

Expert Opinions on the 2014 ROSSETI Corporate Social Responsibility and Sustainability Report

IRINA ORLOVA

Director, Economic Political Science Program, Public-Private Partnership Center of the Russian Presidential Academy of National Economy and Public Administration; Doctor of Science (Philosophy), Professor, Member of the Public Chamber of Moscow

ROSSETI has published a sustainability report for 2014. The public disclosure of material and complete information for a few years can be viewed as evidence that the Company is committed to social and environmental responsibility and to ethical business conduct. In general, ROSSETI deserves a positive assessment with respect to the development of non-financial reporting and the enhancement of transparency.

This Report demonstrates the Company's understanding of its own role in the country's economy, the strategic direction of its development, and its efforts to secure a reliable electricity supply and make electricity connection services more affordable. Chapter 5 (Customer Relations), where this topic is described in detail, deserves special note.

According to the Report, the Company shows a positive trend in major economic indicators, finding the right balance between the operation with frozen tariffs and the effectiveness of the capex program aimed at renewing and building new power infrastructure. The Company is also working hard to create smart grids. In the reporting year, substantial steps were taken toward furthering the development of the R&D program and developing the regulatory framework for intellectual property. In 2014, the Company also started the construction of the Federal Test Center in Saint Petersburg, which will be a significant step forward for the development of the domestic electricity industry.

To achieve its economic goals, ROSSETI pursues a balanced policy on interaction with a broad range of stakeholders. For example, the Report says that in ROSSETI's corporate social responsibility toolbox includes annual open dialogs in the process of non-financial reporting, including the discussion of the Company's problems and successes. However, detailed information on the contents, goals, and results of such dialogs with stakeholders in 2014 is not presented in full. I believe that a more detailed reflection of such information in ROSSETI's non-financial report would greatly benefit its contents and would make the Report more convincing. In addition, to ensure a balanced presentation of information in the Report, it is recommended that special attention be given not only to achievements but also to problems in the area of the Company's social responsibility and sustainability.

In the future, in order to develop the reporting system in line with international standards, it can also be recommended that ROSSETI involve not only experts in the discussion of non-financial reporting but also the general public.

SVYATOSLAV ZABELIN

Candidate of Science (Biology); Expert, Socio-Ecological Union; Expert, Interfax-ERA

The publication of the 2014 ROSSETI Corporate Social Responsibility and Sustainability Report definitely and clearly indicates that the Company's management is seriously and on a long-term basis committed to the activities aimed at addressing issues of sustainable development and environmental protection.

It is obvious that the Company is systematically and purposefully engaged in the reduction of electricity network losses, which – given the scale of its activities – is a significant contribution to Russia's overall energy efficiency and security and – indirectly – to the reduction of greenhouse gas emissions.

The Company's long-term innovative development, energy conservation, and energy efficiency enhancement program also means its commitment to the country's sustained development. The program implementation should result not only in a substantial reduction in anthropogenic impacts on the environment but also in ROSSETI's improved economic performance. The planned creation of the R&D Foundation and the Center for Technology Monitoring and is certainly a step in the right direction.

The development and implementation of a system for charging stations for public and private electric vehicles is undoubtedly one of the most promising elements of the Program.

What is noteworthy and deserves complete approval is the fact that environmental protection and biodiversity protection are mentioned as a priority not only in a special section (Environmental Responsibility and Environmental Protection) but also in several other key sections of the Report.

It is noteworthy that bird protection has become a significant part of the Company's activities as to its scale and innovation. As rightly pointed out, the Company's impact on air, water, and land does not cause substantial damage. But the impact on avifauna, on the contrary, was very noticeable, especially influencing the state of populations of rare or endangered species. Remarkably, the Report highlights that the Company pays special attention to the protection of birds in the construction of overhead lines.

Commendable are environmental protection initiatives and public campaigns conducted by employees of the Company almost everywhere where it has operations.

In my opinion, recommendations for the next Report of the Company may be as follows:

- It is desirable that activities aimed at the protection of birds and other animals be disclosed in a separate section rather than in "Technical Measures";
- It is sensible to describe the activities that fall within the classic definition of "sustainable development" in a separate section or list them in a compact form in the "Report Profile";
- It is recommended that information on the activities aimed at sustainable development, including innovation, be disclosed in more detail as, for example, in the description of measures to protect birds.

Overall, the Report makes a favorable impression. I wish the Company's management and all of its employees success in following the principles of sustainable development and the commitment to high standards of corporate governance and social and environmental responsibility.

VYACHESLAV GRECHIKHIN

Candidate of Science (Engineering), Assistant Professor, Pro-rector, Moscow Power Engineering Institute (National Research University)

This report is the fifth annual non-financial report of ROSSETI, covering the Company's activities in corporate social responsibility and sustainability. Particular attention in the Report is paid to the significant topics that reflect the economic impact of ROSSETI and its subsidiaries, the environmental and social aspects of their activities, human resource development, and occupational safety.

The Report adequately sets out a model of ROSSETI's corporate social responsibility and sustainability, provides information about the Company's real contribution to the development of society, the regions, and the country. The information is prepared using international standards of non-financial reporting. The Report notes that the Company pays special attention to corporate social responsibility, thus ensuring the efficient and sustained development of ROSSETI. This document defines the notion of social responsibility in relations with customers and details the basic guidelines of customer relations.

The Report contains the strategic priorities for ROSSETI's sustained development: fair competition, economic impacts on the development of the Russian economy, environmental protection, personnel and social programs, occupational safety, and stakeholder engagement. Sufficient attention is given to such issues of economic impacts as operational and financial performance, the capex program, and the innovative development program. The disclosed information on financing electricity connection costs, technical upgrading, rehabilitation, and new construction provide a clear picture of the structure of the Company's production activities.

At the same time, it is important to note that the principles of sustainable development imply the activities based on a balance between the interests of the present and the needs of future generations. In this regard, the Report should have disclosed information on changes in technical upgrading and should have described the prospects for the modernization of electric grid facilities.

In 2014, the Company approved the Personnel and Social Policy, developed to resolve the current and future staffing challenges faced by electric grid companies and defining the goals of personnel and social policy and the principles of its implementation. The Report adequately highlights the system of remuneration and incentive programs, the programs of life and health insurance, and the programs of sanatorium treatment and recreation. The Report details the Company's approach to personnel training, specifically cooperation with educational institutions. It is emphasized that educational institutions are not only the Company's partners in the development of employee competencies, but also the primary source for hiring young professionals. In this context, an important issue is the interaction of educational institutions with the corporate system of training, namely the network of regional training centers that fulfill basic needs for production personnel training. Tighter integration of these structures in settling the issues of personnel training and retraining for the electric grid sector will make it possible to enhance the practical orientation of training programs for specialists with higher and specialized secondary education at higher education institutions and vocational schools and raise to a qualitatively new methodological level the retraining and advanced training programs for the electric grid sector's employees. Given the importance of this issue, the Report for the next year should give special attention to it.

It should be noted that the Report systematically provides information on the interaction with society (labor unions, charity and sponsorship activities, prevention of electrical injuries among people, culture and sports development, promotion of a healthy lifestyle, care for pensioners and veterans), environmental responsibility and environmental protection, procurement practices, and anti-corruption activities.

This Report makes it possible to conclude that the issues of corporate social responsibility and sustainability were one of the Company's priorities in 2014. Information contained in the Report adequately discloses ROSSETI's real contribution to society, the regions, and the country and makes it possible to positively assess its activities as a socially responsible company.