

Partnership
for the benefit
of sustainability



→ 2008

This report describes Renova Group of companies' approaches to responsible business practices

This report has been drawn up on the basis of the Global Reporting Initiative (G3) Sustainability reporting guidelines. The attention was mainly brought to the standard elements, namely, to the managerial approaches. The guidelines of the Russian Union of Industrialists and Entrepreneurs for using the main KPI's in preparing non-financial reporting and management were also taken into consideration. The report covers the business activities of Renova Group that took place in 2006–2007, and, for some specific areas, also provides the data from earlier periods and the data for 2008.

This report provides information on several major topics.

Firstly, the report provides to the general public detailed information on Renova Group of companies, describes the Group's vision of its goals as the investment and industrial structure and shows how investments sustain the development of the Russian economy, regions of the country and individual enterprises. To give a good understanding of the management context of the Group that impacts the choice of the forms and tools of management the report also dwells on the investment operations principles, the corporate governance system and investment management.

Secondly, the report for the first time provides the Group's consolidated view of the responsible business practices and the Group's adherence to common values and approaches in this area. Despite the fact that the Group is made up of companies that differ considerably both in the range and sphere

of activity, the higher-priority elements provided in the report are equally important for all of them. The following chapters will show that the described approaches and concepts have not been introduced from the outside, but have developed in the course of the Group's existence and were founded on the actual situations, in which the companies of Renova Group were looking for solutions to most versatile tasks. That was how the Group has built the invaluable data room of corporate expertise and best practices. This report consolidates this pooled experience.

Finally, the report includes practical recommendations to the companies of the Group aimed at developing the responsible business practices management system. The results and success of this work are assessed at the Group level in the course of the contest for the Corporate Social Responsibility award, and through the non-financial reports of the companies.

We are publishing this report with a hope to lay a new milestone in the history of the Group, whereby all the companies go beyond solving economical tasks to assessing their work from the standpoint of responsible business practices and sharing the assessment results with the community. Even more so, the period of 2008–2009 will become an interesting one to be analyzed in the view of bringing the principles of responsible business practices to life. These materials will be used for the preparation of the next report.

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As we channel our investment and managerial resources with a purpose to create competitive and sustainable businesses in the various economy sectors, and as we motivate the companies, in which we hold a share, to perfect their responsible business practices, we do so for the benefit of sustainable social and economic development of the countries and regions of our presence.

This report describes the stages and results of the development of the companies of Renova Group, the current condition and the plans for the immediate future pertaining to implementing the responsible business practices approaches in the higher-priority areas of activity.

Renova is a strategic investor and designer of the efficient business model it undertakes to develop. The successes of SUAL, IES and, in part, TNK-BP (as much as we are involved with the business) bear a proof to that fact. The philosophy of our business is about upgrade and innovative approaches that will logically add to the momentum of the Russian economy development, creating an incentive for the social sphere and offering an opportunity to each and every individual to employ their potential in full. On the path to sustainability the major strategy elements for the companies where we are shareholders are efficient investing in the fixed assets and smart management thereof, improving the quality of products and services.

The case history of Renova Group has shown that the mutually beneficial, responsible and constructive cooperation with our business partners, site employees, authorities and civil society is of absolute value for implementing our strategy. This is a principle of putting together the effort and resources for reaching a common goal.

We implement this through the following:

- ▶ The policy of doing business in partnership with other shareholders and supporting alliances between companies for the benefit of deploying new technologies. Today, IES and Avelar are working together on a number of projects aimed at using the alternative energy sources, the UTP¹ and IES are collaborating in the power engineering industry, Oerlicon, too, is planning to start collaboration with Russian production sites in the nanotechnology application sphere;
- ▶ Approval of new projects that might impact the environment or change the existing relations with the community and the government. The public hearings that were held in the Urals, in the Komi Republic, on the Kamchatka peninsula, task forces, commissions, coordination councils within the framework of the SUAL Group social partnership — models like these are presently being developed and used in some companies of the Group. I believe that other companies will also use them in their operations. At least, they are actively exploring this issue at the moment.

In the sphere of social and labour relations we, at the very least, expect the employees' involvement in the discussion of the Company's social policy through amending the collective labour agreements. In the long run, the companies of Renova Group will have to master the competencies of conducting dialogue and meeting the key stakeholders face to face. The best transferable examples and models that the companies use to interact with the employees, the authorities and the civil society is another intangible asset of ours that we need to capitalize.

Big business entails heavy responsibility. Undoubtedly, the strategy and model of management, as any other model of corporate behaviour and development trend will be undergoing continuous updating and clarification.

Today it has become obvious that our intentions are not a fruit of our imagination or complacent dreaming. There exist explicit facts that demonstrate the adherence of the companies of the Group to this approach. We believe it is imperative that we develop the responsible behaviour of our companies, rooted in the understanding of the strategic targets and goals, and to provide momentum for the new development stage and reinforcing the success reached by the leading companies.

Naturally, we cannot say that we are doing well in everything we have planned and succeed in all our undertakings. Perhaps, every now and then our initiatives outpace the situation, elsewhere we may lag behind due to limited resources or lack of competencies, but we are moving forward with no intention to back out on our values. In any case, we have prepared this report with a view to assist the companies of the Group in generating their own approaches to implementing responsible business practices in the course of their strategic and operating activities.

By the moment this report was being prepared for printing, life faced us with another challenge — the global financial crisis will make adjustments to many of our plans. However, we are confident that our background, policies, values, competencies, business partners and employees — at first glance, our intangible assets — will take us through this difficult period and further to our goals, and the next report will put a special emphasis on this issue.

Despite the challenges that all the companies have to tackle today, the issue of responsible business practices remains urgent and relevant for us.

*Victor Vekselberg,
Chairman of the Supervisory Committee
of Renova Group of companies*

¹ UTP — the Ural Turbine Plant

BARE FACTS

Renova Group is a strategic development partner

- ▶ Renova Group of companies has representative offices in 34 regions of Russia, and also in the countries of Europe, Africa, Asia and America.
- ▶ In 2004–2007 Renova Group invested USD 6.3 bln. One seventh of the invested amount was accounted for by the investments in high-tech industries and development of alternative energy sources. Over 50% of the invested amount was placed with the companies whose shares are traded at the stock markets.
- ▶ Over 80% of all the investments made by Renova Group are accounted for by long-term investments in the Russian economy.
- ▶ In September 2007 Standard & Poor's assigned to Renova Holding Ltd. (Renova) the 'BB' long-term credit rating, outlook stable. The company has also been assigned the 'ruAA' national rating. Also, in 2007 the international rating agency Moody's assigned to Renova Holding Ltd. The 'Ba2' corporate rating, outlook stable.
- ▶ Renova Group is a shareholder in the largest Russian and international companies: TNK-BP, UC RUSAL, Oerlikon, Sulzer.
- ▶ The merger of the assets of the Russian companies RUSAL, SUAL and Swiss Glencore made United Company RUSAL a global leader of the aluminium industry, a megacorporation. Today, it employs 100 thousand people in 19 countries across 5 continents and in 12 regions of Russia. UC RUSAL accounts for approximately 12% and 15% of the global aluminium and alumina output, respectively.
- ▶ TNK-BP is one of the leading Russian oil companies, being also one of the world's top ten largest privately-owned oil companies in oil output. In 2003–2006 the company paid over USD 40 bln to the budgets at all levels.
- ▶ In October 2006 AccountAbility, an organization operating in the area of corporate responsibility monitoring, rated SUAL Group and TNK-BP among the top-ten Russian companies in terms of social responsibility.
- ▶ According to the assessment of the World Inquiry expert group (Cleveland State University, USA), that has been screening the best corporate social responsibility projects among companies since 2004, the model of SUAL Group for interaction with the territories of the company's presence is ranking among the world's most interesting models in corporate social responsibility and sustainability. The material of a three-year partnership programme of SUAL Group and USAID was used in the curriculum of the MBA course in American universities.

In 2004–2007 the value of businesses Renova Group invested in increased by 4 times

The quality of business practices and Corporate Social Responsibility is ensured by business sustainability

- ▶ The Koltsovo airport is ranking number five in Russia in terms of the total number of served passengers, surpassed only by the airports of the two Russian capitals.
- ▶ The Koltsovo airport (Yekaterinburg) reconstruction and development program will allow to create by 2010 a large modern European-Asian intermodal transport hub with a traffic capacity of up to 4 mln passengers per year. The project is running in the format of public-private partnership. Renova Group has been a strategic project investor since 2004.
- ▶ The volume of annual investments made by Russian Utilities in the upgrade of the Russian regional utilities infrastructure has increased by 6 times and now amounts to over RUR 1 bln per annum. The investment schedule for 2006–2008 approved by the Russian Utilities' Board of Directors will provide the regions with approx. RUR 4 bln of investments in construction and upgrade of boiler-houses, central heat-supply stations, heat pipelines, water pipelines and water discharge lines, electric power supply lines, transformer substations, water treatment plants, pumping facilities, implementation of advanced record keeping and resource supply adjusting systems.
- ▶ As reported by the Alaska miners Association, the environmental impact level at the deposits owned by ZAO Koryakgeoldobytcha (a structure of UralPlatina Holding) is significantly lower than at the sites that are members in the Association.
- ▶ In 2006 the European Expert Commission honoured Victor Vekselberg with an international award for the outstanding contribution of SUAL Group in effectively establishing international standards for social partnership.
- ▶ In 2007 and 2008 Renova Group of companies received the diplomas of the winner of the national contest 'Corporate donor of Russia', organized by the Ministry of regional development of the RF, the Russian Union of Manufacturers and Entrepreneurs and the Public Chamber of the RF. The judges of the contest made a specific reference of the social investment programmes carried out by UralPlatina Holding on the Kamchatka peninsula and IES-Holding in the Urals.
- ▶ In 2007 the Woodrow Wilson Centre's Kennan Institute in Washington honoured Victor Vekselberg, Chairman of the Supervisory of Renova Group of companies with an award for public service.
- ▶ In 2007 the companies of the Group and the shareholders of Renova Group of companies personally allocated over USD 30 mln to finance the social investment and charity programmes. Two thirds of that amount was channeled to support Russian culture, art and sport.
- ▶ In May 2008 OAO TGK-5, a part of IES-Holding, became the first Russian company to have its non-financial reporting awarded at the International Global Reporting Initiative Association contest.
- ▶ In 2007–2008 the employees of Renova Group of companies transferred over RUR 12 mln to the account of the corporate private donations programme run by Renova Charity Foundation.

A private investor has a much deeper interest in efficient company management — in organizing the internal management system, setting forth the long-term targets and creating a vision for their accomplishment.

A strategic investor, especially if he is involved with the global economy, will automatically introduce the best practices to his company, and, besides, to the national economy and to the society'.

From the interview with Serguey Guriyev,
President of the New Economic School

RENOVA GROUP OF COMPANIES YESTERDAY, TODAY, TOMORROW

Our goal is to make sure that our participation in business will take us to new levels of development and give us self-confidence in the current market conditions



1.1. The Group's profile

Renova Group of companies is the leading privately-owned diversified business group. Renova Group of Companies owns and manages assets in metallurgy, oil, mechanical engineering, mining, chemistry, construction industries, energy, telecommunications, nanotechnologies, utilities services and financial sector in Russia and abroad.

The aggregate estimate of the company's presence in industries and its share of target assets shows that Renova Group is one of the Russian leading companies running a policy of strategic investment. The Group often acts as a strategic designer through purchasing stand-alone assets and building production and managerial links between them, creating efficient integrated businesses. Renova's strategic priority is consolidating assets in the industries that possess significant potential for growth¹.

Renova invests in business development all over the world — in Russia, Europe, Africa, Asia and America². However, over 80% percent of all investment is centered in Russia: the companies that develop the Russian economy and technologies operate in 9 industries throughout 34 regions of the Russian Federation.

In 2008 the value of the Group's assets was USD 24.7 bln, showing a 4-times increase in comparison with 2004¹.

Renova Group's key indicators, USD bln*

Indicators	2006	2007	H1, 2008
Proceeds	4.6	6.2	3.0
Asset value	15.9	24.8	28.8
Net asset value	13.2	16.9	16.3
Investment amount	1.8	3.9	2.4
Net profit	2.6	2.1	- 1.0

Source: data from the consolidated reporting of Renova Group of companies.

*Note: All the data for 2006–2008 are provided in line with the consolidated IFRS statements of Renova Group of companies as of January 1st of the year following the reporting period.

The Group is a shareholder of the largest Russian and international companies including TNK-BP, UC RUSAL, Oerlikon and Sulzer. In various investment projects the Group works in partnership with leading international companies, such as British Petroleum, Glencore, Siemens.

Among the Group's plans is forming of a full-scale diversified investment holding, strengthening its positions in the new market segments, increasing the public companies' share within its assets.

Renova Group of companies holds membership of more than 5 business councils, is a member of the Russian Union of Manufacturers and Entrepreneurs, participant of the UN Global Compact and Partnering Against Corruption Initiative of the World Economic forum in Davos.

¹ See «The Investment management» section for details.

² The companies in which Renova invests outside of Russia work in the USA, Switzerland, Italy, the republic of South Africa, Ukraine, Latvia, Kirghizia, Mongolia and others.

1.2. The Group's background

The story of the Group began in 1990, when ZAO Renova was incorporated by its two shareholders: Russian company Konvek started by Victor Vekselberg and American company Access started by Leonard Blavatnik that owned a controlling interest in Konvek. In the late 90's Renova became a 100% Russia-based company.

Approaching new industries that produce an economic effect for 20 years on is a logical development path of a strategic investor.

During that time the Russian economy experienced a lot of difficulties, and the most urgent task was to find business models that could be used by production sites to fit in the new economic order and to satisfy the demand of the market.

Thanks to the fact that Renova arranged for export sales of Russian metal products the shut-down shops of a few Russian metal-producing facilities resumed their operation. The company's partnership with the aluminium smelters in the Urals and Siberia became a foundation for incorporating in 1996 the Siberian Urals Aluminium Company (SUAL), where Victor Vekselberg became Chairman of the Board. 8 years later SUAL Group that was following the strategy of building a company whose raw materials consumption was balanced with its production capacities, united 20 production facilities located in 9 regions of Russia and in Ukraine, holding strong positions among the world's top ten aluminium producers.

In 1998 Renova in alliance with Access and Alfa Group participated in creating Tumen oil Company in the oil sector, that would operate in oil production and refining. In 2003 TNK (the only Russian oil company) joined a strategic alliance with BP, the largest player at the global market. Today THK-BP is the third largest oil company in Russia.

After making significant purchases in the industrial sector in the late 90's, Renova focused on the strategic investment projects and creation of sustainable businesses in various industries. Such projects are aimed at creating an efficient business architecture and guaranteeing leading positions within a particular segment.

The Renova management and shareholders, who participated actively in strategic and operating business management in the oil and aluminium industries, gained substantial expertise in managing the industrial assets, which helped them to take a confident step toward creating a diversified multi-industry portfolio of stable, growing and profit-generating businesses within the Group.

In 2000–2004 Renova's presence within many industries was actively expanding. The Group purchased assets in the energy, mining, mechanical engineering, metals and metal-working industries. Besides, at that time Renova in alliance with Access also purchased a share in one of the Russian largest telecommunication company (Svyazinvest).

ZAO Renova was implementing its investment strategy and managed its new assets until 2005. However, in 2003 Renova started to create management structures in order to boost assets management efficiency, considering specific character of certain markets and the economic situation. Those were the companies customized for the strategy to build efficient businesses in stand-

alone industries, and private equity funds, oriented at profit generation within 3–5 years.

ZAO Renova's reorganization in Renova Group of companies that was completed in 2005 enforced the structural diversification based on the investment activity type and formed within the Group a block of investment funds and management companies that potentially were designed to run the newly-created holdings. Most of these companies retained the parent brand name Renova in their names as the business was being formed. (See 'The Group's structure' section for details.)

In 2005–2007 the Group continues with its presence expansion policy: it approaches the chemistry market, the telecom market and makes first attempts in purchasing assets abroad. Please see the 'References' section for the detailed list of all the major projects (transactions) of the Group from the incorporation date.

The strategic priority of Group's investment policy is creating and developing sustainable businesses with a potentially growing share capital through establishing an efficient business architecture, building on the competitive advantages and improving the management quality.

1.3. The Group's structure

The structure of Renova Group of companies is conditioned by a differentiated approach to implementing investment projects and the Group's share in a business.

Renova Group of companies is comprised of private equity funds and management companies operating in the energy sector (IES, AVELAR Energy), housing and utilities sector (Russian Utilities), real estate (Renova-StroyGroup), portfolio investment (Svarog Capital, Colambus), telecommunications (Akado Group of companies), chemistry (Renova Orgsintez), precious metals (UralPlatina) etc. (see Structure by industry, page 15).

The corporate centre ensures the Group shareholders' participation in the corporate management bodies of businesses to the extent and in the scope of the respective shareholders' agreements. The functions of the corporate centre are the following:

- ▶ Supplying the shareholders with essential information and analytical opinions on financial, economic, social and environmental performance indicators based on the consolidated statements provided by businesses;
- ▶ Monitoring of companies' activities, expert evaluation of the investment projects;
- ▶ Issuing recommendations on investment strategy, policy and individual projects of the companies and of the Group;
- ▶ Defending legal and economic interests of the shareholders and the Group as a whole;
- ▶ Improving management systems in the companies, preparing drafts of regulating documents to be adopted within the existing corporate governance system.

The task of the management companies of businesses is to carry out the Group's strategic investment projects. The strategy of such companies is oriented at building a highly effective business structure that allows a business to secure a leading position at the market and significantly increase the initial value of assets. The prominent strategy stages of any management company are the following:

- ▶ Working out a strategy for business development;
- ▶ Assets acquisition and creating a vertically-integrated company structure;
- ▶ Improving the quality of management and operation transparency;
- ▶ Fund raising for development, including the preparation for IPO.

Today, over 12 companies within the Group are management companies. With the exception for the three of them, the management companies operate primarily in Russia. Some companies of the group take on the functions of the management companies without being a holding structure (as opposed to IES, Akado Group of companies) and are involved in building and developing business in the financial sector (Metcombank, United pension administrator), mechanical engineering (UTP, FIT), transportation

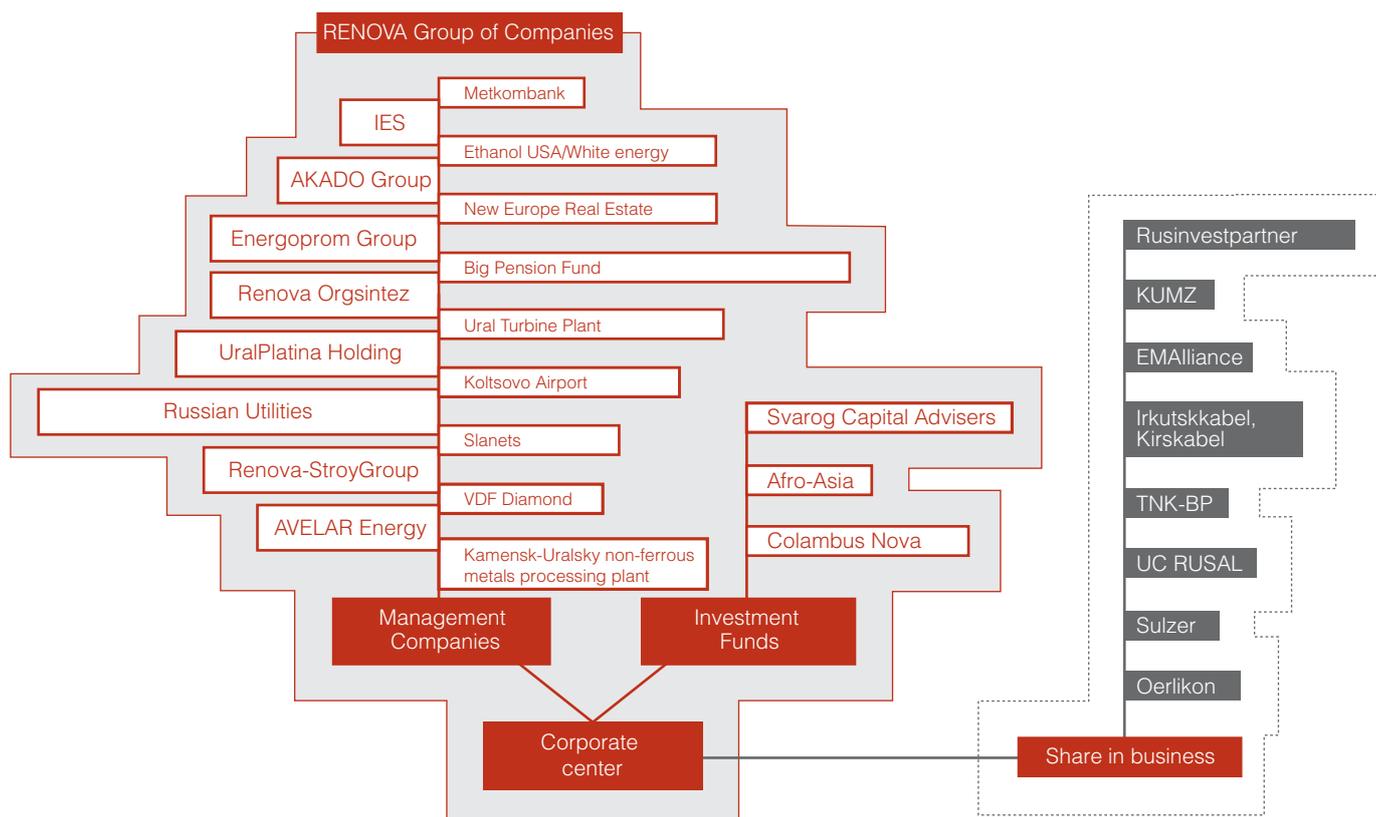
(Koltsovo), petroleum chemistry (Slantsy), real estate abroad (Latvian real estate).

Strategic targets:

- ▶ Offering an efficient business model and development strategy
- ▶ Securing a strategic position at the market
- ▶ Optimizing the quality and structure of assets
- ▶ Improving investment profitability
- ▶ Boosting operation efficiency
- ▶ Improving management quality
- ▶ Securing growth rates of financial and production indicators for all assets

Investment funds carry out the policy of direct investment in businesses for the period of not less than 3–5 years. The strategy of direct investment funds is based on purchasing a share in the asset with a view of making profit from investments in the form of dividends later on. The investment funds participate in the strategic management of businesses. In line with Renova Group of companies investment schedule up to 2010 the share of the investment funds in the entire volume of the Group's investments will not exceed 30%.

The structure of Renova Group of companies



The perimeter of the Renova Group (left side and centre of the diagram) includes the companies where Renova owns a controlling interest. In terms of the investment activity type of Renova Group these structures represent the management companies, investment funds or stand-alone businesses that run investment projects with the status of a management company. Renova Group does not include the companies where the Group's interest is less than 50% (the right side of the diagram).

1.4. Renova Group of companies trademarks

MANAGEMENT COMPANIES

Integrated energy systems (IES-Holding) is one of the Russian largest privately-owned companies operating in the sphere of energy business and gas distribution. Integrated energy systems was created in December 2002 simultaneously with the beginning of the reform in the energy sector, and today the company is the most consistent proponent of the reforms in the industry. The main areas of IES activity are: generation, energy trading and retail. The strategic assets of the holding are TGC-5, TGC-6, TGC-9, a few regional energy sales companies and GAZEKS — the company operating in the sphere of gas distribution and gas supply in the territory of the Russian Federation and Ukraine. The aggregate installed electric capacity of the territorial generating companies controlled by IES is 15,767 MW, the heat output being 67,799 GCal/h. GAZEKS services over 20 thousand production facilities and 4 mln private consumers. The annual average volume of transported gas is approx. 27,600 mln cubic meters. The number of employees is over 60 000 persons.

See: www.ies-holding.com for details

Key indicators (as of January 1st, 2008):

- ▶ Assets value — USD 2,383.4 mln
- ▶ Revenue — USD 2,374 mln
- ▶ Profit tax — USD 23.2 mln
- ▶ Capital investment — USD 107.6 mln

RKS: Russian Utilities is a privately-owned federal company operating in the utilities sector. It is an electricity, heat and water supply and discharge provider to over 4.5 mln users across 12 regions of Russia. The goal of the company is providing quality services to end-users, developing the utilities infrastructure in the cities of its presence and expanding its operational geography, including beyond the borders of the Russian Federation. The number of employees is over 27,000 persons.

See: www.roscomsys.ru for details

Key indicators (as of January 1st, 2008):

- ▶ Assets value — USD 592 mln
- ▶ Revenue — USD 1,003 mln
- ▶ Capital investment — USD 76 mln
- ▶ Profit tax — USD 12.4 mln



Approaches employed by Renova Group for its companies to present their socially responsible practices: Key indicators for non-financial reporting of the management companies in terms of economic performance (for the period of 2-3 years minimum):

- ▶ The portfolio structure with a breakdown by the geographical region, size of the business and economy sector;
- ▶ Change of the assets value during the reporting period;
- ▶ Investment volume in the capital assets (minus the amount spent for business acquisition);
- ▶ Amount invested by Renova Group

Supplementary indicators:

For industrial companies:

- ▶ Borrowed funds share in the amount of the capital assets
- ▶ Gross revenue (after taxes and compulsory payments)
- ▶ Taxes paid to all budgets
- ▶ Number of employees
- ▶ Investments in the community

For service providers:

- ▶ Number of customers (direct contracts)

¹ Non-financial reporting (or reporting in the sphere of sustainability, in the area of corporate social responsibility, social or environmental reporting) is a message that a company prepares on a voluntary basis for the stakeholders and the society, reflecting the social and environmental impacts brought about by the economic activities of the company and the decisions made. The message is prepared on the basis of analysis of the economic, social and environmental aspects of the company's activities (triple bottom line) in the context of sustainability.

AKADO Group of companies (previously Renova-Media) was created in March 2006 under the resolution of Renova Group of companies shareholders with the purpose of consolidating the available telecommunications assets.

Today, it is a telecommunications holding whose core business is providing television, broadband Internet and telephony services in a single bundle (Triple Play) to corporate entities and individuals on the basis of advanced fiber optic cable technologies.

The key assets of the holding are ZAO AKADO-Stolitsa (a Moscow leading cable TV, broadband Internet and digital telephony provider), OAO Komkor (an operator of the Moscow trunk fiber-optic network working under the AKADO Telecom brand name), and the Internet service providers and cable TV operators in St. Petersburg, Yekaterinburg and Minsk (Republic of Belarus). AKADO Group of companies is managed by ZAO AKADO management company. The number of employees is 3,500 persons.

The customer base of AKADO has approx. 1.5 mln subscribers, including 4 thousand corporate entities.

The shareholders believe that the main target for development is to create a large company within the next two years both through developing the existing assets and acquiring new ones.

See: <http://www.akado-group.ru> for details

Key indicators (as of January 1st, 2008):

- ▶ Assets value — USD 1.252 mln
- ▶ Revenue — USD 205 mln
- ▶ Capital investment — USD 574 mln
- ▶ Profit tax — USD 9.9 mln

Renova-StroyGroup was created in 2005 and is operating in the construction and real estate sector. The company invests in the land property development projects, engineering infrastructure, residential and commercial real estate in various regions of Russia.

Renova-StroyGroup is oriented at the integration of the global expertise in the sphere of complex development of residential and commercial real estate, adapting the international designing and construction standards to the established national practices and at creating projects that are unique in terms of their quality and magnitude — the entire city districts and comprehensive development objects.

The business strategy of the company is based on the integrated territory development projects: creating new city districts and satellite towns in the large Russian cities. As of the beginning of 2008 the company was managing a project portfolio accounting for over 19.8 mln square meters of property. Renova StroyGroup was the first company in Russia to introduce a unique product to the market — integrated territory development projects that involve creation of the radically new and attractive urban environment¹. This attractiveness is secured through drawing up a balanced urban planning design (residential buildings, infrastructure, jobs, social sphere, and recreation) and its implementation at a specific piece of property.

Through its involvement in the development projects the company also participates in establishing the public-private partnership that is novel for Russia, providing for bringing the national housing policy to life.

See: <http://www.renova-sg.ru> for details

Key indicators (as of January 1st, 2008):

- ▶ Assets value — USD 1,134 mln
- ▶ Capital investment — USD 832 mln
- ▶ Profit tax — USD 0.9 mln
- ▶ The number of employees is 385 persons.

Renova Group of companies regions of presence



¹ See «The Investment management» section for details (page 21).

Renova Orgsintez Holding was created in 2006 for managing direct investments in the chemistry sector.

The company's activity is focused on producing chemical products on a large scale, sold primarily at the domestic market. Today, the holding owns stock interests in OAO Khimprom (Novocheboksarsk), ZAO Neftekhimiya (Novokuybyshevsk), OAO Sayanskkhimplast (Sayansk), VOA O Khimprom (Volgograd). The total number of employees in all the companies of the holding is 16 000 persons.



Renova Orgsintez works primarily in the area of consolidating its chemical-producing assets, improving their competitive edge and sustainability and strengthening their positions at the market.

The company is actively involved in creating green-field businesses in Russia, in the CIS countries and in the Baltic states. In the short-term perspective the company is planning to expand the acquisitions and sales geography to the countries of Eastern Europe, Africa and Middle East.

The main goals of the holding are strategic investment in the projects aimed at value-added product output, acquiring assets in the sphere of vinyl chloride, chlorine and alkali production, development of nitrobenzene and aniline chains with a further production of their derivants, such as isocyanates and polyurethanes.

Special emphasis is given to development of the environmental management system and its standardization at production sites managed by the company. The company and its production sites are the participants of the international 'Responsible Care' program for the production sites in the chemical industry.

See: <http://www.renova-org.ru> for details

Key indicators (as of January 1st, 2008):

- ▶ Assets value — USD 354 mln
- ▶ Revenue — USD 408 mln
- ▶ Capital investment — USD 181 mln
- ▶ Profit tax — USD 1.6 mln

UralPlatina Holding was created in 2005 in alliance with the Swiss company Investment Partner AG for managing the precious metals mining and processing facilities. AO Koryakgeoldobytcha is ranking among the top three Russian companies in terms of platinum output and plays a major role in the industrial sector of Kamchatka. The company also manages the following assets: Zoloto Kamchatki, Kamgold, the Yekaterinburg non-ferrous metals processing plant, the Ural chemical agents production plant. The total number of the holding employees is 2,000 persons.

The strategy of UralPlatina is oriented at developing a vertically-integrated full-cycle holding unifying the mining facilities, precious metals downstream processing facilities, and, besides, at developing the brown-field and exploring green-field deposits.

Key indicators (as of January 1st, 2008):

- ▶ Assets value — USD 450 mln
- ▶ Revenue — USD 129 mln
- ▶ Capital investment — USD 117 mln
- ▶ Profit tax — USD 18.4 mln

Energoprom Group manages carbon-graphite production assets that supply the ferrous and non-ferrous metals production facilities in the Rostov, Novosibirsk and Tchelyabinsk regions. The company is intending to retain its leading position in the segment due to the high quality of the products that comply with the global standards, balanced economic strategy and partnership with the world's leading producers.

Key indicators (as of January 1st, 2008):

- ▶ Assets value — USD 540 mln
- ▶ Revenue — USD 344 mln
- ▶ Capital investment — USD 331 mln
- ▶ Profit tax — USD 2.2 mln
- ▶ The number of employees is 9,000 persons.



The Koltsovo Airport is one of the leading airports in Russia. In 1993 Koltsovo obtained the status of an international airport. Starting with 2003, a large-scale reconstruction project has been going on at the airport, Renova Group being a strategic project investor. The project is running in line with the strategy of the Ministry of transportation of the Russian Federation aimed at releasing the countries transportation potential through creating a network of airline hubs (nodal airports).

Koltsovo is ranking among the top five airports in terms of passenger traffic volume, along with the airports of Moscow and St. Petersburg.



Key indicators (as of January 1st, 2008):

- ▶ Assets value — USD 152 mln
- ▶ Revenue — USD 192 mln
- ▶ Capital investment — USD 125 mln
- ▶ Profit tax — USD 12 mln
- ▶ The number of employees is over 3,000 persons.

METKOMBANK is one of the largest regional Russian banks with branches in the Sverdlov, Irkutsk, Volgograd regions, the Perm Territory and Moscow.

The bank services corporate entities and individuals, including the mortgage and consumer loan programs. The bank was among the first in Russia to provide tuition loans, making high-quality education more available to students from the country regions.

See: www.metcombank.ru for details

Key indicators (as of January 1st, 2008):

- ▶ Assets value — USD 565 mln
- ▶ Revenue — USD 5 mln
- ▶ Capital investment — USD 10 mln
- ▶ Profit tax — USD 2.2 mln

Ural Turbine Plant is one of the Russia's leading designers and suppliers of power-generating equipment.

UTP accounts for approx. 50% of all the co-generation turbines operated in Russia and CIS.

The plant designs and manufactures high- and medium-power co-generation steam turbines, condensing turbines, steam back-pressure turbines, exhaust-steam turbines, gas compressor units, top-pressure recovery turbines for ferrous-metal industry, gas recovery turbines for power production industry, gas-turbine power units.

The UTP specialists design and pre-manufacture turbines for combined cycle gas turbine units.

Key indicators (as of January 1st, 2008):

- ▶ Assets value — over USD 100 mln
- ▶ Revenue — USD 63 mln
- ▶ Capital investment — USD 12 mln
- ▶ Profit tax — USD 2.1 mln
- ▶ The number of employees is 2,500 persons.



Kamensk-Uralsky non-ferrous metals processing plant is a leading Russian non-ferrous metal processing facility. The history of the plant dates back to 1942; currently the plant produces a wide range of rods, buses, copper, nickel, zinc wire and wire from their respective alloys. The Kamensk-Uralsky plant's quality management system is certified for compliance with the international ISO 9001:2000 standard. The plant employs 2,200 people. Since 2005 the plant has been aggressively increasing its production efficiency and output. The main strategic goal of the Kamensk-Uralsky plant is to establish a high-performance production and to create a global-level producer of rolled non-ferrous metals products that will generate profit in the long-term perspective.

Key indicators (as of January 1st, 2008):

- ▶ Assets value — USD 192.6 mln
- ▶ Revenue — USD 291 mln
- ▶ Capital investment — USD 29 mln
- ▶ Profit tax — USD 9.5 mln
- ▶ The number of employees is approx. 3,000 persons.

INVESTMENT FUNDS

SVAROG CAPITAL ADVISERS (previously Renova Capital) is a Russian direct investment fund created in 2004. It is focused on investments in economy sectors where growth depends on the population's purchasing power. Today the company manages the direct investment funds Renova Capital One and Russian Growth Fund that invest in capital of Russia- and CIS-based companies.

The assets of the former include the equity stakes held with the companies operating in the pharmaceutical, gold mining, logistic and telecommunications industries. Renova Capital One invested in Natur Produkt Holdings, Relogix, Multinational Logistics Partnership and Corbina Telecom. The average investment amount of the fund is approx. USD 25–50 mln.

Russian Retail Growth Fund with the aggregate borrowings of USD 300 mln has unified several Russian and Western investors. Renova Group of companies has assumed the role of the anchor investor. The investment strategy of Russian Retail Growth Fund assumes purchasing equity stakes in the companies that rapidly develop following the growth of consumer demand in Russia: retail, consumer goods, logistics, transportation etc. Among others, the fund has invested in SPSR-express, Holiday Group of companies, Spar Moscow Holdings. The investment horizon of Russian Retail Growth Fund is limited by 2011–2012. The target value of a single investment is USD 30–50 mln.

Key indicators (as of January 1st, 2008):

- ▶ Assets value — USD 393 mln
- ▶ Revenue — USD 211 mln

Colambus Nova operates at the USA markets and manages the assets with a value of USD 2.5 bln. The company was created in 2000 and manages investments in the following industries: biofuel, real estate, health care, insurance, oil and gas, telecommunications, construction, industrial equipment.

International projects

Afro-Asia manages investment projects in metals and mining industry outside Russia. One of the company's projects involves exploration, mining and processing of manganese ore in the territory of the Republic of South Africa. For this purpose in 2005 the Russian-South African joint venture United Manganese of Kalahari (UMK) was created, Renova Group of companies being its strategic, financial and technical partner. Today, the company has almost completed the exploration work programme. The project's bottom line should become a creation of the first Russian-South African metals and mining company that will synergize the South Africa's resource potential with Russia's technology capacity. Since 2007 the company has managed the Karabaltinsky mining and concentrating complex.

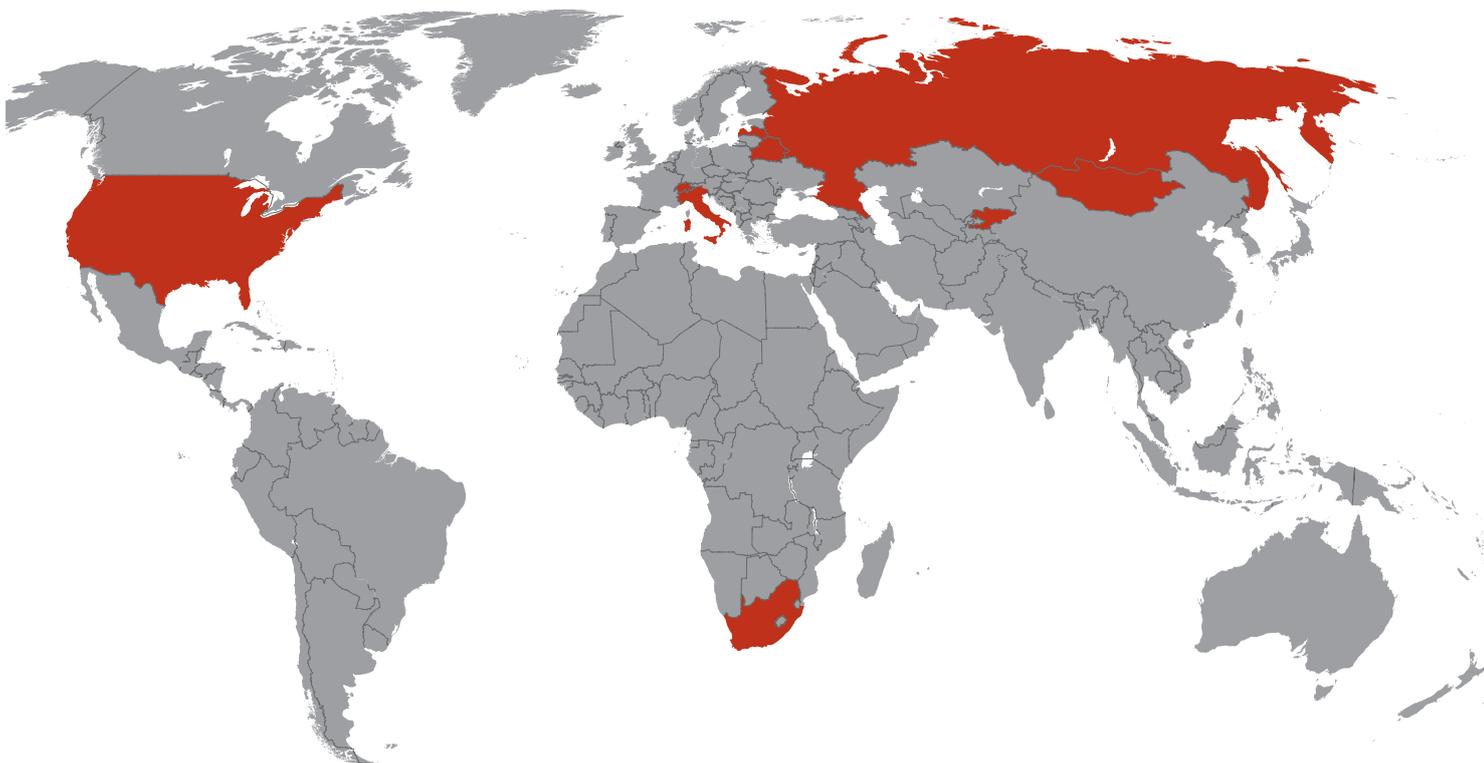
Key indicators for non-financial reporting of the investment funds in terms of economic performance (for the period of 2-3 years):

- ▶ Capitalization of the fund assets or profit
- ▶ Net profit margin
- ▶ Aggregate investment volume

Additionally

- ▶ Stability of key indicators

Renova Group Worldwide



AVELAR Energy Group is involved in electrical energy and gas distribution in the European countries and develops technology for electrical energy generation from alternative sources, such as wind-power generators and solar cells. The most prominent investment projects of the company are the construction of the Italy-Austria 300 MW power line, gas-fired power plants with a 500 MW capacity, and one of the largest Ferrandina & Pisticci gas holders with the effective storage capacity of 1 bln cubic meters.

The strategy of AVELAR Energy Group involves creating a major trader in the electrical power and gas industry and a project investor in the power industry in the countries of Western Europe and North Africa. In 2007 AVELAR Energy Group acquired the Italian company Energetic Source, a major electrical energy and gas trader at the Italian market.

AVELAR Energy Group's headquarters are located in Zurich. The company has representative offices in Milan, Cairo and Moscow.

Key indicators (as of January 1st, 2008):

- ▶ Assets value — USD 409 mln
- ▶ Revenue — USD 697 mln
- ▶ Investment — USD 16 mln

Companies with Renova Group's participation

TNK-BP (Renova Group's share is 12.5%) is Russia's third largest company in terms of oil output. The company accounts for approx. 18% of the Russian oil output. In its portfolio TNK-BP has oil mining, refining and sales assets in Russia and Ukraine.

Key indicators (as of January 1st, 2008):

- ▶ Assets value — USD 27,904 mln
- ▶ Revenue — USD 34,995 mln
- ▶ Investment — USD 13,901 mln
- ▶ Profit tax — USD 2,115 mln
- ▶ The number of employees is over 71,000 persons.

UC RUSAL (Renova Group's share is 6.9%) is one of the world's largest aluminium and alumina producers. The company was created in 2007 after the merger of assets of RUSAL, SUAL Group and Glencore. The company is intending to become an international diversified metals and mining corporation that will be a leader in a few new areas of resource extraction and metal production.

Key indicators (as of January 1st, 2008):

- ▶ Assets value — USD 22,063 mln
- ▶ Revenue — USD 13,588 mln
- ▶ Investment — USD 10,429 mln
- ▶ Profit tax — USD 412 mln
- ▶ The number of employees is over 100,000 persons.

Oerlikon (Renova Group's share is 42%) is a leader at the semiconductor technologies market and is obtaining leadership in the sphere of vacuum technologies. The company is involved in the innovative development programs in area of space exploration, solar energy, laser and nanotechnologies. The further development of the company has taken shape of turning into a high-tech industrial group.

Key indicators (as of January 1st, 2008):

- ▶ Assets value — USD 5,588 mln
- ▶ Revenue — USD 4,696 mln
- ▶ Investment — USD 1,238 mln
- ▶ Profit tax — USD 15 mln
- ▶ The number of employees is over 20,000 persons.

Sulzer (Renova Group's share is 30%) is an international company with an extensive innovation expertise in mechanical engineering, production of equipment and coatings.

Key indicators (as of January 1st, 2008):

- ▶ Assets value — USD 3,075 mln
- ▶ Revenue — USD 2,951 mln
- ▶ Investment — USD 582 mln
- ▶ Profit tax — USD 100 mln
- ▶ The number of employees is over 11,000 persons.



Renova Group of companies structure by industry

OIL AND CHEMICAL INDUSTRY

TNK-BP (participation in business)
Khimprom/Novocheboksarsk (Renova Orgsintez)
Neftekhimiya (Renova Orgsintez)
Sayanskhimplast (Renova Orgsintez)
Leningradslanets (the Slanets project)
Ethanol USA/White Energy (Colambus Nova)
Khimprom/Volgograd (Renova Orgsintez)

METALS INDUSTRY

United Company RUSAL (participation in business)
KAMENSK-URALSK NON-FERROUS METALS PROCESSING PLANT
Yekaterinburg non-ferrous metals processing plant (UralPlatina Holding)
KUMZ (participation in business)
The Novocherkassk electrode plant (Energoprom Group of companies)
The Novosibirsk electrode plant (Energoprom Group of companies)
The Tchelyabinsk electrode plant (Energoprom Group of companies)
Irkutskkabel (participation in business)
Kirskabel (participation in business)

MINING INDUSTRY

Koryakgeoldobytcha (UralPlatina Holding)
United Manganese Kalahari (Afro-Asia)
Zoloto Kamchatki (UralPlatina Holding)
Rusinvestpartner (participation in business)
Karabaltinsky mining and concentrating complex (Afro-Asia)
Transalloys (Afro-Asia)
Darwendale (Afro-Asia)
VDF Diamond

MECHANICAL ENGINEERING

The Ural turbine plant
Sulzer (participation in business)
EMAlians (participation in business)

TELECOMMUNICATIONS

Akado Telecom (AKADO GROUP OF COMPANIES)
Akado Stolitsa (AKADO GROUP OF COMPANIES)
Akado Neva (AKADO GROUP OF COMPANIES)
Akado Ural (AKADO GROUP OF COMPANIES)
SOOO Kosmos-TV (AKADO GROUP OF COMPANIES)

INFRASTRUCTURE BUSINESS

Koltsovo Airport

ENERGY GENERATION AND HOUSING AND UTILITIES SECTOR

TGC-5 (IES)
TGC-6 (IES)
TGC-7 (IES)
TGC-9 (IES)
Russian Utilities
GAZEKS (IES)
IES-Energostroy engineering (IES)
AVELAR ENERGY

RETAIL SECTOR

Russian Retail Growth Fund (Svarog Capital Advisers)
Renova Capital One (Svarog Capital Advisers)

FINANCIAL SECTOR

Metcombank
Big pension fund

DEVELOPMENT

Akademicheskij (Renova-StroyGroup)
Latvian real estate
Sun Valley (Renova-StroyGroup)
Hotel network in Russia (Renova-StroyGroup)

INNOVATIVE TECHNOLOGIES

Oerlikon (participation in business)

Note: the colour is used to highlight the companies whose activities are not covered in full and left beyond the scope of this report.

Investment management

Renova Group sees its goal in successful and sustainable development of businesses in which it is a strategic investor and a shareholder



2.1. Investment targeting: goals, strategies, tools

Renova's investment strategy is oriented at creating integrated high-performance businesses in the industries that have a high priority with the Group. The key indicators of success of Renova's investment operations are the competitive growth and improved business sustainability that guarantee the increase of the acquired assets value after their integration into the Group.

The main principles of Renova's investment strategy:

- ▶ Acquisition of assets with a capacity for consolidation in the industries that possess significant potential for growth
- ▶ Focusing investment and managerial resources at creating industry leaders with a target capitalization value of USD 3 bln and more
- ▶ Investments in large-scale projects with a perspective of control and proactive management exercised by the Group
- ▶ Using potential partnerships and alliances for the purpose of joint investments
- ▶ Foreign investments in the industries traditionally holding a priority for the Group with consideration of their capacity for synergy with the businesses operating in Russia.

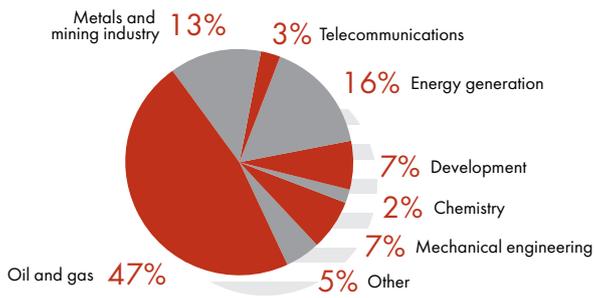
Renova Group seeks sustainability through the diversification of the major areas of strategic investments. The last few years have shown a tendency for cutting the oil industry assets share at the expense of increase of investment in other industries (see the 'Assets value structure' diagram).

- ▶ The organic assets account for 62% in the Group's investment portfolio.
- ▶ Over 80% of all the investments made by Renova Group are Russia-based.
- ▶ In 2004–2006 the assets of the Group showed the return on investment of over 70%.
- ▶ The assets value increased by 4 times against 2004.
- ▶ In 2007 the value of Renova Group of companies listed assets was USD 9.5 bln (the aggregate assets value being USD 17 bln).

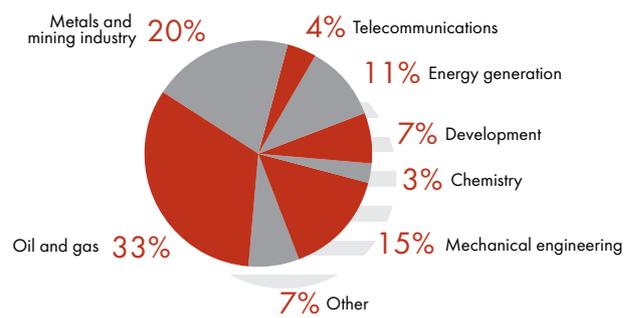
Renova's investment strategy is based on long-term fund placement for the period of five years and longer. This is why the choice of priorities is so important for the Group. When the Group is generating a list of areas for investment it strives to make informed decisions and uses the following criteria for assessment:

- ▶ Profitability;
- ▶ Level of risk;
- ▶ Market potential;
- ▶ The quality of strategy elaboration.

The structure of the Group's assets value in breakdown by industry, 2006.



The structure of the Group's assets value in breakdown by industry, 2007.



Source: data from the consolidated reporting of Renova Group of companies.

The Group's investment portfolio is regularly reviewed against these criteria, and the investment programmes for the nearest future are drawn up. When choosing specific objects for investment the Group takes into consideration their concealed competitive edge and return on investment that cannot be revealed in the existing pattern of business communications. In order to improve the business sustainability the Group has included the following goals in the investment programme to be achieved by 2009:

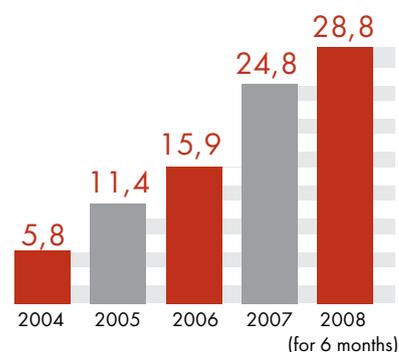
- ▶ Complete the creation of a robust diversified investment holding and decrease the specific weight of its largest assets (TNK-BP, UC RUSAL, IES)
- ▶ Keep the commitment to assets diversification and cut the share of assets in the oil sector
- ▶ Approach new industry segments with a high profitability potential, particularly telecommunications and high-tech sector
- ▶ Increase the share of public companies in the asset portfolio
- ▶ Increase the number of assets with a majority stake
- ▶ Reduce the portfolio share of non-core assets down to 10%. This will put the Group in a position to make most practical use of its potential for boosting the competitive edge of the higher-priority businesses, use the obtained competencies and managerial technologies.
- ▶ Complete forming the foreign assets share in the top-priority industries. The available foreign assets in the portfolio enable the Group to acquire new competencies and technologies. This in turn serves to attain a higher capitalization level for the Russian companies through building efficient production and commercial links between the Russian and foreign assets, knowledge and technology exchange. Renova Group intends to maintain the foreign investment share not exceeding 20%

Solving the above tasks in the context of stable economic growth will, on the one hand, help to reduce the Group's vulnerability to the financial and economic status of the largest portfolio assets, and on the other will provide a stable and continuous cash flow for investment projects financing and fulfillment of obligations.

Approaches employed by Renova Group for its companies to present their socially responsible practices: Renova Group's performance indicators as a responsible strategic investor:

- ▶ The ratio of investment prior to acquiring the controlling stake to the investment after the controlling stake acquisition (% , average value))
- ▶ Period of investment

The value of the Group's assets in 2004–2008, USD bln.



Source: data from the consolidated reporting of Renova Group of companies.

In September 2007 Standard & Poor's assigned to Renova Holding Ltd. (Renova) the 'BB' long-term credit rating, outlook stable. The company has also been assigned the 'ruAA' national rating. Also, in 2007 the international rating agency Moody's assigned to Renova Holding Ltd. the 'Ba2' long-term credit rating, outlook stable.

2.2. Contributing to business sustainability and socially significant spheres

Renova believes that the investment group operational performance at the society level is determined by the investment philosophy as a whole, and not only by the financial indicators. Although the rational approach is still dominating in the global practice, another investment behaviour model that benefits both the investor and the society is gaining popularity.

The concept of Renova's social responsibility goes hand in hand with its function of a strategic investor. The Group's investments are of a long-term nature and are oriented at generating profit through building an efficient business strategy and architecture along with improving the quality of corporate governance. This is why Renova is committed to its businesses continuous growth and stable economic and social situation in the country.

As we focus our investment and managerial resources on creating competitive, successful and sustainable businesses in the various economy sectors, and as we secure their value growth, we do so for the benefit of stable social and economic development of the countries and regions of our presence and add to the prosperity and welfare of the society.

The strategic nature of the Group's investments is reflected in exercising its social responsibility policy through the following methods:

- ▶ Creating economically stable businesses and thereby establishing the 'profit-generating centres' within the country that add to the state budget revenues;
- ▶ Investing in social and environmental spheres and involvement in public-private partnerships that follows from the Group's commitment to the country's stable development.

VALUES OF RENOVA GROUP

- ▶ **Success.** We see our success in the efficiency of our businesses. As we contribute to improving their performance indicators and build upon the sustainability factors jointly with the management of the companies and our business partners, we facilitate the social and economic development of the cities, regions and countries of our presence. We are proud to be shareholders of several largest Russian and international companies that are leaders at the market.
- ▶ **Entrepreneurial spirit and partnership.** We are confident that our strength lies in encouraging the entrepreneurial initiatives and acknowledging the value of partnership. For many years now we have been developing our business in collaboration with other owners, encouraging the practice of public-private partnerships and social investments, engaging in solving socially-relevant tasks and actively participating in the work of professional and business associations.
- ▶ **Improvement.** We are seeking to be transparent for the community and improving our managerial approaches in respect of best practices and international standards.
- ▶ **Efficiency and responsibility.** We are committed to create attractive working conditions and reward efficiency and creativity. We expect our management and employees to demonstrate excellence, abide by the professional ethics code and to be involved with the life of the company. Besides, we offer employment that helps to reveal the potential of an individual.
- ▶ **Commitment.** We are certain that commitment to the above principles builds on the reputation of Group as a responsible investor, employer and business partner.

In 2005 the leading international rating agencies assigned to SUAL-Holding high credit ratings (Standard & Poor's: 'BB', outlook stable, and 'ruAA-' at the national scale. Moody's: 'Ba3', outlook stable).

2.3. Examples of socially significant projects. Business sustainability — the economic and social impact

Renova recognizes its responsibility towards the state and people and invests in the economy sectors that provide for the welfare of the society. At the moment, the socially relevant investment activity of the Group is oriented at sustainable development of:

- ▶ The Industrial sector;
- ▶ The housing and utilities sector and housing construction;
- ▶ Transport infrastructure;
- ▶ Financial infrastructure.

INDUSTRY: THE HISTORY OF SUAL GROUP

The creation of Siberian Urals Aluminium Company (SUAL) was one of the Renova's first investment projects. In the course of a 10-years history of a well-thought strategy and gradual investments it emerged into a vertically-integrated company that is now ranking among the world's top ten aluminium producers.

The history of SUAL Group started with uniting the Irkutsk and Ural aluminium smelters. For seven years the company was putting together the production facilities located in various regions of Russia. At the moment of joining SUAL group most of them were struggling through dire financial and economic problems. The situation demanded proactive restructuring of business processes and search of product sales channels along with significant investments in production equipment upgrade. It was no surprise, given that the youngest production facility had been operating for 44 years when it joined the Group, and the oldest one had operated for 70 years.

The equipment upgrade programme for SUAL facilities was worked out within the long-term Group development strategy by the specialists of the SibVAMI research, development and design institute, which is also a part of SUAL Group. The programme provided for a series of the following integrated procedures: fundamental upgrade of production assets, technical remodeling, restructuring and reengineering of the existing equipment, commissioning new capacities and improving the process through introduction of the latest high-performance technologies. In particular, installing advanced aluminium reduction technology at the Irkutsk and Ural smelters served to improve the performance indicators and significantly decrease the energy intensity of aluminium production that has the highest energy demands within the industry. The application of innovative pre-bake anode pots and dry gas-scrubbers at SUAL production sites also helped to improve the environmental performance of aluminium production.

The technical upgrade programs enabled the company's smelters to demonstrate back in 2003 an upturn in the output of primary aluminium above the market average.

Sales volumes (revenues)¹

2002	2003	2004	2005
USD 1.3 bln	USD 1.7 bln	USD 2.3 bln	USD 2.7 bln

Source: SUAL Group consolidated IFRS statements

Another most important strategic goal oriented at development and sustainability of the aluminium business was the creation of the company's own resource stock in Russia that started in 1997. As a result, starting with 2000 the bauxite output of the Group's production sites was sufficient to meet the demand of the alumina refineries, and the reserves of the Middle Timan and North Urals deposits secured the Group's resource independence for decades ahead.

In 2003 the assets consolidation within SUAL Group was completed with the full production cycle in place, from bauxite mining, alumina and primary aluminium production to the release of half-finished and finished aluminium products. The volumes at all the primary stages of production (bauxite mining, alumina and primary aluminium production) were well-balanced.

By 2007, when the agreement on the merger of SUAL with RUSAL and Swiss company Glencore was reached, the company had united 20 production sites located in 9 regions of Russia and in Ukraine. As a result of the merger United Company Russian aluminium emerged — the world's largest producer of aluminium and alumina. At the moment of joining United Company RUSAL the value of SUAL's assets was estimated at USD 3.2 – 6 bln.

Investment in core activities, RUR mln

2004	2005	2006
238.4	334.1	639.4

Taxes paid, RUR mln

2004	2005	2006
92.2	109.6	213.1

Source: SUAL Group consolidated IFRS statements

The high economic efficiency of SUAL's production facilities was one of the factors of development of the Russian aluminium industry. Besides, the company had played a significant role in stabilizing the social situation in the regions of its presence, because most of its production facilities were town-forming. The stable development of SUAL's production facilities provided employment for the local population, secured tax payments in the regional budgets and promoted social security and social infrastructure development in the regions. The programme of integrated development of the territories of SUAL Group's² presence only received in 2004–2006 USD 1.2 mln, the same amount was donated by USAID — the international partner of the programme.

¹ The financial reporting statements of SUAL Group for 2005 were the fifth consolidated IFRS statements of the company.

² See Chapter 4.5 'Examples of responsible business practices. The social partnership model' for the detailed description of the programme.

OAo Russian Utilities' specific failure rate trend*

Type of operation	Name	2006		2007		2008	
		Accidents	Failures	Accidents	Failures	Accidents	Failures
Heat supply	units	26	1,078	10	940		668
	Specific failure rate	0.135	5.613	0.043	4.080		2.900
Electrical energy supply	units.		3,125		3,221		2,867
	Specific failure rate		17.5		17.96		15.99
Water supply	units.	2	1,831		5,200	3	4,444
	Specific failure rate		1.01		1.43		1.19

Source: data provided by OAo Russian Utilities

* The changing failure rate indicators are provided with consideration to the growth of Russian Utilities business.

RUSSIAN UTILITIES — A CONTRIBUTION TO THE HOUSING AND UTILITIES SECTOR REFORM

Renova's investment in OAo Russian Utilities, where it owns a 100% stake since May 2008, is one of the company's most important areas of activity in the housing and utilities sector.

Key indicators for these examples showing the business performance and sustainability and its contribution to the social and economic development of the territories of its presence:

- ▶ Behaviour of investment in the fixed assets
- ▶ The yearly average fixed assets renewal coefficient (after joining the Group)
- ▶ The market share trend (regions of presence, increase of the customer base etc.)
- ▶ Increase of production growth rate or product sales volume (%) against the previous period (per annum)
- ▶ Growth rate of taxes paid

Additionally:

- ▶ Failure rate

The creation of Russian Utilities was conditioned by the urgent need of reforming the Russian housing and utilities complex, because the depreciation of the resource supply systems had reached approx. 70% and most municipal companies were loss-generating.

Russian Utilities promptly got involved in the housing and utilities sector reforming process, implementing the governmentally-assigned task of demonopolizing the industry and transferring the management of the public utilities sphere to private entities. Since the moment of its creation Russian Utilities has supported competi-

tion in the utilities market, efficient and transparent working methods and increasing the investment potential of the sector.

The company made it their mission to develop the utilities infrastructure and provide quality services to users. Implementing investment projects in the regions of presence is one of the company's main activity areas that include construction and upgrade of boiler-houses, central heat-supply stations, heat pipelines, water pipelines and water discharge lines, electric power supply lines, transformer substations, water treatment plants, pumping facilities, implementation of advanced record keeping and resource supply adjusting systems.

The Russian Utilities' investment schedule provides for RUR 4 bln to be allocated for these purposes in 2006–2008.

The Russian Utilities investment projects are based on the principles of the mutually beneficial cooperation with local authorities and are secured by the underlying long-term (up to 49 years) agreements with the regional and municipal administrations.

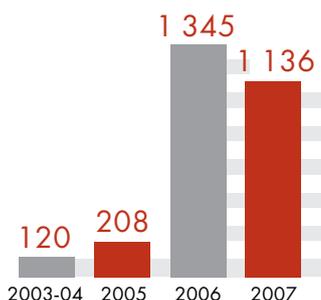
At the moment Russian Utilities is Russia's largest federal privately-owned company operating in the utilities sector across 12 regions of the Russian Federation in 200 municipal units, providing services to 4.5 mln users. The number of employees is 27,000 persons.

In 2006–2007 the company completed over 84 investment projects.

The following are the most prominent investment projects of Russian Utilities:

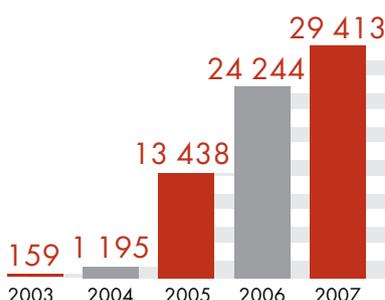
- ▶ A package plan that provided a round-the-clock water supply to consumers in Tambov and construction of the mechanical sludge drying facility in Tambov

OAo Russian Utilities investments volume in 2003–2007, RUR mln, inclusive of VAT



Source: data provided by OAo Russian Utilities

Proceeds from core operations in 2003–2007, RUR mln



Source: data provided by OAo Russian Utilities

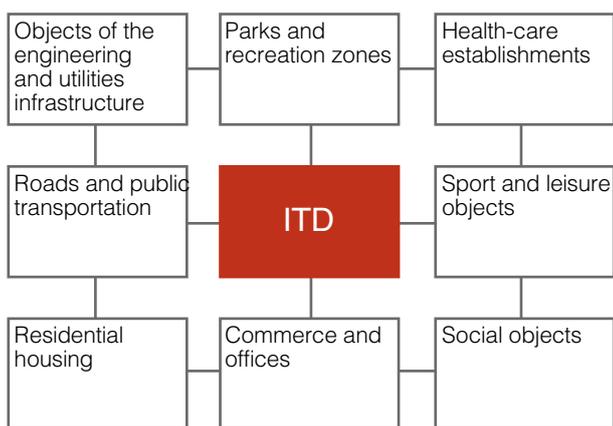
- ▶ Construction of the 1st start-up complex for the Petrozavodsk water treatment facilities re-engineering, that provided the city with high-quality drinking water (a large-scale project, currently in the implementation phase)
 - ▶ Technical upgrade of the city water treatment facilities and water supply and discharge networks in Blagoveshchensk, Tambov, Kirov and Perm
 - ▶ The comprehensive upgrade of the heat supply system in Vladimir
 - ▶ Construction of modern boiler-houses in Tambov, Bryansk, Vladimir, in the Sverdlov region, and upgrade of boiler-houses in Blagoveshchensk, Petrozavodsk and Tver
 - ▶ Rebuilding and development of electric power supply infrastructure in the cities, including the energy systems upgrade and record keeping and resource supply adjusting systems installation.
- Etc...
- See: <http://www.roscomsys.ru/investmentprograms.html> for details

INTERGATED TERRITORY DEVELOPMENT PROJECTS is a new trend in the social and economic development of territories and an innovative approach to implementing the national housing policy.

The integrated territory development projects reveal a vivid example of Renova Group’s consistent practice of contributing to the improvement of social, economic, environmental and cultural situation in the territories of its presence and setting up 'growth points' therein.

This area of activity is covered by Renova-StroyGroup that carries out investment projects in the sphere of construction and real estate in various regions of Russia.

In 2005–2006 the company introduced to the market a new universal approach to development of large regional economic centres that emerge around the traditionally industrial cities. This approach involved integrated development of adjacent territories and creation



of comfortable residential and business environments in the green-field neighborhoods that formed the economy of the territory.

The integrated territory development projects became a strategic alternative to remodeling the city areas due to infill development and involve drawing up a comprehensive balanced urban planning design (residential buildings, infrastructure, jobs, social sphere, and recreation) and its implementation at a specific piece of property. Essentially, it means creating the urban environment from scratch, including engineering preparation of territory, building of the utilities and transportation infrastructure, construction of residential housing, social and commercial objects.

Public-private partnership built upon balanced interests provides within a short period a boost in the development of important industries and an increase of the Russian economy competitive edge at the global markets.

In the course of implementation of the integrated territory development projects the protection of natural resources and improving the urban ecology always remains a priority. The integrated territory development projects are maintained through a friendly approach to the environment at the stage of the urban planning and engineering preparation of the property, as well as using the latest environmentally-safe materials and technologies during construction. Along with that, the integrated territory development projects allow to deliver to the market large volumes of residential housing in relatively short time. Besides, integrated development is an excellent example of public-private partnership that draws investments from businesses, the federal budget and regional and municipal units.

Renova Story-Group is running the first integrated territory development project in the Sverdlov region. The residential area 'Akademicheskii' in Yekaterinburg is the largest construction project in Russia. Within 20 years, it provides for construction of a new district in the territory of Yekaterinburg with a square surface of 2500 hectares, where 1300 hectares will account for the development territory, and another 1200 for the forest-park area. A few prominent objects are planned to be constructed in the district — a congress hall, an exhibition center and a shopping mall with 155 thousand square meters of space.

The construction of the 'Akademicheskii' residential area in Yekaterinburg is one of the most ambitious and large-scale town-planning projects of the present-day Russia. The new district will be located in the environmentally pristine south-western part of the city, between the two forest-parks. The forest-parks will spread the so called 'green wedges' through the entire area, which will coat the residential neighborhoods with forestry. The central part of the area will be dominated by a park with 60 hectares of space, along with sports, cultural and entertainment facilities. The area will be arranged with pedestrian walkways and recreational zones, located along the landscaped bed of the Patrusikha river. The scoping calculation shows that the area will provide 8 square meters of forestry for every inhabitant. Meanwhile, the Russian environmental safety standards provide the figure of 6 square meters per person; however, in Yekaterinburg it varies between 4.2 and 4.8 square meters per person.

THE 'AKADEMICHESKIY' AREA CONSTRUCTION PROJECT is carried out in the form of public-private partnership and provides for financing from the state budget of all levels for creating the engineering and transportation infrastructure, building of social objects and road construction.

Completion of the 'Akademicheskii' project by 2026 will provide for the following:

- ▶ Commission 9.0 mln sq. meters of residential housing, with the annual input of 300-800 thousand sq. meters after 2011;
- ▶ Create new living environment for over 325 thousand people;
- ▶ Start 26 schools and 67 kindergartens;

- ▶ Attract investments for the total amount of RUR 30 bln, with 92% thereof accounted for by private investments in housing, commercial real estate, the utilities and energy infrastructure;
- ▶ Create up to 100,000 jobs in the immediate area and in connection with the construction.

A similar integrated territory development project 'The sun valley' is planned to be started in the Tchelyabinsk region and in other regions of the Russian Federation..

KOLTSOVO AIRPORT — the largest transportation node at the European-Asian border

Koltsovo airport is the key airport of the Urals federal district located at the crossing of transit routes from Europe to Asia. However, the airport's inadequate technique prevents employing its full potential as the largest European-Asian transportation node.

At the moment, in line with the Decree of the Sverdlov region Administration dated August 23rd, 2005 Koltsovo airport is undergoing modernization oriented at creation of a nodal airline hub. The project meets the priority criteria of releasing Russia's transportation potential and securing its competitive ability at the global market, primarily at the Europe — South-East Asia direction. The development of Koltsovo airport also goes in line with the necessity to prepare for the meeting of the Council of the Shanghai Cooperation Organization Heads of State that will take place in Yekaterinburg in 2009.

Today, over 30 leading Russian and international airline carriers fly through Koltsovo airport, providing regular air traffic with 104 Russian cities, CIS and other countries. In follow-up of 2006 Koltsovo airport is ranking number 5 among the Russian airports surpassed by the Moscow air node and Pulkovo.

The development concept for the Pulkovo airport was devised with the involvement of specialists from Lufthansa Consulting, a leading consulting company in the sphere of civil aviation.

The project is running in the public-private partnership format. Renova Group of companies has been the strategic project investor since 2003.

The expected results of the project completion are as follows:

- ▶ Creation of an up-to-date airport infrastructure providing quality air carriage in compliance with the international standards
- ▶ Increase of the aerial work volume, passenger and cargo traffic
- ▶ Increase of the business capitalization and improving of its investment appeal
- ▶ Development of the Sverdlov region transportation infrastructure, its competitive growth at the domestic and global markets
- ▶ Integration of the Sverdlov region economy in the international transportation system

	Renova Group's investment volume, USD mln	Total volume of capital investment, USD mln
2005	3	
2006	16	
2007	40	125

Source: data from the consolidated reporting of Renova Group of companies

The project provides for an action plan aimed at the increase of the passenger and cargo traffic through Koltsovo airport, increase of capitalization and competitive growth of the business and the develop-

By 2009 Renova Group of companies, the project strategic investor, will have allocated over RUR 8 bln for Koltsovo airport reconstruction.

ment of the transportation infrastructure of the Sverdlov region. These goals will underlie the development of the air terminal and the upgrade of the airfield complexes, aviation route network and the on-ground transportation communications, construction of the logistic and hotel-and-business complex. Should these goals be reached successfully, the passenger traffic through Koltsovo airport will be increasing by 20–25% every year and will exceed 4 mln passengers per year by 2010.

	Passenger traffic through Koltsovo airport, persons
2005	1 550 thous.
2006	1 764 thous.
2007	2 300 thous.
2010 (planned)	4 000 thous.

Results of Koltsovo airport development programme (2004–2008):

- ▶ The new international passenger terminal commissioned with the surface of 17 500 square meters and the passenger capacity of 600 people per hour (RUR 924 mln), the business flight (VIP) terminal with the RUR 106 mln cost, the catering shop with the RUR 95 mln cost;
- ▶ Special-purpose airfield vehicles and equipment purchased from the leading Russian and international manufacturers;
- ▶ The objects of the production infrastructure underwent overhaul at the cost of RUR 61,5 mln;
- ▶ The regional route network was extended and new destinations added including Voronezh, Cheboksary, Nizhny Novgorod, Ufa, Magnitogorsk, Syktyvkar, Nyagan, Byeloyarsky, Sovyetsky etc;
- ▶ In October 2007 the domestic flights terminal was commissioned (the cost is RUR 1 378 mln, the passenger capacity is 1 thousand people per hour);
- ▶ In October 2008 shuttle train commuting started between the city and the airport;
- ▶ Hotel-and-business complex construction started;
- ▶ The regular flights started to involve international carriers from the leading global alliances, such as Lufthansa (Star Alliance), Austrian (Star Alliance), British Airways (One World), MALEV (One World), Czech Airlines (Sky Team), Turkish Airlines;
- ▶ Negotiations are going on with Thai Airways (Thailand), JAL (Japan), Emirates (UAE), China Southern Airlines (China) on starting regular air traffic with the Asian and Pacific region;
- ▶ Preparation is ongoing for construction of the logistic class 'A' complex for integrating the regional economy in the international cargo and transportation corridors. The estimated construction budget is USD 70 mln. The airport has started negotiations with the potential investors in order to start the construction work.

BIG PENSION FUND provides retirement benefits of sufficient level

One of the pressing issues of present-day Russia is the need to reform the retirement benefits system.

The reform will be based on the transfer to the savings model of the retirement system, where the main responsibility for the retirement coverage falls on the person and the employer. Renova Group of companies became actively involved in the process through participation in the Unified Retirement system in 2003. The system was the one and only example of the employers' union at the retirement market for the purposes of efficient human resource management and increasing the living standards of the retired employees.

The interregional private Big pension fund that services the individual accounts of the participants became the foundation of the Unified Retirement System. The fund, created in 1995, is now one of the oldest private retirement funds. Besides Renova, among the fund's participants are Russia's largest employers, industrial and municipal companies.

	Return on retirement savings investment	Inflation rate
2005	19,95%	10,9%
2006	20,33%	9%

Source: data from the Big pension fund website <http://www.bigpension.ru/>

The Fund activity is Group's another initiative aimed at providing better social security to its employees, their families and the population of the cities. Every year the customer base of the Fund is renewed with participants of corporate retirement programmes and the residents of municipal structures wherein the companies of Renova Group and other participants of the Unified Retirement system are operating.

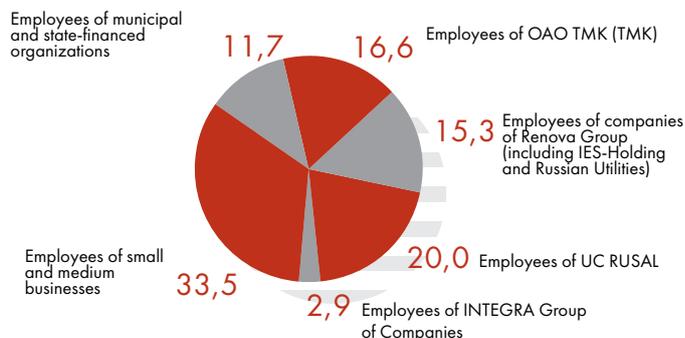
	As of 01.01.06	As of 01.01.07	As of 01.10.08
Resources of the fund, RUR mln.	596	1,190	1,938
Aggregate contribution of the founding parties, RUR mln.	59	94.8	167.8
Number of insured persons (compulsory retirement insurance)	86,883	131,300	180,959
Participants (non-state retirement coverage)	10,531	18,374	18,737

The Fund's investment strategy does not include investments with high risk level. The Fund seeks to invest the retirement resources in the instruments with fixed return of investment, real estate objects and participates in high-security projects. Along with that, the Fund demonstrated one of the highest return of investment values in 2005–2006 (data from Expert RA, see <http://www.raexpert.ru/ratings/npf/>).

Big Pension Fund today:

- ▶ Is ranking number 5 among the Russian private retirement funds in terms of the number of customers
- ▶ demonstrated the yearly average rate of investment of 15.7% in 2005–2007
- ▶ has a network of 32 branches
- ▶ covers 42 geographical regions
- ▶ received the retirement savings from 39,000 people in H1, 2008
- ▶ is already providing the retirement benefits to 15,700 people
- ▶ has an average retirement account of RUR 14,410
- ▶ has 276,000 customers
- ▶ at the end of H1, 2008
- ▶ has the aggregate contribution of the founding parties of RUR 289,807,000
- ▶ has RUR 2,715,091,000 of resources

Big Pension Fund customers



Source: data from the Big Pension Fund as of October 2008

In line with the Regulation on licensing private retirement funds operating in retirement benefits and insurance areas the funds involved with compulsory retirement insurance should meet the following criteria:

- ▶ The fund and its core personnel must have at least 2 years of experience in non-state retirement coverage;
- ▶ The fund must service not less than 5 thousand (starting with 2009 — not less than 20 thousand) individual accounts annually;
- ▶ The fund must not show any instances of non-compliance and have any debts within the last two years;
- ▶ The fund must have good financial stability ratings.
- ▶ Big retirement fund meets all of the above criteria.

The corporate governance system and its principles

Renova Group believes that that the following prerequisites should exist for meeting the strategic goals: availability of an efficient management team, following best practices in the sphere of corporate governance, employment of advanced managerial technologies, build-up of the intangible assets, implementing a socially responsible business practice with regard to the character of the industry



At the moment the Group has built an efficient corporate governance system that allows to represent and protect the interests of the shareholders and bring them into accord with the business partners within the existing corporate governance bodies.

3.1. The corporate governance system: the strategic level

The key principles of the corporate governance system are as follows:

- ▶ Abiding by the terms and conditions of the shareholders' agreements;
- ▶ Improving the expertise of the corporate governance bodies
- ▶ Optimizing the key infrastructural functions within the Group;
- ▶ Coordination of the partners' interests;
- ▶ Mutually beneficial dispute resolution based on the corporate culture shared by all the business partners;
- ▶ Interaction with the stakeholders on business activities as a guideline for development.

The strategic management of the Group and adherence of its activities to the corporate ethical standards is provided by the **Supervisory Committee of Renova Group of companies**. The Committee is comprised of the Group's shareholders only. The Supervisory Committee has the following competencies:

- ▶ Consideration of the strategy implementation issues and performance of the companies comprising the Group;
- ▶ Finalizing the investment schedule and financial plans, approval of recommendations on the Group's business plans;
- ▶ Approval of shareholder's agreements and agreements on Renova Group's cooperation with third parties;
- ▶ Approval of regulatory documents governing the activities of the controlled businesses and rules for interaction therewith with a purpose of creating a unified management culture and risk management;
- ▶ Approval of major purchases and assets acquisitions (M&A transactions);
- ▶ Approval of recommendations on the structure of the management and controlling bodies of the Group's Corporate centre;

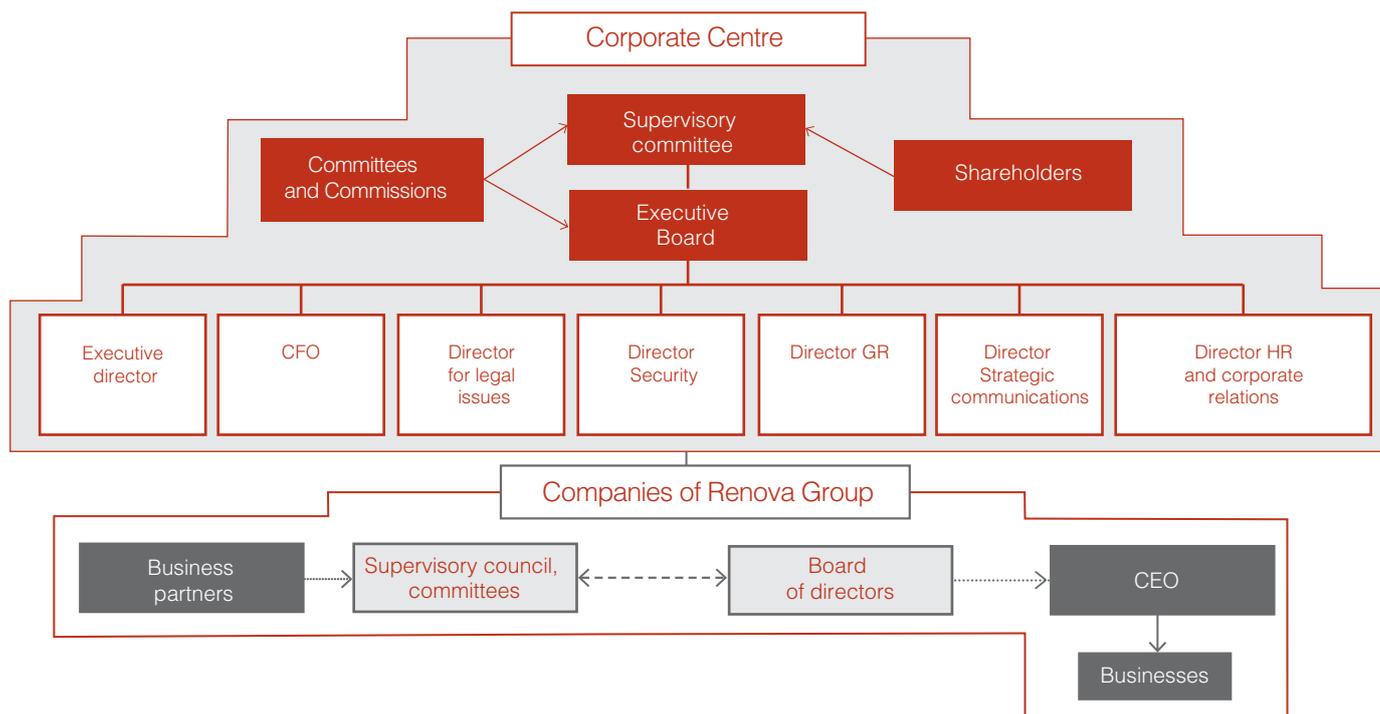
The Supervisory committee controls the following committees:

- ▶ **The audit committee:** It provides recommendations on legal compliance, corporate governance processes, risk management, and internal and external audit and reporting systems;
- ▶ **The remuneration committee:** It provides recommendations on the issues of remuneration of Renova Group's top management and on the policy of remuneration of the top management;

The members of the Supervisory committee of Renova Group are Victor Vekselberg, Alexander Zarubin, Eugueny Olkhovik and Vladimir Kremer.

The day-to-day management and overall coordination of the Group's activities is provided by the Corporate Centre Executive Board. After the restructuring in the beginning of 2008 of the Institute for Corporate Development Renova Management AG assumed the function of the unified Corporate Centre of the Group.

Management structure of Renova Group of companies



The Executive Board is comprised of 8 Corporate Centre directors who control the financial, economic, legal and social issues at the level of the Group and the Corporate Centre along with the issues of security, human resources, organizing relations with the government, investors, mass-media, business and social organizations (see Management structure). The members of the Executive Board are recommended by the Corporate Centre Executive Director and approved by the Supervisory Committee.

The competencies of the Executive Board include making managerial and investment decisions and a few managerial functions.

The Chairman of the Supervisory Committee of Renova Group is Victor Vekselberg

Aleksey Moskov, the executive director of Renova Management AG, is responsible for current operating activities.

The important principle of Renova Group's corporate governance lies in coordination of the strategic business development vision, business activities and operational management with our business partners, management of the companies and other stakeholders within the internal and external consulting and coordination bodies.

Pattern of interaction with the management structures of Renova Group's businesses

The Corporate Centre interacts with the control bodies of the management companies of businesses that are part of Renova Group through the companies' Boards of Directors and consulting bodies thereunder (councils, strategy, audit, remuneration and other committees.)

The ManCo Supervisory Boards in relevant businesses tackle the issues of performance and quality of the Boards of Directors' work and coordination with the business partners both within and beyond the shareholders' agreements. The Supervisory boards are consulting bodies comprised of representatives of Renova Group's shareholders and business partners. The companies of the Group hire non-executive directors for company management.

The audit, remuneration and strategy committees are operating at the level of the management bodies of the Group's companies. Their competencies are similar to those of the committees under the Supervisory Committee of the Group.

With a purpose of creating a unified professional culture, performing risk monitoring and activity coordination between operating units consulting meetings are held for the specialists of the Group's companies in the following areas: Finance and audit, investment management, reputation management (PR), human resource management (HR), responsible business practices, health and safety. In the sphere of intangible assets management such meetings are held in the format of PR, HR, corporate social responsibility and GR committees, committees on interaction with the business and social organizations and associations, assembling at least once a month and chaired by the Executive Board members in charge of the relevant areas. Such meetings

are attended by the heads of the operating units of the Group's control bodies (management companies and the Corporate Centre), as well as renowned specialists and experts.

- ▶ The issues of non-financial risks monitoring are included in the agenda of the PR, HR and corporate social responsibility committees' meetings at the level of Renova Group of companies and Supervisory boards of the Group's management structures.
- ▶ In 2005–2007 the Institute for corporate development organized over 20 workshops, conferences, and seminars in Moscow and other regions for Renova Group's specialists on reputation management, HR, social and charity activities, non-financial risks and reporting.

3.2. The corporate governance system: the operational level

At the moment, the management of the companies of the Group and control over the shareholders' investments is performed by the professional managers in the management structures of the Group who possess the necessary competencies in the following areas:

- ▶ Strategic planning and risk management;
- ▶ Investment and financial management;
- ▶ M&A projects (mergers and acquisitions) and restructuring;
- ▶ Regional and industry development;
- ▶ Legal support of the management system;
- ▶ Creating the internal control and audit systems;
- ▶ Personnel and intangible assets management.

The basic approaches to Group's asset and investment management at the operational level include a few fundamental elements. Particularly, the availability of a development strategy in the companies of the Group is a prerequisite in the managerial practice. Systems of financial and economic planning and risk management are being developed for unification of the business management approaches.

Policy and standards

Creation of the unified management environment is done through a system of standards and regulations approved by the companies' management bodies that promote a higher quality of managerial decisions both within the entire Group and in the controlled businesses.

Prior to approval by a company' Board of Directors all the regulating documents are finalized by the Supervisory board of the business, which helps to customize the baseline procedures in line with the specific nature of the company's activity, while maintaining the fundamental principles the same.

- ▶ The company shareholders' agreement is the document fundamental to the entire corporate governance system.
- ▶ Renova Group of companies' business ethics code reflects the Group's vision regarding the business operational standards, forms a unified management culture within a diversified company, governs the rules of conduct for employees and for persons acting on behalf of the Group.
- ▶ The corporate standards and regulations reveal the issues of practical use of the business ethics code principles and specify the key processes in order to improve management quality and minimize the operational risks.

At the moment, the following regulatory documents have been adopted and have effect in Renova Group's management environment:

- ▶ The standard provisions on the Supervisory Boards, commissions and special committees operating under the management bodies, describing the competencies, areas of responsibility, rules for creating such management bodies;
- ▶ The business planning and reporting regulation, providing the time limits for considering and approval of the annual business plans, quarterly and annual reporting, including the forecasts and planned/actual analysis results, types of reporting, interaction procedures for the persons responsible for reporting in the Corporate Centre and in businesses;
- ▶ Regulations for financial planning in the management, support and service companies, regulations for staff support;
- ▶ The regulation for submitting, approval and controlling the investment projects, providing the procedures of making investment-related decisions and the criteria for submitting the investment projects to the Corporate Centre for consideration and expert evaluation;
- ▶ PR-regulation, stipulating the principles and implementation sequence of the reputation strategy and communication policy of the Group, the procedures for the interaction between the Corporate Centre and the companies of the Group on these issues;
- ▶ The regulation for drawing up and execution of the Agreements for social and economic interaction of the Renova Group's companies with the authorities of constituent entities of the Russian Federation and local authorities, setting forth the criteria for preparing, entering and monitoring the execution of such agreements by the companies, along with the recommendations to the stakeholders on reporting preparation and performance of the agreements.

Besides providing for high performance of the companies, the implementation of the corporate standards also makes a positive impact on interaction with the stakeholders.

The Group is continuously improving its corporate governance system, using the international standards and the interests of the Group's shareholders and partners as guidelines. The Group is intending to continue with the creation of the regulatory base pertaining to securing the implementation of the responsible business practices principles that are set out in the corporate ethics code. The recommendations to the Group's companies on setting up and improving the management system in the key corporate responsibility spheres with a purpose to strengthen the business stability are provided in specific sections of this report.

Performance appraisal

The existing motivation system and the remuneration policy for the top managers of the companies and Group as a whole is aimed at boosting the companies' performance and managers' adherence to their obligations and corporate standards. The KPI (key performance indicator) systems developed in the companies for certain areas take into consideration the aspects of responsible business practices (achieving economic results, business conflicts, failure rate, personnel satisfaction etc.). The Management's KPI's for every company of the Group are approved by the Board of Directors' resolution as agreed by the Supervisory Board of the business. In some companies the KPI's assessment and control is exercised by the remuneration committees operating under the management bodies, with the Corporate Centre representatives as committee members.

The motivation system maintained at the Group level also provides for the management's participation in stock sharing as part of the Employee Stock option plan and for non-financial recognition. The companies' employees of all positions (grades) are eligible for the corporate award of Renova Group of companies or an individual company award, depending on their contribution to handling the strategic tasks. In 2006 the Group has founded the award for achievements in the sphere of responsible business practices and intangible assets management. The companies and area Heads who demonstrate the best results in implementing the principles of responsible business practices in their activities are awarded diplomas and letters of thanks from the Chairman of the Supervisory Committee of Renova Group (see Section 5 of the report for details).

The Group intends to improve its motivation and remuneration system, establishing the fundamental principles and best examples as standards in all the structures of the Group.

Renova Group seeks to create a strong managerial resource. In 2007 the training programme for future leaders was started by Avangard Group. The programme provided for modular training during 1 year, including a mini-MBA course on the basis of a leading international business school along with case studies and project development with direct supervision from the shareholders and top managers of the Group. In 2008 20 young managers from the Group's companies were included in the programme, after three stages of candidates screening. The international business school IMD from Switzerland became the programme partner this year. The curriculum for young leaders forming the managerial resource includes a course of best practices in corporate social responsibility.

3.3. Risk management

Investment activities are associated with a large number of risks conditioned both by external (the market situation, changes in the legislation) and internal (management quality in the target companies) factors. In certain conditions some of them may be of crucial importance for business development. Therefore, success in the investment activities largely depends on how promptly the shareholders and the specialists involved in decision-making receive information on the current impacts and changes, its reliability and completeness, and the measures taken for making maximum use of the emerging opportunities and threat prevention.

The standards adopted by the Group provide for the following risks to be analyzed in the course of strategy development and making investment and managerial decisions:

- ▶ The market risks, related to the market tendencies, conditioned by the product price fluctuations, and also by the cost of resources, tariffs etc.;
- ▶ State (regulatory) risks, related to the political situation and the actions taken by the legislative, executive and judicial branches of power, along with the political stability in the regions of the Group's presence;
- ▶ Partnership risks, caused by the actions of the Group's business partners;
- ▶ Financial risks — tax risks and risks related to the situation at the capital market, conditioned by the interest rate fluctuations, unstable currencies exchange rates etc.;
- ▶ Managerial risks, related to poor performance of the management or a potential failure to protect the interests of the shareholders and other stakeholders.

The approach to risk management manifests itself in the key regulations and standards applicable at the Group level. The development of activities and the demands of the business environment set new tasks related to improving the risks management system in the Group. Currently the Corporate Centre is preparing a draft new model for risk management that will be reviewed by the Executive Board in 2009.

Risk management and distribution of responsibility at the level of the Group and management companies

For the purposes of better adjustment to the ever-changing factors of the internal and external environment the risk management system must be elaborated both at the Group level and at the level of each and every investment project (management company). We must note, however, that management companies have greater capacities in the area of risk management. This is primarily attributed to the fact that all their assets are concentrated in one industry and, therefore, face similar exposures. Also, management companies are in position to make decisions at the operational level.

The Group, at the same time, is responsible for the overall performance. It logically ensues from the larger scale of its activities and, respectively, a wider range of emerging risks. Along with that, the Group is exposed to the shareholders and the market situation and, in addition, to the influence of the state.

Accordingly, the distributed nature of the risk management system between the Group and management companies demands a similar distribution of responsibility.

Distribution of responsibility between the Group and its management structures

Impact of the companies' activities	Area of responsibility (decisions made)	
	Renova Group	Companies of the Group
Economic impact		
<ul style="list-style-type: none"> - Contribution to the GRP - Public finance (taxes) - Competitive environment (development of the adjacent industries) - Regional infrastructure and interregional economic communications 	<ul style="list-style-type: none"> - Development strategy - Amount of investment - Project timeline - Financing stability (timely provided credit facilities and loans for businesses) 	<ul style="list-style-type: none"> - Amount of investment - Project timeline - Production and sales trends - Introducing innovations - Relations with the partners along the supply line (product and services purchases market)
Social impact		
<ul style="list-style-type: none"> - Labour market - System of relations between the business, government and society for solving the important issues of social and economic development 	<ul style="list-style-type: none"> - Investment-related decisions related to business expansion/shrinkage, including decision finalizing on restructuring of companies in the multi-industry regions 	<ul style="list-style-type: none"> - Choice of priorities in the social policy and investments - Labour resource quality management - Employment planning and registration, adequate supply of workforce - Level of the employees' social security - Health and safety system condition, quality of work positions - Nature of relations with the community and authorities in the territories of presence
Environmental impact		
<ul style="list-style-type: none"> - Environmental situation in the regions of presence - Pollution behaviour and related indicators 	<ul style="list-style-type: none"> - Taking the environmental aspects into consideration when making investment-related decisions and starting large-scale investment programmes 	<ul style="list-style-type: none"> - Environmental protection issues management - Introduction of resource-saving technologies - Making decisions on upgrade of production facilities

Systemic assessment and analysis of non-financial risks allow to prevent the increase of the investment budget to such an extent that the investments become economically unprofitable, deterioration of the shareholders' public image, and avoid penalties from the government authorities etc

3.4. Non-financial risk assessment. Renova Group's approaches to non-financial risk management

The strategic tasks that the Group faces demand a shift from the conventional system of investment risk assessment to an integrated risk management system. The approach of this type will allow to take into consideration more factors that impact the business processes, and, respectively, make a more accurate estimate of the financial effect, be that loss or profit, that emerge from the impact of different types of risks. For the purposes of making better forecasts of probable scenarios the Group is intending to include in the risk analysis and management system the non-financial risks related to the behaviour of the major groups of stakeholders.

Although there is no way to clearly differentiate between the financial and non-financial risks, the non-financial risks imply the events/scenarios/conditions that emerge along the entire chain of business processes in the course of interaction with the following groups of stakeholders:

- ▶ Personnel (security, motivation, qualification);
- ▶ Business partners supplying materials and providing services for releasing the final output/service (quality, stability and availability of supplies);
- ▶ The state regulatory bodies (regulatory control);
- ▶ Local authorities and community (environment, participation in the life of the community, etc);
- ▶ End-users of the goods and services.

The cause for the non-financial risks occurrence lies in the random behaviour of stakeholders, who have their own preferences regarding the way the companies do business and who can impact the company due to the fact that the company does not possess unlimited rights for operation. The main task in the stakeholder approach to risk management is influencing stakeholders to choose one or another behaviour pattern. The possibility of such influence is based on understanding their interests and on selection of mutually beneficial solutions.



Non-financial risk management tools

Managing risks of any type starts with the overall diagnostics and analysis of the situation. For this purpose the company needs accurate and unbiased information that allows to assess the level of the risks understanding by the company management, the extent to which the major stakeholder groups may influence the company's plans implementation, the quality of the data, their integrity and reliability. As the case with non-financial risks may be, the entire volume of the necessary information can only be obtained through implementing certain approaches in the area of non-financial reporting, since the data from the financial statements are not sufficient to shape the entire picture thereof. Considering the methodological complexity of accurate assessment of non-financial risks, preparation of non-financial reporting helps to gradually refine the process, improving the assessment accuracy together with the company managers' competency level in this area. Ideally, the non-financial risks management process should be integrated in the system of non-financial reporting preparation and develop in line therewith.

Creation of systematic interaction with the major stakeholder groups is the key mechanism for establishing efficient non-financial risk management at all stages. Besides revealing the existing non-financial risks it also helps to prioritize them, foresee their potential consequences and finally come up with an optimum scenario for managing the risk. The interaction should be arranged in the shape of regular meetings (dialogues), during which the parties agree upon each other's positions and re-adjust their plans accordingly. Currently, the Group is already

employing the practice of interacting with the stakeholders in the following instances:

- ▶ When entering into collective labour agreements with the representatives of the workforce (over 80% of the aggregate number of employees of the companies of the Group are covered by collective labour agreements);
- ▶ When entering into and executing the agreements for social and economic cooperation with the authorities of the constituent entities of the Russian Federation and local authorities (the agreement coordination councils have been created by SUAL Group, UralPlatina Holding and Renova Orgsintez);
- ▶ When finalizing investment projects which, if implemented, may significantly impact the social and environmental situation (Renova StroyGroup, Renova Orgsintez, UralPlatina Holding and other companies have a history of public hearings);
- ▶ In the course of preparation and public notarization of the companies' non-financial reports (TGC-5, TGC-9 and TGC-6 that are part of IES-Holding; Russian Utilities, Novogor-Prikamye that is part of IES).

See the 'Examples of responsible business practices among the companies of Renova Group' section and the recommendations for establishing the non-financial risks management system in the companies of Renova Group for details on the existing examples and models for interaction with the stakeholders.

Renova Group's approaches to responsible business practices management

The stakeholders' trust becomes a key companies' asset aimed at growth and sustainability and a result of the responsible business practices implementation



4.1. Principles of responsible business practices and sustainability of the Group

Renova Group's shareholders and management encourage the companies where the Group owns an interest to improve their business activities through the principles of responsible business practices and sustainability. In the present-day situation this approach only can secure leadership in the industries, sound business standing and understanding from the society.

In order to continuously improve the approaches to responsible business practices and correlate them with the international experience, the Group has joined the international and Russian initiatives in this area, namely, to the UN Global Compact and the international Partnering Against Corruption Initiative (PACI). Renova is continuing to actively participate in improving and developing the Social charter of Russian business and is inviting the companies of the holding to join this document¹. AKADO Group of companies was the last company of Renova Group to join the Social charter in 2008.

Renova's representatives participate actively in the work of the Russian Union of Industrialists and Entrepreneurs, international business councils, public organizations Business Russia and Pillars of Russia, Public councils under the executive authority bodies. The companies of the Group are also invited to take active participation in the self-regulating initiatives with the purpose of knowledge spreading and sharing best practices, as well as improving the overall business culture.

In order to meet the sustainability goals Renova Group has come up with the fundamental principles of responsible business practices that are the landmark for arranging the activities of the companies of the Group.

The business community understands corporate social responsibility as implementation of responsible business practices that are beneficial for the business and society and promote social and economic development by means of boosting the business' positive impact on the society and minimizing the negative one. Corporate social responsibility is the business' good-will contribution to the development of the social, economic and environmental spheres that are directly linked to the company's core activities and go beyond the legally established minimum requirements.

¹ See <http://rspp.ru>

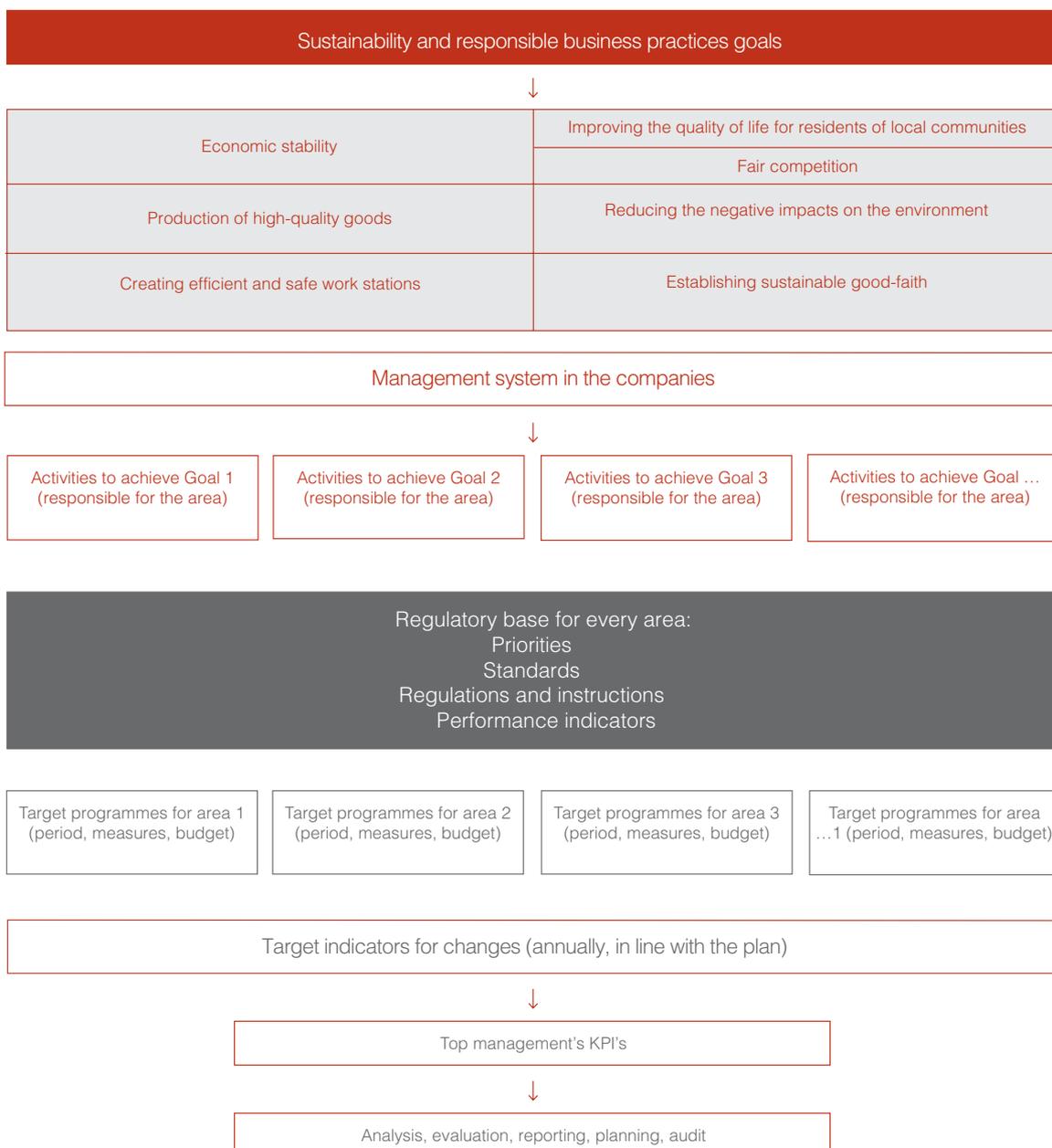
Companies of Renova Group should use the following principles:

- ▶ Abide by the legislation of the countries of their presence, adhere to the industry standards and other obligations that the Group or the companies may assume;
- ▶ Seek positive behaviour in the economic, social and environmental spheres of activity by means of putting forward the effort to minimize potential negative impacts therein; comply with or exceed the industry average or regional indicators, depending on the company's capacity;
- ▶ Continuously improve the managerial practices using the international experience and benchmarks;
- ▶ Employ a programme-oriented approach to investments in the production, social and environmental spheres to guarantee high performance and effective use of the scheduled resources;
- ▶ Be consistent in increasing the stakeholders' awareness of the performance results, among other things through preparing non-financial reporting;

- ▶ Use a systemic approach to build the relations with the authorities, civil society, business partners, hold consultations in the course of implementation of the strategic development objectives;
- ▶ Strive to involve the employees and representatives of local communities in the development of internal social and external charity programmes to increase the efficiency of resources use, improve targeting and effect of social investments;
- ▶ Develop the corporate culture and system of competencies that are in accord with the Group-wide and the company's values.

The companies of the Group have been offered to adhere to the above principles and integrate them stage-by-stage in all the managerial processes. This is the area of responsibility of the companies' management. In order to achieve this, an integrated management system for the issues of sustainability and responsible business practices must be established.

Management model for the high-priority areas of responsible business practices



4.2. The sustainability goals

In the context of responsible business practices principles Renova Group has identified seven strategic goals of sustainability (See the 'Management model for the high-priority areas of responsible business practices' diagram). The selection of goals is in line with the internationally-accepted approach and backed up with the practical work of the Group's companies, that are aiming at these goals to one extent or another.

Justification for the choice of the sustainability goals

Goal 1. Economic stability

Economic stability is a prerequisite for existence of any company. Successful business makes a positive impact on the welfare of the society that manifests itself in the form of taxes paid to the budgets of different levels, as provided in the legislation of the countries of the production sites location, in the purchasing activities, provision of employment and income to the employees.

An economically stable company meets the expectations and complies with the interests of its shareholders, providing a return of the funds invested in the company's development.

In the context of the existing global tendencies the quality of operational management, rational usage of resources and energy necessary for production of goods and services and build-up of intangible assets¹ are gaining greater importance.

We recommend that the following performance indicators be provided to the stakeholders for information:

- ▶ Growth rate of the production output, sales (%), profit (%) against the previous period (the annual value)
- ▶ Value of assets
- ▶ The yearly average fixed assets renewal coefficient after entering the Group
- ▶ Borrowed funds share in the amount of the capital assets

The economic appraisal of activity of Renova Group's companies gives ground to talk about the forming factors of stability in businesses. The favourable market conditions have in many ways improved the economic position of the companies.

In the last three years the companies have demonstrated the following:

- ▶ Advancing pace of the operational performance indicators;
- ▶ Active use of the opportunities to obtain funds for development at the open capital market;
- ▶ Increase of the taxes paid;
- ▶ Minimisation of staff turnover
- ▶ Lack of salaries payable²;
- ▶ The employees' salary increase in line with the growth in product output and sales boost, changes of the industry-specific and regional payroll policies and the increase of the baseline constituent of the salary.

The data provided by the companies in line with the monitoring and reporting programme adopted by Renova Group of companies show that in terms of payroll indicators all the operations are complying and sometimes exceeding the industry-average and regional values. The data show that the annual payroll increase is above the inflation rate, on the average being in the 13-25% range, depending on the company's performance. The year 2006 witnessed a significant salary increase, reaching 20-40% at operations in various industries. The issues of salary accrual remain largely with the companies operating in the housing and utilities sector. The above is also true of the companies controlled by Russian Utilities.

Average wage at the operations of Renova Group companies, RUR thousand

	2006	2007
Metals and mining	11-16	13-19
Transportation	14	18
Chemical	8-12	9-17

Source: data provided by Renova Group

At the moment the companies including those that achieve growth due to active transactions at the M&A market, focus their effort at establishing an efficient operational business model of a holding company that adopts an efficient customer-oriented policy as the main resource for development, along with the control issues.

The major examples of Renova Group's achievements in dealing with the economic stability issues, the amounts of taxes paid and capital investments are described in subsections 1.3 and 2.2 of this report.

Goal 2. Production of high-quality and in-demand goods and services

Production of high-quality goods and services adds to the company's edge at the market, demonstrates the producer's care toward the customer's demands and well-being and forms a positive consumer attitude to the company.

Respect for the consumers' opinion and regular interaction help to obtain feedback from one of the major stakeholder groups and create new types of goods and services.

Renova has identified the following objectives in the area of product quality and customer relations management that have a potential for improving the companies' competitive ability in the new context, and has brought them forward for discussion by the companies and further inclusion in the regulatory base:

- ▶ Continuous improvement of the product and services quality in compliance with the international standards and market demands
- ▶ Maintaining and expanding communication with consumers: Create culture of consumption, inform consumers of potential adverse health effects, involve them in the practice improving processes

¹ Intangible assets are non-physical, non-material assets; assets that cannot be accurately estimated. Such assets include solutions, designs, patents, brands, public standing, relations, competencies that indirectly impact business sustainability and help to lower the transaction costs.

² Since 2006 no instances of accrued payroll have been registered at the group's operations.

We recommend that the following performance indicators be provided to the stakeholders for information:

- ▶ Number of new consumers of goods and services/customers.
- ▶ Number of allowed (through judicial procedure or in a non-judicial manner) claims regarding quality of goods and services
- ▶ Degree of customers' satisfaction with the quality of goods and services.

At most of its operations Renova Group is implementing a quality assurance system aimed at preserving the captured market share and its expansion through promoting new types of high quality products. The quality management system at most operations is certified in compliance with the ISO 9001 and 9002 standards with annual certification audits. The system is improved through upgrade of the production processes, introducing multi-stage control, bringing in incentives to stir up employees' personal motivation to release high-quality products, along with involvement of customers and suppliers in the quality improvement programmes. Besides, the companies of Renova Group are running resource-saving programmes.

Production sites of the metals and mining complex were the first to introduce the resource-saving programmes, since their operation is most energy-intensive. Currently the issues of efficient energy resources consumption have become important ones for energy-generating companies. In particular, IES-Holding is planning to hold in 2009 a Contest for Cooperation in the Energy Sphere that will be part of the measures aimed at improving the energy- and resource-consumption culture. The contest will serve to identify and encourage the most efficient energy and heat users among the companies. The contest panels involving the independent energy efficiency experts will identify in the follow-up of 2008 the best companies in terms of electrical energy and heat consumption in every region (in 5 nominations). The panel will assess the nominees against a set of criteria, such as the extent of implementation of energy-saving technologies; employing advanced systems for energy consumption monitoring and control; installation of advanced record keeping and resource supply adjusting systems (for heat and electrical energy); clear understanding and fulfillment of the terms and conditions of the agreements.

The competitive ability of production sites in the chemical industry depends on improving the product quality and introduction of the latest less hazardous process technologies. It was only by means of high-quality product output that Renova Orgsintez Holding achieved a 10% growth in the number of customers. Along with the upgrade of the existing product quality management systems the holding is planning the construction of a new operation for caustic soda and chlorine production that will employ the advanced environmentally-safe electromembrane process, an advantageous technology if compared with the facilities running on mercury-cathode electrolysis.

In the last three years OAO KUZOTSM allocated over RUR 1 bln for the production capacities upgrade. The automated resource management system that allows to barcode label all types of products from raw materials to finished product helps to significantly reduce cost. In October 2008 a new brass rolling mill was commissioned at the facility. After this full-cycle equipment having no counterparts in Russia has reached full capacity (50 thousand tpa), it will provide

100% of the Russia's brass rod market demand and 10% of the European consumption.

The products of the chemical industry, metals and metal processing operations have been awarded with diplomas and prizes at the national and international exhibitions.

The sales Division of IES-Holding holds the service quality improvement programmes for retail customers as a strategic priority. After the conducted consumer survey the company will make the first step towards improving the quality of service, namely, the introduction of technology for unified customer billing and developing new services at the B2B market, in particularly, creation of service gas centres by GAZEKS.

OAO Metcombank working with corporate entities in 11 cities of Russia has started creating customer service processing centres. Besides, it was the first bank in Russia to provide tuition loans.

In AKADO Group of companies the dynamic growth of number of the AKADO network subscribers has set the task of improving the quality of services provided. It primarily refers to increasing the efficiency of response to customers' problems and informing users on the services.

Goal 3. Creating efficient and safe work stations

The present-day level of production forces development and extensive exploitation of technologies in the production processes make the human factor much more important for the company to achieve good economic results. Highly-motivated personnel possessing the necessary competencies and perception to innovations are becoming a key asset in any and all industries.

High level of labour productivity can be achieved if the relations among the workforce are of constructive nature and the company's social policy meets the employees' interests.

Today, creating a safe working environment and personnel health care are a global issue and an important aspect of the business practice.

Renova has identified the following objectives in the area of labour organization and human resource management that allow to significantly reduce the existing operational hazards and has brought them forward for discussion by the companies and further inclusion in the regulatory base:

- ▶ Promote communication with the personnel representatives, support and encourage the practice of collective labour agreements;
- ▶ Employ the social policy for securing the tasks of economic growth and mitigating the risks in the social and labour sphere, while keeping the employees' social security as a priority and contributing to the social and economic growth of the territories of presence;
- ▶ Assume realistic obligations without undermining the company's economic performance, which is the source for their fulfillment;
- ▶ Establish a human resource management system that motivates every employee to strive for the company's goals, helps to make an unbiased performance assessment, encourage for the achievements and pay a due compensation;
- ▶ Take into consideration the specific nature of the industry or the region when drawing up standards and regulations, fulfill the obligations with regard to salary issues in line with the industrial and national agreements;

- ▶ Carry out the analysis of the personnel potential, the employees' satisfaction level, personnel evaluation and appraisal in the course of preparing and making decisions in the sphere of labour organization, remuneration policy and personnel investments;
- ▶ Guarantee the personnel's social security: take a responsible approach to headcount optimization, encourage labour discipline, develop retirement programmes;
- ▶ Provide the employees with timely and complete information on the company's operation, plans and resolutions that may significantly impact their vital activities;
- ▶ Identify, uphold and share best practices in the sphere of labour organization and payroll, build up the employees' corporate culture and necessary competencies in this area;
- ▶ Communicate with the industrial, regional, country-wide and international employers' associations for protection of interests and joint development of efficient solutions.

We recommend that the following performance indicators be provided to the stakeholders for information:

- ▶ Yearly average employees headcount
- ▶ Assessed work stations, %
- ▶ Average lost time per person
- ▶ Number of accidents at work, the trend compared with the previous year
- ▶ Number of fatal accidents at work
- ▶ Staff turnover
- ▶ Average wage with the yearly trend
- ▶ Salaries payable
- ▶ Operations coverage with collective labour agreements, %

In 2004–2007 the operations completed the key measures aimed at headcount optimization, personnel training and re-training, introduced advanced automated control systems, which helped to stabilize the staff turnover. The average value for 2007 did not exceed 15%.

Renova Group's personnel employment structure, in the breakdown by industry

Metals and mining	11,2%
Energy generation and the housing and utilities sector	68%
Chemical	12%
Telecommunications	2,8%
Mechanical engineering	2%
Transportation	2,4%
Other (financial sector,	1,6%
Total	Over 100 thousand employees

All operations of the Group comply with the legislative and industry-wide standards in terms of securing labour guarantees. The regulatory bodies have identified but single instances of solving the labour disputes through judicial procedures and instances of labour legislation infringement.

The social policy at the production sites serves to provide social security and create good working conditions that promote performance growth and help to preserve and improve the labour potential quality.

The following are the major budget expense items related to the social development of the operations, that are supplementary to the guarantees provided by law:

- ▶ Maintenance of the social sphere objects (the costs are reducing now as the objects are being transferred to the municipal structures' balance sheets and the cost-efficient exploitation programmes are being introduced)
- ▶ Providing adequate nutrition in the lunch hours and complete or partial food cost compensation
- ▶ Organizing and financing health-care and sports events for the employees and their families
- ▶ Organizing and financing cultural public events
- ▶ Compensation of treatment at resort spas, health centres and children camps
- ▶ Targeted welfare assistance to certain categories of employees
- ▶ Mortgage and housing construction loans, credit shuretyships (for the key employees, including young specialists)
- ▶ Compensation of transportation costs
- ▶ Etc.

The extent of supplementary social obligations is set forth in the collective labour agreements, oftentimes amounting to 5 -9% of the aggregate social costs. The actual list and the scope of the obligations directly depend on operations' economic performance, the existing industry standards and the quality of human resource potential at the production sites (general and occupational illnesses). The collective labour agreements provide the employees with additional coverage in the form of Additional medical insurance and a private retirement fund.

The identified instances of violations in the Health and safety area are very few. Their rectification and further prevention are the fundamental principles for organizing the activities in this area among all the operations of Renova Group. The focused effort of the top management in 2006 helped to significantly reduce the rate of severe injuries at the production sites. This reduction is conditioned by the increase of financing allocated for health and safety measures, improved prevention and monitoring systems and introduction of various incentive schemes that encourage the employees to comply with the production safety standards and safe operating practices.

We have to mention, however, that the level of general and mild occupational illnesses remains comparatively high. This is equally conditioned by steady ageing of the major share of employees at the production sites (the average age exceeding 43 years), a slowing rejuvenation of personnel and a frequently occurring tendency to neglect the employees' safety and health. Some production facilities of the Group that employ an initiative-driven approach to health and safety reach more prominent results in this area.

The industrial accidents that occurred in 2006–2007 across several cities in Russia and Ukraine and involved the facilities of the Group have escalated the issues of health and safety to the highest level of decision-making. A series of accident rate risk reduction measures have been planned for 2008–2010. These issues are controlled by the dedicated Health and Safety Coordination council comprised of the operating area heads of the companies with supervision exercised by the Department for Health, Safety and Emergencies of the Corporate Centre.

Goal 4. Reducing the negative impact on the environment

Most economically developed countries have acknowledged that reducing the man-induced impact on the environment is a pressing challenge. Many large companies, business alliances and governments have identified their tasks in this sphere.

Renova Group seeks to take the environmental aspects into consideration when making decisions on investment channeling and appeals to the companies of the holding to accommodate this approach. The corporate approach implies determination to reduce consumption of primary fuels, resources, water, decrease specific emissions to the environment and undergo the state environmental impact assessment.

Renova has identified the following environment protection tasks and has brought them forward for discussion by the companies of the Group:

- ▶ Carry out the assessment of the operations' and other objects impact on the environment and public health when preparing and making decisions on investment channeling;
- ▶ Carry out the investment projects on the operations' technical and technological upgrade with a view to reduce resource consumption and improve the environmental performance and indicators;
- ▶ Conduct monitoring of results of HSE programmes;
- ▶ Timely inform the stakeholders of the activity results in the area of environmental protection;
- ▶ Identify, uphold and share best practices in the sphere of the environment protection, build up the employees' corporate culture and necessary competencies in this area;
- ▶ Communicate with the recognized local, country-wide and international environmental organizations for joint development of efficient solutions.

We recommend that the relevant environmental performance indicators from the 'Baseline indicators' of the Social Charter of Russian Business be provided to the stakeholders for information (see <http://www.rspp.ru>)

During the last few years the scheduled audits conducted by the state environmental monitoring bodies did not identify significant violations with the companies of the Group. This result was conditioned by the concern expressed toward the environmental issues both by Renova Group as a whole and by the companies' management in particular. The Group has identified its leaders who give most consideration to the issues of environmental management. These companies have environmental policies in place and run target environmental programmes at their operations.

The Group's priority is to prepare all of its production facilities for certification of their environmental management systems in compliance with the international ISO:14000 standard. Many of the former SUAL Group sites have already been certified, along with the operations of Energoprom Group and Renova Orgsintez. The operations of IES-Holding, UralPlatina Holding and several production sites in other industries are planned to be certified in the years to come.

The companies of Renova Group support the important international environmental initiatives, such as the initiative for GHG emissions reduction and using renewable energy sources. For instance,

in 2007 Renova Orgsintez joined the international UNEP Responsible Care initiative (RC¹). In 2008 OAO TGC-5 (IES-Holding) joined the UN Global Compact.

Goal 5. Improving the quality of life for residents of regional communities

The quality of life of the population in the territories of a company's presence depends on a number of factors and forms an area of joint responsibility of the government, of the business and of the people themselves. Social partnership is a constructive approach to the social and economic development of territories.

Relations of partnership assist in solving the urgent issues, timely identify the problems, employ the combined capacities of each party for the benefit of all. A prerequisite for such development is the coordination of effort and making decisions with regard to the opinions of all the parties.

Renova has identified the following tasks in this area and has brought them forward for discussion by the companies of the Group:

- ▶ Promote systemic work in the social sphere instead of short-term assistance to individual organizations, improve targeting and performance of the social projects and programmes;
- ▶ Expand the social investment practice that provides for target resources application and minimize the risk of running into a shortage of the resources that are important for the company's development in the social and organizational spheres;
- ▶ Conduct monitoring and assessment of the social programmes implementation results, involve the recognized experts and representatives of the community in the programme development, use the assessment findings for programme improvement;
- ▶ Timely inform the local community of the company's performance results and its contribution to the social and economic development of the territories and its effort in the sphere of environment protection and resource saving;
- ▶ Identify, uphold and share best practices in the sphere of social partnership, build up the employees' corporate culture and necessary competencies in this area;
- ▶ Communicate with recognized local organizations for joint development of efficient solutions, strive to expand the number of the social partnership members in the territories of presence.

We recommend that the following performance indicators

be provided to the stakeholders for information:

- ▶ Number of agreements for social and economic partnership, entered into by the companies of the holding in all the regions of presence
- ▶ The ratio of number the regions covered with the agreements for social and economic partnership to the total number of the regions of presence
- ▶ Outstanding obligations under the agreements with the government bodies and in the investment sphere
- ▶ Volume of investment in the local communities (charity contributions, grants, scholarship programmes, partnership programmes etc.);

¹ Publishing the environmental impact data for public access at the website of the initiative is a prerequisite for participation in the programme.

See subsections 4.5 and 5.4 of the report for details on the Group's companies participation in the life of local communities and social investment programmes.

Goal 6. Fair competition

Fair competition is one of the key ethical elements of responsible business practices that receive a lot of attention within the business community. Fair competition implies the company's respectful attitude toward its shareholders, employees, business partners and competitors, to the society as a whole; respect for the law; goodwill and constructive relationships within the company; good-faith attitude of the employees toward their obligations. The fair competition principles are set forth in the ethics and corporate behaviour codes adopted at the level of the Group and in the individual companies alike.

We recommend that the following performance indicators be provided to the stakeholders for information:

- ▶ Number of instances of/judicial disputes related to unfair competition charges
- ▶ Number of labour disputes, including appeals to the court on the issues of social and labour relations
- ▶ Changes that were introduced to the company's activities and plans for raising standards in these areas

Goal 7. Establishing sustainable good-faith relations with the stakeholders

Preservation and development of long-term legitimate and mutually beneficial relations of partnership with the stakeholders¹ is a value that is being created and enforced in the Group's corporate culture.

Every company defines its own circle of stakeholders that play an important role in the business development. The largest stakeholder groups, however, are of importance to any company, and the proved methods of communication with such groups are now available. Many companies of Renova Group are using these methods.

Particularly, in the sphere of social and labour relations the Industrial agreements are the fundamental documents securing the covenants between the workforce (represented by unions) and employers. The companies of the Group cooperate with the following unions:

- ▶ Metals and mining union (with over 95% of the employees of the Group's companies being its members)
- ▶ Association of aviation workers' unions
- ▶ Mechanical engineers' union
- ▶ The all-Russia union of the workers of local industry and utility companies (life-support workers' union), with over 85% of utility companies' workers being its members)
- ▶ Chemical industries workers' union
- ▶ The all-Russia union of energy industry workers

At the level of individual operations the directions of communication and the obligations of the parties are set forth in the collective labour agreements. The fundamental principle of Renova companies' responsible business practices is the support of collective labour agreements.

Another example of Renova companies' widely accepted practice is entering into agreements for social and economic partnership with government bodies and local authorities. Such agreements are of the public nature and describe all the aspects of companies' participation in the social and economic development of territories. Renova encourages such practice and believes it to be the most adequate format for interaction. Today, the agreements are applicable in several regions where the companies of the Group are operating, among other in:

- ▶ the Sverdlov region (agreement between UralPlatina Holding and the Administration of the municipal unit Verkhnyaya Pyshma);
- ▶ the Koryak autonomous District (agreement between UralPlatina Holding and the Administration of the Koryak autonomous District);
- ▶ the Republic of Tchuvasiya (agreement between Renova Orgsintez and the Cabinet of ministers of the Republic of Tchuvasiya);
- ▶ the Rostov region (agreement between Energoprom, with the participation of OAO Novocherkassk electrode plant, and the Administration of the Rostov region, with the participation of the Administration of Novocherkassk).

Many agreements entered into by the former SUAL Group companies are still in force after being inherited by the new owner, UC RUSAL¹.

The relations with other stakeholders (shareholders, suppliers and customers) are established in the legal and public spheres, as well as using special interaction formats. For instance, interaction with non-profit and public organizations is commonly conducted in the form of grants (in the cities where the charity funds or the local community funds are operating). Other common practices are public hearings, round-table meetings, awareness campaigns etc.

Renova has identified the following principles for building stable relations with its stakeholders and has brought them forward for discussion by the companies of the Group and their integration in the risk management system:

- ▶ Good will and seeking long-term cooperation;
- ▶ Legitimate and public character of relationships, formalizing the arrangements and obligations in the civil and legal forms (entering into agreements);
- ▶ Direct the joint financial and organizational effort at solving the key problems that are recognized as such by all the parties;
- ▶ Assuming realistic obligations without undermining the company's economic performance, which is the source for their fulfillment;
- ▶ Carry out a unified policy and adhere to collective decision making within the joint consultative and coordination bodies;
- ▶ Provide the parties with equal opportunities for participation in the decision-making process in all areas and the current cooperation priorities;
- ▶ Involve the independent specialists and organizations in decisions preparation and expert evaluation thereof in line with the criteria agreed upon by the parties;
- ▶ Regular assessment of joint work quality and results, fulfillment of obligations, making the interim partnership results available to the public.

¹ A stakeholder is an organization or an individual that may impact the company's activity or, on the opposite, is influenced by the company, its products and services.
¹ Among those are the agreements with the Legislative assembly of the Republic of Karelia, the Administration of the Sverdlov region and several municipal units: Volkhov (the Leningrad region); Kamensk-Uralsky (the Sverdlov region); Krasnoturyinsk (the Sverdlov region); the Nizhne-Serginsky district (the Sverdlov region); Kandalaksha (the Murmansk region); Kirs (the Kirov region); the Knyazh--Pogostsky district (the Komi Republic); Pikalyovo (the Leningrad region); Polevskoy (the Sverdlov region); Severouralsk (the Sverdlov region); Segezha (Republic of Karelia); Ukhta (the Komi Republic); Shelekhov (the Irkutsk region).

Model of interaction with stakeholders within the social partnership framework

Stakeholder	Document securing the covenants	Mechanism for management, fulfillment monitoring and adjusting the covenants
Professional associations	Industrial tariff agreements	Industry-specific commissions comprised of the representatives of employers' associations and unions
Workforce	Collective agreements	The workforce assembly and the coordination committee comprised of the representatives of the parties
Government authorities	Agreements for social and economic partnership	Agreement coordination councils, task forces
Local authorities	Agreements for social partnership/cooperation	Coordination councils or task forces
Non-profit and non-governmental organizations	Partnership agreements, grant agreements for joint implementation of projects and programmes.	Community boards, the Programme council, boards of trustees for corporate funds.

We recommend that the following performance indicators be provided to the stakeholders for information:

- ▶ The availability of a detailed strategy for interaction with different stakeholder groups
- ▶ Number of joint bodies/structures established for interaction coordination (councils, committees etc.)
- ▶ Number of special events conducted for the purposes of interaction with the stakeholders (public hearings, round-table meetings, awareness campaigns etc.)
- ▶ Changes that were introduced to the company's activities and plans following interaction with the stakeholders
- ▶ Membership in the good-will organizations, participation in initiatives, boards of trustees etc.

4.3. Managerial system in the spheres of responsible business practices and sustainability

In the sustainability management system every strategic goal may be reached within the core activity in the functional areas (human resource management, environmental protection, marketing and sales, etc.).

The company should reflect its principles of responsible business practices for all these areas in the corporate ethics codes, standards and regulations for the internal procedures.

For the purpose of reaching the planned goals the company develops programmes with different timelines or, alternatively, integrates the goals in the programmes that are already running. Target programmes are developed on the basis of cyclical analysis of the goal achievement level. The programmes' efficiency is assessed against the selection of indicators that are also used for the performance appraisal of the company management (KPI's).

Renova recognizes the independence of the companies of the Group for choosing specific programmes that are oriented at implementation of the responsible business practice principles,

but seeks to reach an agreement with all the companies of the on the following principles that should be applicable to the Group in its entirety:

- ▶ Acknowledging the partnership-based business style as the priority and using unified approach to the goals set before the companies;
- ▶ Joint identification of the key social responsibility spheres with consideration for the specific nature of the industry;
- ▶ The companies' participation in the unified programmes of Renova Group (if adopted);
- ▶ Promoting the public image of Renova Group as a socially responsible structure;
- ▶ Coordination actions and decisions that may impact the reputation and the activities of the Group as a whole;
- ▶ Provide the data for publishing the consolidated report in the area of sustainability/responsible business practices, strive to improve the quality of non-financial reporting.

For the purposes of improving the responsible business practices/sustainability management system the Group is intending to continue creating operational and consultative bodies under the top management structures of the Group.

The Group is intending to monitor the activities of its companies.

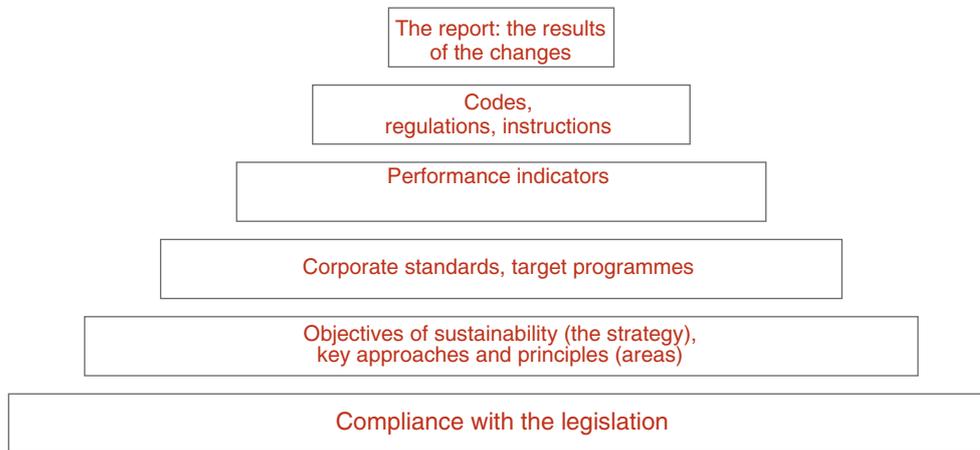
The Group intends to include the analysis and assessment results in its responsible business practice report that is planned to be published at least once every two years.

4.4. Reporting on responsible business practices

Renova Group's shareholders, who encourage its companies and partners to improve their business activities through the principles of responsible business practices believe that this approach will be a source of continuous improvement¹ that will integrate into the companies' businesses and part of their competitive ability.

These improvements need to be regularly monitored and assessed to become measurable and transformed into an intangible

¹ Continuous improvements include all the aspects of the companies' activities: managerial culture and practices, achieving economic goals, improvement of the social and environmental indicators etc.



asset. Non-financial reporting is one of the recognized tools for companies' performance assessment and monitoring in the area of sustainability.

Renova's companies are already practicing non-financial reporting preparation. TGC-5, TGC-6 and TGC-9 (all of them parts of IES-Holding) as well as Russian Utilities have published official reports. The companies where Renova is a shareholder (TNK-BP, UC RUSAL) also publish their reports on a regular basis.

Whenever a company preparing for the IPO has its non-financial reports in place the potential investors view it as a good sign. The shareholders of Renova recommend that their partners make their non-financial reports available prior to the going public.

The Corporate Centre has drawn recommendations for the companies of the Group on improving the responsible business practice management system and on organizing the non-financial reporting process (see appendixes to this report). Renova is planning to arrange for discussion of the companies' plans and intentions to apply these recommendations with the management of the companies. Renova but outlines the general approached to reporting and suggests the format and baseline indicators for the key spheres of responsible business practices. The content of non-financial reports may vary considerably from company to company and the process of reporting may be introduced at a different pace and scale due to the wide range of industries where the Group's companies are operating, specific nature of business in every company and the situation in the individual companies.

In the event that the companies are not prepared to publish standardized reports¹ and tend to generate reports in free format, Renova suggests that the following principles be followed, that will allow to render the reports informative, useful and compatible with the reports published by other companies of the Group:

- ▶ Relevant and essential content (the report should cover the issues that are meaningful for the company and the stakeholders);
- ▶ Reliability and comprehensiveness (available supportive data, good coverage);
- ▶ Usability (the report should be made understandable for the reader, with explanations of the industry-specific and professional terms).

4.5. Examples of responsible business practices among the companies of Renova Group

Renova shareholders believe that many of its companies have come up with successful solutions and approaches that deserve to be proliferated throughout the entire Group. In this manner, the Group is building up its joint expertise, its intangible asset.

As we have noted previously, most examples from the companies' practices fit in with the sustainability goals that Renova has defined as its top priorities.

Production of high-quality and in-demand goods and services

Example 1. The federal retail gas service centre network — GAZE-KS (IES-Holding)

The project location: 5 constituent entities in the Russian Federation and 5 in Ukraine.

The project objective is to establish service centres that provide the services of commercial gas supply, sales and operation of consumer gas equipment to the population, wholesale customers (e.g., housing cooperatives), to medium and small businesses.

The company, besides being engaged in the regulated type of activity, is also developing the commercial (non-regulated) part of business which is unique for a fuel and energy company.

The customer's benefit lies in the new high-quality services provided through a single 'centre of responsibility' (one-stop shopping).

The service centers operate in line with the 'single customer service' principle and perform the three basic functions: 1) marketing, 2) sales and 3) order management. The centres collect the orders and re-distribute them between the key contractors of the gas distribution organization operating in the territory of the republic/region/city). In order to pull in more orders the centres offer service packages tailored to solve the key potential problems of the customer.

This business idea emerged due to employing the corporate responsibility policy. The market of consumer gas networks entered the state of deferred demand, but the gas distribution organization could not provide sufficient supply to satisfy it, also it did possess the necessary and even exceeding competency to solve the prob-

¹ Standardized reports are the reports drawn in compliance with the reporting systems recognized by most companies in the world (e.g. the UN Global Compact, the Global Reporting Initiative Sustainability reporting, the Social Charter of Russian Business etc.)

The sustainability goals	Company	Example from the business practice
Economic stability	IES, Russian Utilities, Koltsovo airport, SUAL Group etc.	See the examples in the 'Investment management' section (examples of the investment projects)
Production of high-quality and in-demand goods and services	GAZEKS (IES-Holding)	The federal retail gas service centre network
Creating efficient and safe work stations	OAO KUZOTSM	Increase of the workforce motivation
Reducing the negative impact on the environment	OAO Russian Utilities and GAZEKS (IES-Holding), Energoprom Group	Projects on reduction of GHG emissions Reducing the negative impacts on the environment Development of advanced environmentally-friendly technologies Monitoring of spawning water bodies
Improving the quality of life for residents of regional communities	SUAL Group, UralPlatina Holding	Social partnership model
Fair competition		
Establishing sustainable good-faith relations with the stakeholders	TCG-5 (IES-Holding)	

lem. It did not have a business structure to take on the task. The competitors, as a rule, did not have sufficient competencies but possessed the resources to satisfy the demand. The situation was escalating. The burden of all the risks associated with recovery from potential equipment failures fell on the employees of the gas distribution organization. Creation of the service centres allowed to create a civilized and consequently safe market of gas supply.

The prerequisites for the project survival and successful development were the awareness campaigns among the employees of the gas distribution organization and build-up of trust in the project. A lot of effort was put in informing and motivating the employees of the 10 gas distribution organizations in Russia and Ukraine. For example, a creativity contest was held to involve the employees of the gas distribution organization, and many of them participated in it, mostly field workers from the remote locations of the regions. The two trademarks were registered after the contest for the retail service centre network — 'Dobrogaz' and 'Gospozha Konforkina'. Also, the CEO of the holding issued an administrative order to create the Creative expert council comprised of the most eager contest participants for working on the future corporate creative tasks. Today, the management and the employees of the gas distribution organizations have an understanding of the project and placed their trust with it.

Creating efficient and safe work stations

Example 2. Increase of the workforce motivation — OAO KUZOTSM»

The main strategic objective of OAO KUZOTSM is to create a global company. On the path to this goal creating an advanced technology for goods and services production, hiring qualified employees and devising an efficient structure for their interaction is not sufficient. The labour process must be so organized that every employee could put in maximum effort for achieving the targets, show high performance and be motivated. Labour motivation is a central strategic function in the business management.

In the beginning of 2004 the CEO set an objective to increase the production volumes by means of improving the employees'

motivation only. Back then, the production facility faced several problems, such as high staff turnover rate, low personnel qualification, low performance discipline, substandard quality level (poor workmanship), intangible relations between the labour quality and incentives, negligent attitude to labour etc.

The first stage of the motivation system improvement involved development and adoption of the payroll provisions, based upon the methods of the salary fund calculation in the production shops. The creating of multiple-skill teams started.

During the second stage (in 2005–2006) the market system for employees' motivation was developed and introduced, the innovative idea worked out by the Tchelyabinsk branch of the Institute of Economics of the Urals Department of the Russian Academy of Sciences. The existing motivation, incentives, appraisal and payroll system was analyzed and the results were used to draw up and adopt the following regulatory documents: the provision on the system for positive feedback and claims, the provision on the baseline salary fund calculation for the structural units and services, the provision on the payroll for the employees of OAO KUZOTSM etc. Those documents were used as a basis for comprehensive review of all shopfloor payroll provisions.

The motivation system is currently being improved in the following ways:

- ▶ The creation of multiple-skill teams is continuing;
- ▶ The regulatory documents covering the processes of assigning job descriptions and authority to the employees and units of the site are being reviewed;
- ▶ The management structure is being improved through optimization of communication links;
- ▶ The site is integrating a comprehensive and unbiased system of base wages for all managers and line specialists;
- ▶ Special programmes are launched for the employees of the facility, such as 'A healthy lifestyle', driving the employees to give up bad social habits. All these measures allowed the production site to increase the production volume and boost performance.



Example 3. Health and safety system — Koltsovo airport

Providing health care and safety for the all the employees is the company's primary task in the area of human resource management. The management model has been chosen that provides for active involvement of all the stakeholders within the company in all the elements of the health and safety system. It involves the employees, managers of different levels and specialists, securing a three-stage control system. Like any other company operating within the corporate social responsibility practices the airport enjoys the following benefits: the number of claims from the regulatory bodies is reducing; risk management becomes more efficient; the company's public image is improved; the company obtains more opportunities to attract and keep the personnel.

The Health and Safety Department conducts the audits for monitoring and regular assessment of the situation in this area. The intervals frequency and timeline of the audits are provided for in the respective plans. The schedules for the Stage 3 health and safety audit (at the level of the area heads) are approved by the CEO on a yearly basis. The schedules provide for every service to be audited at least twice a year. The specialists from the Health and Safety Department carry out the performance assessment of the first and second stages of control in line with the annual plan and monthly plans approved by the technical director of the company, with quarterly audits. The schedules for the first and second stages of control are prepared by the units and services of the company. These schedules provide for daily audits at the first stage of control and at least twice a month at the second stage.

Health and safety cost, RUR mln

2006 г.	2007	2008
2,0	2,1	2,6

Source: the data provided by OAO Koltsovo Airport

In 2008 the company will finish the work stations assessment in terms of working conditions that was started in 2004.

The work stations assessment results will be used as a basis for adopting the health and safety policy and a corporate standard in this area. After adopting the above documents the company will take on reconciling the internal documentation. Today, the company's key strategic health and safety areas are stipulated on the Collective labour agreement of OAO Koltsovo Airport. In 2008 a dedicated web-page was included in the company's Intranet portal with a purpose to provide timely and comprehensive information on health and safety issues. The main units of the company have health and safety information stands installed.

The annually-approved work schedule on health and safety includes the elements of the current activities and strategic actions aimed at improving the H&S management system. The health and safety issues are also reflected in the Schedule for purchasing new machinery and equipment, the buildings and constructions major repair schedule, in the Preliminary plan for construction and newly-commissioned objects for 2008–2009, in the Health and safety agreement entered into between the unions and OAO Koltsovo Airport. Besides, the health and safety performance of the company functions is assessed within the quality management system adopted by the company. The industrial accident rate has decreased greatly in comparison with 2006 due to the introduction of the three-stage control system and involving the employees and the managers in the H&S activities. In 2007 the economic effect has exceeded RUR 2 mln.

Reducing the negative impact on the environment

Example 4. Reducing the negative impact on the environment — Energoprom Group of companies

The Company is working continuously on reducing emissions and other negative impacts on the environment, improving product waste recycling procedures, which helps to put most of its volume back into production as raw materials. The operations of the Company have introduced unique method for treatment of the high-temperature exhaust gases; achieve a 100% purification of the process water, reusing it in significant volumes.

In 2006 the environmental measures at the Novosibirsk electrode plant allowed to reduce dust emissions in the atmosphere by 20 tpa, at the Tchelyabinsk electrode plant — by 29.86 tpa, and by 320.6 tpa at the Novocherkassk electrode plant

Involving the plant workers in the environmental activities receives much attention. The incentive system is being implemented that allows to increase the employees' motivation in solving the environmental problems, the workers and specialists receive regular training in the fundamentals of environmental management.

Example 5. Reducing the GHG emissions - OAO Russian Utilities and GAZEKS (IES-Holding)

The affiliated companies of Russian Utilities are running GHG emission reduction projects. It was the pilot initiative when OAO Petrozavodsk Utilities implemented a joint project with Nordic Environment Finance Corporation (NEFCO). The target of the key project component was the achievement of sustainable emissions reduction by the boiler houses in Petrozavodsk and the Prionezhsky district of the Republic of Karelia. Similar projects are being implemented by OOO Novogor-Prikamye involving the specialists from Germany, Canada and New Zealand. These projects will form a basis for the Company's further development in the area of environmental protection. Essentially, the Company is striving to provide for stable and transparent operation of the Utilities sector objects due to implementation of the advanced technologies and management methods.

GAZEKS has prepared two joint implementation projects within the Kyoto protocol: 1) Upgrade of boiler-houses from solid and liquid fuels to gaseous; 2) upgrading seals used in gas supply systems. The implementation of these projects is expected to result in significant reduction of GHG emissions (e.g. only the boiler houses upgrade to gaseous fuel will yield a reduction of approximately 10,000 tpa).

Example 6. Development of advanced environmentally-friendly technologies — expertise of SUAL Group

The practice of reducing the negative impact on the environment due to accelerated production process upgrade and employing the latest environmentally-friendly technologies is getting a wider acclaim among the companies of the Group. Using the results of domestic scientific research, involving the Russian experts, consultants and contractors is an important principle of operation. The companies of Renova have a fruitful cooperation with A. Sysin's Research and Development Establishment for human ecology and environmental medicine of the Russian Academy of Science, Research and Development Establishment for labour discipline of the Russian Academy of Science, the Moscow State University, VAMI institute and other research establishments.

In 2005-2007 the operations of SUAL Group implemented the dry gas-scrubber project developed by VAMI. The dry-scrubbing method is based on the modern technology for hydrogen fluoride removal from the exhaust gases. In 2005 the project was implemented at the Kandalaksha aluminium smelter, and in 2006 the first start-up complex was commissioned at the Nadvoitsy smelter. This technology was also used in construction of Potline 5 at the Irkutsk aluminium smelter.

In 1998-2006, due to the upgrade of the process equipment and construction of the new gas treatment facilities the operations of SUAL Group have shown the reduction of specific emissions of over 20% (the production output was increased by 21%).

Example 7. Monitoring of spawning water bodies — ZAO Koryakgeoldobytcha (UralPlatina Holding)

As reported by the Alaska miners Association, the environmental impact level at the deposits owned by ZAO Koryakgeoldobytcha is significantly lower than at the sites that are members in the Association.

The Company has put forward the initiative involving the annual assessment of the impact of the exploration works and development of placer platinum deposits on the reproduction performance and fish stock in the Vyvenka river basin. For this purpose spawning ponds are sampled monthly during the spawning season for monitoring the contaminants concentrations (these ponds are used for purified effluents discharge). The water samples are analyzed in laboratories and the results are forwarded to the environmental regulatory bodies.

The specific nature of mining and concentrating production demands that the attention be focused on the environment of spawning ponds. For this reason Koryakgeoldobytcha is purposefully investing funds in the projects aimed at finding technical solutions for purifying recirculated water and effluents from contaminants. In the mid-term perspective the Company is intending to improve its effluent quality performance. However, even today the water treatment system provides a maximum permissible contaminant level acceptable for respawning ponds.

Improving the quality of life for residents of regional communities

Example 8. Efficient social partnership models: expertise of SUAL Group

Sustainable development of territories is a result of effort put forward by different sectors of the society, but the most prominent role



in this process is that of the government authorities (as the regulator and conductor of the state policy) and of the business (as the key production sector). Within the managerial context Renova is implementing the idea of maintaining the practice of mutually beneficial, responsible and transparent cooperation between business, government and society, along with securing this partnership in the public and legal spheres.

The intersectoral communication developed by SUAL Group illustrates our technology for creating sustainable and legitimate relations with the stakeholders.

SUAL was the first company of Renova to add creativity to this principle and build a model for social partnership.

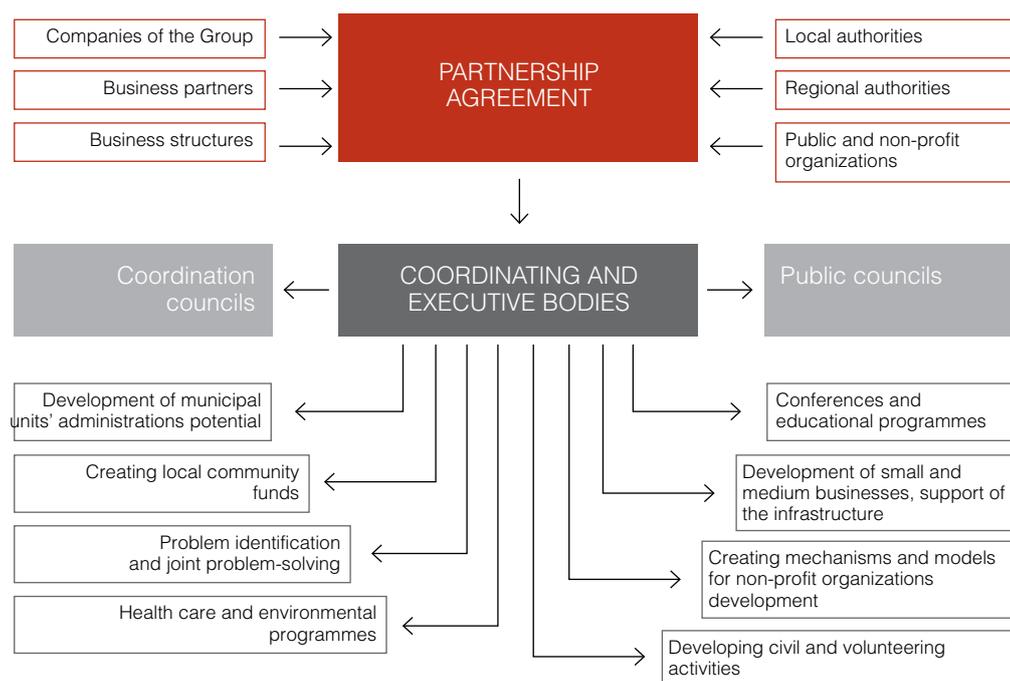
SUAL defined social partnership as the system for the company's interaction with the local authorities and the society based on the principles of cooperation and regard to each other's interests. In the course of the first stage of the model formation the SUAL operations entered into agreements for social and economic partnership with local government authorities. As the number of such agreements grew the need for activities coordination began to emerge. As a result, the consultative body, namely, the Coordination council for social partnership was created that comprised the representatives from the SUAL management company, directors of the operations and heads of municipal governments. The council members defined the basic areas for joint activities and the problems pending a solution.

In order to optimize cost and improve efficiency the members of the partnership began to employ a programme-oriented approach that became a basic one in their joint work. The programme of the largest magnitude was being implemented in 2004–2006¹. It was for the first time that the Programme did not dwell on stand-alone issues but instead worked with an entire range of the interconnected issues urgent for all the territories that were included in the Programme. The Programme was peculiar due to a large number of participating organizations (municipal, expert, commercial, public, international), as well as the Programmes openness for new partners.

The Programme's target priorities included the following: improvement of the municipal government efficiency (enforcing the intergovernmental fiscal relations and the municipal govern-

¹ The integrated programme for supporting the reform of the local government authorities and social and economic development in the territories of SUAL Group operations' presence.

Social and Economic Development of territories and Business sustainability



ment revenue base), upgrade in the housing and utilities sector, building on the social sphere resource base, promotion of small businesses.

The partners used the model to implement many projects that benefited the territories in the following ways:

- ▶ Creation of small businesses support centres and establishment of the local community funds;
- ▶ Municipality-wide grant contests were held, along with training seminars for municipality employees, entrepreneurs, public activists (training programmes were different);
- ▶ Research and analytical projects were completed;
- ▶ Numerous target programmes were implemented for various social groups;
- ▶ Volunteer activities were developing (people participated in activities valuable to the community).

SUAL's social partnership — international recognition of expertise

Within the UN Global Compact SUAL's social partnership model was examined by the international experts during the applied-science project run by the Global Business Centre of Cleveland State University (USA).

The experts analyzed over 4,000 innovations applied in different countries since 2002 (over 100 projects run at the territories of the former USSR).

SUAL's social partnership model made it in the top 3% among the international nominees.

Example 9. The model development and proliferation: expertise of UralPlatina Holding

OOO UralPlatina Holding is currently actively promoting the social partnership model tried by SUAL Group. Several sites of the holding are operating in the Koryak district (the Kamchatka region), one of the most remote and economically undeveloped regions of Russia.

The local government and business for a long time could not establish the relations of partnership in the Kamchatka region; the interaction was occasional (from one problem to another). In 2006 the Company entered into the Agreement for social and economic partnership with the Administration of the Koryak autonomous district that stipulated the interaction formats, cooperation principles and the high-priority targets. The obligations set forth in the Agreement are being performed through the purposefully created charity fund 'Koryakgeoldobytcha — the social partner'¹.

The charity fund 'Koryakgeoldobytcha — the social partner' was created in 2004, its purpose being the support of the social and economic development of Koryak autonomous district. The Fund is operating in contact with the regional, district, and rural authorities as well as the public organizations in Koryakia and Kamchatka.

Public councils have been created in the territories of all municipal units, performing a consultative and advisory functions necessary for preparing and implementing the Fund's initiatives in the field (primarily in remote settlements). The Fund has supported many projects, among others the following:

'The colourful world of childhood', aimed at improving the pre-school education quality.

¹ Koryakgeoldobytcha is a production site, part of UralPlatina Holding. The site's core activities are mining and primary processing of precious metals.

'Support and development of school initiatives', involving the contests among the socially-meaningful projects, prepared by the students of local schools.

'Ethnic cultural centers support', aimed at revival of the indigenous people's national culture.

'Youth initiatives', involving preparation of contests in the sphere of employment or valuable public activities of the youth (including summer employment and recreation). The ethnic and sports camp 'The Koryak nomad camp' was established, along with the first summer physics and math school.

'Russia for sobriety', involving seminars that employ special methods, creating initiative public groups that can perform preventive measures in the area of alcoholic and other types of abuse.

'Microfinancing', involving creation of the operating credit fund for development of small businesses.

'Establishing centres for psychological aid', involving special seminars and consultations to provide psychological assistance to the people who have suffered from natural disasters.

Besides, the fund organizes regular events aimed at creating, preserving and improving communication between the different groups within local communities. The citizens in the emergency situations receive welfare assistance.



Renova Group's systemic approach to implementing the principles of good business practices

5.1. The role of Renova Group in facilitating the principles of good business practices

Renova is integrating the principles of good business practices in the activities of the Group's companies using the following elements:

- ▶ Key indicators monitoring in the reporting system;
- ▶ Identification and promoting best practices employed by the companies of the Group through the award for achievements in the sphere of responsible business practices and intangible assets management;
- ▶ Drawing up a consolidated report on the Group's achievements in this area to inform the stakeholders;
- ▶ Developing the system of standards and regulatory documents;
- ▶ Establishing KPI's (including those for the area of responsible business practice) for top managers of businesses;
- ▶ Creating advisory bodies;
- ▶ Building up a system for communication with stakeholders;
- ▶ Establishing the culture of responsible business practice at the Group level through conferences, seminars and other corporate events.

5.2. The Institute for corporate development

In 2005 the Institute for corporate development was created within the Renova Group corporate centre for the intangible assets¹ management. It coordinated the activities in the sphere of corporate governance, public image, personnel, social and labour and territorial policies. The Institute for corporate development focused its activities at the following areas:

- ▶ Introducing the up-to-date corporate governance standards and principles of responsible business practices in the companies' activities;
- ▶ Expanding communication with the public, professional and state organizations;
- ▶ Managing the business image-making processes;
- ▶ Forming the Group's personnel potential;
- ▶ Involving the resources of the scientific and expert communities, civil society establishments for the benefit of the Group's development;
- ▶ Studying the experiences of the Russian and international companies and promoting the innovative ideas in the sphere of corporate governance in the companies' activities;
- ▶ Forming the Group's strategy in organizing the activities in certain territories of presence.

In the course of two years the Institute for corporate development conducted five corporate studies in the area of intangible assets, and the results were used to develop and adopt the following items at the Group level:

- ▶ The reputation strategy of Renova Group;

¹Intangible assets are non-physical, non-material assets; assets that cannot be accurately estimated. Such assets include solutions, designs, patents, brands, public standing, relations, competencies that indirectly impact business sustainability and help to lower the transaction costs



- ▶ The standards in the sphere of the companies' communication with the government bodies and local authorities for the benefit of social and economic development;
- ▶ Development concept for the private retirement coverage programme in the companies of the Group.

Additional input:

- ▶ The corporate award was established among the companies of the Group for achievements in the sphere of integrating the principles of responsible business practices and international standards in their activities. The purpose of the award is to identify and encourage the best examples of socially-responsible practices among the companies of the Group;
- ▶ Renova charity Foundation was established with a mission to engage in the social investment policy on behalf of Renova Group;
- ▶ The Avangard group project was started, aimed at building up the leadership and managerial resources of Renova Group;
- ▶ Over 20 workshops, round-table meetings and seminars were conducted in Moscow and other regions for Renova Group's specialists on the fundamentals of non-financial asset management;
- ▶ The social report draft of Renova Group was prepared and recommendations issued for non-financial reporting development in the Group.

In 2008 the directorates of the Institute for corporate Development were integrated in the structure of the unified Corporate Centre (Renova Management AG).

5.3. The award for achievements in the sphere of responsible business practices and intangible assets management among the companies of Renova Group;

For the purposes of informing, sharing of experience between the companies of Renova Group, developing managerial competencies and encouraging the best examples of responsible business practices Renova has founded and annually awards the prize for best achievements in the sphere of responsible business practices and intangible assets management; The management companies (holdings) and the businesses they control can submit for nomination their managerial approaches, target programmes, information materials and non-financial reports.

The award has several nominations:

- ▶ Best business practices in the sphere of corporate social responsibility
- ▶ Company's best target programmes in the sphere of corporate social responsibility
- ▶ The best examples of information materials and responsible business practices content therein (websites, annual reports, booklets, presentations)
- ▶ Best non-financial reports

In 2009 the scope of nominations will be extended.

The companies may submit for the contest eligibility assessment their projects from the different areas of responsible business practices, such as:

- ▶ Production of high-quality goods (services);
- ▶ Health and safety;
- ▶ Environmental safety and protection;
- ▶ HR management and labour organization;
- ▶ Social investments and charity;
- ▶ Communication with stakeholders.

The award is meant to recognize the achievements of the companies and their heads, contribute to creating the culture of responsible business practices, boost the companies' efficiency performance, increase the level of stakeholders' awareness, among other through the corporate publications and publications of the founder of the Award.

The nominations assessment criteria and recommendations are used by the companies as guidelines for improving their responsible business practices.

The projects are assessed and selected by the Award judges. The panel of the judges is selected annually from the representatives of the founder of the Award, the Founder's partners and experts in the spheres of labour organization, payroll and motivation, health, safety and environment, charity and social relations, business practices and corporate governance and communication with stakeholders.

The award does not imply any experience financial incentives; instead, the winners receive moral support and recognition at the level of Renova Group.

The contest was held in 2006–2007. As a result, 12 projects submitted by 8 companies became winners. The results were published at the websites of Renova Group, The Russian Union of industrialists and entrepreneurs and Managers' association etc.

5.4. Renova Charity Foundation

Renova Charity Foundation was established in the end of 2007 with a mission to improve the efficiency of social projects of Renova Group.

Alexander Zarubin, the member of the Supervisory committee of Renova Group, was elected Chairman of the Foundation. Aleksey Borisov, the member of Renova Group' Executive Board, was appointed Director of the Foundation.

The key mission of the Foundation is to carry out the Group's corporate policy for charity and social investments in the actual trends of the national agenda for development in the spheres of science, education, culture and art, development of civil society establishments and local governments, environment and sustainability. Renova Charity Foundation is intending to develop grant programmes in these areas and actively employ competition for cash distribution. Another purpose for establishing the Foundation is to promote charity in the corporate environment, developing the personal donations programmes among the employees and top managers of the Group.

Renova Group of companies has been operating in line with its corporate values, principles of social partnership and corporate citizenship for many years, supporting the development of culture, art, education and sports in Russia and abroad through participation in the Boards of trustees, sustaining the initiatives of the public and charity organizations, local communities within the social partnership programmes in the territories of its companies presence.

In 2005–2006 the shareholders and companies of the Group allocated for the social projects over USD 30 mln per year. In 2007 the shareholders and companies of the Group contributed over USD 30 mln to the social investment programmes and charity within the activities of the private charity foundations. Thereof, over USD 14 mln was channeled to support the projects in the spheres of culture, education, development of sports and art. It includes the contribution of the cultural and historical foundation 'Link of times' (established by Victor Vekselberg) in the following projects: recovery of the original bells of the Svayto-Danолоvsky monastery, restoration of the Shuvalovsky palace in St. Petersburg for the purpose of founding a museum for private collections, organization of the Faberge collection exhibitions and assistance to the Russian regional museums that organized the exhibitions for the Foundation. Also, in 2007 Renova Group traditionally donated funds to the Bolshoi and Mariinsky theatres, Victor Vekselberg being on their Trustees' Board, to the Tretyakov Gallery for Vrubel's showroom restoration, to the organization committees of the Moscow Easter Festival, the White nights of America festival, to the organization committees of 'The year of the Russian language' and the 'Big book' literary award, etc.

The companies of Renova Group, working within the social partnership framework with assistance from the authorities and non-profit organizations, implement social programmes in the aspects important for the territories of their presence, improving the living conditions. The companies inform the stakeholders of the structure and the scope of the social investments via information publishing at the corporate websites, in the reports for the partners and stakeholders, in the corporate booklets and presentations and speeches at conferences and round-table meetings.

In 2007 Renova Group's Institute for corporate development provided considerable support to the civil society organizations operating and implementing their projects in Moscow and other regions. In 2007–2008 the Institute for corporate development transferred over RUR 40 mln to 50 organizations in 12 regions of the Russian Federation for project implementation on the spheres of sports development, education, culture and art, civil activity, civil initiatives contests, workshops, round-table meetings, public speeches, training materials publishing for developing competencies in social project management.

Areas and amounts of Renova Group's social investments in 2007

USD 14 mln was spent to support projects in the spheres of culture, art and education, including USD 6.4 mln spent by the cultural and historical foundation 'Link of times' established by Victor Vekselberg

USD 4.5 mln was spent to support business associations and civil society organizations such as All-Russia national military foundation, independent organization 'Civil society', Managers' Association of Russia, Russian Union of industrialists and entrepreneurs, 'Business Russia' and 'Pillars of Russia' association projects.

USD 3.1 mln was spent by Renova Group's companies for implementing social partnership programmes in the territories of their presence

The main portion of cash is allocated for the projects in such spheres as health care, education and child protection, culture, sports, assistance to retired persons and veterans, religious organizations and confessions, territory development and environmental culture

USD 9.5 mln was spent for the projects of welfare assistance to people in severe living conditions, providing medical treatment to the children with serious illnesses, assistance to families of people who suffered from industrial accidents and acts of terror (Toliatti, Dnepropetrovsk), including USD 2.4 spent by V. Dobrynina and V. Vekselberg's foundation 'The kind age' in line with the assistance programmes to people suffering from mental conditions and to their families, as well as to old-time actors (together with the foundation 'Urga — the territory of love')

Source: data provided by the organizations and companies of Renova Group

In 2008 Renova corporate charity Foundation provided support to over 20 projects and initiatives at the total of RUR 68.6 mln (approx. USD 2.5 mln).

Structure of Renova Charity Foundation social investments in the key areas, 2008

Area of social investment	RUR mln
Support and development of sports	25,2
Science and education	11
Culture and art	15,1
Development of the civil society establishments and local government authorities	8
Medical treatment and social rehabilitation of orphans, children with serious illnesses, assistance to victims of catastrophies	9,3

Source: data provided by Renova Charity Foundation

Projects and programmes of Renova Charity Foundation — a differentiated approach to charity.

1. Support and development of sports

- ▶ Support of the Russian national Olympic team, participants of XXIX Olympic Games in Beijing, the Olympic Committee of Russia.

2. Support of culture and art

- ▶ Support in making three movies about the peoples of Kamchatka within the Faces of Russia project (in association with ROSBALT information agency).

¹ The data are provided exclusive of Renova's share of expenses for social and charity projects run by UC RUSAL and TNK-BP. Inclusive of these data the total amount of social investments will be approximately USD 48 mln.

- ▶ Support of the Moscow Easter festival in 2008–2010. Financing of repair work to improve the exhibition capacities in the Vrubel's showroom, the State Tretyakov Gallery.
- ▶ Assistance in the organization of the International contest of young performers of Russian romance, the Charity foundation 'Romansiada' for support and development of Russian romance.
- ▶ Support of the IX festival of Russian art in Cannes, France, the Russian culture foundation,

3. Support of science and education

- ▶ The first contribution in fund raising for the target capital of the New Economic School in the amount of over RUR 8 mln. The total contribution of Renova charity foundation in a three-year period will amount to approx. USD 1 mln.
- ▶ Support in fund raising to establish a professor's scholarship for a young talented scientist of the New Economic School.
- ▶ Support provided to the international Demidov foundation that continues to award the Demidov prize to the leading scientists as part of its activities. Among others, in the XIX century the Demidov prize was awarded to the renowned chemist Dmitry Mendeleev, the prominent surgeon Nikolay Pirogov, the famous explorers and geographers Ivan Kruzenshtern and Ferdinand Vranghel. In 1993 the academician G. Mesyats restored the prize in Yekaterinburg, where he was the Chairman of the Urals Department of the Russian Academy of Science. This initiative was supported by the local authorities, industrialists and entrepreneurs. The 16th ceremony of the award, which is one of the most prestigious in the country, will take place in February 2009 in Yekaterinburg.

4. Support of civil society establishments and local government authorities

- ▶ In this area Renova Charity Foundation supported the all-Russia public organization 'The National civil committee for interaction with the law enforcement, legislative and judiciary bodies' and the non-profit entity 'The independent organization for civil society support'.

5. The personal donations programme for the employees of Renova Group of companies

For many years now the employees of Renova Group of companies have participated in the charity fund-raising activities and donations programmes for the destitute people established by companies and public organizations, such as Managers' Association of Russia, Russian Union of industrialists and entrepreneurs, the Children of Russia Foundation etc. After the corporate charity foundation was established a decision was made to initiate the special donations programme for the employees.



In 2007 — beginning of 2008 the top managers and employees of Renova Group donated over RUR 12 mln.

The programme has the following objectives:

- ▶ Assist in solving the social problems existing in the present-day Russia
- ▶ Involve the employees in the social projects and charity activities of Renova Group, develop the culture of personal and corporate social responsibility and efficient charity.
- ▶ Provide the employees with the efficient charity skills training, encourage individual charity projects of top managers and employees of Renova Group

The Council of the Personal donations programme has been established for regulating its activities, comprised of the representatives of various businesses of Renova, advocating the interests of their companies' employees.

The reports on the completed projects is available at the Intranet portals of the companies of Renova Group.





High-priority areas of support

Following the survey conducted among the companies' employees and the resolution of the Programme Council assistance to special orphanages for children with various types of illnesses was chosen as a priority area for 2008–2009. Currently, the beneficiary organization is being selected.

In 2007–2008 the participants of the programme and the Council of the Foundation completed the following projects:

- ▶ Assistance to the burn centre 'Salvation' (St. Petersburg). The grant was used to purchase surgical facilities for operating children with burn injuries and to pay for 4 high-complexity surgeries. The total donation amount was RUR 2 mln.
- ▶ At the moment a residential building for orphans is under construction. The project is run by the autonomous non-profit organization 'The orphanage of the church of St. Bishop Philip, Metropolitan of Moscow' in the village of Selishchi, Kalyazinsky district of the Tver region. The total grant amount was RUR 2 mln.

In 2009 the specialized boarding school for visually-impaired children in the village of Malakhovka, the Moscow region was chosen as the primary object for care and support. The effort of the employees and the funds of the programme provided for the New Year celebrations for the school children to be arranged. The employees will drive their effort to radically improve the living conditions and quality of training at that school.

6. The 'Good deeds instead of souvenirs' programme

Renova Group of companies has supported the 'Charity instead of souvenirs' initiative put forward by the Russian and international companies.

The purpose of the initiative is to raise additional funds for solving the social problems existing in the present-day Russia through diverting the souvenir budgets of the companies for charity programmes.

Besides the employees of Renova Group, the Group's business partners also welcomed the initiative of discarding the New Year souvenirs and deploying the funds for charity purposes.

Through working in this area, in 2007 Renova Group supported 18 non-profit organizations and social institutions in various regions of Russia, namely in Moscow, the Krasnodar region, the Sverdlov region, the Perm region, the Tchelyabinsk region for the total amount of RUR 7,883,529.00.

In advance of 2009 Renova Group will donate the total of RUR 4,350,000 of charity funds to 3 organizations. The beneficiaries are the Russian assistance foundation, the charity foundation 'Save a life' and the rehabilitation centre 'Mary's children'. The donations will be used for medical treatment of children with the ICP syndrome and serious oncological diseases along with the programmes of social rehabilitation through creativity.

The reports on the completed projects is available at the Intranet portals of the companies of Renova Group.

Renova Group of companies: involvement in the life of the business community

Russian union of industrialists and entrepreneurs

<http://www.rspp.ru>

Managers' Association of Russia

<http://www.amr.ru>

All-Russia public organization for small and medium businesses 'Pillars of 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

<http://www.bc-sco.org>

Sino — Russian committee of friendship, peace and development

The Russian union of industrialists and entrepreneurs' Committee for international cooperation

<http://www.rspp.ru>

Coordination council of industrialists and entrepreneurs' associations in the Urals federal district

<http://www.rspp.ru>

The council for foreign economic activity of the Ministry for economic development of the Russian Federation

<http://www.economy.gov.ru>

INTERNATIONAL INITIATIVES:

UN Global Compact

www.unglobalcompact.org

Partnership against corruption initiative (PACI)

<http://www.weforum.org/en/initiatives/paci>

SUPPORT OF THE SOCIAL AND CULTURAL SPHERE:

The Trustees' Board of the Russian Olympians Foundation

<http://www.olympians.ru>

The Trustees' Board of the Bolshoi theatre

<http://www.bolshoi.ru>

The Trustees' Board of the Bolshoi theatre and Valery Gergiev foundation

<http://www.valery-gergiev.ru>

The Trustees' Board of the State University — Higher School of economics

<http://www.hse.ru>

The Trustees' Board of the New Economic School

<http://fir.nes.ru>

The Trustees' Board of the Centre for support of Russian philology

<http://www.bigbook.ru>

The Trustees' Board of the Patriotic Cinema Support Foundation

<http://www.patriotfilm.ru>



Using the standard GRI reporting elements and performance indicators

Reporting elements/GRI indicators	Формулировка показателя	The indicator	Website	Comments
1.1.	Statement from the CEO	2-3	•	The report is available at the Renova Group of companies website
1.2	Description of key impacts, risks and opportunities	27-29		The element is provided partially
2.1	Name of the organization	6	•	
2.2	Primary brands or products	6	•	
2.3	Operational structure of the organization, including main divisions	8	•	
2.4	Location of organization's headquarters	52	•	
2.5	Number of countries where organization operates	4	•	
2.6	Nature of ownership and legal form	6	•	
2.7	Markets served	6,13	•	
2.8	Scale of the organization	6-7, 9-17	•	The element is provided partially
2.9	Significant changes regarding size, structure or ownership (since the first report)			The element is irrelevant, since this is the first report of the Group.
2.10	Awards received in the reporting period	4-5		
3.1	Reporting period	2nd printed side of the cover	•	For 2007. The report also includes the most important information from 2006 (and earlier). Some indicators are provided with trends for several years
3.2	Date of the most recent previous report			The element is irrelevant, since this is the first report of the Group.
3.3	Reporting cycle	38	•	At least once every two years
3.4	Contacts		•	Specify the location
3.5	Process for defining report content	3	•	The primary objective of the report is to provide Renova Group's fundamental principles regarding responsible business practices and to propose these standards to the companies of the Group for sharing and implementation
3.10	Explanation of the effect of any re-statements			The EC5 indicators has been re-stated because the Group only collected the data on the average wage of the employees
3.11	Significant changes from previous reporting periods			The element is irrelevant, since this is the first report of the Group.
3.12	Table identifying the location of the Standard Disclosures in the report	50-51	•	
4.1	Governance structure of the organization, including committees within the Board of directors	24-26	•	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer			No
4.3	The number of members of the highest governance body that are independent and/or non-executive	25	•	The Boards of directors of the Group's companies have independent directors
4.6	Processes in place to ensure conflicts of interest are avoided	26	•	
4.8	Internally developed statements of mission or values, codes of conduct etc.	26, 30-37	•	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, social and environmental performance	25-26, 44-45	•	The report is intended to be used as a tool for assessing all the types of the Group's activities
4.12	Externally developed charters, principles etc. that the organization endorses.	6, 36-37	•	
4.13	Membership in associations and/or national or international organizations	6	•	
4.16	Approaches to stakeholder engagement.	36-37	•	
EC1	Created and distributed direct economic value	6, 15-23	•	The element is provided partially
EC3	Coverage of the organization's defined benefit plan obligations	23	•	
EC4	Significant financial assistance received from government			Assistance was not provided at the Group level
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	32	•	The element is provided partially
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	20-22	•	
EN6	Initiatives to provide energy-efficient products and services	19, 33, 35	•	
EN18	Initiatives to reduce GHG emissions	41	•	
EN26	Initiatives to mitigate environmental impacts of products and services	32	•	
LA1	Total workforce by employment type, employment contract and region	34	•	
SO1	Nature, scope and effectiveness of any programmes and practices that assess the impact of the organization on communities	19-23, 35-36, 42-43, 45	•	

Using the main performance indicators of the Social Charter of Russian Business

No.	Name of the indicator	Indicator status in the report
Economic indicators		
Basic		
1.1	Key operating principles	pp. 16-18, 26-26, 30-31
1.2	Sold products volume (goods, services);	pp. 6, 9-14
1.3	Taxes payable and other compulsory payments	pp. 9-14, 32
1.5	Investments in fixed assets	pp. 9-14
1.7	Investments in the community	pp. 42-43, 46-48
Additional		
1.8	Voluntary retirement coverage	pp. 23, 34
Environmental indicators		
2.11	Initiatives to mitigate environmental impacts of products and services and the scope of mitigation	pp. 35, 41, 42
Social indicators		
Basic		
3.1.1	Total workforce by territory	pp. 9-14
3.1.2	Staff turnover level	p. 34 (the data are provided for production facilities)
3.1.4	Employees coverage by collective labour agreements	p. 36
3.1.5	Accident rate	p. 35
3.2.1	Labour disputes	p. 34
3.3.1	Government relations in the sphere of socially significant tasks	pp. 36-37, 42-43
3.3.2	Interaction with non-government and non-profit organizations in the sphere of socially significant tasks	pp. 36-37, 45-48, 49
3.3.3	Organization's activity impact on the social and economic development of local communities	pp. 19-23, 42-43, 46-47
Additional		
3.1.9	Health and safety costs	p. 40
3.2.3	Issues related to the rights of indigenous people and native minorities	p. 43 (the data on the programmes of UralPlatina Holding in the Kamchatka region)
3.3.5	Membership in non-profit organizations (e.g. industry-wide) and/or national or international organizations	pp. 6, 36-37, 49
3.4.2	Securing product quality	pp. 32-33, 39

We appreciate your comments and feedback that will later help us to include in the report the most relevant information in the best possible detail.

Contact points on the issues of responsible business practices and the content of the report:

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Renova Group's Internet websites:

www.renova-group.ru

www.renova-group.com

The report 'Partnership for the benefit of sustainability: Renova Group's approaches to responsible business practices' is available at www.renova-group.ru

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