



**SIBUR PERSONNEL**  
**How we select and develop people**

**Social report of "SIBUR Holding"  
Closed Joint Stock Company  
2010**

# SIBUR 2010

## Production and sales

- **6% increase in production** Over 30 enterprises manufacture more than 100 types of products.
- Volume of **investments** in manufacturing - **58.5 billion roubles**, more than double the levels for 2009.
- **Large-scale investment projects** have been accomplished: new low-temperature condensation plant at the Gas Processing Plant in the Yamalo Nenetski Autonomous Region has been brought on-line, production has commenced of ethyl-benzenes and Alphapor™ foaming polystyrene in Perm, and a new line for isoprene rubber in Togliatti has come into operation.
- **SIBUR has for the first time licensed the use of its own technology** : an agreement has been signed in India to set up a joint enterprise with Reliance Industries.
- **7 new types of product** have been integrated into operations.
- **Products were supplied to 76 countries around the world.** Export sales volumes have increased by 49%.
- **SIBUR is recognised by the Ministry of Industry and Trade in Russia as the most successful exporting company in the sector.**
- **REACH:** Registration numbers have been granted to 56 substances.

## Social indicators

- **Labour productivity increase of 16%**
- **Salary increase of 14%**
- **Expenditure on social programmes increased by 14%**
- **Increase of expenditure on charitable activities by 23% - to 513 million roubles**
- **Number of employees reduced by 10% to 54 061 persons.**
- **90% of enterprises** included in the corporate programme of **voluntary health insurance.**
- **Continuing programmes of training and development of workers** with a total value of **230.5 million roubles.**
- **140 employees** took part in the first training programme, "Corporate personnel resources".
- **128 employees** of the holding company received **institutional awards, and 296 - corporate awards.**
- **More than 1500 employees from 17 enterprises** took part in the all-company sports competitions.

## Environment

- **4% increase in associated petroleum gas processing** – to 17.4 billion cubic metres or **57% of total Russian processing of APG in Gas Processing Plants**
- APG processing has resulted in the **prevention of more than 10 million tonnes of carbon dioxide (CO2)** and more than 5 million tonnes of other pollutants **being released into the atmosphere.**
- **Two-fold increase in expenditure on measures to safeguard the environment** – to more than **2.6 billion roubles.**
- **11% reduction in emissions of pollutants** into the environment.

- **12% increase in volumes of production and domestic waste. Increased volumes of waste** resulted from decommissioning of old equipment and a large volume of repair and construction work in the enterprises.
- **8% increase in the volume of wastewater** due to the renewal and installation of clean wastewater pipes at "Voronezhskintezkauchuk" and the Uzhno-Baliskii Gas Processing Plant.
- **0.92 million cubic metre reduction in the volume of wastewater emitted without treatment, as a result of the** installation of new treatment facilities at three enterprises, and also repair and reconstruction of active treatment facilities.
- **More than 4003 employees have undergone training** in relation to ecological safety and conservation of the environment.

#### **Industrial safety**

- **74% increase in the total level of industrial accidents and 21% increase in the number of incidents as a result of increased reporting transparency.**
- **Two fatalities unconnected with industrial activity.**
- **1 accident and 3 fires** took place in company enterprises. No one was injured. No damages were incurred to technological equipment or the environment.
- **2547 line managers underwent training in management of safety systems.**
- **A standard for the internal investigation of incidents was introduced.**

## Part 1. Personnel Development

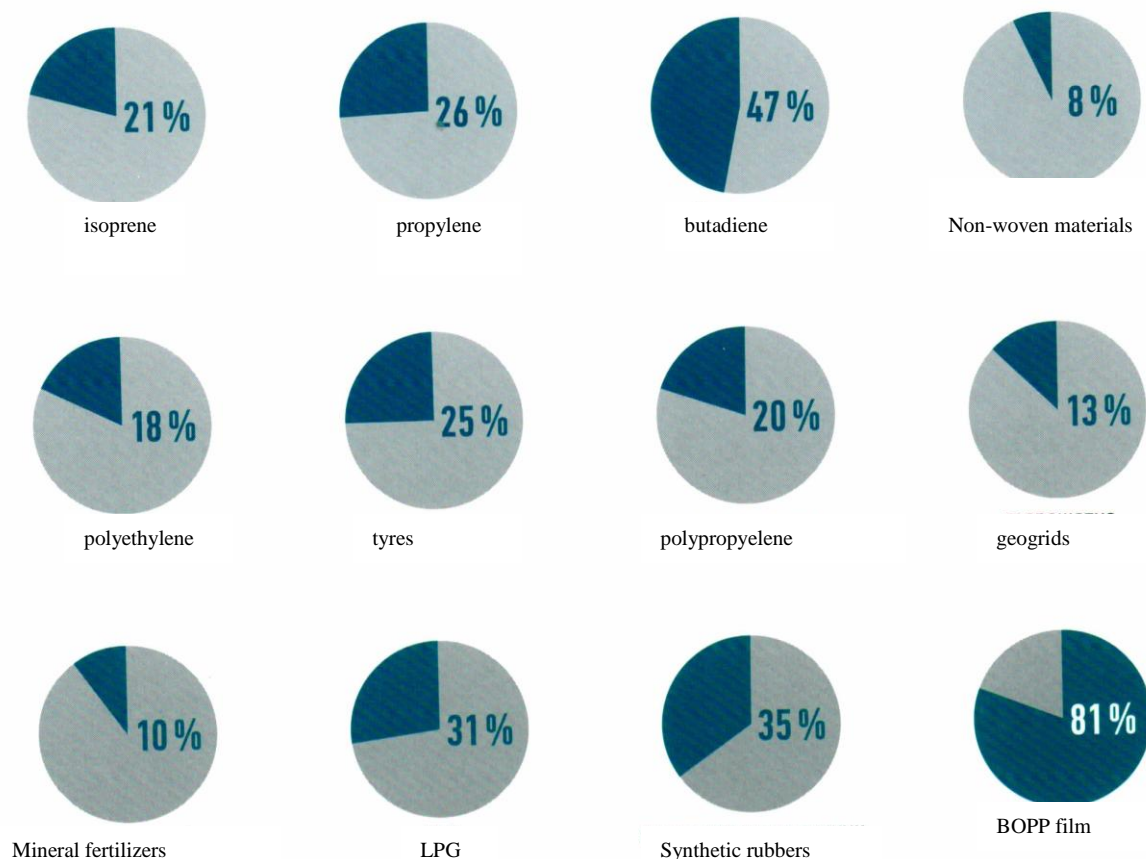
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## Part 2. Results for 2010

### *Manufacturing of products*

Based on the results of 2010 SIBUR group enterprises produced 16.5 million tonnes of petrochemical products which is 6% higher than the comparable indicator for 2009 (15.5 million tonnes).

*Diagram 1. The place of SIBUR in terms of Russian productivity*



Investments in manufacturing in 2010 almost doubled and amounted to 58.5 million roubles.

### *Social indicators*

The average number of SIBUR personnel in 2010 amounted to 54 thousand persons. In comparison with 2009 there has been a 10% reduction in average personnel numbers.

The average salary in 2010 increased by 14% (as in 2009) and amounted to 30 215 roubles.

At the same time labour productivity in the holding company also increased by 16%.

Diagram 3. Labour productivity dynamics.

Year	Labour productivity (thousands of roubles per year)	Increase in productivity (%)
2007	1929	
2008	2302	19%
2009	2673	16%
2010	3101	16%

The average age of SIBUR employees in 2009-2010 was 41.3 years of age.

In 2010 an agreement was drafted and signed with the Inter-regional Trade Union Organisation of Sibur Holding CJSC. The agreement led to the establishment of a unified level of social benefits, guarantees and compensations which the company is obliged to provide for its employees. On the basis of this agreement a model for a unified collective labour contract was developed and collective enterprise contracts were prepared. These came into force on the 1st January 2011.

#### Expenditure by SIBUR Holding CJSC on social programmes - in millions of roubles.

	2007	2008	2009	2010
<b>Health and Safety at work</b>	367	391	354	291
<b>Staff training and personnel selection</b>	94	188	139	267
<b>Expenditure for social activities and social payments including</b>	<b>1304</b>	<b>1526</b>	<b>1224</b>	<b>1396</b>
• Expenditure for payments of a social nature	316	471	435	376
• Expenditure for recreational travel	75	66	51	56
• Expenditure for charitable purposes, including	624	631	416	513
• <i>Social investments in the context of regional partnership</i>	<i>393</i>	<i>352</i>	<i>257</i>	<i>293</i>
• <i>Corporate charity</i>	<i>231</i>	<i>278</i>	<i>159</i>	<i>220</i>
• Services of third party organisations in the social sphere (inter-agency etc.)	49	68	76	77
• Housing programme		15	13	11
• Expenditure on other social needs	241	276	234	363
<b>Total expenditure</b>	<b>1765</b>	<b>2104</b>	<b>1718</b>	<b>1954</b>

#### *Charitable activities*

Humanitarian activities are an inseparable part of modern corporate style, a rule for positive spirit for companies aspiring towards sustainable development. SIBUR is no exception to this rule.

The company allocates a significant portion of its expenditure on charitable activities to regional partnership. By assisting the regions, SIBUR is in fact helping itself to construct effective relations with the local authorities, experts and the public, thus winning opportunities to develop its business in a specific territory, implement new projects and attract new well-qualified personnel. In 2010 SIBUR spent 293 million roubles (279.5 in 2009) on regional partnerships.

Another portion of charitable expenditure is allocated to supporting the social infrastructure in the regions where the company works. A priority area for corporate charity is support for ecological projects, development of educational programmes in chemistry and pinpointed assistance to social infrastructure agencies. In 2010 the company spent 220 million roubles (136 in 2009) on these purposes and more than 150 agencies benefited from assistance.

A charitable fund located in the company's corporate centre aims to encourage the individual participation of workers in charitable activities. The fund is not juridically represented and is a purely voluntary corporate establishment. The fund collects assistance for people in need and twice every year carries out campaigns to collect donations. Through this fund every employee of the corporate centre can become personally involved in corporate charitable programmes and make personal contributions to special projects. They can also propose their own programme or specific beneficiary. Programmes for collecting individual contributions from employees operate in another 8 enterprises of the company.

In 2010 SIBUR entered into a cooperation agreement with "Donate a Life", a popular fund which provides help to children with oncological, haematological and other serious illnesses. Collection boxes for this programme have been set out in the corporate centre of the company as a consequence of this agreement. The company doubles the amount of money collected in the boxes, in this way encouraging the charitable initiative of its employees.

### ***Corporate sociology***

SIBUR is in the process of constant change and it is important that the high rate and nature of the changes within the company do not entail destructive social consequences. Of course, collective labour factors exist in any company. Average salary, staff turnover, labour effectiveness, however, these features have only an indirect connection with the atmosphere within the labour collective, or what is now acceptably referred to as "social and psychological climate". Therefore, since 2010 the company has applied an indicator of social processes based on quantitative inquiry, focus-groups, expert interviews. Social diagnostics is used for the evaluation of social risks and the quality of work of the company management and the individual enterprises with regard to improving the social atmosphere of the collectives.

Social diagnostics will be carried out every year in all SIBUR enterprises, the inquiry in which about 9000 employees took part was carried out for the first time between February and March 2010. The features which define the social atmospheres in the labour collectives were divided into 4 main categories. A separate analysis was carried out in each of the four categories.

*Optimism.* This indicator reflects the optimism of the workers with regards to the future of their company and their personal future. This indicator is directly linked to the investment activity of the enterprise. This indicator is highest in those factories where the equipment is actively being renewed, new installations are being opened and investment projects are being carried out.

*Job satisfaction.* If the employee feels that the company cares about him, then this produces greater activity in return. This indicator was achieved on the basis of summarising the results from a whole range of questions: job satisfaction in general, satisfaction with salary, satisfaction with the organisation of the labour process (work place equipment, availability of the tools needed, compliance with the requirements of industrial safety). It also includes an evaluation of domestic conditions (special clothing; equipment, cabin furnishings, showers, toilets; organisation of meals), opportunities for professional and career development.

*Company loyalty.* This indicator demonstrates the extent to which the employees are dedicated to their enterprises, willing to continue working, willing to recommend the enterprise to their friends as a good place to work. The higher the level of identification with the company, as reflected in this indicator, the lower the risk to the company of losing employees.

*Job motivation (involvement).* This is one of the most important indicators since it demonstrates the extent to which the employee is prepared to dedicate himself to high-quality and effective labour. It also shows whether the worker understands the extent to which the results of the work of his sub-unit and the entire factory depend on his personal labour efforts, and how the results of his labour influence his salary. An important factor for involvement in work is the working atmosphere, relationships between the employees and managers at varying levels and willingness and ability to resolve labour matters within the collective. This indicator includes an evaluation of the quality of information work.

Special programmes have been developed on the basis of the results of social diagnostics, aimed at the removal of any signs of social failings in any of weak areas of each factory.

### ***Industrial safety***

As a results of increased reporting transparency and the quality of records of minor injuries, the injury coefficient (LTIFR)\* in 2010 increased and amounted to 1.26 (together with „SIBUR-Russkie Shini“ and „SIBUR Minudobreniya“ subsidiary holding companies). There was a 75% increase in the reported number of injured employees in 2010 in comparison with 2009 (to 127 persons). About half the incidents were connected with insignificant injuries as a result of falls on slippery surfaces. The injury coefficient at SIBUR is the same level as the leading petrochemical companies in the world. In 2011 the aim is to reduce the coefficient to 1.1

Furthermore, as a result of the increased reporting transparency the number of localised industrial incidents has increased by 21% (to 170). However, there was no significant damage to technological equipment or the environment.

In 2010 SIBUR allocated 3.6 billion roubles to measures aimed at maintaining health and safety at work and to ensure industrial safety. Specific measures included a diagnosis of equipment and the acquisition of new personal safety items. In addition to this 9 in-house training teams have been established, which have trained more than 1500 line managers in the company's enterprises. Many industrial safety programmes and projects have been developed and implemented as result of the contract with DuPont, an international company in this field.

Moreover, in 2010 SIBUR developed corporate standards for cooperation with its subcontractors in the area of health and safety at work and industrial safety, transport safety standards, internal audit systems for managing health and safety at work and industrial safety, and safety behavioural audits.

In 2011 the main aims of the company in the area of nature conservation, health and safety at work and industrial safety remain the reduction of environmental impact, enhancing the effectiveness of the corporate system of ecological management, reduction in the risk of accidents and injuries to employees, and also improving the system of health and safety and industrial safety management.

### ***Ecology***

SIBUR considers ecological safety, preservation of the health of man and the environment to be an inseparable element of its activities and one of its strategic priorities.

One of the most important aspects of SIBUR's ecological mission is the processing of associated petroleum gas (APG) formed as a result of oil production. In 2010 APG processing increased in comparison with 2009 by 3.9% and amounted to 17.45 billion cubic metres.

Based on the results of 2010 SIBUR allocated 2.6 billion roubles, or 97% more than the same indicators for 2009, for the implementation of nature conservation measures.

In 2010 emissions of pollutants into the atmosphere fell by 11%, the volume of solid waste increased by 12% and the volume of waste water rose by 8%.

The significant reduction in atmospheric emissions at the Perm site is connected with the completion of construction of the new ethyl-benzene production plant and the decommissioning of the old plant. The use of the most modern technology based on zeolite-containing catalysts has led to the complete cessation of atmospheric emissions of hydrogen chloride and aromatic hydrocarbons, and also pollution of wastewater with chlorides, aluminium and phenol salts.

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\* \* Lost time injury frequency rate – LTIFR (coefficient of the frequency of injuries with temporary loss of ability to work) and Lost time accident frequency rate – LTAFR (coefficient of frequency of accidents) in world practice are the basic indicators for the effective functioning of companies in the area of health and safety at work and industrial safety.

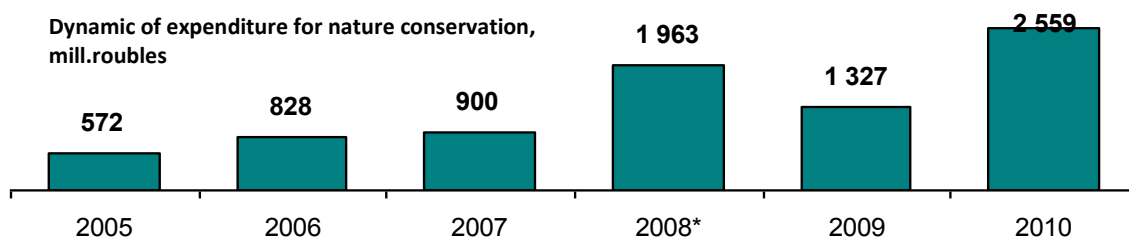
LTIFR = (total lost working time as a result of injuries) x (1 million man hours) / (total completed working time).

The insignificant increase in the volume of wastewater emission is connected with the renewal of operations of the purification plants at the „Voronezhsintezkauchuk“ and Iuzhno-Baliskii Gas processing plant after complete modernisation and a transition to the complete biological purification of water used at the industrial installations. Furthermore, there has been a 0.92 million cubic metre reduction in the volume of waste water emitted without treatment as a result of the introduction of the new treatment facilities and the repair and refurbishment of the existing ones. Additionally in the past year water treatment facilities at the "Nyagangazpererabotka" and „Muravlenskoviiskii“ GPP and „Omskshina“ have been built and refurbished. At the „Tobolski-Neftechim“ plant the fire hydrant system has been modernised, the neutralisation and treatment of industrial wastewater plant has been refurbished and the fish protection installation at the water collection facility has been renewed.

Payment for negative environmental natural impact for 2010 have been reduced in comparison with 2009 by 14% and amounted to 41.7 million roubles.

In 2010 SIBUR ratified a certificate of compliance with the corporate system of ecological management (SCEM) in accordance with international standard ISO 14001:2004. In 2010 the Ecological Code of Conduct for SIBUR employees was passed. The annual social report of SIBUR for 2010 was devoted to the ecological activity of the company and the petrochemical sector.

The company is involved in the implementation of a series of projects in the area of charitable programmes. In 2010 the current phase of the "Plants give life to children" project was carried out. The aim of the project is to provide children's institutions with specially selected sets of phytoncidic plants. A competition entitled "Ecotour" for ecological reporting was held in the mass media.



In April 2011 SIBUR successfully completed a re-certification audit of the corporate system of ecological management (CSEM) in compliance with the requirements of the international standard ISO 14001:2004.

The audit was performed by Bureau Veritas Certification Rus, an independent certification body, in the corporate centre and in six SIBUR enterprises: „SIBUR PETF“, „SIBUR-Neftechim“, „Iuzhno-Baliskii“ GPP, Krasnoyarsk synthetic rubber plant, "Azot" and "Orton".

In 2008 the company was awarded a three-year CSEM compliance certificate in accordance with the requirements of ISO 14001:2004. CSEM certification led to increased integration between the areas of industrial safety, health and safety at work and ecology and more than 10 thousand employees have been trained in the principles of ecological safety. In addition the practice of corporate audits has been introduced. Every year the company undergoes monitoring audits and successfully confirms its compliance with the requirements of the standard.

Based on the results of the audit the SIBUR corporate system of ecological management has been recommended to receive an extension of certification in accordance with international standard ISO 14001:2004 for the next three years.

### ***Public recognition***

On the 25th February, 2011, by decree of the Chairman of the Government of the Russian Federation, the president of SIBUR, Dimitrii Konov, was awarded a science and technology prize for his contribution to the development and implementation of scientific principles for the creation of a national system of safe handling of chemical products. Dimitrii Konov together with the leading scientists and representatives of the government authorities jointly authored the Concept of National System for the Safe Handling of Chemical Products. In 2010 the leading petrochemical enterprises in Russia completed the first phases of certification of their products in compliance with European REACH technical regulations. These regulations have been applicable in the EU since the end of 2006. Their primary purpose is to ensure a high level of protection of human health and the environment in relation to chemical production. In compliance with the concept developed in Russia methods of assessment and reduction of risks are being introduced. The results of this work are being used in all the enterprises in the sector and more than 23 thousand safety passports for 10 thousand types of chemical products have been developed and registered in compliance with these requirements.

Furthermore, in December 2010, Dimitrii Konov entered the rankings of the twenty most influential managers of the chemical industry in the world. SIBUR thanks to its rapid growth and modernisation is ranked no.1 in the ratings of chemical companies in Eastern and Central Europe and also as a result of the forecast 20% growth in sales of products to China this year (as a result of the opening of commercial office of SIBUR in Shanghai). This based on the data of the international journal, ICIS Chemical Business.

In September 2010 seven representatives of SIBUR were ranked first in the „TOP 100 Russian Managers“ - annual ratings of the Association of Managers in Russia. Out of 9 nominated top managers, SIBUR managers occupied the 7 leading positions within their own sector group. The first places in the „Chemical Industry“ group were awarded to Dimitrii Konov (senior managers rating); Aleksey Filippovskii (financial directors); Kirill Shamalov (government relations directors); Mihail Mihailov (corporate management directors); Aleksey Firsov (public and corporate relations directors); Anna Ziryanova „SIBUR - Russkie Shini“ (personnel management directors); Pavel Buslakov, „SIBUR – Minudorebeniya“ (marketing directors).

### ***Petrochemical industry popularisation***

On the 1st December 2010 in the corporate centre of SIBUR a ceremony to award prizes for the 1st International Competition for ideas in the area of the application of synthetic rubbers and polypropylene took place. The total prize fund amounted to 1.5 million roubles and 92 scientists between the ages of 20 and 72 took part in the competition.

As a result of the competition, in the section „synthetic rubbers“ the winners were Arkadii Poteryaev, postgraduate student in the Institute of Physical Chemistry and Electrochemistry (with an idea to the replace cement with polymer-cement based on latex), Aleksander Bush, senior research assistant of the Institute for Petrochemical Synthesis of the Russian Academy of Sciences (with an idea for the production of artificial poly-isoprene latex as a replacement for natural latex), Nikolai Pusharovskii, research assistant of the Institute for New Hydrocarbon Materials and Technologies (with an idea for the use of rubber for the production of oil and heat resistant automobile parts).

In the section „polypropylene“ the prize winners were Professor Evgenii Potapov of the M.V. Lomonosov Moscow Institute for Fine Chemical Technology (with an idea for the use of natural mineral compounds for the production of polymer materials), Denis Chashchihin, technical manager of the company "AskoNobel" (with an idea for the creation of a reagent for the production of so-called "branched" polypropylene), Kristina Sorochkina, a student at the Chemistry Faculty of the M.V. Lomonosov Moscow State University (with an idea for the use of polypropylene for the production of wood-polymer railway sleepers)

All the ideas submitted will undergo testing by the technical research and production services of SIBUR in order to evaluate their economic effectiveness and possibility for inclusion in production.

You are welcome to send your opinions about this report and proposals for the contents in future reports to the following address:

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You can read the Company social reports for 2006, 2007, 2008 and 2009 at [www.sibur.ru](http://www.sibur.ru) in the section "Social Responsibility".