

# Stakeholders Relations in 2012

The Company's infrastructural role in national economy makes it a subject to multifaceted and multi-tasked relationships with a broad circle of stakeholders. The major stakeholders include the state as the main shareholder, the source of tariff regulations and the customer of the reliable uninterrupted functioning of backbone grids. Other stakeholders include regional authorities, energy market players, consumers, the investment community, the domestic and foreign manufacturers of electric equipment, contractors, environmental organizations and the Company's staff.

Taking into consideration that the interests of different groups of stakeholders interact with the interests of the Company, Federal Grid Company has developed a fundamental principle of balancing the public welfare and the Company's economic expediency as early as during the first years of the Company existence.

The approach described above permitted the Company to efficiently fulfill its main mission, consisting in the provision of reliable uninterrupted supply of electric power to consumers, while maintaining a constructive dialogue with the public on the major decisions

pertaining to the UNEG development, as such dialogue is possible only if the Company is transparent.

Since then the Company's interaction with stakeholders evolved in many different ways. The Company cooperates with the Russian Ministry of Energy and the Federal Tariff Service, with the Company experts participating in the development of law drafts regulating the energy market. The Company forms a pool of agreements with regional authorities to develop the backbone infrastructure in the regions. Individual agreements govern the relationships with almost all energy producers, as well as with major transactions, thus allowing to coordinate the facility commissioning programs. The agreements with the leading domestic and foreign equipment manufacturers allow the Company to localize the manufacture of the required equipment on the territory of Russia, implementing innovative developments, forming SMART grid clusters, and implementing the programs for equipment modernization and import replacement. The interaction with industry-specific higher education institutions supplies the Company with talented employees, while allowing the students to be confident about their future.

The Company maintains its public activities at high level, being a participant and co-organizer of major events, including the Saint-Petersburg Economic Forum and many regional industry events dedicated to the development of innovative activities, anticorruption control, and social policy, etc.

The stakeholder dialogues conducted during the preparation of the Company's annual non-financial reports are considered to be one of the most successful forms of interaction. A dialogue of the Company with stakeholders titled "Human Capital Management in Federal Grid Company" took place on April 5, 2013. The public hearing of the draft of the 2012 social Report took place on April 26, 2013. During the events the stakeholders made over 50 suggestions concerning the text of the Report and the Company operations in 2013-2014. We treat these suggestions as stakeholder recommendations to improve the Company's transparency and information openness.



Oleg Mikhailov, Head of the  
Strategic Communications  
Department

## Personnel communications

As part of the celebration of the 10th anniversary of the Company in 2012 there was a series of measures aimed at enhancing the corporate culture, supporting the continuity of generations of employees of power grid complex, forming a respectful and interested attitude to the profession of power engineer, including: edition print-run of music CDs "Favorite songs of Federal Grid Company"; creation of special

section on the corporate intranet portal devoted to the anniversary of the Company; edition of commemorative book of pictures "Federal Grid Company. Ten years ", which presentation was brought together representatives of the Government of the Russian Federation, the State Duma, the Court of Accounts, the Company's clients and partners.

In addition, the Company's employees held contests of children's drawings, stories, photos and video works about family dynasties of Federal Grid Company. The "Dynasty" Program which firms labor traditions and increases loyalty of employees, is implemented in the Company since 2010. In 2012, under this program the following events were organized:

- excursions of the Company's employees' children to production sites;
- children's drawing contest "Unified Grid - a single country", whose participants were children of

employees of Federal Grid Company and IDGC Holding and SDCs of IDGC Holding;

- a New Year party for children of employees of the executive apparatus of the Company and DSCs, and New Year's events for children of employees of the branches (MES and PMES);
- On December 22 solemn presentation of government and industry awards and celebration of the best labor dynasties of Federal Grid Company featuring the Minister of Energy of the Russian Federation A. V. Novak

**In the beginning of April 2012 in Sochi Winter Spartakiada Games of employees of power grid complex was held. Sports events were held at sports grounds of the upcoming 2014 Sochi Olympics.**

Spartakiada was the first joint corporate event in the framework of forming a single energy complex and the most massive Spartakiada in the history of sports and athletics competitions in electric grid companies - about 650 employees was taken part in this event. 24 teams, previously passed the regional qualifying rounds, competed for the right to be the best of

the best. Nine teams represented the executive apparatus and the branches of Federal Grid Company, twelve teams represented the distribution grid complex (IDGC) and three teams of students of power engineers of the Moscow Power Engineering Institute, Ivanovo State Power University and the North Caucasus Federal University were also involved.

**In June 2012, in the Moscow Region V Summer Spartakiada Games of Federal Grid Company was held. More than 200 employees of the Company take part in sporting events.**

In October 2012 the second chess tournament in memory of M.M. Botvinnik among power engineers, organized jointly by Federal Grid Company and STC FGC UES, was held. The tournament brought together 26 teams from the executive apparatus, branches and DSCs of the Company, as well as other local electric power companies.

In June 2012, a traditional Doors Open Day for the children of employees of Federal Grid Company was held.

During 2012 an information campaign aimed at raising awareness of employees of Federal Grid Company on social policy and the provision of social guarantees and benefits of the year was conducted in intra-media (newspaper "Unified Grid", an internal portal, information boards).

In February 2012, the intranet portal section "Question the Chairman of the Management Board" with the possibility of anonymous access of users was created.

There is the section "Questions & Answers", which publishes the answers of the heads of structural divisions of the Company on issues related to production activities, corporate life and

social policy. Each employee can send e-mail to [vopros-otvet@fsk-ees.ru](mailto:vopros-otvet@fsk-ees.ru). In 2012, a number of questions was received; an answer was given on each question.

## Veterans communications

Each year, the Company hold celebration events for veterans to the holiday dates (Victory Day, Power Engineer's Day), which involved more than 300 veterans of the Company and the Board of Veterans of Energetic. In addition, cultural program included visits to the best theaters and museums of Moscow is organized twice a year for veterans. Besides, the Company is actively promoting the work of the Board of Veterans of Energetic.

On April 21 on the eve of Victory Day, more than 1,500 employees of the executive apparatus, MES Center and DSCs with families and children, as well as the Company's veterans took part in volunteer clean-up of the territory of memorial complex "Poklonnaya Gora" (Moscow) and laying of the Power Engineer Alley. Upon completion of work, the veterans were honored and flower-laying ceremony at the Eternal Flame was held.



## Consumers communications

In June 2012 Federal Grid Company and Polyus Gold signed a cooperation agreement on the development of electric power grid infrastructure of the Irkutsk Region. Implementation of the electric power grid construction project, referred to in the agreement will contribute to the elimination of security limitations, power and energy deficits in Bodaibo district of the Irkutsk Region and ensure reliable power supply to Polyus Gold's enterprises located in the region, in particular gold deposits Zapadnoe, Verninskoye, Pervenetz and Chertovo Koryto, sector Mdvezhii as well as 94 of alluvial deposits in the river basins of Vitim, Zhuya, Bolshoy Patom and Maliy Patom.

On June 22, 2012 Federal Grid Company in cooperation with the Governments of the Republic of Sakha (Yakutia) and the

Irkutsk Region, Fund for Development of the Far East and the Baikal region, Polyus Gold, DVEUK signed a Cooperation Memorandum on the formation and gradual organization of implementation of construction project of 220 HV double circuit line Peleduy - Chertovo Koryto - Sukhoi Log - Mamakan from 220/110/6 kV Chertovo Koryto substation and 220/110/35/6 kV Mamakan substation.

On June 21, 2012 at the St. Petersburg International Economic Forum a Cooperation Memorandum in the field of improving the instruments which forms energy policy and promoting the spread of energy efficient technologies in Russia between the International Energy Agency, Federal Grid Company and EFA was signed.

In September 2012 Toshiba Corporation, Federal Grid Company and Energostroy-MN signed an agreement on the implementation of a project to create a highly efficient energy infrastructure in the North Caucasus Federal District. Under the Agreement,

a Working Group was established (Protocol on the establishment of the Working Group No 000000220175 as of 12.11.2012 under the Agreement on the implementation of the project to create a highly efficient energy infrastructure in the North Caucasus Federal District).

**In addition, the Company entered into:**

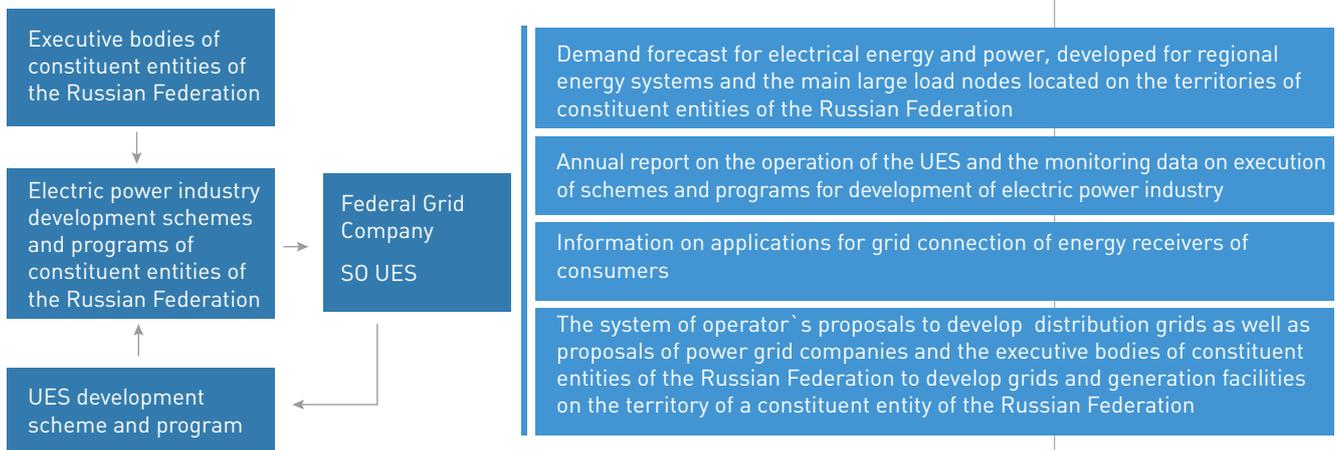
1. Cooperation Agreement with KESC in the Rostov Region.
2. Cooperation Agreement with KESC in the Krasnodar Region.
3. Cooperation Agreement with Lafarge Cement and the Government of the Kaluga Region.
4. Cooperation Agreement with Aqua Story TEC.
5. Cooperation Agreement with Kuznetsk Ferroalloys.

## Government relations

One of the main goals of the Company in cooperation with the regional executive authorities in Federal Grid Company`s operation areas is the coordination of schemes and programs for long-term development of electric power industry of subjects of the Russian Federation. In the course of interaction activities there are

information support for the public authorities, coordination of plans for fuel and energy complex, transport infrastructure and programs of territorial planning. In addition coordination of the development of backbone and distribution grid infrastructure is conducted.

### The Interaction in Developing Schemes and Programs to Develop Electric Power Industry of Constituent Entities of the Russian Federation



The branches of Federal Grid Company, MESs, play a huge role in the process which operate under the Order of Federal Grid Company as of 26.07.2010 No 534 "On the interaction between Federal Grid Company and the executive

bodies of constituent entities of the Russian Federation on issues of the development of schemes and programs to develop electric power industry of constituent entities of the Russian Federation.

Currently, there are cooperation agreements with the following constituent entities of the Russian Federation:

1. St. Petersburg
2. The Amur Region
3. The Chechen Republic
4. The Kaluga Region
5. The Karachay-Cherkess Republic
6. The Khanty-Mansiysk Autonomous District - Yugra
7. The Leningrad Region
8. The Moscow Region
9. The Nizhny Novgorod Region
10. The Novosibirsk Region
11. The Novgorod Region
12. The Omsk Region
13. The Republic of Buryatia
14. The Republic of Dagestan
15. The Republic of Ingushetia
16. The Republic of Sakha (Yakutia)
17. The Tomsk Region
18. The Tula Region
19. The Tver Region
20. The Smolensk Region
21. The Stavropol Region
22. The Sverdlovsk Region
23. The Zabaikalye Region

In October 2012, a working meeting between the Chairman of the Management Board of Federal Grid Company Oleg Budargin and the Governor of the Samara Region Nikolay Merkushin was held. Participants of the meeting discussed plans of Federal Grid Company to improve the reliability, modernization and development of transmission facilities taking into account the interests of the Samara Region. The participation of Federal Grid Company in designing and developing grid infrastructure to provide electricity to facilities designed for the FIFA World Cup in 2018 was also discussed at the meeting.

In November 2012, the Chairman of the Management Board of Federal Grid Company Oleg Budargin held a meeting with the governor of the Kemerovo Region Aman Tuleyev. The head of Federal Grid Company said at the meeting that the Company plans to invest 7 billion rubles in the development of power grid complex of Kuzbass. The result of investment should be the reconstruction and modernization of existing UNEG facilities and an increase in transformer capacity by 50% and an increase in the length of power transmission lines by 10%.

In November 2012 the development of power grid complex in the Tver Region was discussed at the meeting of the Chairman of the Management Board of Federal Grid Company Oleg Budargin with the governor of the Tver Region Andrei Sheveliov. The event was also attended by managers of Federal Grid Company, MES of the Centre, IDGC of the Center and representatives of the Government of the Tver Region. One of the main problems in implementing new

investment projects in the Tver Region is the lack of capacity. The Governor Andrei Sheveliov also noted the need to bring in proper condition and to ensure uninterrupted operation of distribution grids of the western zone. Oleg Budargin said that Federal Grid Company will soon consider a decision to develop the Program for power grid complex development of Upper Volga taking into account the economic development plan of the Tver Region.

## Interaction with power grid companies

In September 2012, a working meeting of the heads of Federal Grid Company and the State Grid Corporation of China (SGC of China) was held in Moscow. During the negotiations the possibility of current and future science and technology and innovation cooperation and the joint implementation of large-scale international projects were discussed. In particular, representatives of SGC of China addressed a proposal to Federal Grid Company for a joint development of a feasibility study to construct AC extra-high voltage power transmission line and DC ultra-high voltage power transmission line on the territory of the Russian Federation, including the development of options to increase electricity supply from the Russian Federation to the People's Republic of China.

In October 2012, a delegation of Federal Grid Company paid a visit to USA at the invitation of the Ministry of Energy of the United States of America. During

the visit, a meeting with the leadership of the U.S. Department of Energy was held. At the meeting a dialogue between the head of Federal Grid Company and the Minister Steven Chu launched in 2011 was continued. In the framework of the working visit a meeting of the delegation of Federal Grid Company with the management of U.S. power grid company «PJM» was also held. In the course of it both parties exchanged experiences of power grid complex development and considered the principles of centralized energy supply zones development and improvement of the reliability of electric power grid and the issues of comprehensive substantiation of construction of powerful extra and ultra-high voltage transmission lines. Participants also discussed the experience of the implementation and operation of technologies "smart grid" - "digital substations", controlled transmission lines and electrical energy storage devices for high power.

In October 2012, in Moscow within the framework of the International Energy Forum UPGrid Federal Grid Company and JSC United Energy Company (UEC) signed a cooperation agreement in the field of implementation of intelligent technologies. The companies plan to implement a set of measures to design, operate and repair transmission facilities of Moscow as part of creation of Russian intellectual power grid system.

In November 2012 representatives of Federal Grid Company discussed with Iberdrola Engineering & Construction, one of the world's leaders of electric power industry, various issues of future cooperation, including in the field of introduction of innovative solutions in the power grid sector.

#### The List of Existing Agreements (Memorandums) on Cooperation, Information Exchange and Implementation of Joint Projects in the Field of Scientific and Technical Cooperation:

1. Agreement on the implementation of a project to create a highly efficient energy infrastructure on the territory of the North Caucasus Federal District, concluded between Federal Grid Company, Energostroy-MN and Toshiba Corporation
2. Protocol on the establishment of a working group under the Agreement on the implementation of a project to create a highly efficient energy infrastructure on the territory of the North Caucasus Federal District concluded between Federal Grid Company, Energostroy-MN and Toshiba Corporation
3. Agreement on the transfer and protection of information classified as commercially confidential concluded between Federal Grid Company, NRU HSE, Fund Foresight and EnergoFichtner
4. Agreement on information exchange concluded with Institute EnergoSetProekt
5. Memorandum of Understanding between the International Energy Agency, Federal Grid Company and EFA
6. Agreement on scientific and technological cooperation concluded with the Company Hitachi Ltd.

## Shareholder and investor relations

In 2012, the Company's management has been actively involved in investment conferences and forums (Adam Smith, the APEC summit, "Russia Calls!" etc.) and met with representatives of stock exchanges and analysts of investment funds.

In addition in the reporting year two roadshows were held. The first roadshow was held in April in London, Zurich and Geneva, and was devoted to the Company's 2011 financial results under IFRS. The second roadshow was held in November following the publication of IFRS for the 1st half of 2012. Meetings with international investment funds including Blackrock, Charlemagne Capital, Baring AM, JP Morgan AM, Nomura AM, Pictet, T Rowe Price, UBS, Fidelity, Pioneer Investments, Renaissance Investment Management, HSBC Global Asset Management, Credit Suisse were also held.

In June 2012, the Company held a meeting with minority shareholders - individuals as part of preparation for the Annual General Meeting of Shareholders.

In September 2012 Federal Grid Company entered the British community on Investor Relations to enhance cooperation with foreign partners and promote the Company at the international level.

In October 2012, the Chairman of the Board of Directors of Federal Grid Company Ernesto Ferlenghi participated in the second Russo-European Economic Forum "Investments in modern Russia. IPO, stocks and bonds", held in Milan (Italy). The forum, organized by the investment and finance company General Invest and the Stock Exchange MICEX-RTS, was attended by the heads of more than 400 large enterprises, investment companies and banks.

In November 2012, delegation of Federal Grid Company headed by the Chairman of the Management Board Oleg Budargin made an official visit to the London Stock Exchange (LSE).

### The Company's active work in the field of investor relations was highly appreciated by the investment community:

- in July 2012 Federal Grid Company entered the top 5 best large-cap companies according to the IR Magazine.
- in October 2012 the world's leading credit rating agency Standard & Poor's affirmed the long-term credit rating of Federal Grid Company of BBB on the international scale of the investment, the outlook on the rating is "stable".
- in November 2012, the annual financial statements of Federal Grid Company was awarded the first place for the quality of preparation and disclosure of information among 100 largest Russian companies for 2011 by the rating agency "Expert RA".
- in December Federal Grid Company has received award the "Issuer of the Year" according to the news agency Cbonds.

Other activity in the field of IR was conducted on the basis of the approved "2012 Action Plan for Cooperation with Shareholders and Investors (IR plan)". To obtain all necessary information there is a section «For shareholders and Investors» on the corporate website for shareholders and investors of Federal Grid Company.

## Participation in Conferences, Forums and Roundtables

In February 2012 Federal Grid Company participated in the IX Economic Forum in Krasnoyarsk, the largest economic and cultural center of Central and Eastern Siberia. Deputy Chairman of the Management Board of Federal Grid Company Roman Berdnikov presented the results of Federal Grid Company to modernize and update the UNEG in 2011 and promising directions in the development of the trunk power grid sector both at the federal level and in the regions of Siberia and the Far East.

In June 2012, the branch of Federal Grid Company - Backbone Electric Grids (MES) South participated in the second Dagestan Economic Forum, held in Kaspiysk. The event was attended by the heads of the subjects of the North Caucasian Federal District (NCFD) and the South of Russia, heads of major Russian companies, as well as leading scientists and experts, businessmen, heads of major international companies in Austria, Italy, Hungary, Turkey, Moldova, the Czech Republic, Azerbaijan, Turkmenistan, Iran, Kazakhstan, the Russian Federation and the United States of America - about 1,300 participants. The main theme of this year's forum was to find the most effective tools for social and economic development of the Republic of Dagestan and the North Caucasus, including the development of electric power grid infrastructure to ensure economic development of NCFD.

In June 2012 as part of the St. Petersburg International Economic Forum (SPIEF-2012) Federal Grid Company conducted second round table devoted to issues of creation of energy system with intelligent power grid in Russia, called "Smart Grids - the Projects of the Future". Roundtable participants discussed the progress of

the project to create a "smart" power industry, including backbone power grid of a new generation. The event was attended by Assistant to the President of the Russian Federation Arkady Dvorkovich, the Chairman of the State Duma Committee for Energy Yuri Lipatov, the Chairman of the Management Board of Federal Grid Company Oleg Budargin, heads of major Russian and foreign energy and technological companies, including, Alstom, Hyundai Heavy Industries, American Superconductor, Rostelecom as well as scientists and authoritative experts.

In 2012 Federal Grid Company for the fifth time in a row acted as co-founder of the prestigious international "Global Energy" Award. In June 2012, the winners of the "Global Energy" Award 2012 visited 220 kV Prospect Ispitatelei substation of Federal Grid Company in St. Petersburg which is the most high-tech and compact power facility of 220 kV voltage class in the North-West region of Russia. Russian scientists involve in the project to create the intellectual power grid, assist Federal Grid Company in monitoring of global innovations and its implementation at the UNEG facilities.

In September 2012, the top management of Federal Grid Company participated in the Business Summit of the Asia-Pacific Economic Cooperation (APEC 2012), on Russky Island (Vladivostok). Head of the delegation of Federal Grid Company, the Chairman of the Management Board Oleg Budargin took part in the discussion "Infrastructure as a basis for sustainable growth" devoted to the impact of infrastructure on the development of the regional and global economies of APEC countries.

In September 2012, the top management of Federal Grid Company joined the XI International Investment Forum "Sochi-2012". During the forum, Federal Grid Company and Sim-Ross Lamifil concluded a memorandum on the localization of the production of energy-efficient wires of a new generation within the Russian Federation. The signing ceremony took place in the presence of the Governor of the Yaroslavl Region Sergey Yastrebov.

In October 2012, the Company participated in III All-Russian conference "Russian fuel and energy complex, from human resources to human capital". As part of the conference, the Ministry of Energy of the Russian Federation noted the Company's contribution made to the development of social policy in the electric power sector – Minister of Energy of the Russian Federation Alexander Novak handed a diploma and the prize "For contribution to the development of social policy in the electric power sector" to representatives of the Company.

**In October 2012, Federal Grid Company with the participation of the Ministry of Energy of the Russian Federation organized the First International Grid Forum UPGrid "Electric Power Complex. Innovations. Development".**

More than 200 companies have demonstrated its innovations and new technologies, among them ALSTOM GRID, CISCO, HYUNDAI HEAVY INDUSTRIES Co., TOSHIBA, IC

BRESLER, SIEMENS, ABB, SIE AKRA, 3M, Electrozavod, RTSoft, AMZ, Togliatti Transformer, SC Electroshield - TM Samara, etc.

In November 2012 Federal Grid Company participated in the round table "Sustainable Development as a Major Trend in the Global Economy in the XXI Century". The panelists, including former German Chancellor Gerhard Schroeder, President of SAP EMEA Frank Cohen, CEO of SAP SIC Igor Bogachev, a professor in the field of corporate social responsibility and sustainable development of the University of Siegen, Dr. Martin Hill, discussed the initiative in the field of sustainable development in Russia and achievements of world economic leaders in sustainable development. In particular, the roundtable participants noted the need to advance development in the Russian energy efficient technologies, alternative and distributed energy.

In December 2012 the Company's management delivered a report on "Innovative Development of Federal Grid Company" at the II International Forum on Innovation in the fuel and energy sectors "NewGen - Energy of the Future".

In December 2012 Federal Grid Company participated in the IV International Energy Forum "Innovations. Infrastructure. Security".

## Awards to the Company`s management from external stakeholders

In July 2012 the Patriarch of Moscow and All Russia Kirill awarded the Chairman of the Management Board of Federal Grid Company Oleg Budargin by Order of St. Sergius of Radonezh of the second degree. Oleg Budargin was awarded with high church award "in

recognition of his assistance in the restoration of the Valaam monastery". The awarding ceremony took place in the upper church of Spaso-Preobrazhensky Cathedral, Stavropigialny Valaam Monastery.

## Participation in the preparation of the report "Association" RaEI"

In 2012, Federal Grid Company participated in the preparation of the annual "Public industry report of the social partnership`s parties in the electric power industry of the Russian Federation in 2012", published by the Association RaEI and VEP.

This report, prepared in view of the Guide Global Reporting Initiative (GRI), promotes formation of a vision of the consumers of electricity on a collective

portrait of energy organizations, on building social and labor relations in the organizations of the sector, on the development of social partnership and the implementation of the commitments made by each party. The Russian Union of Industrialists and Entrepreneurs (RUIE) included the Public Report in the National Register of corporate non-financial reports.