

Public Hearings on Draft Report

MINUTES SUMMARY

of Public Hearings on the 2012 Report on Social Responsibility and Corporate Sustainability of Federal Grid Company

Public hearings on the Draft Report on social responsibility and corporate sustainability of Federal Grid Company for 2012 was held on 26 April 2013 from 16:00 to 18:00 at the address: 9/11 Bolshoy Nikolovorobinskiy lane, Moscow.

Prior to the meeting, the participants in public hearings received the following information materials:

- the program of public hearings;
- a list of participants;

- draft Report on corporate sustainability and social responsibility of Federal Grid Company for 2012;
 - presentation materials on the topics:
 - Youth and Social Policy of Federal Grid Company;
 - The environmental impact of Federal Grid Company: management, performance, plans.
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The event was attended by representatives of the following stakeholders:

Representatives of educational institutions:

- Igor Boldyshev, Executive Director of NP KONTZ UES;
- Vadim Vostokov, Director of Innovation and Technology Center of Moscow Physical-Technical Institute (State University);
- Vyacheslav Grechikhin, Provost of Academic Affairs of Moscow Power Engineering Institute;
- Evgeny Knyazev, Director of University Management Center of the National Research University "Higher School of Economics";
- Oleg Kuznetsov, Director of the National Research University "Moscow Power Engineering Institute";
- Sergey Mishcheryakov, CEO of NP KONTZ UES.

Representatives of labor unions and youth organizations:

- Sergei Zemnukhov, Chairman of labor union committee of students of the National Research University "Moscow Power Engineering Institute."

Representatives of industry organizations:

- Alexander Burdin, Head of Department of the Regulation in Social and Labor Relations in Electric Power Industry of the Association RaEI;
- Arkady Zamoskovny, CEO of the Association RaEI.

Representatives of the expert and the business community:

- Svetlana Epikhina, a member of the working group "CSR and Sustainable Development" of the Agency for Strategic Initiatives;
- Vladimir Mityashin, auditor of Bureau Veritas Rus;
- Larisa Nozdracheva, Director of the Administrative Department of the International Centre under the auspices of UNESCO "Sustainable Energy Development";
- Elena Savlyuk, Director of the Information Department of the International Centre under the auspices of UNESCO "Sustainable Energy Development."
- Alexander Fedorets, Director of NGO Workplace Safety Institute

Internal stakeholders:

- Natalia Vaguina, Chief Specialist of the Department of customer relationship and interaction with market of Federal Grid Company;
- Yuri Krutov, Senior Specialist of the Executive Apparatus of Federal Grid Company (Moscow);
- Elena Titova, Chief Expert of the Department of the Implementation of the Environmental Policy of Federal Grid Company;
- Sergey Chernousov, Head of the Power Transmission Lines Operations Department of Federal Grid Company;
- Alexey Chistyakov, Head of Division of the Department of Substations of Federal Grid Company.

Representatives of state authorities:

- Alexey Zamyslov, Deputy Director of the Department of Operational Control and Management in the Electric Power Industry of the Ministry of Energy of the Russian Federation

Representatives of environmental organizations:

- Elena Zubakina, Executive Director of the Russian Bird Conservation Union;
- Alexey Knizhnikov, Program Manager on Environmental Policy of the Fuel and Energy Complex of the World Wildlife Fund (WWF) of Russia;
- Dmitry Ochagov, Head of the Laboratory of Reserve Management and Studies of All-Russia Research Institute of Nature Protection.

Speaker:

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

I. The Opening of Public Hearings

Speaker of the hearings, the Head of Business Direction "Reporting" of GC Yes-Strategy Nakvasin S.Y. briefed the participants of public hearings with time limits of the Public Hearings. Speaker said that three representatives of Federal Grid Company are expected to make reports on significant topics of the Report: on the implementation of the housing and youth policies and on the environmental impact management. Nakvasin S.Y. explained the changes in

the program: the Project Manager for Social Reporting of Federal Grid Company Louks N.Y. will make a report on key topics of 2012 Report instead of the Head of the Department of Strategic Communications of Federal Grid Company Mikhailov O.M.

Speaker outlined that the problem of public hearings is to collect proposals of stakeholders on the disclosure of information in the text of the Report for 2012 and the activities of Federal Grid Company in 2013. Then the speaker gave the floor to Louks N.Y.

II. Key Topics and Features of the Report on Social Responsibility and Corporate Sustainability of Federal Grid Company for 2012 (Report presented by Louks N.Y.)

Project Manager for Social Reporting of Federal Grid Company **Louks N.Y.** outlined core objectives of the Report on corporate sustainability and social responsibility of Federal Grid Company for 2012. First, the Report shapes and structures the statistics and indicators in the field of human capital management, combating conflicts of interest and in other areas of sustainable development, and, secondly, ensures transparency and accountability of the Company on a wide range of topics and issues that are essential for stakeholders.

Further the speaker presented the main parameters of the Report. In preparing the Report the Company traditionally focuses on "best practices" and the international recommendations in the field of non-financial reporting: GRI (G 3.1) and AA1000 SES standards were used, a dialogue with stakeholders was held and public hearings on the draft report are being held.

Key topics of the Report for 2012 are human capital management and anti-corruption in Federal Grid Company.

The Report consists of 10 chapters and 6 annexes. Structure of the Report is consistent with the text of the Report for 2011, which makes it easier to compare data.

Finally, N.Y. Louks announced tasks of Public Hearings:

- developing common views with stakeholders related to the Company's effectiveness in the field of sustainable development;
- the Company's rapid response to issues that are essential for stakeholders;
- providing conditions for public assurance and non-financial audit of the Report, including terms of

assessing the level of accountability and quality of interaction with stakeholders.

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

Mityashin V.G.: What version of GRI will be used?

Nakvasin S.Y.: GRI G3.1.

III. Youth and Social Policy of Federal Grid Company (Report presented by Kindyashova O.S.)

Head of the Department of Social Programs of Federal Grid Company **Kindyashova O.S.** presented the main results of the implementation of Housing and Youth Policies of Federal Grid Company to the stakeholders.

The main objective of the Housing Policy of the Company is to attract and retain personnel, which plays a key role in reliable electricity supply to consumers and to improve the reliability of the Unified National Energy Grid.

In implementing housing policy three areas were highlighted:

- forming corporate housing and providing employees with service apartments from corporate housing;
- corporate assistance in purchasing of ownership of accommodation;
- rental costs compensation for employees.

At the end of the first part of the report on the housing policy of the Company **Kindyashova O.S.** unveiled plans relating to the implementation of housing policy in 2013, and noted that the plans and obligations of Federal Grid Company in the field of housing policy, adopted in the Report for 2011 (on the amount of funding for programs to promote purchase of accommodations and rental cost compensation, and also on an emphasis on the provision of accommodation for young professionals) were implemented in full.



The second part of the report was devoted to youth policy. In 2012 Federal Grid Company acted within the framework of agreements with 51 educational institutions, including 14 specialized secondary institutions. With the participation of students and teachers of the educational institutions, the following measures were carried out:

- field trips;
- training of teachers at the facilities of Federal Grid Company;
- development of joint training programs;
- participation of specialists of Federal Grid Company in the educational process;
- Day of Knowledge;
- involvement of higher educational institutions in joint scientific and research work;
- scientific, technical and reference literature on electric power industry contest;
- students` works related to power transmission grids contest.

At the end, the speaker outlined the main results of the interaction with higher educational institutions and spoke about the Company's plans to develop student construction teams.

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

E.A. Knyazev: Does Federal Grid Company participate in the development of professional standards?

Kindyashova O.S.: Yes, but the Department of Personnel Management is responsible for this area.

Grechikhin VA: What are the support mechanisms for students in the regions of Russia used by the Company?

Kindyashova O.S.: To support learning in higher educational institutions (either in the form of tuition or social guarantees and benefits) targeted support is performed. Support decisions are taken in the Company`s branches.

Boldyshev I.V.: Will the housing policy of Federal Grid Company be continued in Russian Grids?

Kindyashova O.S.: Yes, the Company has formulated such a task.

Burdin A.A.: How many employees are in need of better housing conditions and how the interaction between the needy employees and management of the Company is conducted? Is there the Young Professionals Council in the Company?

Kindyashova O.S.: The Housing policy of Federal Grid Company is a tool to solve operational and personnel problems, rather than a tool of social insurance, while having a social resonance. The housing program is funded by the Company`s profits. Of course, the Company is contributing to accommodation provision for employees who do not have their own homes. But it does not set itself the task to provide accommodation for all employees.

There is no the Young Professionals Council in the Company, but there are plans to create it.

IV. The Environmental Impact of Federal Grid Company: Management, Performance, Plans (Report presented by Leonov N.N.)

Head of the Department of Environmental Policy Implementation of Federal Grid Company **Leonov N.N.** began his report with a description of the goals and objectives of the Company's Environmental Policy.

Environmental policy of the Company was adopted in 2008. Its main goal is to increase the level of environmental safety and the investment attractiveness of the Company by providing a reliable and environmentally safe transportation of energy via electric power grids.

The Environmental Policy has 2 main objectives:

- facilitating the reduction of negative effects of electric power grid enterprises on the environment through the implementation of technical measures;



— creating organizational mechanisms to upgrade methodological approaches, standards, guidelines and implement an environmental management system, not only in the executive apparatus, but also in the branches.

Further the speaker presented information on the implementation of the Program for the implementation of the environmental policy of Federal Grid Company for 2011-2013. In accordance with the Program, the Company implements the environmental management system at all branches. These measures must be successfully completed by 2016.

Prevention of emergency outages in transporting electricity that can occur when nesting storks on the electric power transmission lines' poles is carried out in MES East. Artificial storks' nests are created. Death of these birds listed in the Red Book was never registered over the entire period of operation of electric power transmission line in MES East.

Federal Grid Company introduces advanced, innovative equipment in constructing new and reconstructing existing substations, which is capable of releasing a large enough amounts of land in a metropolis. In addition, the Company replaces lattice poles for multi-faceted steel ones, which can reduce the width of the forest belts and thereby minimize the area of felling of trees.

In conclusion, N.N. Leonov presented the main plans of the Program to implement environmental policy of the Company for 2013. Among them is the further disposal of equipment containing trichlordiphenyl, introduction of new safety-related equipment from an environmental point of view, the further implementation of the environmental management system in the branches of the Company. The Company plans to continue ongoing research on the effects on biodiversity in specially protected natural areas and implement training

programs for principles of environmental safety and handling with production waste for managers and employees. After the completion of the report the stakeholders were given the opportunity to ask questions.

Zubakina E.V.: What is the smart grid?

Speaker of the meeting: Annex 2 to the Report contains information on the UNEG innovative development and other additional information on this issue.

Foci N.N.: Do you want that Far East stork will not nest in certain places of the poles or want them to leave these poles?

Leonov N.N.: The Company decided to create artificial support devices on the poles. Existing Far East stork nests were transferred to the newly established specialized courts. To prevent re-nesting of storks on dangerous sections of the poles special types of barbed wire obstacles are used.

Burdin A.A.: How does the process of waste disposal take place in the Company, whether contractors of the Companies which dispose waste comply with international environmental standards?

Leonov N.N.: Federal Grid Company does not obtain license to transport waste. In all regions the Company has signed agreements with specialized contractors which are engaged in disposal. This service is sold on a competitive basis. In MES South and MES North-West the requirement to comply with international environmental standards is included in the agreements.

V. Proposals and Recommendations of Stakeholders

Proposals to the text of the 2012 Report: from higher educational institutions:

- Provide information on the activity to develop professional standards (Knyazev E.A., NRU HSE)
- Disclose the information on the Company's interaction with academic community of higher educational institutions, with the collegiate governing bodies of universities, with expert councils under the partner higher educational institutions (Knyazev E.A., NRU HSE)
- Describe mechanisms to support students in the regions of the Russian Federation - tuition, social benefits, etc. (Grechikhin V.A., NRU MPEI)
- Disclose the information on the Company's scholarship programs for students (Grechikhin V.A., NRU MPEI)

from industry organizations:

- Specify the number of employees who need to improve their living conditions and how the Company's management interacts with those in need of accommodation (A.A. Burdin, Association RaEI)
- Disclose the information on that how the process of waste disposal is carried out in the Company and whether the contractors which dispose waste comply with international environmental standards. (Burdin A.A., Association RaEI)
- Reflect the survey findings of Federal Grid Company's employees' satisfaction with employer and indicate the survey mechanisms used in the Report. (Burdin A.A., Association RaEI)
- Provide the information on how conflicts are resolved in the Company's labor collective (A.A. Burdin, Association RaEI)

- Add the information on the internal personnel displacement coefficient and labor productivity to the Report (Burdin AA, Association RaEI)
- Disclose the information on the salary fund (Burdin A.A., Association RaEI)

from environmental organizations:

- Disclose Statistics on birds' deaths associated with the activity of Federal Grid Company (Zubakina E.V., Russian Bird Conservation Union)
- Specify the method of calculation of indirect emissions of greenhouse gases (Knizhnikov A.Y., WWF)
- Provide complete information on all compensatory measures in Section "Basic indicators of the impact on the environment" in paragraph "The impact on flora and fauna, soil and ground" (Knizhnikov A.Y., WWF)
- Improve the information content of the sections relating to biodiversity, specially protected natural areas and birds' death. (Knizhnikov A.Y., WWF)
- Discover more detailed the theme "Impact on Biodiversity" of the Section "Initiatives of the Company in the field of environmental protection" (Ochagov M.D., VNIIPriroda)

from the expert and the business community:

- Specify what Federal Grid Company meant by sustainable development (Epikhina S.B., ASI)
- Amend Chapter 5, taking into account that the sustainable development of the Company is due, primarily, to operation activities, provision of electricity and a reliable electric power supply (Epikhina S.B., ASI)
- Delete references to 2011 Report. If the changes compared the previous Report did not occur, write "The principles, disclosed in 2011 Report, did not change, the Company continues to follow them." (Epikhina S.B., ASI)
- Disclose more detailed the theme of interaction with consumers: how the results of surveys measuring

customer satisfaction level use in management and what survey data are included in the indicators. (Epikhina S.B., ASI)

- Disclose more detailed the information on management approaches to every aspect of the Company's activity (Epikhina S.B., ASI)

Proposals for activities of Federal Grid Company in 2013:

- Continue work to develop professional standards (Knyazev E.A., SRU HSE; Grechikhin V.A., NIU MPEI; Epikhina S.B., ASI)
- Present Draft Report to participants in public hearings at least one week prior to the event (Knizhnikov A.Y., WWF; Zubakina E.V., Russian Bird Conservation Union; Grechikhin V.A., NIU MPEI)
- Create centers for professional advancement and training at higher educational institutions (Grechikhin V.A., NIU MPEI; Vostokov V.Y., MIPT)
- Provide support for students by the Company in the form of scholarship programs (Grechikhin V.A., NIU MPEI)
- Expand the orders from Federal Grid Company for R & D of higher educational institutions (Grechikhin V.A., NIU MPEI)
- Develop and launch the implementation of a plan on interaction with stakeholders of environmental organizations (A.Y. Knizhnikov, WWF)

- Complete Sections of the Report devoted to impact on the species listed in the Red Book and biodiversity, particularly in specially protected natural areas. (Zubakina E.V., Russian Bird Conservation Union Knizhnikov A.Y., WWF)

VI. Completion of the Public Hearings

At the conclusion of the hearings the managers of Federal Grid Company expressed their attitude to the proposals of stakeholders.

Head of the Department of Social Programs of Federal Grid Company O.S. Kindyashova thanked the stakeholders for their comments and noted that most of the proposals of stakeholders in terms of housing and youth policy to the Sections of the Report will be taken into account.

Head of the Department of Environmental Policy Implementation of Federal Grid Company N.N. Leonov also thanked all participants and promised to complete Sections of the Report with the information relating to the implementation of the environmental policy of Federal Grid Company, and take into account all comments and proposals of stakeholders made during the public hearings.