

12. SOCIAL POLICY

KANGCHENJUNGA

Kangchenjunga is one of 14 eight-thousanders and is a very hard-to-get point. It is located in north subtropical latitudes of the Eastern hemisphere. Its coordinates are 27.7025 (north altitude) and 88.1483 (eastern longitude). In terms of geographical position the peak is located as follows: Eurasia (Asia), Himalayas, Sikkim–Eastern Nepal Himalaya. In terms of administrative regions the peak belongs to the following countries – Nepal and India.

The key direction of our HR policy in 2013 was retention of team-oriented responsible and highly productive personnel and provision of their social security. Our HR policy is officially declared and stipulated in the collective agreement, internal work regulations, program on support and development of personnel potential, regulations on staff selection, deployment and adaptation, regulations on personnel training and certification, regulations on target training of specialists with high and vocational secondary education, regulations on the personnel reserve, regulations on united wage system and regulations on non-state pension scheme.

Key directions of the Company's HR policy:

1. Retention of personnel potential.

- update of the list of positions crucial for the Company.

- improvement of incentive system and social programs, enhancement of social partnership system.

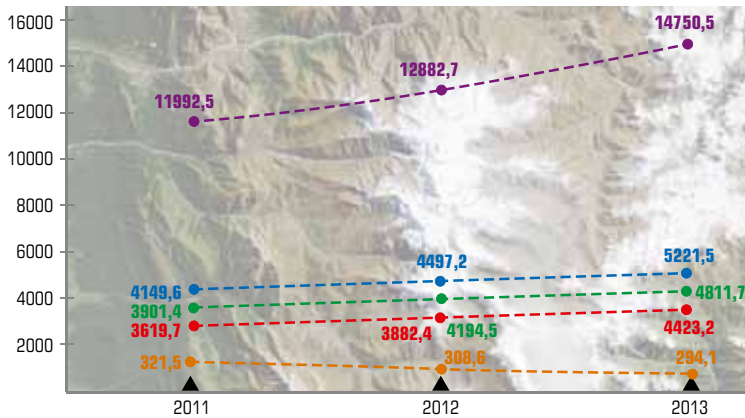
2. Replacement of the Company's personnel potential:

- rejuvenation of personnel, especially workers and technical specialists;

3. Promotion of personnel reserve:

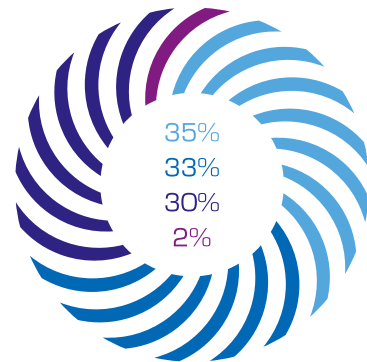
- reserve training;
- development of personnel training and retraining system (usage of regional educational centers and flexible educational technologies);
- strengthening of cooperation with leading Russian educational institutions;
- strengthening of activities related to personnel psychophysiological security.

Information on the average headcount of IDGC of Urals in 2011–2013 is shown by the charts below.



- IDGC of Urals
- Permenergo
- HQ

- Sverdlovenenergo
- Chelyabenergo



- HQ
- Chelyabenergo
- Permenergo
- Sverdlovenenergo

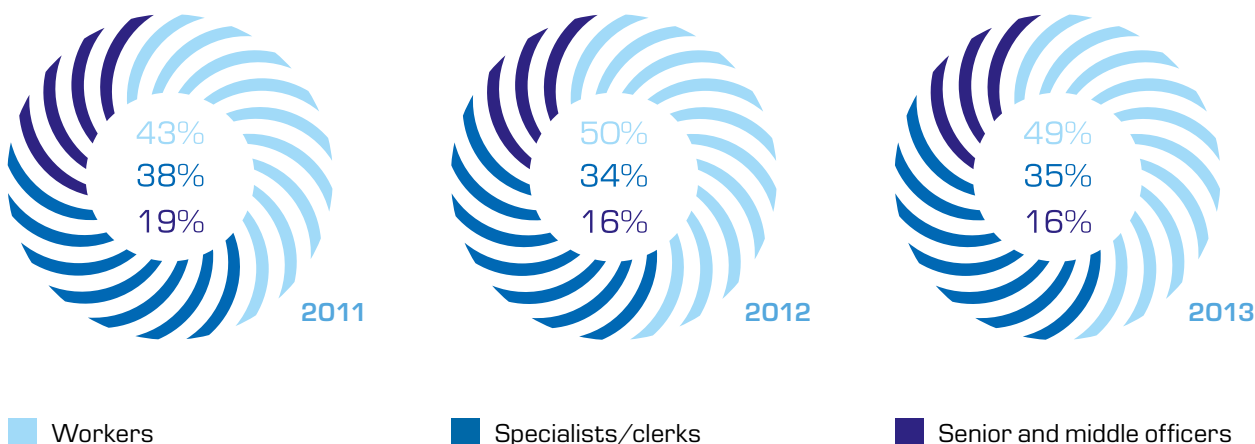




The main reasons for increased headcount in 2013 are staffing of departments responsible for capital construction (implementation of investment program due to increased investments), engagement of Uralenergotrans staff (transition to non-contracted transportation

services since 01.09.2012), staffing of Central Grids production unit (incorporated on 01.07.2013), staffing of units responsible for connection and filling-in of vacancies. Decrease of headcount in HQ during 2013 is due to optimization of management structure and functions.

Personnel structure in terms of personnel categories during 2011–2013



Shares of senior and middle officers, specialists/clerks and workers are optimally balanced. At the same time, the share of workers dominates in the personnel structure due to technological processes requiring immense labor costs.

Age structure of the personnel is characterized by the domination of employees of 25–50 years old (65%). In comparison to 2012 the indicator has slightly grown up by 1%. Analysis of educational structure of the personnel showed almost no changes during 2013 in comparison to 2012.

Our education system includes training and further training of operating and supporting personnel. In 2013 educational activities included on-site training, obligatory external training as well as additional educational programs for all personnel categories arranged on the initiative of department heads, HR departments and personnel itself.

The key provider of educational services for the Company is our corporate educational center – Educational Center of IDGC of Urals. It was incorporated as non-state private educational institution in September 2010 to train and retrain the Company’s

personnel. The center has own classes with capacity of 350 persons (annual capacity – over 5 thous.). The center meets the Company’s demands in training of its personnel. In cooperation with higher and secondary specialized educational institutions we arranged externship and on-the-job training for students to help them understand the specificity of operations and future recruitment. IDGC of Urals has 2 personnel reserves: managerial and specialist personnel reserves. The aim of personnel reserves is provision of the Company with qualified personnel that is ready for replacement or new positions as well as to increase loyalty and motivation of personnel and encourage their professional development.

Social policy is one of the most important directions, components of internal policy of the Company aimed at securing personnel social stability using various social activities and programs. The key objectives of our social program are personnel, family and veteran care. Besides, our social policy is aimed at creation of favorable working atmosphere and socially responsible corporate image with a view to attract and retain highly-skilled workers as well as at provision of decent

living for our pensioners. The social program includes:

1. Voluntary medical insurance

All employees obtained additional medical services under VMI, over 60% employees were insured against accidents and illnesses.

2. Treatment, including health resorts for employees and their children

Over 849 employees and 615 children visited all-year country and sanatorium resorts.

3. State, sector, corporate awards

In 2013 515 employees obtained state, sector and corporate awards for high results, large contributions in enhancement and development of the Urals grid sector.

4. Corporate support of personnel in housing improvement

Over 40 employees obtained corporate support in housing improvement worth RUR 3.0 mln.

5. Veteran care

We arranged clubs for veterans (technical club, chess club, computer classes, etc), paid holiday benefits as well as arranged excursions to new facilities, etc.

6. Various events for personnel and their families

We arranged competitions on skiing, volleyball, chess, swimming, indoor soccer, etc. to involve personnel in doing sports and to form teams for sector,

municipal and regional sport competitions. Our team participated in the All-Russia Winter Grid Sector Olympics arranged by Russian Grids in Sochi.

7. Discounts, guarantees, compensations paid to the personnel as is stipulated by the collective agreement (grants in cases of occupational death or disability, compensations of expenses for kindergartens, etc.)

8. Charity

The Company traditionally takes care of the rebirth of historical and spiritual centers of the Urals regions (restoration of temples and churches in the Sverdlovsk region, restoration of a temple in Belogorsky monastery). We also contributed a lot into regional sports (sponsorship during contests for Children's and Youth sport schools. Besides, the Company provided financial assistance for 20 educational institutions on the service area. In cooperation with the Urals Pearl charity fund the Company provided financial assistance to Perm Academic Opera and Ballet Theatre and Serov Drama Theatre. The Company works in close cooperation with various public and charity organizations and kindergartens, centers providing support to children (residential school, orphanages, etc.). Since 2009 we have volunteer programs (donor blood collection among personnel, arrangement of festive events, collection of clothes, amenities and toys for orphanages and child health centers).

