

Dialogue with Stakeholders, "Human Capital Management in Federal Grid Company"

Minutes Summary of Dialogue with Stakeholders as Part of the Preparation of the 2012 Report on Social Responsibility and Corporate Sustainability of Federal Grid Company

Theme of the Dialogue: Human Capital Management in Federal Grid Company

The dialogue was held on April 5, 2013 from 14:00 to 17:00 in the conference room of Federal Grid Company at the address: 9/11 B. Nikolovorobinskiy lane, Moscow.

Before the meeting, participants in the dialogue received the following information materials:

- the program of dialogue;
- presentation materials on the topics:
- personnel policy and human

- resource management system in Federal Grid Company;
- personnel reserve of Federal Grid Company;
- staff training and development in Federal Grid Company.

The event was attended by representatives of the following stakeholders:

Representatives of State Regulatory Authorities:

- Sergey Abyshv, Deputy Director of the Department for administrative and legislative work of the Ministry of Energy of the Russian Federation

Representatives of Educational Institutions and Scientific Organizations:

- Zagir Atayev, Deputy Director for studies and educational work of the NGO "Energy College" Kaspiysk
- Vadim Vostokov, Director of Innovation and Technology Centre, MIPT
- Alexey Gusenkov, Provost for Academic Affairs, ISPU
- Sergey Mishcheryakov, CEO of NPO KONTZ UES

Representatives of Youth Organizations:

- Gennady Gromyatzky, Deputy Chief of the Central Staff of YNGO "Russian student teams"

Representatives of Industry Organizations:

- Pavel Ushkarov, Head of Department for regulation of SLR in the electric power sector in association RaEI

Representatives of the Expert Community:

- Svetlana Epikhina, a Member of the Working Group "CSR and Sustainable Development" of the Agency for Strategic Initiatives
- Mikhail Kolesnikov, Head of the Energy Committee of the NGO Support of Russia
- Anastasia Mokritskaya, Chief Specialist of the Department of Personnel Development of MUEGC
- Larisa Nozdracheva, Director of the Administrative Department of the International Centre under the auspices of UNESCO "Sustainable Energy Development"

- Valeriy Oskin, CEO of non-profit partnership "National Confederation" Development of human capital" to promote faster development
- Natalia Ponomarenko, Senior Expert of HR management and organizational development block of INTER RAO UES
- Darya Prokhorova, Head of the Center of personnel evaluation Rushydro — "KorUnG"
- Igor Rogojin, CEO of the Association SIZ
- Elena Savlyuk, Director of the Information Department of the International Centre under the auspices of the UNESCO "Sustainable Energy Development"
- Larissa Semenova, Head of Public Relations Department of TGC-1
- Andrey Chechin, Head of Project Office of staff management and organizational development block of INTER RAO UES
- Alexander Fedorets, Director of the NGO Workplace Safety Institute

Internal Stakeholders:

- Sergey Savosko, Head of the Department of Occupational Health and Safety of Federal Grid Company

Representatives of consulting companies on issues of non-financial reports and corporate development

- Ivan Barzola, Manager of Corporate Governance and Sustainable Development, KPMG
- Vladimir Mityashin, the auditor of BureauVeritas Rus
- Vladimir Scobarev, Partner, Deputy General Director of NPI Consult

Speaker of the Dialogue:

- Sergey Nakvasin, Head of Business Direction "Reporting" of GC Yes-Strategy.



I. The Opening of the Dialogue

In opening the dialogue, First Deputy Head of Strategic Communications Department **Kozlov O.E.** noted that the 2012 Report on social responsibility and corporate sustainability of Federal Grid Company is aimed at the description of the performance of one of the most important issues for the Company - human capital management. In preparing this report the Company is focused on the best of foreign and domestic practices. Further Kozlov O.E. listed the key events of Federal Grid Company in the year and gave the floor to lead the dialogue.

Speaker of the dialogue Nakvasin S.Y. spoke about the history of social reporting in Federal Grid Company. Further, objectives of the dialogue were formulated:

1. formulate requests of future readers of the report to its content;
2. collect recommendations of the expert community to improve human capital management in Federal Grid Company.

Nakvasin S.Y. particularly noted that the management of Federal Grid Company attaches great importance to non-financial reporting, as evidenced by the Company's victories in various competitions of reports.

After the speaker of the dialogue had fixed time limits of the event, the floor was passed to the first speaker - Chevkin D.A, Director on Human Resources Management of Federal Grid Company.

II. The Report on «Personnel Policy and Human Resources Management System in Federal Grid Company»

The speaker, HR Management Director of Federal Grid Company [Chevkin D. A.](#) began his presentation with brief information about Federal Grid Company.

Further the speaker described the indicators related to human resources management and personnel policy of the Company. Chevkin D.A. noted that none of the objectives of the development strategy of electric power grid complex, which was recently discussed at public hearings in open government, could be solved satisfactorily without the support of Human Resources Management System.

Then, the speaker pointed out the factors which affect the implementation of personnel policy:

- deterioration of the demographic situation;
- increased competition for labor resources;
- imbalance of supply and demand in the education market;
- reduced mobility of employees within the Russian Federation;
- state regulation of tariffs.

Continuing his report, Chevkin DA identified key priorities and principles of the system of human resources management and personnel policy of Federal Grid Company:

- improving the efficiency of the organizational structure of the Company;
- increasing the level of staff training by means of both improvement of training system and upgrading of qualifications;

- ongoing collaboration with higher educational institutions and specialized secondary education institutions.

Further areas, which are implemented as part of personnel policy for the classic areas, human resources management (human capital), planning, recruiting, assessment and staff development were described.

With regard to personnel capacity planning Chevkin DA noted that the Company has a system focused on the needs for a planning horizon of one year. In terms of the recruitment Federal Grid Company shifts for itself, without using the resources of recruitment agencies. The incentive system at all levels, from senior managers to grass-roots linear divisions is based on key performance indicators. They are developed and fixed due to functional and regional specificity. There are several hundreds of indicators. Each is controlled by at its own level control. The variable part of the remuneration depends almost entirely on performance.

Continuing the theme of employees' motivation speaker called the average wage in Federal Grid Company. In 2012, it was about fifty-eight thousand rubles. To determine the amount of wage the Company conducts regional studies of payment levels.

Standard elements of benefits package and social safety used by the Company are health insurance, financial aid system, non-state pension schemes system, housing program.

In addition, Federal Grid Company attaches great importance to the development of corporate culture in the internal communications system.

Finally Chevkin DA analyzed the targets set by the Company taking into account strategic goals of the existing power grid complex in general and Federal Grid Company in particular.



When the report had been finished, the representatives of stakeholders were given the opportunity to ask questions.

Abyshev S.V.: Does Federal Grid Company have a mission? Is the workforce productivity calculated in the Company?

Chevkin D.A.: The Company has a mission the concept of which is to ensure a reliable operation of the UNEG while ensuring growth rates of infrastructure which correspond growth rates of the economy, business demand and so on. Workforce productivity is calculated, but there is a question related to the correctness of the technique because power grid companies do not produce a tangible product.

Oskin V.V.: What is the goal of reducing the average age of the company? Will the concept of "high-performance workplaces" be included in the report?

Chevkin DA: Reduction of middle age is not a goal in itself and in this area there is a serious problem in the electric power industry. It is necessary to increase the proportion of young professionals who come to the Company for a long time. The gap that exists between the generations should be reduced and an indicator is the value of average age. The degree of workplace productivity is primarily determined by the technology and equipment used.

Mishcheryakov S.V.: Is the concept of business culture overlooked or deliberately bypassed?

Chevkin DA: Almost all aspects of production activities, including the procedure of work of the production staff are really standardized and regulated in the Company.

III. Report on the Personnel Reserve of Federal Grid Company

Speaker, Deputy Head of the Department of Organizational Development of Federal Grid Company **Filippova E.A.** began her discourse with the history of the project to build personnel reserve, which was

initiated in 2006. Two years ago, the Company decided that it is necessary to create an internal structure within the Personnel Management Department, which would deal with personnel reserve.

Next **Filippova E.A.** got down to description of the concept of the personnel reserve of Federal Grid Company. One of the first tasks in this area was that the Company needed to identify the project customer for personnel reserve and understand who would use the results of this project. Chairman of the Management Board, Chief engineer and those who were subordinated to him were identified as the customers. The main areas of work with the personnel reserve were specialties in the field of protective relaying, substation equipment, power transmission lines and operational and process control.

Then, the reserve personnel assessment system was established:

- 70% of the assessment test is professional and technical competencies, which consisted of the diagnosis, prevention, forecasting, operational activities and mitigation of consequences;
- 30% of the assessment test is managerial competencies.

The reserve personnel assessment system was designed in the form of standard and methodology. The assessment was conducted in person meeting with a reservist.

In the future, own assessment methodology will be applied to tutors for which KPI is designed. Tutors do not receive the full amount that they are entitled for the entire cycle of tutorship. They get 50% of that amount on a monthly basis, and only as a result of the positive performance dynamics of a reservist they can get their remaining amount.

At the end of the report **Filippova E.A.** announced statistics on personnel reserve and noted that the work to improve the personnel reserve management of Federal Grid Company is carried out on ongoing basis.



When the report had been finished the representatives of stakeholders were given the opportunity to ask questions.

Abyshev S.V.: Is there such an area of work as talent management? Is there assessment of reserve fluctuation?

Fillipova EA: The information about Talent Management will be available in the next report. Currently, none of the number of reservists left the Company. This is one of the indicators of tutor`s KPIs. So tutor`s task is to retain this reservist, and if the reservist leaves, tutor does not get the appropriate remuneration.

Prokhorova D.A.: Is there a division into perspective (youth) reserve and experienced employees for reserve in the Company?

Fillipova EA: There is a division into strategic and tactical reserve in the Company.

Epikhina S.B.: How did the reservists assessment results take into account at this stage and is there a connection between past stages of projects and present ones? How did the assessments of reserve work effect the formation of professional standards? Was the assessment of reservists taken into account in the design of organizational structures? Does the Company use a data of 2005-2007 projects to analyze and disclose the dynamics of personnel reserve in the report?

Fillipova E.A.: CEO of MES and Chief Engineer supervise for connection of past and present stages of projects. Federal Grid Company has not yet been integrated into the system of professional standards. The development of professional standards is the next step in the personnel management development. The Company enjoys and takes into account the results of 2005-2007 personnel reserve projects.

Oskin VV: How are the numbers "475 reservists" and "276 tutors" harmonized in the report?

Fillipova EA: Here are the numbers of those tutors who have already been trained and work with reservists and

fixed by order. Currently, Federal Grid Company is implementing this project: all reservists assessed and trained but all tutors not yet trained. And not all tutors who attended training further get into the system.

IV. Report on Training and Personnel Development in Federal Grid Company

Speaker, Head of the Staff Training Center of Federal Grid Company **Nikolova E.A.** began his presentation with a notation of the principles of training programs and personnel development in Federal Grid Company:

- system approach;
- integration;
- hierarchy;
- proactivity;
- manageability.

Next, the Company`s Personnel Training System was described. The Staff Training System of Federal Grid Company consists of the following elements:

- mandatory training established by federal laws;
- industry regulatory standards;
- acts, permits;
- managerial competences` development;
- changes in business processes;
- changes in the environment in which the Company operates;
- new problems` identification;
- professional competencies` development;
- interaction with higher educational institutions.



Further Nikolova E.A. got down to the creation history of the staff training centers of Federal Grid Company, analysis of statistics on personnel training and development, and joint programs and the overall concept of education with IDGC Holding. Nikolova EA noted that the main task was to create eight training centers (later there were ten) in all operation areas of Federal Grid Company.

The speaker enlarged upon a point of the structural elements of the training centers: training classes and ranges. A simulator that completely replicates power transmission scheme that belongs to a branch for each of the branches was created. That is, in the course of a training dispatcher sits on the workplace equipped exactly as a usual workplace equipped with. All equipment of training range is the equipment from reconstructed substations. The problem was to organize training of people, skill training that is essential for people in difficult situations, on the equipment that they face every day, both for operating personnel and for protection relay personnel and all other categories of staff.

Particular emphasis as part of personnel training is associated with the 2014 Olympic Games in Sochi, because one of the next important tasks of Federal Grid Company is to ensure a reliable electric power supply to Olympic facilities.

Talent Management Program is implemented jointly with the Skolkovo. The program is designed for mid-level managers under 45 years of age. The leaders are selected and write an essay "Why should I participate in this program. The integrated program consists of six modules. This is MBA short course. According to the results of the first integrated program ten of forty people were enough sufficiently promoted.

To summarize, Nikolova E. reported on two projects implemented: the "Day of

Knowledge" and "The School of Professional Power Engineer". "Day of Knowledge" in Federal Grid Company is held usually on Thursdays. "The School of Professional Power Engineer" will be implemented in the Company's branches to ensure that young professionals do not just receive training, but obtain additional professions.

When the report had been finished, the representatives of stakeholders were given the opportunity to ask questions.

Abyshev S.V.: Does the Company have the practice of employees' adaptation by training tools? Is there statistics on reduction of failures or increase of the reliability of the equipment after employees trained? Does the system use management by objectives or management by projects?

Nikolova E.A.: Adaptation through training is not performed in the Company. Statistics on reduction of failures as a result of training is conducted. Management by projects is used in the training system.

Fedorets A.G.: Do you divide training into health and safety and safety in operation in Federal Grid Company? Does the Company implement behavioral audits? What is the quality of administrative documents on personnel management and how the responsibility of officials distributed in it?

Nikolova E.A.: Behavioral audits are conducted. In the administrative documents of Federal Grid Company responsibility is distributed very clearly and with a glance to employment duties.

VI. Queries and Proposals from Stakeholders to Disclose Information in the Report, Received in the Course of Dialogue of Federal Grid Company with Stakeholders.

Queries and Proposals in the field of Personnel Policy and Personnel Management System of Federal Grid Company:

- present data on KPI in the field of HR management in the report (Skobarev V.Y.)
- specialize the key documents in the field of personnel management (Fedorets A.G.)
- describe the consistency and continuity of management approaches to personnel management. The investment objectives in human capital should be emphasized in the Report. (Epikhina S.B.)
- present data on calculation of workforce productivity (Abyshev S.V.)
- describe the concept of "high performance workplaces" (if any). It is advisable to emphasize on high-performance workplaces in the report, in particular, to make a notation, that an increase in labor productivity cannot occur without job cuts (reflect that the Company analyzes this) (Epikhina S.B., Oskin V.V.)
- present a target for reducing the average age of the Company (if any) (Oskin V.V.)
- include information on the change of activity in the field of personnel management (if any) in the Report in connection with the new requirements of state regulation on standards ISO, ISAE, OHSAS, etc. (including Russia's entry into the WTO) (Mishcheryakov S.V.)
- describe the work to create the Company's competencies profile, passports of positions (Prokhorov D.A.)
- include evaluation of employee engagement in the Report (Mishcheryakov SV)
- include in the report analysis of personnel lifts (Mishcheryakov SV)

Queries and Proposals in the field of Personnel Reserve of Federal Grid Company:

- describe employees' assessment technology for personnel reserve (Epikhina S.B.)
- give an explanation if there is a division into perspective (youth) reserve and a reserve pool of experienced employees (Prokhorova D.A.)
- give an opinion of fluctuation of personnel reserve (Abyshev S.V.)
- describe the extent to which the experience to form personnel reserve in the past (since 2006) is currently used (Epikhina S.B.)
- present the dynamics of reserve personnel capacity (Epikhina S.B.)
- describe the impact of work to assess reservists on the formation of professional standards (if any) (Epikhina S.B.)

Queries and Proposals in the field of Training and Development in Federal Grid Company:

- include Statistics on reducing failures or increasing after training reliability as a training quality indicator in the Report (Abyshev S.V.)
- include performance indicators of training centers in the Report (Abyshev S.V.)
- give an explanation (if relevant) whether training is divided on occupational health and safety and safety in operation in Federal Grid Company (Fedorets A.G.)
- present information on whether there are special training courses dedicated learning to develop documents (Fedorets A.G.)
- present information on whether Federal Grid Company participates in the presidential program for training of engineers' personnel and which of subprograms are implemented jointly with higher educational institutions? (Oskin V.V.)
- describe the interaction experience between Federal Grid Company, Ivanovo State Power University and other higher educational institutions (Gusenkov A.V.)
- describe the approach to talent management (Abyshev S.V.)

Proposals to disclose information on social responsibility and corporate sustainability of Federal Grid Company for 2012 on the theme "Human Capital Management in Federal Grid Company:

- include a point about ensuring occupational health and psychological training of employees in the Report (Mishcheryakov S.V.)
- give an explanation (if work is underway), whether behavioral audits are implemented in the Company (Fedorets A.G.)
- describe the approach to the business culture development (Mishcheryakov S.V.)
- describe the results of an employee loyalty evaluation program: what employees like and what they do not like, and the way the Company's response (Semenova L.G.)

VII. End of the Meeting

In conclusion of the dialogue Chevkin D.A. and Kozlov O.E. thanked the participants of the dialogue for the proposals. Speaker of the dialogue Nakvasin S.Y, in turn, informed that at the end of April there will be public hearings on the draft report and thanked the participants for active discussion of the topic during the dialogue.