksarsk) save 25.5 mln rubles, or 883 rubles per each ton of output. The company is still looking for alternative sources of heating energy.

Reviewing social obligations

In mutual agreement with trade unions or representatives of the workforce, the companies had to suspend certain provisions of collective agreements, bonus payments, and several professional training initiatives, and social programs. Social budgets experienced an average reduction by 30–40% in the Group. At the same time, the companies worked hard not to drop the salary level below average industry values in the region.

To ensure job stability, leaders of enterprises and holdings performed the explanatory activities with their employees. Priority areas of social support were defined in cooperation with the staff. For example, among the social programs preserved were the support of childcare and educational institutions, provision of summer vacations for the staff's children, voluntary medical insurance and additional pension provision programs.

Changing market behavior

A topical issue of demand restoration made companies look for "quick" decisions related to changing product lines presented in the market, expanding to the new niches or sales markets. Some decisions made stimulated fast business development and supported commercial success of the companies.

Active cooperation with consumers

Many companies were faced with non-payment or loan non-repayment risks, which made scrupulous work with consumers especially important. Depending on their industry affiliation, companies used different tools and methods to persuade their clients and customers to improve payment discipline.

Example. Anti-crisis efforts of Metcombank were directed towards dealing with a major issue — debts on provided credits and loans. As of January 1, 2009, arrears on given credits reached 4.27% of the total credit portfolio. Mostly, these arrears were related to loans provided to physical persons (3.76% of the total credit portfolio). The main measure to reduce the arrears was debt restructuring initiatives. The bank has approved the program that changed loan terms and extended maturity dates for physical persons and legal entities. As of January 1, 2010, the share of restructured loan indebtedness reached 16.7% of the total credit portfolio, only 0.06% being overdue.

Example. The "Utilities Spring" initiative by RUS In March and April of 2009, RUS held an interregional "Utilities Spring" initiative in 6 subsidiaries (which serve about 5% of subscribers in total): Blagoveschensk, Bryansk, Vladimir, Petrozavodsk, Tambov, Bereznyaki (Perm Territory). The goal of this initiative is to increase payments collection, which was a very topical issue for the company then. Debtors were granted amnesty: they were allowed to repay

Example. In 2009, major efforts of Neftekhimiya CJSC were directed towards demand restoration. The managing company helped conduct negotiations with many potential consumers, and a number of large-scale supply agreements were signed with some companies. "We received additional financial means. Through this we were able to clear off a number of debts (including those in salaries) that accumulated over the first quarter. We are now aimed at preserving our human resources, and are taking additional social obligations." Victor Maximov, General Director, Neftekhimiya CJSC.

With the support of Renova Orgsintez and local authorities, the enterprise was able to cope with the most challenging phase of the crisis and to reach 60% sales by the end of 2009.

their debts for utility payments without a fine. Therefore, the subscribers were relieved from the debt burden and a constantly growing fine. Besides, the subscribers received another profitable offer — Pay 11, Receive 12! Within this initiative, the subscribers could provide a pre-payment till the end of 2009, and receive a discount equal to one average monthly payment. 1,780 subscribers participated in the second initiative, the total amount of payments reached 15,834 thousands rubles. The company provided material reward to the participants of the initiative in the amount of 1,320 thousands rubles. The first initiative was also very popular among city dwellers — the amount of debts repaid reached 150 mln rubles.

As a result, the payment collection rate in March 2009 reached 102 %, which is the best result in the history of RUS.

3.2. Goal 2. Provision of high-quality products and services that are in high demand

Production of high quality products and services ensures competitive advantages for the company in the market, demonstrates that the producer cares of the needs and health of the consumers, forms positive attitude of consumers towards the company. Position of Renova Group in relation to responsible business practice.

Renova Group has set the following tasks related to the quality of products:

- ▶ Constantly raise the quality of products in accordance with international and Russian standards
- ▶ Maintain and develop cooperation with consumers.

Renova Group handles these tasks by:

- ▶ Improving quality management system
- ▶ Introduction of quality standards, product certification
- ▶ Manufacture of new types of products and services
- ▶ Raising the competitive advantages of products and services (pricing policy)
- ▶ Monitoring consumer satisfaction and using different types of feedback.

The following results have been achieved in this sphere in 2008–2009:

- ▶ 90% of the companies increased the number of new clients and service consumers, and this number was constantly growing each year of the reporting period
- ▶ The number of quality claims satisfied was 237 in 2008, and 289 in 2009.

Acquiring new consumers and clients in this challenging period is an absolutely positive result that was possible due to hard work on improving the quality of goods and services, and an aggressive marketing policy. Growth dynamics differs by companies. For example, in companies working in the retail markets (AKADO Group companies) that saw a significant increase in the number of new clients in 2008, the growth rate in 2009 was a little lower, however the client base still expanded rather rapidly. Metcombank grew its customer base in a more steady way: in 2009, the number of new clients exceeded the similar indicator of 2008 in two times. When RUS left two regions of its presence in 2008, it lost about 1,000 clients, however the following year saw a positive customer base growth rate.

Industrial sector demonstrated similar dynamics: in half of the companies, the number of new clients in 2008 was more than in 2009.

The number of quality claims satisfied within the reporting period increased by 22%. This enabled the Group to launch new products and services in the market.

Manufacture of new types of products and services

Launch of new products and services demonstrates the company's ability to quickly react to market and consumer behavior changes, to quickly offer new solutions, goods and services, preserving or expanding its presence in the market.

Example. Metcombank set the task to develop comprehensive servicing of corporate clients, and to develop its customer base by promoting new products. As a result, the bank developed different products for small, medium, and large business. The need to differentiate approaches to servicing these customer groups is defined by significant differences in customer needs depending on the scale of their business. A comprehensive bank product that includes all banking products based on individual needs of each client was developed for middle and large business. A range of simple standardized products and services of high quality will be provided to small business and microenterprises. For example, managing companies and homeowners associations were offered a comprehensive product that includes cash management services and payment processing, the ability to take a loan for capital repairs of residential building, and different retail products. In some cases, a client may receive a more attractive offer (reduced rates or discounts). With this new product, the bank plans to attract about 140 new clients.

Competitive advantage of products and services

Competitive advantages of products and services depend on many parameters, including their consumer qualities, affordability (price), the ability to ensure uninterrupted supplies, etc. These are the criteria taken into consideration by Renova Group's companies when handling the task of increasing demand for its products and services.

Example. In 2008–2009, RUS (in the name of its subsidiary, Tambov Utility Systems) completed a complex of measures that enabled a 24/7 water supply for all municipal consumers. The so-called binding structure was restored to help manage water flows in underground facilities. Moreover, a new water conduit was constructed in one of the microdistricts, all pumping stations delivering water to multi-storeyed buildings were renovated. Commissioning a water deferrization station helped to bring iron concentration to a normal level. Therefore, city dwellers are now supplied with drinking water with improved taste characteristics on a permanent basis.

Customer satisfaction monitoring

All Renova Group's companies — those working on retail market, and in B2B sector — monitor customer satisfaction. They use traditional solutions such as consumer surveys, hotlines, and special campaigns aimed at getting closer to the consumers.

Developing the consumption culture

With a view to increase operational reliability, a number of companies voluntarily launched several consumer initiatives.

Example. One of RUS Holding subsidiaries — GAZEKS — operating on gas distribution market in Russia and the Ukraine, in 2008, launched an educational campaign in Sverdlovsk Region in order to teach population the rules

of safe use of gas in household. The program includes several activities addressed to different categories of users: special lessons at schools for under age users, distribution of useful information through mass media and information boards on residential buildings for adult users. The number of emergencies and accidents with utility gas dropped significantly, as well as the number of fatal cases. In 2009-2010, the company expanded this program to all regions of its presence (including Ukraine).

Improving quality management system, introduction of quality standards, product certification

The companies certify the compliance of their quality management systems to ISO 9001:2008 requirements or its Russian analogs (GOST R ISO 9001:2008) on a voluntary basis. Based on the results of implementation of the quality management system they adjust their product and pricing strategies, technical and manufacturing processes, and production technologies; new components, formulations, and materials are used to satisfy the consumer requirements. Structural changes are implemented, necessary HR decisions are made.

In accordance with the existing legislation, all industrial companies conduct mandatory certification of their products for compliance with the requirements of the approved technical or other public standards.

Example. The reform of service provision in AKADO Group In 2008, a risk of significant customer outflow was identified because the services the company provided were not client-oriented. A decision to establish an anti-crisis group was taken. The group was to identify the root causes, develop an evaluation mechanism for current processes, and create a recovery strategy. Managers of AKADO-Stolitsa CJSC, Comcor OJSC, and AKADO CJSC managing company formed the group. In accordance with the tasks set, the measures were taken in three stages: a) situation analysis and evaluation; b) implementing system changes in challenging aspects management; c) transition to a pro-active strategy in relation to customers.

The first stage helped define major sources of risk and set key tasks to be developed and implemented on the following stages:

- ▶ Developing a client-oriented corporate culture aimed at harmonization of relations between the company and its clients, service consumers, and employees
- ▶ Setting the new ideology as standard in business practices of the divisions responsible for communicating with clients and employees
- ▶ Improving the quality of services;
- ▶ Developing 2009 marketing strategy based on the new corporate ideology
- ▶ Adjusting customer loyalty procedures, eliminating issues that aroused because of ineffective previous customer policy.

As a result, comprehensive measures were developed to change the situation in several aspects:

- ▶ Technical re-equipment (modernization of the network and quality control of the basic services)
- ▶ Call center optimization
- ▶ Employee training and modification of the motivation system
- ▶ Developing a plan for changing customer communications, and creating the brand ideology
- ▶ Customer loyalty indicator became one of the key performance indicators, etc.

Based on these measures, a marketing strategy, work plans, and a target program for 2009 were developed.

The first results of 2009:

- ▶ Number of service agreements cancelled dropped significantly
- ▶ Customer outflow rate dropped to historical minimum
- ▶ Customer activity rate increased (which demonstrates the higher trust to the company)
- ▶ Customer loyalty (especially psychological climate and satisfaction with the quality of services) increased.

3.3. Goal 3. Provision of effective and safe work places.

3.3.1 Personnel management

Renova Group of companies sets the tasks in this area based on understanding that high labor productivity is observed in companies with positive relations, where social policy is based on employees' interests. Highly motivated personnel with necessary competencies and ability to adopt innovations is one of the key assets in each sphere.

Major 2008–2009 results in this area

- ▶ Total number of employees in 2009 decreased by 8.8% in comparison with 2008.
- ▶ Enterprises managed to preserve the most important sectoral experts due to changes in the number of work days, etc.
- ▶ Collective agreements cover 90% of companies within the scope of this Report.
- ▶ No labor disputes or litigations in connection with Labor Code violations by employers, or any other mass conflicts because of changes in conditions of employment were registered within the reporting period.
- ▶ Companies continued their social programs which scope and contents depended on financial condition of a company.

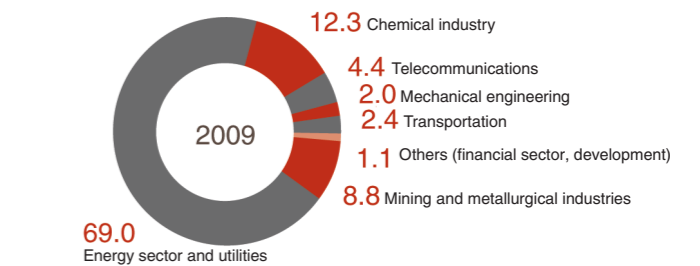
The number of employees in Renova Group's companies did not decrease much. Reduction of staff is connected with continuing businesses restructuring, introduction of new technologies which ensures higher automation of work places, while businesses demand less employees. Reductions were mostly related to staff engaged in investment projects abandoned by the companies in the new economic conditions. Headquarters of the companies experienced the most significant reductions of staff.

Example. Suspension of a number of investment projects in Renova StroyGroup and Akado brought the need to reduce personnel engaged in these projects (up to 50% of employees). Heads of the companies held negotiations with employees explaining the challenging situation and offering possible assistance in resolving a further employment issue. As a result, the company managed to avoid mass negative reactions of employees: labor disputes were few in number, no mass protest actions occurred.

When reductions were needed, Renova Group's companies actively collaborated with employees in handling this sensitive issue, and complied with all applicable legal requirements.

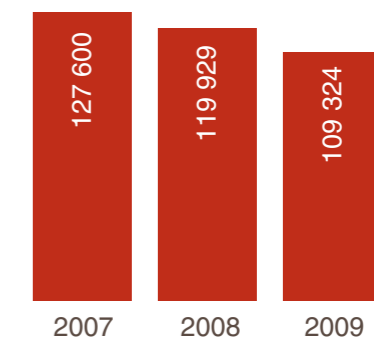
To preserve the human resources, major enterprises used flexible approaches to labor hours: some employees were transferred to part-time schemes. This helped preserve important work places necessary for post-crisis restoration of production.

Occupational pattern of Renova Group personnel by industries in 2009, %



Source. Corporate data

Regular labour force at the end of the calendar year (aggregate numbers for Renova Group's companies, people)



Source. Corporate data

Optimization of the personnel management system

Development of an effective HR management system helps optimize personnel management, enables planning and provision of needed qualified resources to the enterprises, helps create new motivation models taking into consideration interests of employees. Current personnel management systems contribute to achieving economic targets of an enterprise.

Within the reporting period, Renova Group's companies developed corporate standards, used new approaches to handling personnel management tasks, and improved HR experts qualification.

Example. IES Holding

The company holds annual RaEl (All-Russian Electric Energy Employers Trade Association) Labor Code seminars (modifications and addenda to the RF Labor Code, and other issues) in which HR experts of the Holding actively participate. In 2009, personnel audits of managed enterprises were conducted with a view to optimize personnel workflows in compliance with RaEl recommendations, to unify the personnel workflows system based on corporate standards, and ensure compliance with the Labor Code provisions.

Remuneration of labor

According to the data provided by Renova Group's companies, an average salary (excluding salaries of top management) in most regions exceeded average regional values (negative deviations not exceeding 10%).

In some companies (non-production sectors, mostly), salaries increased in comparison with pre-crisis level to keep highly qualified personnel and increase the load when ensuring economic sustainability of business.

Example. Metcombank

Salary increase was observed in subsidiaries in Sverdlovsk Region (Ekaterinburg) and the Moscow branch. When handling salary increase issues, the Executive Committee considers market indicators for different job positions. In 2008–2009, average value was increased due to engagement of qualified personnel in strategic activities, and providing individual material reward to most valued employees.

Collective agreements

At 90% of Renova Group's companies, collective agreements are signed (for a three-year term, mostly).

Many agreements expired in 2008 and 2009. Within the reporting period, many companies adopted changes in obligations described in such contracts, in agreement with trade unions and representatives of the workforce. These changes are related to professional training funding, some social support measures (for example, material support), some loan and mortgage programs were suspended. According to the data provided by the companies on social obligations under collective agreements that

expire in 2010 or 2011, basic types of personnel social protection were preserved and even expanded in some cases.

Example. Concluding a new collective agreement at Neftekhimiya CJSC

On June 25, 2009, a new collective agreement was adopted at the employee conference held at Neftekhimiya CJSC. Despite financial and economic instability, sales issues and problems with receivables, the management of the enterprise and the trade union of the plant decided to conclude a new collective agreement for 2009–2012. A list of social support measures has been significantly expanded in the new collective agreement in comparison with the previous one.

Social programs

Renova Group's companies continued providing funds for recreation and tourist trips for both employees and their children, rendered assistance in relation to different family events or circumstances, etc.

Developing of corporate pension programs has become an important area of activity: such programs have already been adopted in IES Holding, Metcombank, Energoprom Group enterprises, Koltsovo Airport, and Renova StroyGroup. Employees of the holdings' parent companies joined the program.

Example. The pension program of IES Holding

In 2009, a Corporate pension provision program has been launched. Over 20 thousands people joined the program in 2009–2010. The program consists of three components:

- ▶ Non-governmental pension provision program for resigning employees and working pensioners (2,500 people participated in the program in 2009–2010)
- ▶ Additional personal pension program providing additional benefits to non-working pensioners for special merits in electric energy sector (personal pension may reach 10,000 monthly and is paid for 5 years)
- ▶ Additional pension provision programs — providing support for the national pension program in relation to cofunding a cumulative component of a pension (the company pays up to 6,000 annually for each employee participating in the program). Over 2,000 people joined the program by the beginning of 2010.

Introduction of a wide range of pension programs is aimed at raising the salary substitution level after resignation.

Training and development

Renova group's companies continued with mandatory professional training programs regulated by federal, regional, and local legislative acts. Reduction of training and development budgets was mostly due to winding up of additional training programs. The companies tried to find the solutions to compensate losses by leveraging internal resources of the companies.

Example. IES Holding

16,959 employees of different divisions within IES Holding participated in different training and professional programs in 2009: most of them were workers (8,241 people). Professional development and training programs for heat electropower stations and heat supply networks employees are aimed at ensuring effective operation of energy sector facilities and bringing the qualification level of energy network employees in compliance with changing production environment. Besides, 2,568 employees, 6,150 line managers and top managers improved their professional qualification during the year.

Example. Metcombank

To improve personnel qualification level with limited training budgets in 2008–2009, the bank restored to internal training practices. Internal trainings and seminars were conducted by methodological divisions of the bank in cooperation with personnel development administration. 2010 training plan has been extended. Increasing training budget allows attracting professional trainers.

3.3.2 Industrial and labor safety

Renova Group of companies takes full responsibility for labor safety and employee health protection, as well as industrial safety at all enterprises of the Group.

The major event of this reporting period is establishing of a unified corporate system for industrial, labor, and environmental safety management. Unified industrial, labor, and environmental safety policy has been developed and adopted based on ISO 14001:2004 and OHSAS 18001:2007 standards. This policy is applicable to all companies of Renova Group.

Main targets of Renova Group of companies:

- ▶ Constant improvement of industrial and labor safety
- ▶ Continuous decrease of on-the-job traumatism and accidents rate
- ▶ Reaching the level of industrial and environmental safety at operating production facilities comparable to the level of the leading production companies of the world
- ▶ Mitigation of negative production facilities impact on employees.

A number of corporate standards has been developed with a view to implement the Policy. These standards:

- ▶ Describe industrial, labor, and environmental safety responsibilities of managers and employees at managed enterprises
- ▶ Set requirements for anticipating and reacting to emergencies
- ▶ Define corporate reporting procedures and forms
- ▶ Describe specific requirements to contracting organizations
- ▶ Describe requirement for developing, monitoring and execution analysis of purposes and programs within the management system of industrial, labor, and environmental safety, etc.

The main method to bring management systems of industrial, labor, and environmental safety in the Group's companies in compliance with the Policy is to prepare enterprises for certification of internal management systems for compliance with international OHSAS 18001:2007 and ISO 14001:2004 standards to improve these companies' investment attractiveness. A number of enterprises have already completed certification of their management systems for compliance with these standards.

In 2008–2009, Renova Group worked hard on integrating managed enterprises into a corporate industrial, labor, and environmental safety management system. The participants collaborated in the following spheres:

1. Coordination

A coordination and consultation body for industrial, labor, and environmental safety has been created under the Board of Renova Group, under the lead of the Head of Industrial Safety and Accidents Department of Renova Group. It included industrial, labor, and environmental safety experts of the Group's companies and single businesses. The workgroup examines drafts of new corporate documents, evaluates implementation of regulations and provisions already developed and approved, and discusses further optimization of the management system of corporate industrial, labor, and environmental safety.



2. Informing of staff

In 2008, a seminar "Establishing the management system of corporate industrial, labor, and environmental safety in Renova Group" was held. Such seminars shall become annual events aimed at expanding professional competencies of employees in managing companies and separate businesses of the Group.

3. Control on the part of a Corporate Center on implementing systems of industrial, labor, and environmental safety in businesses

Within the reporting period, 22 audits of management system of industrial, labor, and environmental safety were held in most companies within Renova Group. By the results of these audits, 135 recommendations and suggestions have been provided to the managers of business projects and enterprises of managing companies.

4. Protective clothes

By the results of the analysis of the current situation, corporate documents have been developed to harmonize and streamline the system of provision of personnel with high quality protective clothes, footwear and other IPEs, as well as an IPE Guidebook.

5. Promoting best practices

Taking into consideration the strategic importance of this aspect in Renova Group of companies, the organizational committee of corporate award "For achievements in the sphere of responsible

Example. Novosibirsk Electrode Plant (Energoprom Group)

Novosibirsk Electrode Plant operates a great number of facilities qualified as hazardous. Therefore, safety rules should be strictly observed, and these facilities are in need of continuous control and monitoring with a view to avoid technical failures and accidents.

The enterprise set the goal to minimize the number of accidents by systematic management of all risk factors. One of the main risks is the human factor: to eliminate careless attitude towards safety rules and increase responsibility for the common goal, an environment of zero-tolerance to any violations of existing norms and regulations was established. To achieve this, a three-step control system of industrial and labor safety has been created. The system includes both routine operations of industrial and labor safety department, and three additional control stages of different



business practice" established an additional nomination "The best management system of industrial, labor, environmental safety and health".

Introduction of this nomination helped evaluate the effectiveness of management subsystems of industrial, labor, and environmental safety in post-crisis times.

The analysis of applications showed that all nominees implement projects in accordance with RF legislation requirements, and are highly integrated in strategic and tactical corporate management. These projects may be further developed, this experience may be used and distributed through other managing companies.

level. The first step includes daily labor safety control at work places, it is performed by operational managers (foremen, shift managers, etc). The second stage is implemented by the commission managed by the head of the production shop. The third stage of control is performed by a commission headed by CFO. Each stage helps evaluate the performance of the labor safety management system and also the control of low-level stages.

Besides, labor safety representatives of trade unions and the production standards commission headed by CFO work at the enterprises. Control bodies also hold regular inspections. Besides, work places are constantly monitored and regularly evaluated. Based on the data received by labor and industrial safety department, a list of negative and hazardous production factors is compiled annually. Medical examination of employees are performed, staff is trained at a specialized training facility.

All this enabled significant reduction in industrial injuries rate: in 2007, nine industrial accidents occurred (two with grave consequences), while in 2008 only five accidents were registered (none with grave consequences) despite the increase in production volumes.

Major outcomes

Industrial injuries prevention measures gave a number of positive results. Let us provide you with brief background information on these data:

- ▶ In 2009, total number of employees who suffered industrial injuries dropped by 14% in comparison with 2008
- ▶ Number of accidents, emergencies, fires, and road accidents dropped by 45%.

Indicator (accidents per 200,000 hours)	2008	2009
Coefficient of frequency of statistic accident (accountable), (Roche accident rate, RAR)	0.39	0.35
Fatal accident rate (FAR)	0.01	0.01
Number of accidents, emergencies, fires, and road accidents	15,461	8,638

Note. The table provides consolidated data for the following Renova Group's companies: IES Holding, Energoprom Group, RUS OJSC, UralPlatina Holding, Renova Orgsintez (Neftekhimiya CJSC and Khimprom OJSC only), Koltsovo Airport OJSC, Kamensk-Uralsky Non-Ferrous Metal Working Plant OJSC, UTP CJSC, and Leningradslanets OJSC.

Despite the decrease in number of non-production-related fatal cases by 55 % and no fatal accidents increase, five fatal cases occurred at the enterprises of the Group in 2009 (four fatal cases within IES CJSC sphere of responsibility, and one — within RUS OJSC responsibility).

In this connection, in 2009, the Executive Committee of Renova Group included industrial safety of enterprises controlled by managing companies into the sphere of personal responsibility of corporate management. In the system of top management KPIs (on an annual basis), this indicator amounts to 20%. In case of any fatal cases and serious accidents (with significant losses), top managers of the enterprises do not receive their bonus. Therefore, personal responsibility of management for industrial safety increases.

In 2010, it is planned to expand control and prevention work in the sphere of industrial and labor safety, by leveraging innovative solutions and global best practices, among others. This is especially important in light of development and implementation of "Basic RF State Policies in the Sphere of Industrial Safety to 2015 and Beyond" actively discussed in the State Duma.

3.4. Goal 4. Reduction of adverse environmental impacts

Renova Group of companies admit the need to reduce adverse environmental impacts of primary production and to bring these impacts in compliance with Russian and international regulations.

Reducing adverse environmental impacts and rational use of natural resources at all production stages in the Group is one of the priorities of the Renova Group environmental policy.

The management policy of industrial, labor, and environmental safety adopted in the Group is aimed, among others, at ensuring environmental safety of managed enterprises by:

- ▶ Production modernization and leveraging advanced environmental technologies available
- ▶ Balanced handling of environmental and social issues with continuous production rates increase.

IES Holding, Energoprom Group, and Renova Orgsintez are preparing for certification of an integrated management system in the sphere of environmental safety and health in accordance with international ISO 14001 standards. All necessary technical documents regulating control over environmental impacts of primary production have been approved and implemented. In accordance with environmental legislation, primary production environmental impacts are monitored, regular reports to authorized control bodies are submitted.

In accordance with the requirements of the RF environmental legislation, the companies implement environmental programs for reducing environmental impacts.

These are investment programs that include replacement and modernization of equipment and technologies for more advanced ones. All projects on production modernization and renovation are examined within the frames of a state examination that approves their environmental safety.

Heads of enterprises and their environmental services are responsible for the program. Staff of the managing companies and business project managers manage environmental services at the enterprises and coordinate activities of enterprises in the sphere of environmental safety and conservation.

In accordance with the management policy of industrial, labor, and environmental safety of Renova Group of companies, data on basic environmental impact parameters of managed enterprises is in open access and is uploaded to official web-sites of the Group companies.

Consolidated data for the reporting period

The table below provides consolidated data on major environmental impacts of managed companies and business projects, and aggregate costs of industrial, labor, and environmental safety management system.

Item No.	Cost item	2008, mln rubles	2009, mln rubles
1	Investments in fixed capital for environmental protection	583,596	732,365
2	Current spendings for environmental protection	421,214	416,874
3	Environmental fines	157,544	0.066
4	Environmental payments	86,793	88,814

Source. Corporate data

The data provided reflect aggregate expenditures of Renova Group of companies on environmental safety.

Renova companies cooperate with representatives of the public, federal, regional and local authorities, businessmen and representatives of non-governmental organizations: they hold public hearings, round tables, and information events. Social and environmental projects are implemented in the regions of presence.

Example. Young experts help improve the quality of water in Kirov

Kirov Utility System OJSC (RUS) cooperates with a group of young researchers from Vyatsk State University that have developed an innovative project.

Chlorination is the main industrial technology for sewage water disinfection, provision of water for household use, and for other manufacturing processes. However, this method has significant disadvantages: as a result of chemical reaction, detrimental compounds are produced. Therefore, looking for alternative water disinfection technologies is a topical issue. The department of industrial ecology and safety of Vyatsk State University developed a project "Ozone water purifying with the use of cavitation". Within this project, a number of measures were taken to produce a mobile water disinfection unit capable of industrial operation. The unit has successfully passed industrial testing at the operating purification plants in Kumeny settlement, Kirov Region. By the results of this cooperation and in accordance with recent legislation changes allowing universities to establish commercial companies, a small innovation company may be established to render engineering services to municipal companies in Kirov Region.

Example.

IES Unified environmental policy of IES Holding and its 2020 implementation concept Sustainable environmental safety of production of all types of energy and gas supply is the strategic goal of the Unified environmental policy of IES Holding. In November, Mikhail Slobodin, the President of IES CJSC, approved this document and the concept for implementing the principles thereof to 2020.

The IEC environmental policy includes development and implementation of measures aimed at dealing with environmental safety issues, achieving certain environmental targets, and environmental control of the holding. The plan includes two stages:

1) to 2012: internal environmental audits of IES subordinate divisions shall be held, an environmental impact management system should be established, and a number of programs should be implemented to achieve approved environmental targets. As a result, the company strives to significantly reduce environmental footprint of subordinate enterprises;

2) the next stage (to 2020) coincides with transition to a new technological base, the modernization of production through constructing modern energy efficient generating capacities. Taking into consideration the increase of solid fuels (coal) share in electric power plants operation, and the increase of installed capacity thereof, environmental

protection measures should strive to keep environmental footprint at the level of 2009 (corporate baseline). Handling environmental policy tasks will help establish a modern environmental risks management system in the holding company, improve productive environmental standards, reduce energy and material consumption of manufacturing processes, and foster balanced development of the company.



Major environmental impact indicators of Renova Group's companies

Item No.	Company	IES Holding		RUS		Orgsintez		UralPlatina Holding		Energoprom		Koltsovo		Kamensk-Uralsky Non-Ferrous Metal Working Plant		Leningradslanets		Ural Turbine Plant	
		2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
1.	Gross energy consumption, GJ	-	-	90,825,751.00	90,978,573.00	3,252,997.71	2,056,525.10	399,259.50	308,356.47	11,950,330.00	6,132,593.70	-	-	77,169.30	26,548.45	291,202.40	269,662.20	97,643,721.00	39,979,559.00
2.	Rated energy consumption per unit of output, GJ/ton	-	-	13.9170	14.8410	4.4840	0.8530	1,340.7500	280.3500	29.7900	69.6930	-	-	2.4340	2.9940	0.4410	1.2880	-	-
3.	Gross water consumption, thousands cu. m	1,851,975.39	1,751,329.93	385,708.00	382,132.00	7,344.22	6,542.00	938.33	670.70	3,881.01	3,867.78	1,345.40	1,325.30	749.45	544.99	28,967.00	28,670.00	3,640.90	1,519.80
4.	Rated water consumption per unit of output, thousands cu. m/ton	-	-	1.4640	1.4690	0.0009	0.0009	-	-	0.0164	0.0280	-	-	40.7600	64.1500	-	-	-	-
5.	Total atmospheric emissions, thousands tons	225.13	240.18	9.15	-	3.25	2.50	0.35	0.53	20.85	14.36	1.23	0.79	0.21	0.13	0.07	0.0814	0.03	0.01
6.	Drained sewage water, thousands cu. m	1,266,749.39	1,221,537.79	339,596.00	333,641.00	7,433.80	6,744.30	908.88	198.30	1,448.03	1,395.06	2,312.50	2,225.40	724.00	623.00	25,558.00	26,381.00	1,328.10	2,044.30
7.	Drained contaminated sewage water, thousands cu. m	15,559.63	14,242.02	-	-	27.40	9.85	140.50	542.00	766.85	412.00	800.00	790.00	724.00	623.00	25,558.00	26,381.00	471.20	224.90
8.	Gross accumulated unutilized waste, tons	1,175,750.95	1,355,128.72	242,570.00	-	26,433.91	17,842.95	-	-	124,414.10	3,948.01	3,006.72	2,306.67	6,186.34	2,403.91	48.42	30.14	11.54	14.06
9.	Accidents with environmental damage	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none
10.	Amount of recovered ecological damage, thousand rubles	none	none	156,631.51	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none

In 2009, a number of Renova Group companies increased use of natural resources and energy due to growing production volumes and provision of new services, as well as to certain changes or the specific character of technological processes. For instance, the growth of drained contaminated wastewaters and of total volume of accumulated unutilized waste on enterprises under UralPlatina Holding was determined by the growth in end products volumes, and by increasing the capacity of the processing facility of the Aginsky deposit

that is developed by Kamchatka Gold CJSC. IES Holding facilities increased atmospheric emissions and the volume of unutilized waste (ash and slag), which was caused by certain changes in fuel structure of the heat electropower station: natural gas used as fuel was partly substituted by coal and black oil fuel. UTP CJSC increased the volume of waste waters due to an accident in the municipal network in winter 2009 (the plant had to work without municipal waste water treatment system for a long period of time).

Increase in rated water consumption of Kamensk-Uralsky Non-Ferrous Metal Working Plant, OJSC, is related to constant water consumption for cooling equipment despite the production volumes. Increase in rated energy consumption per unit of output at electrode plants of Energoprom Group and Leningradslanets OJSC was caused by the need to keep all units of equipment operating despite only partial load. At the same time, the companies set the task and aim for constant systematic reduction of their environmental footprint. For example, a

number of integrated measures at Energoprom and UTP enterprises helped reduce the volume of contaminated waste waters. In Novochoerkassk, NovEZ Energoprom OJSC has recommissioned the solid waste landfill and recycled all production waste that accumulated in temporary waste storage facilities over 2006–2008.

3.5. Goal 5. Improving the quality of life of local communities

"Sustainable development of the territories is the result of common efforts of different social sectors. Management of Renova Group supports mutually profitable, responsible and open cooperation between the business, authorities, and the public for social and economic development, and promotes legalization of such partner relations in public and legal areas."

Renova Group believes that social and economic partnership and strategic approach to implementing projects and programs on the territories of presence is a good way to improve the quality of life of local communities.

Sustainable economic activity of Renova Group has a positive effect on the regions of presence, fostering development of certain industries and business segments, tax revenues increase, work places creation, increasing revenues of staff, etc.

Social and economic partnership means cooperation with federal, regional, and local authorities to ensure social and economic sustainability in the regions of presence, and collaborating with other stakeholders that can act as partners of Renova Group in implementing different projects and programs.

Renova has set a number of strategic tasks for cooperation with local communities, including the following:

- ▶ Systematic approach to social initiatives instead of rendering one-time assistance to certain organizations and physical entities
- ▶ Gradual transition to local communities support in the form of social investments as a targeted way of leveraging resources connected with general investment strategy of Renova Group, and its businesses
- ▶ Monitoring and evaluation of results obtained
- ▶ Development of cooperation with stakeholders, and promotion of best practices.

In the reporting period, the Group explicitly expanded cooperation with local communities based on the principles declared above:

- ▶ The practice of concluding social and economic collaboration agreements with RF subjects and municipal entities is expanding (for details see section 3.7 "Goal 7. Interaction with stakeholders" on page 45)
- ▶ One company (IES Holding) started leveraging contest approach to funding public and municipal initiatives
- ▶ A number of organizations and companies with which Group enterprises implement joint social programs and projects in line with topical issues of the territories has increased
- ▶ Several companies implement voluntary projects in which employees of these companies participate.

Major indicators

Total amount of investments in local communities in Renova Group in 2008–2009 reached 280.9 mln rubles, or over 10 mln USD

Example. One of the strategic tasks of Koltsovo Airport is creating a convenient and comfortable environment for passengers and ensuring unique identity of Koltsovo airport among international airports of the RF. To solve these tasks, the working area of the airport is filled with new content — more emotional, comfortable, lively. For example, in 2008, passenger terminals were decorated with works interpreting circles by artists and photographers from 5 continents of our planet within a special project Illuminators. In 2009, a travelling exhibition "Unity of the family for the unity of nation" devoted to traditional family values was located in the airport. These initiatives were highly appreciated by the passengers and were acknowledged some of the most successful social projects of the company.



One of the components of effective social investments is their connection with strategic tasks of the company. To connect business tasks and social impact when developing social programs is not an easy task. Very often, social programs outcomes indirectly impact on business tasks solved in the social sphere, for example when providing human resources for enterprises on territories, or developing the consumer culture. However, some companies of the Group solved this task successfully: AKADO Group, IES, RUS, and Koltsovo Airport.

Partner relations with local communities is an important intangible asset and a social capital of the company. Strengthening partnership and social investment optimization on the territory are major goals of the Group companies in the social sphere. Therefore, public and legal relations are another precondition of reliability and effectiveness of social programs.

The partnership model used by Renova companies consists of agreements on social and economic cooperation with the regions (documents describing obligations related to implementation

Example. School basketball league IES Basket. The IES Basket program is a successful example of effective partnership between companies working on one territory, public and sport organizations, state and local authorities that unite their efforts in bringing up the youth and promoting a healthy way of living.

The project promotes regular physical exercises among school children and students, special attention was paid to the youth in the risk group. A most "affordable" sport was chosen, that does not require high expenditures by parents and constructing expensive infrastructure by local authorities. The project was aimed at developing a school basketball league established in 2004 in Perm Territory under the initiative of local authorities and bringing the league to an interregional level through engaging new partners and new young teams from both rural and urban districts. The program is very scalable, so it can be used in any locality for working with the youth of any age. Under this program, IES Holding provides sport uniforms, equipment and other necessary things. Competitions and workouts are very popular among the teenagers because of attractive design of sport emblems and sport uniform. Local authorities help organize sporting events, monitor coach work, and implement different organizational measures. The competitions are held in different cities of the country, the winners are able to participate in national and international competitions. For example, in the reporting period, the winners got a chance to visit Madrid and Berlin. This approach helps establish horizontal connections between the peers living in different regions of Russia, develops their social adaptation abilities and promotes mobility of future players of the Russian economy.

The program is very successful which is proved by tremendous increase in the number of participants: 250 teams participated in the School basketball league in 2006/2007, 819 teams — in 2007/2008, and already

of major projects on the territories), targeted cooperation with educational institutions (universities, colleges, schools), scientific organizations, public and other entities.

Grant programs

Social investments require a program approach, a constant evaluation of outcomes, and improving approaches to funding of local initiatives, as well as participation in decision taking processes about funding the stakeholders. A transfer to the competitive approach will help solve all the above-mentioned tasks, since this is a more comprehensive management approach than targeted funding.



5,493 teams (over 65,000 participants from 12 regions of RF) played in the season 2008/2009.

Participation of the partners (other companies and local authorities, sport organizations, etc.) helped increase the program's budget in five times. The Program may soon include university and college teams. An important social factor is that gifted teenagers may be spotted by professional sportsmen and may continue playing basketball on a professional level, not just as a hobby.

IES Holding has become the second Renova company to use competitive funding approaches to financing projects of local organizations on a permanent basis. Earlier, this approach was adopted by Kamgold company (see the First report on responsible business practice in Renova Group of companies).

Example. In 2008, IES Holding developed and launched a new grant program with clear funding priorities that provides for competitive selection of the most advantageous applications. In 2009, the budget of the Program reached about 3 mln rubles. The competitive committee selected 14 funding applications (of 57). All approved applications contained practical measures to solve problems of socially unprotected children and children left without care (helping teenagers to choose future profession, legal education, mastering different working practices, etc.).

Health protection programs, preventing obsessive social habits, etc.

Health promotion is a topical issue for local authorities and for business development on the territories, since health condition of the population determines the quality of labor force and directly or indirectly impacts productivity, ability to sustain workloads, and the changing requirements to competencies and professional skills.

The companies support youth sport, fund and participate in sporting events organized by local authorities and sport organizations (for example, an all-Russian campaign "Russian Ski Track").

Youth amateur sports are a priority when taking funding decisions.

Target projects

Selecting priority directions of social policy aimed at supporting the territories of presence, managing companies are still flexible in their approaches: single projects of great social impact and specific positive effect may also be supported within social partnership.

Example. COMCOR (AKADO Telecom brand) and AKADO-Stolitsa implemented the Electronic School project at the boarding school No. 7 of Moscow Cossack cadet corps named after M.A. Sholokhov.

A comprehensive system of information and communication services that costs about 5 mln rubles was provided to the students of the corps within this project:

- ▶ An electronic gradebook — a tool for creating a unified educational and information environment and continuous interaction between the teaching staff and the parents
- ▶ An electronic schedule (a programmed touch-sensitive panel to display schedule to teachers and pupils)
- ▶ A TV studio for television and FM broadcasting, online communication, broadcasting educational programs at the training and recreation facilities
- ▶ A cable TV network (in classrooms and recreation rooms, provides access to over 170 TV channels in digital format)
- ▶ Video conferencing equipment for holding telebridges with students from other institutions, cities, and countries.

The project helped upgrade the educational process and overcome student isolation from external information environment.

Participation of employees and their families in voluntary corporate initiatives

Corporate voluntary work is only now gaining ground in Russian companies. Global practice shows that voluntary corporate programs provide a unique opportunity for employees to contribute to resolving problems of the local communities, and to better understand the needs of those inhabiting the territories of presence.

The employees of the Group participated in a major voluntary project — a blood donation campaign for Moscow hospitals (for details about this initiative see Chapter 4, the section devoted to Renova Charity Foundation, page 53).

In other cities, employees initiate or join municipal mop-up campaigns, participate in improvement and decoration of recreational facilities and local parks, help organize entertaining on city celebrations, etc. For example, residents of the "Academic" district and employees of Renova StroyGroup, as well as members of contracting organizations planted a cedar path to celebrate the completion of the first block of buildings in the district, restored the Healthy Path in the local park, opened an "ice city", helped organize the First Spring fest, and celebrated the birth of the first baby in "Academic" district.

3.6. Goal 6. Fair competition

Fair competition is one of the main ethical components of the responsible business practice. Fair competition includes respectful attitude of companies to their shareholders, employees, business partners, competitors, and to the society on the whole.

Following fair competition principles help develop industry markets, strengthen reputation as reliable partners and vendors.

The requirement to follow fair competition principles is described in business conduct codes of Renova Group.

Within the reporting period, the companies worked hard to optimize their procurement activity, including:

- ▶ Competitive procedures, provision of equal opportunities to vendors and contractors to participate in tenders and quotes
- ▶ Launch of electronic platforms;

Major 2008–2009 results

Electronic trading platforms for uploading information on purchases are launched in three companies. A number of companies were involved in litigations related to antitrust legislation violations, however no penalties were imposed.

Procurement

Procurement in the Group is based on the principle of open and equal opportunities. Unified procurement procedures have been developed and implemented in all companies of the Group with no exceptions. These procedures regulate all procurement issues and processes.

Five procurement procedures are used:

- ▶ An open tender
- ▶ A closed tender
- ▶ An open quote request among unlimited number of entities
- ▶ A closed quote request among limited number of entities
- ▶ Simple selection without competitive or quoting procedures.

Simple selection procurements (executed without competitive or quoting procedures) are limited by certain conditions.

Competitive and quoting procurement procedures are aimed at preventing possible abuse, and ensuring more effective spending (by price/quality ratio) when placing procurement orders.

Such procedures promote competition between vendors, contractors, and agents, and enable them to offer new or higher quality services.

Electronic trade platforms

Procurement through electronic trade platforms helps expand the range of organizations that can participate in supplies, and to shorten vendor selection period.

Three companies launched such platforms in the reporting period: IES Holding, Energoprom Group, and Kamensk-Uralsky Non-Ferrous Metal Working Plant.

The companies developed tender organization procedures with the use of electronic trade platforms. Tender procurements are audited annually. In 2008–2009, all platforms operated in accordance with the approved regulations, and companies received no reclamations on tender terms violation.

3.7. Goal 7. Interaction with stakeholders

Renova Group of companies considers interaction with stakeholders an important component of responsible business practice. To foster development of such interaction, it is necessary to conduct examination of stakeholders on a regular basis and identify common interests, prevent possible conflict situations, and develop mutually acceptable forms of cooperation.

Examination of stakeholders

In the reporting period, Renova Group's companies collaborated with the following major groups of stakeholders (see table). Each company of Renova Group cooperates with stakeholders within current business processes (PR department, authorities, investors, etc.), and distribute information through corporate websites (all companies of the Group, except Slantsy, have their corporate web-sites).

To promote activities based on responsible business practices, the Corporate Center utilizes special communications tools, and implements several target projects. For instance, examples of the Group's activities are published in different collected publications prepared by business community organizations (Collection of best social practices in responsible business practice, Report on social investments of the Russian Managers Association), as well as in Global Compact publications.

Major indicators

The number of agreements on social and economic partnership concluded in the reporting period — 19; the share of regions with which such agreements are concluded as compared with the total number of regions with Renova Group presence — 65%. A number of successful customer campaigns implemented.

Agreements on social and economic cooperation

The practice of signing economic and social cooperation agreements between companies of the Group and local governments is expanding. These agreements define priorities of territorial development and describe specific obligations of the parties. In the reporting period, seven companies of Renova Group signed such agreements for the first time.

As a rule, obligations of Renova Group's companies described in these agreements are in line with general investment strategy of the Group and include such goals as:

- ▶ Increasing production volumes and sales of products produced
- ▶ Increasing competitiveness of major types of products through the high quality and the optimum price
- ▶ Compliance of the technical production level with the requirements of the market
- ▶ Leveraging energy saving and environmentally safe technologies
- ▶ Full utilization of production capacities with a view to preserve work places
- ▶ Forethoughtful management of employment, salary, labor protection issues, and support of staff social balance, etc.

Example. In 2008–2009, IES Holding signed social and economic cooperation agreements with three regions. Agreement with the government of Orenburg Region regulate cooperation of the parties to support reliable development of the energy sector in Orenburg Region, and sustainable heat and energy supplies. The agreement also states that the company shall render assistance to major

Major groups	Subgroups	Forms of interaction
Legislative and executive state authorities, supervising bodies	Core ministries and Federal Antimonopoly Services RF Government RF Federation Council and State Duma of the RF	Parliamentary hearings and round tables Participating in work groups improving and developing legislative acts Corporate addresses to the Government Reporting
Shareholders and investors	Industrial and financial companies, financial analytics	Financial reports, reports for the Board, its commissions and committees dealing with high risks areas
Financial and credit organizations	Banks, International financial corporation	Financial reports
Vendors	Providers of equipment, materials, raw materials, services, etc.	Contracts, negotiations
Consumers	Legal entities and physical persons	Campaigns, surveys
Employees	Work collectives Representatives of trade unions Industry trade unions	Negotiations on collective agreements Responsible corporate restructuring
Market participants	Competitors, partners	Participation in industry exhibitions, conferences, round tables, special events
Public organizations	Trade associations, self-regulating organizations, consumer unions	Membership in organizations Joining initiatives Participation in events
Mass media	Federal and regional mass media, Internet	Press campaigns, distribution of press releases
Local communities	Regional authorities Local governments Public and municipal organizations Houseowners associations	Agreements on social and economic cooperation Participation in major regional programs Sponsorship of major regional events Joint organization of municipal public events Support of public and municipal organizations' projects

consumers of the regions in minimizing their energy spendings. In Kirov Region, the parties agreed to expand the program of turf industry development and promote transition from unprofitable black oil boiler houses to units that leverage local turf. IES Holding will also continue the construction of a steam and gas unit at Kirovsky heat electropower station 3 and renovation of boiler equipment at Kirovsky heat electropower station 4 based on low temperature vortex technologies. Within the frames of this social policy, the parties shall develop youth sports and complete joint professional training programs to supply qualified personnel to energy enterprises. In agreement with the Government of Udmurtia, a general development strategy for fuel and energy complex of the Republic has been elaborated. The company shall contribute with its investment projects (reconstruction of Izhevsk heat electropower station 1 and Sarapulsky heat electropower station, construction of new steam and gas units). Implementation of the investment program will help satisfy growing electric energy demands of the industrial sector and utilities in Udmurtia.

Industry associations

Renova Group's companies participate in different industry associations contributing to resolving topical industry issues and tasks, and providing their expertise and industry experience.

Example. IES Holding

The company actively participates in establishing a long-term capacity market. Non-commercial partnership "Council of Power Producers" acts as a competence center and a public entity for the above mentioned cooperation. IES Holding cooperates with Non-commercial Partnership of Guaranteed Suppliers and Energy Distributors to promote an alternative conception of a targeted model of electric energy and capacity retail market.

The President of IES Holding CJSC, M. Y. Slobodin, is a member of the supervisory board of Market Council Non-commercial Partnership. Representatives of the company participate in committees and workgroups within the partnership. In 2008–2009, the parties collaborated on regulations development on a constant basis: development of a long-term capacity market with a view to improve operational efficiency in energy generation and trading.

Example. RUS

In July 2009, RUS OJSC and a number of large water supply and sewerage contractors in Russia initiated the establishment of non-commercial partnership "National Union of Water and Wastewater Treatment Plants". Major private companies entered the union — water and wastewater treatment plants managed by RUS OJSC, the "Rosvodokanal" public company, "Evraziysky" OJSC, and state unitary enterprise St. Petersburg's water and wastewater treatment plants, state unitary enterprise "Vodokanal" in Ekaterinburg, and state unitary enterprise "Ufa-Vodokanal". In total, the union includes water distribution and sewerage systems from 23 municipal

entities. Aggregate turnover of the National Union of Water and Wastewater Treatment Plants reaches 30 bln rubles. The union serves over 20 mln consumers. The union is a partnership of professional service providers aimed at uniting scattered efforts of water distribution and sewerage enterprises to improve institutional environment, promote advanced organization and technical solutions, and increase performance. One of the major tasks of the union is ensuring productive collaboration between water distribution and sewerage enterprises, state and municipal authorities for successful development of the industry, introduction of new norms and regulations, increasing investment attractiveness. In the long run, the union is aimed at supporting the implementation of self-regulating mechanisms in the sphere of water distribution and sewerage enterprises as an effective management tool that is already in wide use in other spheres.

By establishing the National Union of Water and Wastewater Treatment Plants, the enterprises of this sector could contribute significantly to the development and analysis of new legal acts in utilities sector, to take part in discussing a draft of the state program "Pure Water". Members of the union described their unified position strengthened by the scale of the organization to the authorities — a key stakeholder that defines the terms on which the industry operates. The National Union of Water and Wastewater Treatment Plants discussed with the authorities the issues related to further development of the industry, supply of high quality drinking water, optimization of waste water treatment, and decreasing environmental footprint. One of the central issues discussed was adopting stricter waste water treatment regulations, approving stricter fines and fees systems, and upgrading existing infrastructure to satisfy the new requirements. The National Union of Water and Wastewater Treatment Plants has also become a platform for experience sharing with the leading western enterprises and unions.



Example.

Energy Collaboration Contest (IES Holding) Energy Collaboration Contest became one of the five best projects proposed for European Excellence Awards in Energy Sector nomination (together with the projects of major energy companies, such as E.ON, Fortum, and Shell). The competition is aimed at drawing public attention to energy saving and energy efficiency issues, and at rewarding the most thrifty corporate consumers of electric and heat energy. Companies and organizations from 16 RF regions where IES Holding enterprises operate were invited to participate in the Contest. The jury consisted of IES representatives, regional authorities, regulatory bodies, mass media, environmental organizations, and industry experts — 65 people all in all. The competitive committee used a number of defined criteria to select the winners who were chosen by simple majority of votes. Over 1,000 organizations participated in the contest, of which 92 organizations received a special Energy Impact of the Year award, and 181 organizations received a diploma of honor. Besides, the jury has selected 15 "energy vampires" and awarded them with "anti-prizes". IES Holding has also developed and implemented a campaign named "30 Energy Saving Days" for another major group of consumers — household users.

The campaign was launched on March 4, 2009. For 30 days, IES Holding, WWF, and Arguments And Facts Newspaper told household consumers on ways to save electric and heat energy in their homes, and on ways to cut utility payments, and to conserve nature. To win a prize, participants had to share their experience in using the recommendations by compiling a report letter "How I spent 30 energy saving days". The winner was selected by a commission that included IES Holding, WWF representatives, and journalists. 107 most responsible and conscious consumers from 16 regions of the RF where IES companies work received prizes (diploma and gift certificates for buying energy saving products). At the same time, IES Holding companies organized a number of campaigns to develop the culture of

energy use: seminars for consumers and energy efficiency lessons for children were held on regular basis, Energy Saving Basics guidebook was published in Ekaterinburg, and Energy Saving Tramways crossed the streets in Samara, Saratov, and Ulyanovsk.



Supply chain (suppliers and consumers)

In working with consumers, Renova Group's companies deem important to develop the culture of consumption of different types of energy, and to explain to the population and industrial companies, what economic effect may be achieved due to targeted efforts in this sphere.

Example. Information educational campaign to develop safe household gas utilization practices and skills (GAZEKS) Development of safe gas utilization practices and skills among private consumers is one of the priorities of Russian gas supply and distribution network that were frequently declared by federal authorities, Gazprom OJSC, and other participants of the market. For example, according to EMERCOM and Rosgasification OJSC data, about 230 accidents related to household use of natural gas occur annually in the residential sector; many of these accidents have serious and even fatal outcomes. Before 2009, gas distribution organizations of IES Holding interacted with the consumers in two main ways: 1) mandatory briefing when connecting to a gas network and during technical maintenance; 2) distribution of leaflets, memos, publishing information articles in mass media. However, these methods were not very effective.

To establish unified standards of interacting with consumers in this sphere, the Company has developed an information educational campaign: they strived to summarize ample experience of gas distribution organizations in working with their consumers, and to improve effectiveness of awareness and explanatory efforts in the region. First of all, the consumer audience was analyzed: as a result, roadmaps for working with two target groups (adults and those under age) have been developed. For each target group, information materials have been prepared, taking into consideration the specifics of their perception and psychology. The information campaign was completed in several cycles (by seasons of the year for schoolchildren, and by "summer village" and "fall-winter" seasons for adults). At the same time, the company reached agreement with local authorities and regional mass media, engaged them into the program and therefore expanded target audience coverage. Seminars for the staff of gas distribution companies were

also held to help them master new skills for interacting with the consumers.

Each cycle included contests and quizzes, several videos were broadcasted on TV, and other interactive forms of cooperation were used to raise consumers' interest to the program.

A year after the program was launched, the results were evaluated. Different surveys were conducted to evaluate consumer awareness on the correct use of gas, a comparative analysis of statistics on gas-related accidents was conducted. The results of these evaluations showed a significant drop in number of accidents.

Efforts of Renova StroyGroup that engaged in resolving the problems of "deceived investors" in some municipal entities of Moscow Region are also worth mentioning.

Example. Renova StroyGroup implemented a three-year program to complete construction of a series of the so-called problem buildings in Moscow Region. These construction projects were commenced by other companies, frozen on different stages of implementation and later transferred to the category of unfinished housing. Under this program, Renova StroyGroup has already provided the deceived investors with 629 apartments, and plans to complete 67 more apartments before the end of the current year. The company spent over 2.7 bln rubles to protect the rights of the deceived investors. As Veniamin Golubitsky, the President of Renova StroyGroup, noted, "this is the first comprehensive program aimed at the completion of unfinished housing in Russia. Renova StroyGroup executed its obligations in full, despite the crisis and a difficult situation on the development market."

4. Role of Renova Group in promoting responsible business practice principles

Today, the ability to implement responsible business practices by balancing economic, social, and environmental performance is an innovative business skill, a sign of the leader. Tomorrow this will become vital needs.

Renova Group takes all necessary measures to integrate the principles of good faith business practice in the activity of the Group through:

- ▶ Identifying and promoting best practices used by companies of the Group with an annual "Award for achievements in the sphere of responsible business practice and intangible asset management in Renova Group of companies"
- ▶ Monitoring results by key indicators in the reporting system
- ▶ Preparation of a consolidated report for stakeholders on achievements of the Group in this sphere
- ▶ Development of a system of standards and regulating documents
- ▶ Introduction of key performance indicators (including those in the sphere of responsible business practice) for top managers
- ▶ Establishing coordination and advisory bodies at the level of the Group
- ▶ Developing relations with stakeholders;

developing the culture of responsible business practices at the level of the Group through the corporate conferences, seminars, and other corporate events.

4.1. Development of non-financial reporting

Renova Group considers non-financial reporting as an effective tool to collaborate with stakeholders and improve the management systems of responsible business practice and sustainable development issues.

The first responsible business practices report set guidelines and described principles for analyzing important responsible business practices reporting elements by the Group companies, including the following: sustainable development goals, availability of management systems in functional areas, significant issues and indicators. A unified system for managing issues of industrial, labor, and environmental safety, and the corporate code of conduct have become an additional reporting improvement tool setting aligned approaches to business activity, monitoring, and consolidated data collection.

In the reporting period, Renova Group's companies used this system to analyze their activity on a voluntary basis. Holding companies strived to consolidate data on individual indicators in all companies within a holding.

When preparing the second responsible business practices report, Renova Group's companies received surveys with quantitative indicators and questions that enabled respondents to share qualitative results of their activity.

Such approach helped include into the second report some consolidated indicators proposed as baseline in the first report, to expand utilization of Global Reporting Initiative indicators, individual examples of responsible business practices that can be leveraged by other companies.

Therefore, the second report became an information document describing responsible business practices in Renova Group, and also a methodical guide for the Group companies.

It is very important to describe this experience in the report, since the composition of the Group is flexible (some companies change owners, new assets with other corporate management cultures are acquired). This report is an important tool to unify corporate culture that regulates interaction between the Group and the society.

The second report (2008–2009) contains mostly information on Russian companies.

Collaboration of the Corporate Center with Renova Group's companies on approaches to responsible business practices

The Corporate Center demonstrated good understanding of importance to cooperate with stakeholders by turning to Renova Group's companies, asking for their feedback on sustainable development principles and goals proposed in the first Report on responsible business practice.

95% managing companies and business projects responded to the Corporate Center, all agreeing to the approaches and goals proposed, acknowledged the importance of sustainable development goals (to a different degree for different companies depending on the industrial sector they belong to), and the desire to gradually implement these approaches.

IES Holding:

"Responsible business practices for us is the activity of the company aimed at executing the liabilities to major stakeholders: investment obligations under capacity supply contracts; socially oriented policy to support and develop local communities on the territories of business activity; technical policy aimed at upgrading production facilities and energy efficiency with end target of reducing rates for the consumers."

AKADO Group:

"Responsible business practices is provision of quality services and a decent level of service for our subscribers, as well as the responsible approach to intracorporate programs development aimed at improving employees wellbeing."

Energoprom Group:

"We see responsible business practices as the responsibility of the Company for the way its decisions and activities impact the society

and environment through a transparent and ethical behavior, which: agrees with sustainable development and wellbeing of the society; takes into consideration the expectations of stakeholders, complies with applicable legislation and international codes of business conduct."

4.2. Responsible Business Practice Committee

The responsible business practice committee of Renova Group was established in 2008 with a view to coordinate implementation of responsible behavior principles into the management system of the Group companies, and to achieve targets set for corporate social responsibility of Renova Group and described in the first Responsible business practice report of the Group (2006–2007).

The committee was formed of managing companies managers appointed by general directors of companies (strategic communications and personnel management blocks). The committee was headed by a member of the Executive Committee of Renova Group coordinating personnel management and corporate relations.

Eight meetings were held within two years to discuss planning and monitoring activities in different sectors, coordinate participation in corporate, national and international programs and initiatives, and to analyze success stories of different companies. Much attention was paid to planning and implementing anti crisis measures. At the end of 2008, the Responsible Business Practice committee initiated a meeting of all Group committees with experts on corporate social responsibility during crisis. In 2009, the committee held a corporate conference on responsible business practice to present the Group's best practices selected by independent experts within the frames of Responsible Business Practices Award, and describe major tendencies of corporate responsibility development in Russia and in other countries.

The committee will continue its operation in 2010.

4.3. Award for achievements of Renova Group in the sphere of responsible business practice and intangible asset management

significantly improved their understanding of responsible business practices at the enterprises.

Nominations of the Award were restructured: the applications are still submitted by achieving main targets of sustainable development, however they were differentiated by management systems and individual projects reflecting best practices. Individual nominations were devoted to the development of non-financial reporting (Best non-financial report) and interaction with stakeholders (Best reflection of corporate social responsibility in information materials, Best stakeholder interaction models).

Forty applications from seven managing companies and their controlled companies were submitted to the Award in 2009 — this is twice as much than in 2008. The applications were submitted for 6 out of 7 applications declared (against 4 nominations in 2007). Therefore, the companies demonstrate high activity, and expand business segments where their business practices are demonstrated.

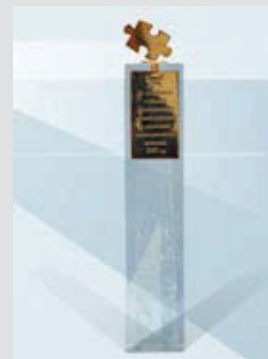
Just as before, the applications were evaluated by an independent jury (five experts) and Renova Group representatives (three experts). The following criteria were used:

- ▶ Importance or significance of an issue for the business (based on its field specifics)
- ▶ Completeness of information presented
- ▶ Compliance with the terms of contest
- ▶ Quality of the management system or project described in the application based on priorities and approaches declared by Renova Group
- ▶ Outcomes of projects and management systems described.

The experts evaluated applications with a 5-grade system based on criteria described in the Award Regulations.

In 2009, twelve companies became the winners of the Award (eight companies in 2007). The results of the Award were presented on the corporate conference on responsible business practices when the participants discussed the winning projects and had an opportunity to share opinions with experts evaluating the applications.

The experts noted a significant increase in the quality of applications (business engineering and the quality of presentation of the projects, understanding of responsible business practice, and expanding interaction with stakeholders).



The award for achievements of Renova Group's companies in the sphere of responsible business practices ("Award") is another effective tool to support and promote expertise in the sphere of responsible business practices that helps develop socially responsible behavior in the Group and strengthen Renova's reputation in external environment.

The Award has been held annually since 2007 by the decision of the Renova Executive Committee. The Award is granted in several nominations:

Best corporate social responsibility practices;

- ▶ Best corporate social responsibility target programs
- ▶ Best information materials of the companies and reflection of responsible business practice issues (websites, annual reports, leaflets, presentations)
- ▶ Best non-financial reports.

Companies may submit for competitive examination projects implemented in different spheres of responsible business practice, including the following:

- ▶ Provision of quality products (services)
- ▶ Industrial and labor safety, healthcare
- ▶ Environmental safety and environmental protection
- ▶ Personnel management and labor organization
- ▶ Social investments and charity activity
- ▶ Interaction with stakeholders.

In 2009, the terms of application and a list of nominations were changed.

In 2009, only managing companies or companies with managing status could submit applications. With this, companies could select applications of their controlled businesses on their own which

4.4. "Renova" Charity Foundation



"Renova" Corporate Charity Foundation was established at the end of 2007 with a view to improve performance of Renova Group's social projects. Activity of the foundation should become a model, a successful example of social investment practice for the companies of the Group.

The total amount of funds allocated to the programs of the Foundation over 2 years reaches 181 mln rubles (about 4.4 mln USD).

2008–2009 results of the Renova Charity Foundation

Over 30 Russian organizations received support of the Renova Charity Foundation in implementation of their initiatives to develop education, science, sports, culture, arts, and social support projects.

By the results of 2009, the total number of participants of the Personal Employee Charity campaign reached 80 people.



The Renova Charity Foundation is implementing corporate charity and social investments policy in Renova Group in the important areas of national cultural, educational, scientific and artistic development, the development of civil society institutes and local governments, as well as environmental sustainable development. The Foundation is not a replacement, but rather a supplement to private charity initiatives of shareholders and top managers. Most programs are implemented on the Russian territory or abroad in the interest of Russia.

Alexander Leonidovich Zarubin,
Chairman of the Foundation Board

Oleg Borisovich Alexeev,
General Director,
member of the Executive Committee of Renova Group.

Being in deed a corporate fund, the Renova Charity Foundation:

- ▶ Bases its activity in accordance with reputation and investment strategies of the Group; supports the image of the Group as an effective strategic investor and reliable partner, successfully combining traditions and innovations
- ▶ Works to minimize social risks in the countries of presence of the Group, develops social policy of the Group
- ▶ Conducts annual performance evaluations of social investment projects and programs under implementation
- ▶ Leverages differentiated approach to investment and develops program management forms.

During the transition period, the Fund adopted the strategy of significant attention to supporting projects that were important on a national scale, initiated by major Russian public organizations with participation of public authorities. The foundation allocated about 75% of its budget to support such initiatives. Other funds were allocated to projects and programs initiated by the Foundation. When implementing such programs, an accent is made on the support of innovations in priority sectors supporting their development. For this type of investments, the Fund plans to develop competitive funds allocation mechanisms.

To improve effectiveness of the projects for the Group (ROI, most of all), the Fund strives to increase the share of its own programs in the aggregate budget. This was achieved in 2009 already.

Among the projects supported in 2008–2009 in the "Fund's Own Programs" sector are as follows:

- ▶ The private educational institution "Russian School of Economics" — contribution to the targeted capital of the Russian School of Economics in 2008–2010.
- ▶ The private educational institution "Russian School of Economics" — support of personal professor scholarship of the Renova Charity Foundation at the Russian School of Economics in 2008–2010.
- ▶ The Valery Gergiev Foundation — support of annual Moscow Easter Festival in 2007–2010.
- ▶ The International Demidov Fund — support for the project of Demidov Award for outstanding men of science.
- ▶ The State Tretyakov Gallery — renovation of the hall with exhibits by M. Vrubel (2008–2009).
- ▶ The Bolshoy Theater Foundation — support of the Bolshoy Theater's troupe abroad in 2009–2010.

Since 2007, the Renova Charity Foundation implements program "Good deeds instead of souvenirs": Renova Group's companies participate in the initiative to reallocate New Year funds previously spent on souvenirs to charity initiatives, providing additional resources for dealing with topical social issues. In 2008–2009, total amount of funds allocated to this program reached 7.7 mln rubles.

The following projects were supported:

- ▶ The Russian Charities Aid Foundation: Renova Group acted as anchor investor in the "Nutcracker" initiative helping kids to fight cerebral paralysis. The project is implemented in cooperation with the Institute of Medical Technologies (Moscow). Renova Group funds allocated to the program would be tripled through voluntary donations of the Kommersant Newspaper subscribers
- ▶ The Foundation "Grant Life": funds are allocated for treating children with haemato-oncological conditions
- ▶ The Foundation "Maria's Children": funds are allocated for creative rehabilitation of orphans and children left without care.



The third program area of the Renova Charity Foundation is the support of initiatives implemented to protect disadvantaged social groups. This area is mostly developed by participants of the

The Renova Foundation also supported the following national-scale projects:

- ▶ The Russian Olympic Committee: support of the Russian Olympic team in Beijing 2008
- ▶ The autonomous non-commercial organization "International Programs Administration": the annual Russian culture fest in Cannes
- ▶ The Foundation "Moscow Encyclopedia"
- ▶ The non-commercial organization "Military Sports Foundation", etc.
- ▶ The Charity Foundation "Romansiada": support of the XII International Contest of young performers of the Russian love song "Romansiada 2008"
- ▶ The Russian Cultural Foundation: support of the XI Festival of the Russian culture in Cannes (France)
- ▶ The Perm Museum of Modern Art: replenishing the museum's exposition with works of modern Russian artists.

The following projects received support under the Program "Personal Charity" in 2008–2009:

- ▶ The autonomous non-commercial organization "Orphans Home at the Church of Saint Bishop Philipp, the metropolitan of Moscow": construction of an orphans home (2008)
- ▶ The Charity Foundation "Salvation": purchasing equipment and performing surgeries for patients with burn injuries (2008–2009)
- ▶ The special correction boarding school of type IV for visually impaired children in Malakhov settlement (Moscow Region): since 2008, under the auspices of the Board of Personal Charity Program, a long-term support program has been implemented to significantly improve boarding condition, training, and health of the kids at the Boarding school in Malakhov settlement. The program also includes measures on social rehabilitation and adaptation of the kids.

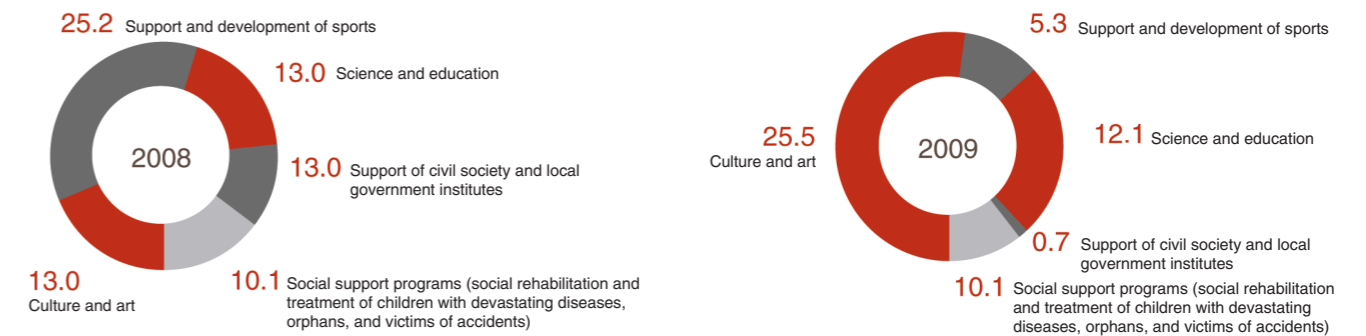
Since 2009, the program of personal charity in collaboration with the foundation "Donors to Children" supports annual donor blood

program "Personal Charity" of Renova Group, managed by a board of the most active employees that define the priorities of funds allocation. The fund supports and promotes employee initiatives, doubles their contributions and renders necessary organizational assistance and advice.

Renova Group deems it important to engage employees in social projects and charity activity of the company since this fosters the development of organizational culture on the principles of civil and corporate social responsibility and effective charity.

The program has been implemented by the Foundation since the end of 2007. Currently, the budget of this program and the co-funding financial means of the Fund make up over 20 mln rubles. The budget of the program is annually replenished by employees contributions. About 3 mln rubles is spent annually for program activities.

Structure of social investments of the Renova Charity Foundation in major areas of activity in 2008–2009, mln rubles



collection initiatives in Renova Group. The blood is transferred to patients of Russian Children Clinic Hospital and other Moscow hospitals. In 2010, the administration of the program wants to spread this experience to all companies of the Group, including regional enterprises. Employees of most companies already voiced their support of this initiative in the course of surveys held in the companies. At least 200 employees from Moscow and Ekaterinburg branch offices plan to participate.

Reports on the projects implemented by the Renova Charity Foundation are published on the corporate web-site and internal Renova portal.

4.5. Renova Group of companies: contribution to business community

Russian Union of Industrialists and Entrepreneurs
<http://www.rspp.ru>

Russian Managers Association (Renova Group companies)
<http://www.amr.ru>

All-Russian Non-Governmental Organization for Small and Medium Entrepreneurship "Opora Russia"
<http://www.opora.ru/>

Business and public councils

Russia – South Africa Business Council
<http://www.russabc.com>

Russian-Arab Business Council
<http://www.russarabbc.ru>

Russian-Chinese Business Council
<http://rcbc.ru>

Business Council of Shanghai Cooperation Organization (SCO)
<http://www.bc-sco.org>

Russian-Chinese Committee for Friendship, Peace, and Development

International Cooperation Committee of the Russian Union of Industrialists and Entrepreneurs
<http://www.rspp.ru>

Coordination Committee of Industrialists and Entrepreneurs Associations in the Ural federal district
<http://www.rspp.ru>

Council for Foreign Economic Activity at the Ministry of Economic Development of the RF
<http://www.economy.gov.ru>

International initiatives

UN Global Compact
www.unglobalcompact.org

Partnering Against Corruption Initiative (PACI)
<http://www.weforum.org/en/initiatives/paci>

Support of social and cultural sector

The Guardian Council of the "Russian Olympians Foundation"
<http://www.olympians.ru>

The Guardian Council of Bolshoy Theater
<http://www.bolshoi.ru>

The Guardian Council of Mariinsky Theater and Valery Gergiev Foundation
<http://www.valery-gergiev.ru>

The Guardian Council of state institution "Higher School of Economics"
<http://www.hse.ru>

The Guardian Council of the Russian Economics School
<http://fir.nes.ru>

The Guardian Council of the Russian Language Support Center
<http://www.bigbook.ru>

The Guardian Council of the National Cinematograph Support Center
<http://www.patriotfilm.ru>



Example. The business council for cooperation between Russia and Switzerland was established on July 15, 2009. With the approval of the Chamber of Commerce and Industry, Renova Group became the founder of the Business Council. V.V. Nelyubin, Director for International Links headed the Council. Together with Renova Group of companies, over 40 business structures and public organizations, including Tatneft, Binbank, VTB 24, Uralsib, became the founders of the Business Council. Business Council is a non-commercial association. The membership structure of this Business Council defined two areas of collaboration: scientific and technical (to exchange experience and technologies), and banking (aimed at expanding contacts and leveraging Swiss technologies in the financial sector). Expanding partnership opportunities in Russia and Switzerland, exploring goods, services, and technologies export opportunities is another important task of the Council. The Business Council enables stakeholders to contact each other and establish cooperation connections. By the end of 2009, large industrial enterprises and groups (SATURN Scientific Development and Production Center, Ivanovsky Plant of Heavy Machine Building, VolgaStalProject LLC), banks (Uralsib OJSC, VTB 24 CJSC, CreditExpress LLC), and entrepreneurs associations (Russian Banks Association, Hydraulic Equipment Producers Association) became members of the Business Council. All these organizations are interested in entering the Swiss market, cooperating with Swiss partners or looking for organizations that are potentially interested in cooperation. In 2009, the Business Council participated in preparation and organization of the meeting between Russian and Swiss entrepreneurs with the heads of two states that took place during the visit of D.A. Medvedev, the President of the RF, to Bern.

In 2009, the Chairman and Executive Director of the Business Council participated in the Joint intergovernmental commission for trade and economic cooperation between Russia and Switzerland. During the meeting, a report on SMB economic cooperation between the two states and future prospects was made which aroused much interest among the Swiss. In 2009, much effort was put into establishing a similar structure in Switzerland that would be able to partner with the Business Council. It has been defined already that Vice President of CreditSuisse Urs Rohner would head the Swiss-Russian business forum. The parties are currently negotiating the personal meeting between the heads of the associations.

Working relations with two major associations of Swiss entrepreneurs (EconomieSuisse and OSEC) have been established. They support the search of new partnering opportunities for the members of the Business Council and prepare a number of events in 2010.

A week of the Swiss Ticino cantone is being now prepared in Russia. To this end, cooperation between the Head of the Business Council and the Head of the Swiss Parliament, Chiara Simoneschi-Cortesi representing Ticino, has been established. Cooperation between the members of the Swiss embassy in Russia was established. A web-site of the Business Council is now being developed and uploaded to the Internet. It should foster cooperation between the members of the Business Council and render them assistance in defining cooperation opportunities with the Swiss partners.

Moreover, working relations have been established with representatives of the Swiss Business Hub governmental organization promoting Swiss business abroad. A number of measures are planned for 2010: The Chamber of Commerce and Industry initiated the Russian-Swiss scientific conference to exchange experience in the sphere of hi-tech innovations. Preparatory work for the joint Russian-Swiss event in Switzerland in which businessmen of the two countries and the members of the Business Council will participate is currently conducted.

4.6. 2010-2011 Outlook

Renova Group of companies will continue development of responsible business practices in Renova Group of companies in the following sectors:

- ▶ Corporate management: monitoring of practical application of the Business Code of Conduct provisions in the companies of the Group, improving the quality of corporate management.
- ▶ Goal 1. Economic sustainability: continuous monitoring of operational and financial indicators on the part of the Corporate Center.
- ▶ Goal 2. Provision of high-quality products and services: development of the customer satisfaction monitoring system, working on decreasing the number of customer complaints on the quality of goods and services, and increasing control over quality assurance measures by the companies of the Group.
- ▶ Goal 3. Provision of effective and safe work places: improving the labor and industrial safety system at Renova Group enterprises, decreasing the number of injuries, improving control and preventative measures to ensure industrial and labor safety, including through the use of innovative solutions and the world best practices.
- ▶ Goal 4. Reduction of the adverse environmental impact: improving the environmental protection system at Renova Group enterprises, implementation of programs and measures planned to improve environmental indicators and mitigate negative footprint. Special attention would be paid to implementing environmental policy and energy saving.
- ▶ Goal 5. Improving the quality of life of local communities: continue implementation of the program approach to supporting local communities, introduce monitoring and evaluation of programs and projects implemented, consider the stakeholders' interests and changes in the social and economic situation in the regions of presence when planning activity.
- ▶ Goal 6. Fair competition: improve the quality of analysis of the Group's activity in this sphere, identify major spheres and parameters that require control and timely measures on the part of managing companies and the Corporate Center.
- ▶ Goal 7. Interaction with stakeholders: regular analysis of major stakeholder groups (at the managing companies level), expand forms and types of cooperation, develop methods for evaluating the results of such cooperation, and their presentation in official materials addressed to the general public, foster participation of the Russian companies in Russian and international initiatives

in the sphere of corporate responsibility taking into account industry specifics of the companies.

- ▶ Non-financial reporting: continue the non-financial reporting practice of Renova Group, expand the amount of consolidated information provided in the report; improve the quality of reporting in managing companies and at the holdings' enterprises.
- ▶ Promoting best practices: continue granting the Award for the best business practice of Renova Group of companies, and to organize corporate events aimed at improving managerial competencies the leaders of managing companies and business projects in the sphere of responsible business practice.
- ▶ In these areas, the results in the next reporting period will be controlled within the Group's top management KPI system and within the frames of non-financial reporting procedures of the Group.

The table of data correspondence between the Social Charter of Russian Business report and the UN Global Compact and the Global Reporting Initiative

Social Charter of Russian Business	Global Reporting Initiative	UN Global Compact	Page of the Report	Comments
	Reporting elements			
Major business principles	Organization strategy			
	1.1 Address of the head		2	
	1.2 Key risks and opportunities		5–6, 18–20, 30–32	Section "Investment Management", Section "Goal 1. Economic Sustainability"
	Organization overview			
Sales volume	2.1–2.10		4–17	Section "Renova Group of companies: yesterday, today, tomorrow"
	Reporting parameters			
	3.1 Reporting period			2008–2009
	3.2 Date of the last report publication			2008
	3.3 Reporting cycle			2 years
	3.4 Contact information			
	3.5 Procedure of defining report contents			The report is structured in accordance with 7 principles of responsible business practice declared in the first report, the issue of strategic investment in Russia is further expanded. The report describes the activity of Russian companies within Renova Group.
	3.6 Scope of the report 3.7 Coverage limitations			Section "Renova Group of companies: yesterday, today, tomorrow"
	3.10 Basis for redefining the terms			No redefined terms were used
	3.11 Significant changes in comparison with previous reporting periods			This is the first report to provide consolidated data on companies within the scope of reporting, as well as in labor, industrial, and environmental safety spheres.
	3.12 Table of GRI indicators		58–60	
	3.13 Report certification methods		61	Public endorsement of the report
	Management, responsibilities, and collaboration with certifying authority	Measures taken to implement Global Compact principles		By the decision of Renova Group Executive Committee, a number of measures aimed at implementing Global Compact principles were funded.
	4.1, 4.3, 4.5, 4.8, 4.10		27–29 50–52	Section "Investment Management", subsection "Corporate Management"
Participation in non-commercial and industrial organizations' activity	4.12, 4.13		47–48 55–56	
	4.14–4.17		45–49	Section "Goal 7. Interaction with stakeholders"
	Indicators			
Economic component				
	Economic performance			
Taxes payable and other deductibles			4–17	Section "Renova Group of companies: yesterday, today, tomorrow"
Investments in the community			42	Section "Goal 5. Improving the quality of life of local communities"
Investments in fixed capital			6–18, 18–27	Section "Performance indicators of Renova Group of companies" and section "Investment Management"

Social Charter of Russian Business	Global Reporting Initiative	UN Global Compact	Page of the Report	Comments
	Voluntary pension provision		36	Section "Goal 3. Provision of effective and safe work places"
	Market presence			
	EC6		45	Section "Goal 6. Fair Competition"
	Indirect economic impacts			
	EC8		19–20	Section "Investment Management"
Environmental component				
	Energy			
Use of energy	EN3	Principle 8	40	Section "Goal 4. Reduction of adverse environmental impact"
Nominal consumption of energy			40	
	Water			
Consumption of fresh water	EN8	Principle 8	40	
Nominal consumption of water			40	
	Emissions, drainage, and waste			
Atmospheric emissions	EN20	Principle 8	40	
Waste water discharges	EN21	Principle 8	40	
Contaminated waste water discharges			40	
Waste volume	EN22	Principle 8	40	
	Products and services			
Environmental impact mitigation initiatives	EN26	Principles 7, 8, and 9	20–21	
	Compliance			
Recovered ecological damage	EN28	Principle 8	40	
	General			
Investments in environmental protection infrastructure	EN30	Principles 7, 8, and 9	40	
Number of accidents with environmental damage			39	
Social component				
	Employment			
Number of employees with territorial distribution	LA1		35	Section "Goal 3. Provision of effective and safe work places"
	Relations between staff and management			
Collective agreements coverage	LA4	Principles 1 and 3	35, 36	Section "Goal 3. Provision of effective and safe work places"

Social Charter of Russian Business	Global Reporting Initiative	UN Global Compact	Page of the Report	Comments
	LA5	Principle 3		In accordance with RF legislation
	Health and safety at a work place			
	LA6	Principle 1	37	The foundation principle has been developed for establishing a collective coordination body at the Renova Group level
Accident rate	LA7	Principle 1	39	
Number of fatal cases			39	
	LA8	Principle 1	38	
Human rights				
Labor disputes			35	
	Freedom of association and collective negotiations	Principles 1, 2, and 6	35	
Society				
	Community			
	SO1		42 53–55	Section "Goal 5. Improving the quality of life of local communities"
Interaction with authorities			45	Section "Goal 7. Interaction with stakeholders"
Collaboration with non-profit and non-governmental organizations			42–45	
Community impact evaluation			46	
	Competition restraints			
	SO7		45	Section "Goal 6. Fair Competition"
	Compliance			
	SO8		45	
Product liability				
	Consumer health and safety			
Product quality assurance			33–34	Section "Goal 2. Provision of high-quality products and services"
	PR2	Principle 1	33	

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RELIABLE PARTNERSHIP SUCCESSFUL NEGOTIATION

Report on implementing responsible business practice approaches and achieving sustainable development goals in Renova Group of companies, 2008–2009

