



STEP CONSULTING GROUP

Sustainability Report 2010

Quick facts

Founded: Moscow, 1994, by Eugeny Emelyanov and Svetlana Emelyanova, professional consultants in management development

Company name: STEP Group

Subsidiaries:



STEP Consulting Ltd.



SQI Management Ltd.

Head Office: 121069, Russia, Moscow, Malaya Nikitskaya 27, building 2

Ownership: 100% privately held by Eugeny Emelyanov and Svetlana Emelyanova

Number of employees: 33

Mission: promoting development of modern, client-centered business in Russia

With help of: providing professional consulting and research services

STEP Consulting	SQI Management
Number of clients: 220	Number of cities with ongoing evaluation of service quality: 6/4
Number of projects: 590	Number of mystery shoppers: 15 143

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Message from Engeny Emelyanov, President of STEP Group

We are often asked by our clients about our company's name: "Why is it STEP"? Step might seem a bit slow, given the rapid growth of Russian business. Names are important, and coming from our clients, the question is to be expected. We've spent almost the entire period of the revival of Russian business with our clients, from perestroika to the present. For both our clients and ourselves, these two decades have been a leap forward. Why not name our company Run, or Jump, or Breakthrough?

We're well aware of the importance of growth rates, but from the very beginning of our practice in the mid-1990s, we have based both our ideals and our methods on the foundation of sustainability. Thus, on the one hand,

STEP refers to the stages of organizational development and the value of growth for business companies. On the other hand, STEP refers to a model of strategic institutional stability. STEP unites the two. Time after time over the last two decades we've overseen the dramatic growth of many companies and we've helped many companies retain their fundamental stability. We have developed unique competencies by helping our clients deal with the challenges of both development and stability.

First, we saw that in the final analysis all businesses are fundamentally alike. The important thing that distinguishes one company from another is the company's particular team of people: their energy level and "drive," their experi-

ence and creative potential, and their positioning as a team in their market. Thus our first competency was focusing on the company's people—how to most effectively use their abilities and talents, how to coordinate personal goals with organizational goals, and how to optimize motivation—to promote both the company and the people. We follow advances in this area of human development closely and are regularly inspired by the discoveries being made by our clients.

Second, we saw that continuous study of best practices in Russian businesses and around the world needed to become a way of life. Thus our second competency was a focus on benchmark- ➤



ing. We actively look for best practices with demonstrated effectiveness in business and share this knowledge with our clients. Our client companies gain an advantage by adopting best practices earlier and more fully than their competitors. The key insight in the use of benchmarking, however, is to introduce practices that fall into a company's zone of proximal development—practices that meet a company's actual experience, needs, and resources and help people take the next appropriate step. That is why precise changes in a company and new experiences among employees, have always been the focus of our work.

This dual approach has allowed STEP and our clients to move steadily forward together during both periods of rapid progress and times of crisis. STEP and many of our clients faced the ultimate question during 2010: "To Be or Not To Be." But the competencies that served us well during turbulent times in Russia's recent past have served us well in this

time of unprecedented global economic crisis. We are proud of our emphasis on the sustainability of each company, our attention to the human factor, and our comprehensive and speedy use of effective tools for responding to this crisis. All of our clients are alive and active in their respective markets.

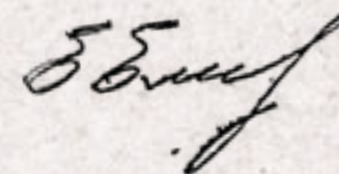
Together with our clients we learned how to quickly shift paradigms, from working for a high growth rate before the crisis to maintaining stability in the unpleasant conditions during and after the crisis. We worked together to cut their budgets, including the budgets for our consulting projects. We worked together to create new ways to retain employees and motivate them to aspire to new goals. We did not lose any of our own specialists and we achieved our primary aim: weathering the crisis with our clients and emerging with new prospects for moving forward.

Now that continuous change has become the new normal, our plans indi-

cate another paradigm shift: from saving our businesses back to developing the new business opportunities provided by the market in times of crisis.

Each new inquiry from our stakeholders reminds me that we're participating in their development. It is nice to feel needed, but there is also the contrasting feeling that my stakeholders are very important for me, my family, and the people around me. It is pleasing to walk in our town, enjoying colorful decorations, advertising, and well-dressed people in stores with friendly sales people and a wide assortment of life's necessities. It is pure pleasure to watch one client's company building the town, another client's factory producing the goods, and a third client's trucks delivering products. We feel privileged to be involved in all of this.

Eugeny Emelyanov



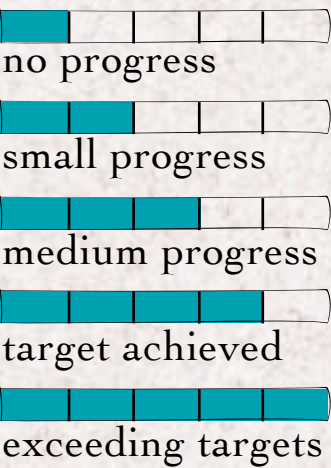
Activities and achievements

STEP's principal activity is working to increase our clients' business effectiveness and sustainability. We've achieved our own sustainable growth because our clients' briskly growing companies have become market leaders. They

value STEP's role in their success and regularly come back to us with new requests. Despite the ongoing crisis, our 2010 results are quite satisfactory. All of our customers avoided catastrophe and many continued their own growth.

Table 1 below shows the results on key performance indicators of the clients who represent 80% of STEP's revenue. These companies generate annual revenues of nearly €1.2 billion and employ in excess of 7,500 full-time employees. ➤

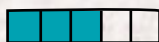




To assess progress, we used a scale of 5 levels:



Sustainability of the main clients of the STEP Group				
Focus of attention	Target	Goals for 2010	Progress	Goals for 2011
Services / Clients	Increased sustainability of the companies of STEP's key customers on three indicators: <ul style="list-style-type: none">RevenueEBITDANumber of employees	Hold the key indicators at the pre-crisis level	<div><div></div><div></div><div></div><div></div><div></div></div> <ul style="list-style-type: none">Revenue growth of => 25% (av. 52.3%)Earnings growth – (av. 13.5%)Growth in the number of employees – (av. 3.9%)	<ul style="list-style-type: none">Main indicators exceed market averagesImproved customer satisfaction

The ways our customers' businesses handled the crisis differ widely. Each company felt the impact of the crisis at different times, overcame challenges in its own way, and recovered at its own pace. The smallest of STEP's customers tripled its workload and doubled the number of workplaces. Some of our customers who had experienced particularly rapid growth entered the crisis anticipating significant operating losses. Successful crisis management during 2010 led to at least a 20% reduction in their operating losses and many ended the year in the black. Though many companies that restructured during the crisis were unable to increase their number of employees, all of them eventually solved the problem of retaining key specialists, attracting necessary working capital, and obtaining new orders. They emerged from the crisis optimistic about the future.

STEP Group's own achievements

Focus of attention	Target	Goals for 2010	Progress	Goals for 2011
Economy	Stable workload and income of STEP Group	Restoring the number of completed projects		Workload growth compared to 2009
People	Improved welfare of STEP Group employees	<ul style="list-style-type: none"> • Preserving jobs • Increasing employee incomes compared to 2009 		<ul style="list-style-type: none"> • Increasing number of jobs • Increasing the level of fixed salaries
Society	<ul style="list-style-type: none"> • Consolidation of the consulting community in Russia • Support of a new generation of entrepreneurs 	<ul style="list-style-type: none"> • Increased AS-CONCO association membership • Increased number of projects in small and medium business, and tutorship 	 	<ul style="list-style-type: none"> • Development of ASCONCO Association • Popularizing the Sustainability Report in Russia. • Assistance in reporting
Environment	<ul style="list-style-type: none"> • Saving resources • Reducing harmful impacts 	<ul style="list-style-type: none"> • Reducing use of vehicles 		Employees quit smoking

Small company, big impact

A professional team of young consultants founded STEP Consulting in 1994 and in 2010, STEP Group celebrated its 17th birthday as a private Russian consulting organization. In 2004, the STEP SQI Management Department was spun off as an independent business offering service quality evaluation. These two companies are united by a common STEP corporate culture and always support each other's performance.

STEP Consulting was founded while the concept of entrepreneurship was still taking root in Russia. Our primary mission was to help the emerging private sector develop and become stronger. Our job was to help the bona fide private businesses that were being created from scratch to become the healthiest organizations, the most competent part of society, and the foundation of an active middle class.

We offer our clients something far

more useful than abstract book knowledge: thoughtful solutions — proven in real life experience — and the help to integrate them into their businesses. We know how this works in many businesses and companies. We work with business structures, processes, people, and technologies. Because all changes in a company are made by people, we are specialists in adapting new tools and technologies to real people. We build structures and functional charts to suit the possibilities and specialties of employees, the same way a skilled tailor sews a good suit to fits the customer's figure. We call our practical alignment of people and technology, human technology.

We work with both small- and medium-sized businesses. We are always interested in working with small businesses because they respond quickly and clearly show the effects of our work. We work with small businesses at a minimal

cost. Most of our customers, however, are medium-sized businesses. We help these customers to effectively use their main competitive advantage: the ability to develop rapidly and flexibly, and to constantly improve their efficiency. We work with skill and care, respect our clients' uniqueness and stage of development, and avoid building formalized structures or insisting that something is mandatory. We share the technologies, tools, and processes that are useful in the company's current reality. Along with ➤



the business growth happening before our eyes, we notice that companies are beginning to think more consciously and responsibly about social and environment issues.

We treat a company's human potential with great care. Although we always work for the interests of the owners, it is important that employees feel comfortable, are interested in their work, and can grow with the company. In every project we try to place people in the most optimal way that allows them to unlock their talents and abilities. If it is necessary to fill the position of top-manager, we always consider whether there are suitable candidates among the employees. When candidates aren't sufficiently experienced, we may help them to develop needed competencies, and initially, may even help them manage their increased level of responsibility.

We always develop with our clients — we teach them and they teach us. Every project creates mutual benefit. Our role

is to catalyze and gather ideas. We work with companies operating in various fields of business and study best business practices at professional meetings and conferences. We synthesize this wide range of experience and adapt it to address each client's unique business need. By continually absorbing new experiences and using these to enrich others we ensure our own ongoing growth and development.

We also develop for our clients. Recommendations we offer our clients often result from trying out an idea on ourselves. For instance, many of the



tools we used to help our clients weather the crisis of the last two years, were tools we created and used successfully in our business. The crisis reminded us that the shoemaker should always wear the best shoes.

SQI Management. This company's ultimate aim is to make peoples' lives more comfortable. It is the first company in Russia to professionally use the mystery shopper method of evaluating customer satisfaction and quality of services in nearly all markets across Russia.

We work to international standards and integrate them into the Russian business. In 2005, our company was one of the first Russian companies to become a member of the Mystery Shopping Providers Association (MSPA). This is not a pro forma membership: we fully support the principles and the Code of Ethics of MSPA and follow the principles in our work.

Our work has one focus: to improve the quality and level of service. Because ➤

of our work, chains of mobile phone stores, shops, banks, and insurance companies see themselves through their customers' eyes and continuously improve their work. The quality of services in these chain stores is increasing and the number of satisfied customers is growing.

We regularly organize not-for-profit research projects at our own expense to assess service quality in different markets, both at our own initiative and in partnership with business periodicals and foreign partners. Every year, we hold a competition among companies for the best quality of service. Awards are given in several categories to winners chosen from the list of nominees. The competition has media coverage in professional and corporate media. By publishing the competition results and explaining the advantages of high quality services, we are highlighting the importance of customer satisfaction and the value of the culture and quality of services. We also monitor and publish the dynamics of service quality, and report

findings in case studies of companies, trying to raise the bar for service quality in the market. The trends in our research results show that this approach works. There was a noticeable improvement in indicators such as politeness, attentiveness, quality of verbal communication, appearance, and cleanliness in retail chains during the last three years. We are pleased to have contributed to this growth in quality.

There was still a demand for our services during the most difficult months

of the crisis. Even at the worst possible time, we continued to pay fees to our subcontractors—the mystery shoppers. This is important additional income for many people, especially in the regions, since mystery shoppers are often drawn from the most vulnerable populations.

SQI Management conducted service quality evaluations in 614 cities in almost every part of Russia using a total of 15,143 mystery shoppers. We also execute projects in the Ukraine and Kazakhstan.



Our services

Owner's consulting

✓ **Building partnership.** We help owners to effectively manage their assets and ensure their preservation and development. In numerous situations involving either the Russian tradition of joint ownership of a business or joint control over a project's realization, our task is to facilitate a clear, businesslike relationship. In these cases, we deeply explore and objectify the "rules of the game." When there is a misunderstanding, conflicts can fester and relationships can sometimes come to a standstill, risking the collapse of the business. Like a family system, when the parents are openly in conflict with each other, the children suffer. In some cases, it may be appropriate for individuals and businesses to consider "divorce" to minimize both financial and emotional losses to the business and its owner. In other cases, when

partners can not agree on their own, the presence of an experienced consultant who mediates an open discussion of accumulated problems, may help partners rebuild a mutual understanding and regain confidence. It is possible to preserve a business without losing its momentum. But, most importantly, it is possible to restore normal human relationships and the ability to work together. In these circumstances, as they dispel accumulated

resentments and suspicions, partners often go to a new level of relationship. Streamlining interaction rules and zone of responsibilities not only gives fresh impetus to work and development, it can also offer a new lease on life.

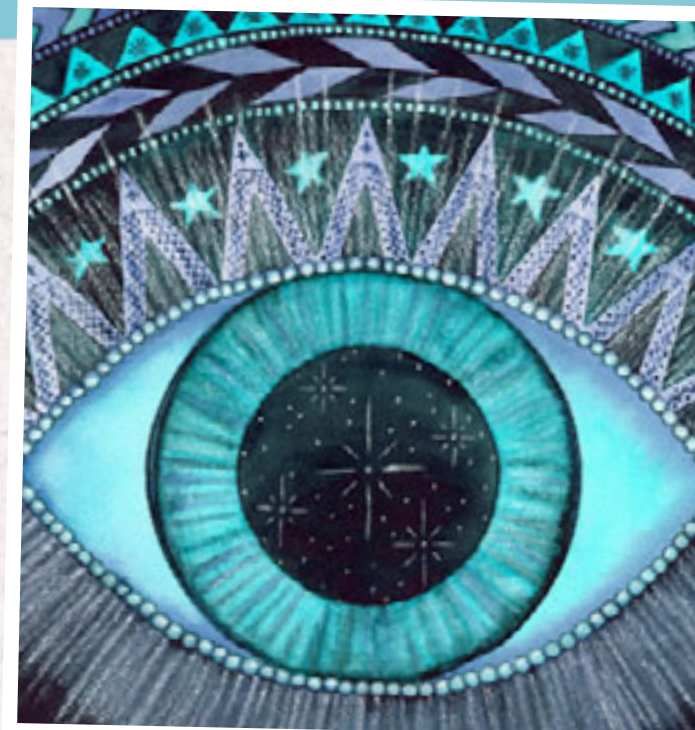
✓ **Delegating business management to a professional manager.** As a business grows, the vast majority of owners become aware of the



need to shift from direct management to delegated management — from operating their own business to hiring a professional manager. We participate in selecting a new manager, embedding him in the company, and helping the owner learn a new role, which can include organizing corporate governance and working with the governing board. We work with growing companies and face challenges like these regularly.

There are two parts to this complex process. The psychological part helps owners to step aside and let go of some of the load. The instrumental part includes (a) developing and signing a formal contract between the new CEO and the owner (or governing board) and (b) supporting communications between the owner and CEO (scheduling meetings, validating report formats and so on) — in short, helping each of the participants to achieve the deepest possible mutual understanding.

✓ **“Third Eye” service.** Sometimes we act as a controller and assistant for both the new CEO and the owner at the acceptance stage and when the new manager has begun to actually manage the business. We call this service the Third Eye. We provide the owner with an independent view of the state of the business by collecting and systematically presenting information on the status of key aspects of the organization. We give the owner a “dashboard” with an orderly array of both traditional financial indicators and information about the causes that led to the present results. At the same time we provide the CEO with information about the status of business processes, emerging deviations from the effective implementation of technologies (with proposals for their optimization), trends in corporate culture, and changes in employees’ motivation. In many cases, advisors act as coaches for the company’s managers, helping devise a formula for solving their problems.



The Third Eye is not a detached, mechanical look, but rather an effective human linkage between a company’s corporate governance and operational management. This linkage contributes both to the implementation of the owner’s personal strategies and to a full understanding of the resources, capabilities, and limitations of the organization. It provides formal information on both the status of the company and the status of the people through an understanding of their attitudes, relationships, and conflicts of interest. The linkage permits early detection of a significant number of emerging problems that are easier to resolve before they manifest in an acute, critical form harmful to the organization.

Management consulting

We offer a wide range of management consulting services, from “Systematic Organizational Change” (SOC) to projects for improving the efficiency of local business processes. SOC projects realize changes that affect the whole organization and help a company reach the next level in its development. Work in these projects is implemented in stages, beginning with developing a strategy and organizational structure for the business as a whole and concluding with work at an operational level with distinct business processes and functions.

The breadth of our services is a result of our history. From the very beginning of our work in 1994, our customers included both mature western companies entering the Russian market and—at the time—small, emerging Russian companies. The work

experience of these mature companies became increasingly instructive for the formation and growth of Russian companies. We learned from this experience and grew alongside Russian business leaders.

As the growth of Russian companies increased the need for the level of corporate governance, there was a parallel increase in the need for more diversified consulting services. Now we are more engaged in optimizing specific business processes, activities, and management units. But we still prefer a top-down approach: (a) clarifying shareholder objectives, (b) getting to know (or developing) the strategic guidelines for the company's progress, and (c) understanding the essential goals of the services, departments, and business processes in the larger context. Here are descriptions of several of the dedicated independent services we created over the last 17 years.



Strategic planning

The demand for strategic planning is rising sharply during the crisis. From vision, to a deep immersion in the realities of the market (including resource analysis and competitor activities), to a synthesis of these pictures in a realistic program of long-term company actions—“thesis, antithesis, synthesis”—is the logic of our work in strategic planning. Having solved high-priority tasks for optimizing costs



and recovering operational efficiency, companies immediately turned their attention to understanding the new realities that have emerged in the world and their prospects in the new business environment. We are the most pleased that some of our customers are developing new strategic plans today based on the fully executed strategic programs they developed with our direct participation in previous years.

✓ **Management By Objectives (MBO).** We saw first clear demonstration of how management by objectives works in 1994, when a telecommunication company that was developed in a highly competitive market used MBO to make great strides in its market position. Since then we have regularly implemented this proven management system in a variety of firms. With its help these firms have successfully weathered crises, implemented ambitious company projects, and made breakthroughs

in meeting their targets. Russian firms require tools like this that can be used by managers with minimal skills, that complement key performance indicators (KPIs), and that are easily combined with various incentive schemes. The self-evident utility and simplicity of management by objectives have made this tool one of the most popular in our practice.

✓ **Developing sales departments and increasing sales.** “Business is selling!” Although the statement is over simplified, we agree 100%. No one will consider building manage-

ment systems an achievement if the clients who use them do not succeed in sales. That’s why we watch the media, communicate with friends, work with customers, and listen to expert presentations to discover new resources, methods, and best practices that enhance sales. All of our customers pay attention, above all, to how their sales departments work. Most try to apply in their situations the things they learn from us that might stimulate commercial activity for their company.

✓ **Assessment and personnel positioning.** “A good staff is the guarantee of success” is especially true when the right people in an organization are in the right places at the right time. This synergy among talents, tasks, and timing is only possible when a company has a complete understanding of every employee’s potential. Highly developed assessment tools help address this chal-



lenge. They create a sound basis for developing future training programs and systems for career development and employee motivation.

✓ **Development of motivation systems.**

One of our customers spoke from his own experience : “Six months without any financial incentives and the business is already dead.” The construction of effective motivation systems is a delicate and urgent matter, not least because they must simultaneously maximize the achievement of both the organization’s and the employees’ objectives. A good motivation system — aligned with both the organization’s and employees’ objectives — ensures the desired results for both the business and the people who built it.

✓ **“Internal Customer” software.**

When a company is using this unique system, it fosters a client-oriented attitude in internal communication concerning services, departments and employees. In monitoring mode, the “Internal Customer” software provides visual feedback on problem areas in company management. It addresses problems by facilitating horizontal cooperation within the company. It provides



tangible encouragement for positive relationships by increasing the speed of developing and implementing solutions. The result is an increase in office staff productivity and ultimately in customer satisfaction.

✓ **“Inheritors of the business.”**

Many businessmen want to pass their experience as entrepreneurs and managers to their children; some also want to pass on the torch of ownership of the business they created. We help owners prepare the next generation and help the members of the younger generation take their first, often most difficult, steps in the business world. We help find a sphere of business that is both attractive to the aspiring business person and offers the best prospects for growing their potential to start and manage a business. In this program, every project is unique, so we choose new moves, new solutions, and new tools to match each person and each need.

Best Practices

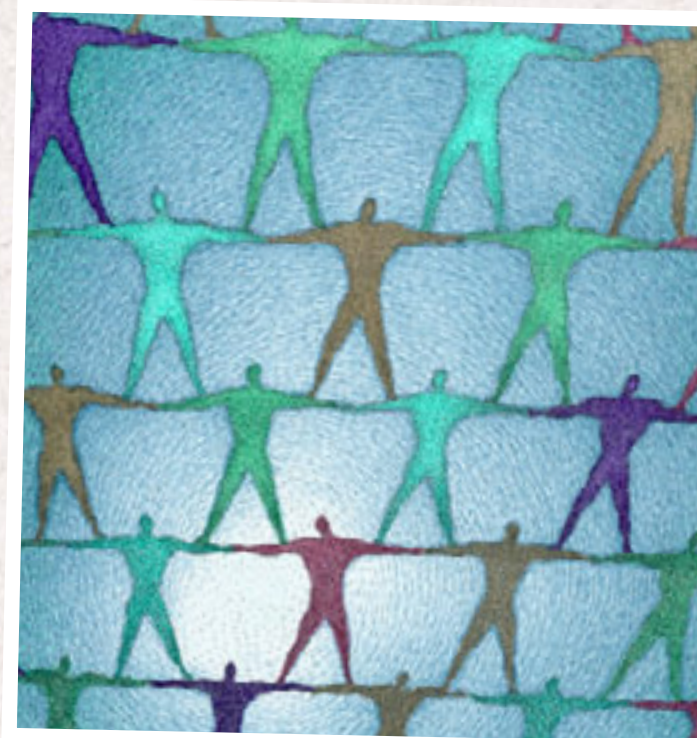
We try to create a space where our clients can learn about other companies' experiences, ideas, and findings regardless the nature of their work and location.

STEP's Business Meetings is STEP Consulting's elite club—only company owners and top-managers for invited. Our approach to organizing Business Meetings has been refined and proven over many years. We carefully select topics of current interest to participants and provide opportunities for each to a position on the issues under discussion. Participants experience a unique atmosphere of openness and trust based on informal contacts and the possibility of finding new opportunities for developing partnerships and alliances for new projects.

STEP's Business Life is a regular bulletin that STEP has published since 2001 at our own expense for friends and clients. We use the bulletin to share the experiences of bright businessmen, the achievements of other companies, and own our observations and opinions.

SQI Management

Service Quality Index is a tool for assessing the quality of services that provides information on the implementation of service standards in networks such as retail chains, banks, and insurance companies. SQI help client companies to see achievements and weaknesses in services, compared to its competitors and the market averages. We understand the connection between customer satisfaction and sales level. We select and monitor service criteria that are important to customers and monitor their satisfaction with the services they have received.



We've been assessing the kinds and quality of services in different markets for many years. We've have become expert carriers of knowledge that we share with our clients in different businesses.

We don't stop with digitizing and presenting evaluation results. SQI partners with management consultants to offer a comprehensive solution for service quality improvement: developing service quality standards and personnel motivational systems, plus conducting trainings and education for employees.

Our priorities

STEP's stakeholders and priorities

The stakeholder map of a business like ours is not very complicated. Our business activity is unlikely to create any noticeable ecological risks. We are neither the major clients of our suppliers, nor are we, in turn, the major supplier for our clients. Our business has a modest social impact. Nevertheless, our company engages every stakeholder using a unique individual approach: we try to understand them and present exactly the help they currently need. Although we don't have formal dialogue with stakeholders, we do have feedback from our clients, partners, and employees that you can read in the following sections.

In setting our priorities we have considered the scale of our business, our general strategy, the state of our local market and global tendencies, risks and opportunities, and feedback from clients and others connected with our business. Our priorities are the result of a thorough evaluation of the following principles:



Relatively important
for our business and
stakeholders



- 👉 Empowering and building our brands
- 👉 Developing our expertise continually
- 👉 Serving our clients beyond the call of duty
- 👉 Empowering our employees
- 👉 Consolidating the Russian consulting community, integrating international industry standards

Most important
for our business
and for stakeholders



- 👉 Guaranteeing a stable future for private business in Russia
- 👉 Stabilizing market conditions and "ground rules" for work in Russia
- 👉 Developing respect for private property (business) in Russia
- 👉 Improving accountability and transparency in business
- 👉 Improving customer service quality in Russia
- 👉 Strengthening and developing the business of all our clients
- 👉 Growth of our business and the number of our clients

That goes
without saying



- 👉 Reduce, reuse, recycle
- 👉 Paying our partners on time
- 👉 Participation in charitable programs

Our clients



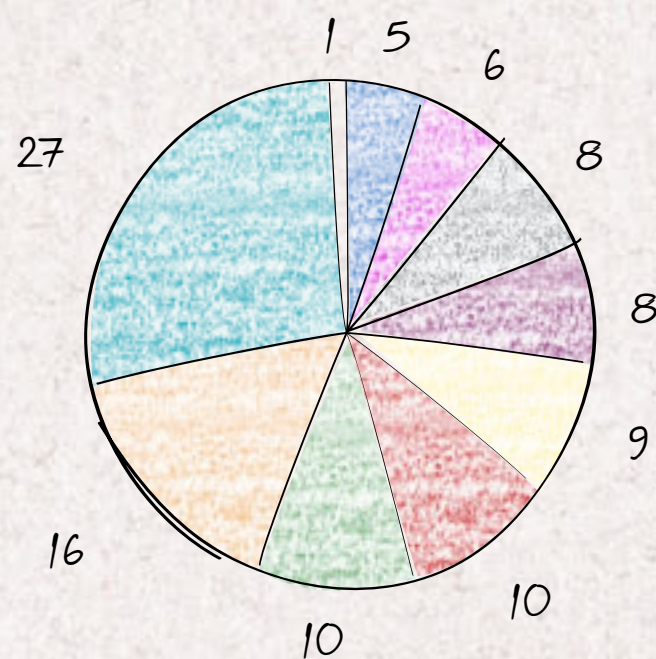
Although our customers have always included public (municipal) entities and nonprofit “third sector” organizations, our key clients have always been Russian private businesses. STEP works primarily with small- and medium-sized businesses and the people who created these business in the new conditions and in accordance with the laws and regulations of the new Russian marketplace. We work with the entrepreneurs who created their own businesses from the scratch, the healthiest and the most active

segment of Russian business. They make up the fastest-growing and active middle class. They are interested in the immediate future, good laws, creating jobs in their companies, and feeding other people. We believe that in many ways our future depends on these people and their business success within a state-governed economy. We are excited to work with these people, because each of them is an interesting, unique and creative personality. The partnerships with many of our customers have evolved into deeper, warm relationships.

Here is an umbrella profile of our clients

- Russian and foreign companies operating in Russia and CIS countries.
- Companies with 3 to 7,000 employees.
- Companies with annual revenues totalling from \$3 million to \$1.5 billion.
- Both local businesses and holding companies with subsidiary networks of up to 64 offices.
- More than 200 companies, in which we have completed almost 600 consulting projects.
- 60% of our clients have turned to us more than once.

Almost all business branches
are presented among our clients:



Trade	27%
Services	16%
Production	10%
Finance	10%
Telecommunications	9%
Insurance	8%
Information and publishing business	8%
Non profit organisation	6%
Construction	5%
Other	1%

Enhancement of clients' satisfaction

This is our main feature, undoubtedly our competitive advantage, and the tag line on our business card. 90% of our work (70% when combined with SQI) consist of non-standard consulting projects. When a project is designed to a client's exact specifications to deliver a real-time solution to a client problem, the customer's satisfaction is the primary goal. To continuously improve our results with clients we focus on three basic aspects of the work:

1. Precise contracting. The time spent achieving a deep understanding of our client's needs can be considerable, but in the end, the investment pays off. The client's reaction, "This is exactly what I wanted," confirms that we did exactly what was necessary.

2. Precise technologies. It is very important to use appropriate technologies for appropriate situations. It is also important to be very accurate in applying the technology to the particular task in the particular company.

3. Precise control. At every step we have to ensure that the results of our work fit the objectives of the project.

Example: Andrey Gusarov, Founder of the SATORI Construction Company:

« In history of SATORI there were several key transfer moments. Each of them gave a completely different impulse for development. For instance, once the managers of STEP explained to me that there exists a simple tool—planning. And it was scary: What is this ‘Plan’? Before, we always went from what we’re doing in that particular moment. That’s why we had many troubles. And now you have to make a plan, a company’s budget. And the company made a tremendous breakthrough! Then STEP assisted in devolving company management to the CEO. Actually, for me it was a very painful process. How come you to have to share your favorite toy? When it was over, once again, we’ve got a great success. I finally had a chance to look to the future. I saw what was happening on the market,

so we made the plan for the next five years. Also, together with STEP, we were signing agreements with partners and solving different situations. Even now I ask STEP for advice, for some kind of simple move, which could give one more breakthrough for us. But the most important thing in our long-term fellowship—it is simple human support. When you are an owner or CEO, all business problems become your private problems. And it’s very important to have people who you can ask for advice about business development. When you have such need, even discussion of current issues and the chance to speak out gives a huge STEP towards the solution. Sometimes it’s even important just to phrase the problem, to get help in describing it with the right words. This is where STEP always helps me. Building just a

big and successful company is not the most important thing... Once STEP surprised me a lot. In that time everyone wanted to be taller, cooler, bigger, and faster. But the Emelyanovs said, ‘No, we don’t want to. We just want to stay the same size.’ Honestly speaking I didn’t understand this decision at all. I had a long thought about this position. Only after my own hard knocks, I understood the beauty of this approach. Continuous growth is a run for survival. You forget about everything, just hold on tight and run, run, run. On the run you lose people and values. When I come to STEP, I always xQrecall the times when we were the same. At that time I knew all my employees and the atmosphere was so... family-like, I think. It was a great value and one must preserve it. That’s why I want to say just, ‘STEP, well done! »

Business ethics

Ethical business practices are important for anyone who conducts his business from the perspective of long-term success. Since STEP has always built its business seriously and for the long haul, an ethical approach to work was established as the base of our business. We have repeatedly rejected very tempting proposals just because we thought they violated our internal ethical and professional rules. As a result, we earned a reputation as a serious and responsible company that one can trust in every respect.

When we were creating the first company brochure at the very beginning of our activities, we formulated four basic principles for our work:

- Ensure the confidentiality of personal data and the non-disclosure of information received in the organization.

- Focus on specifics and the client's request: as consultants, we react to what is important to our customers.
- Responsibility for both the proposed areas of work and for implementing them in the organization's life.
- The use of modern, real-life work practices: our methods become a customer's asset.

From the beginning of our work, we have repeatedly approached the assignment of sharpening ethical norms and positions from different perspectives, both in our own company and in the affairs of our customers. Today, the basis of our ethical position is the Code of Ethics of the European Federation of Management Consultancies Associations (FEACCO), which we share and implement throughout all levels of our business and through the Russian Association of Consulting Companies (ASCONCO).

Our Partners (suppliers and contractors)

Our business has just a few partners, but each one brings its own contribution to the development of our common business. In turn, we always try to fulfill our obligations to each of them, regardless of the amount of the contract. We pay the operating expenses—office rent, telephone and mobile connection, Internet, insurance, and office cleaning—and buy computers and printing services when needed.

✓ **Employment agencies.** Often during a consulting project we must recruit employees who can be tightly integrated into our client's company. Employment agencies help us with staff selection in such complex projects. One of the main characteristics of our partnerships with employment agencies is the continuity of our long-term cooperation. Among our five main partners, the short-

est relationship is five years and several are longer than ten years. As a rule, employment agencies prefer to work directly with their customers, not through middlemen. STEP is the exception. Since we know our clients and their needs better than anyone else, we help rather than hinder our employment agency partners. Another important characteristic of our partnerships is trust. Our partners begin their work for us without signed contracts from our customers, because we can assure them that the clients we recommend will fulfill their obligations. The trust of our partners relieves our clients of the headache of meetings and contracts with multiple agencies.

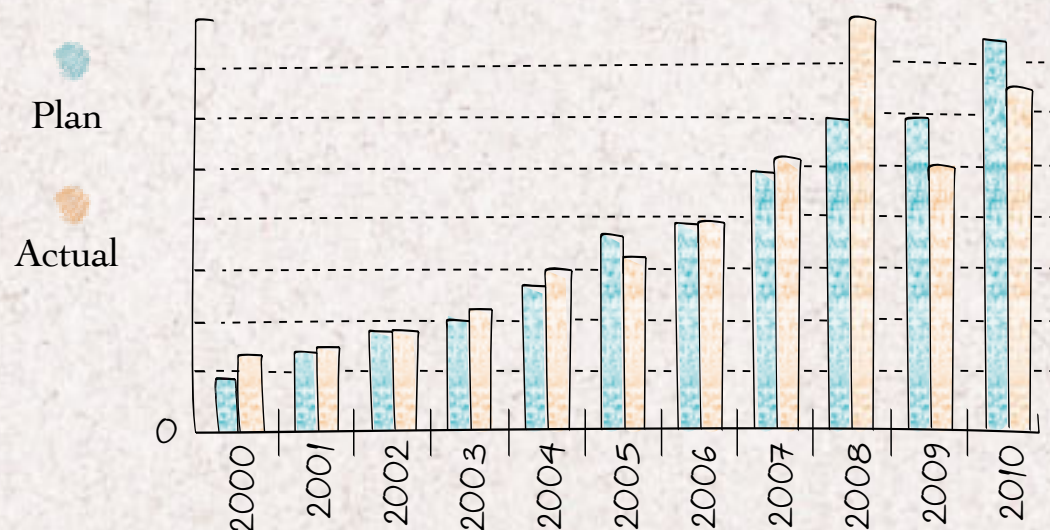
✓ **Regional agencies providing Mystery Shoppers.** We have 90 regional partners from 42 regions

throughout Russia. 51 of these partnerships are long-term relationships based on fulfilled obligations and mutual trust. Because of this cooperative work, hundreds of people in regions all over Russia have additional income.

✓ **Questionnaire checking service.** Twelve freelance specialists from different regions across Russia evaluate the quality of our services. They check questionnaire forms and estimate the level of quality control that influences the accuracy of each Mystery Shopper's rating. The pay for participants and supervisors in Mystery Shopper projects is tied to these quality indicators. Information and communication technologies have made it possible for us to create desirable white collar jobs for people to do this quality assessment throughout a far-flung economy.

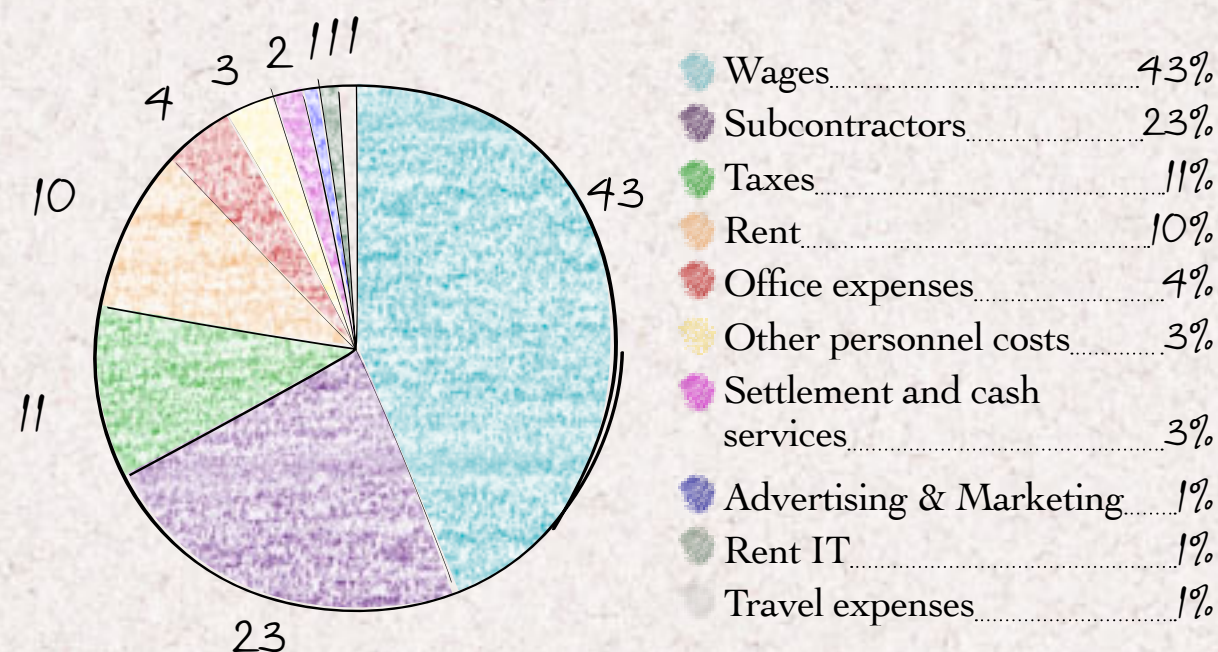
The STEP Economy

Income dynamics.
Business development 2000-2010



The annual income dynamics of our company (planned/actual) in the last ten years of our work is presented on the diagram below. Vigorous growth in 2008 helped us compensate for the reduction in revenue caused by the crisis.

Structure of the Company's costs
(including taxes)



Our most important aim is to remain solvent and in the last several years we have significantly reduced our costs. Salaries remain the most significant part of our cost structure (43% of all costs).

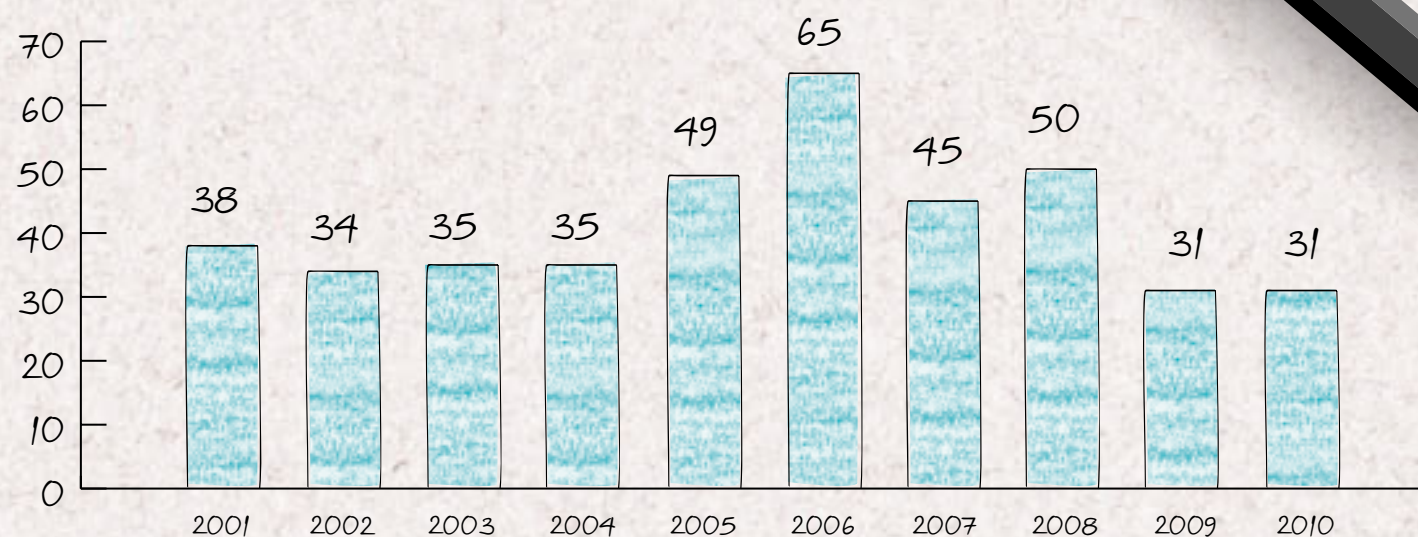
Client dynamics. The number and sources of clients in 2009 and 2010

We worked with 20 companies and finished 31 projects in 2010—in both cases, the same number as in 2009. The sources of our clients have remained almost the same over the last two years.



Project dynamics. The number of projects completed over the past 10 years

The number of projects completed annually from 2001 to 2010 reflects the rapid growth of the pre-crisis period and the significant decline caused by the global financial crisis.



Employees of the company

In 2010, while we were still feeling the negative impact of the crisis on our business, we kept the main thing: our DNA—our key employees. Our goal and commitment to our employees is increasing their satisfaction and well-being.

Our team

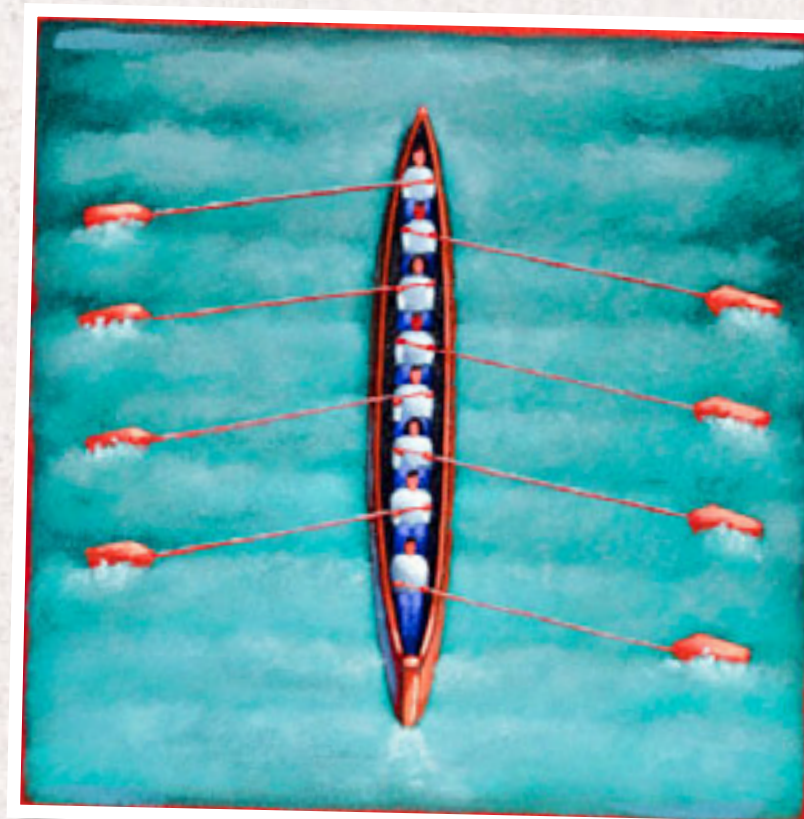
Management:

Eugeny Emelyanov.....President of STEP Group
Svetlana Emelyanova.....General Manager of STEP Consulting
Alexander Levitan.....General Manager of SQI Management

Key employees of STEP Consulting:

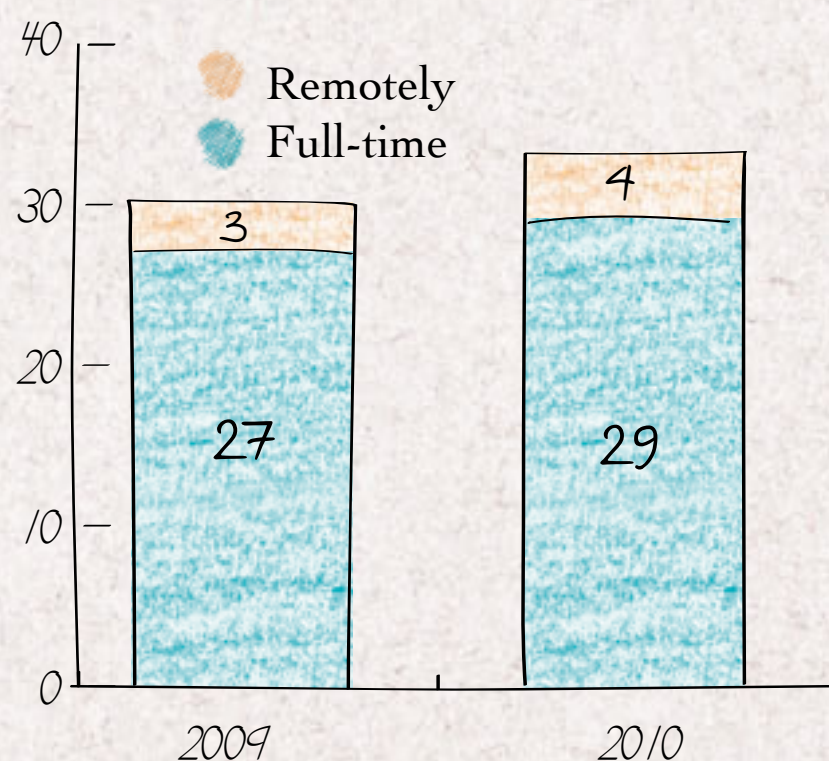
Vladimir Khomutov.....Partner
Julia Kapitanchuk.....Partner
Juri Pakhomov.....Partner
Elena Kisel.....Partner
Liubov Gorbunova.....Partner

The backbone of our team of consultants and managers has worked in the company since its foundation. In 2010, we fired two people and hired five people.



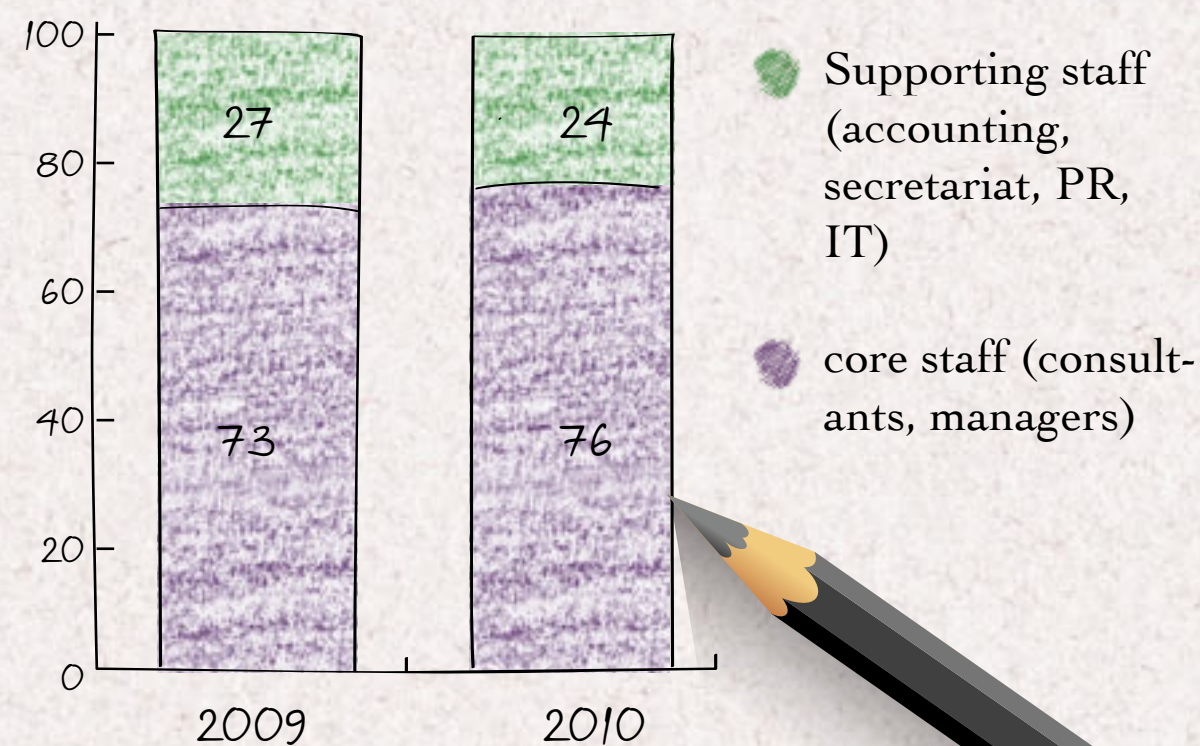
Circulation	2009	2010
Recruited, people	1 (3%)	5 (15%)
Fired, people	2 (6%)	2 (6%)

Structure and dynamics of staff by type of employment in %



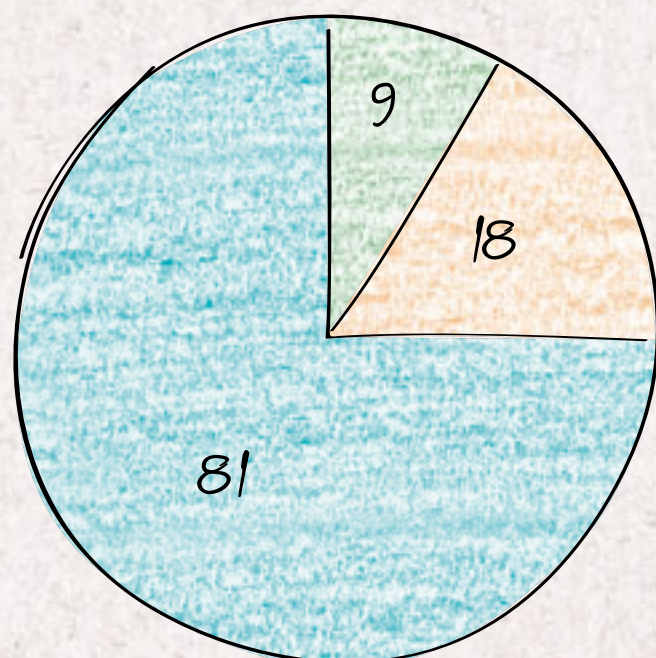
In 2010 the total number of the employees in the two STEP Group companies was 33 people — 10% more than 2009.

Structure and dynamics of staff by role, in %



In 2010, 76% of our staff members were key personnel (consultants, managers) — 3% more than 2009.

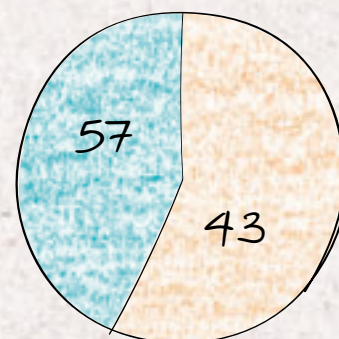
Structure of staff by education/qualification, in %



● Secondary / incomplete higher
● Higher
● Degree

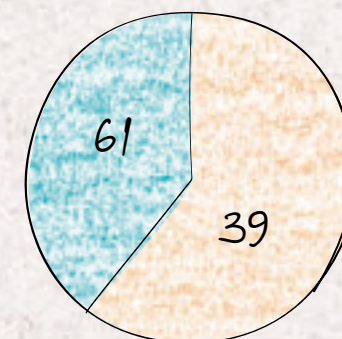
81% of our employees have a university degree; 9% also have PhD degrees. 19% of our employees are high school students whose studies we support them in every way possible.

Structure of staff by gender in 2009, in %:



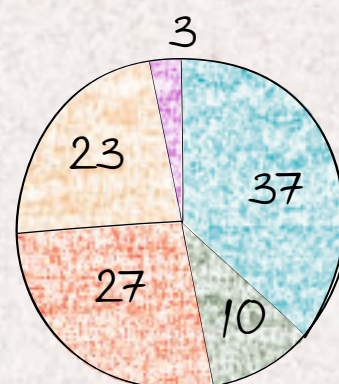
● Men
● Women

Structure of staff by gender in 2010, in %:



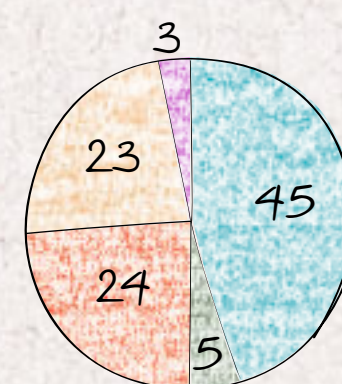
Between 2009 and 2010 the percentage of men in our company increased from 57% to 61%. Men and women have equal salaries and 50% of our managers are women.

Structure of staff by age in 2009, in %:



● 20-29
● 30-39
● 40-49
● 50-59
● 60+

Structure of staff by age in 2010, in %:



The structure of staff by age didn't change significantly from 2009 to 2010. We believe that we've created an optimal balance between youth and experience in the company.

Equality and variety of opportunities are our strengths

Our organizational culture, with its strong ethical values, is unique and powerful. People feel it, grow into it, and even express reverence for adhering to it. Our culture has five components:

- We are developing a particular style of relationship in which a real human regard exists among different people.
- We gather intelligent people who complement each other.
- We work in teams that we rearrange as necessary to suit the variability of our consulting practice. We start and end teams as needed without hesitation, for both long-term and short-term tasks.
- Any consultant can be either a team manager or a team member and everyone is able to work effectively in either role.
- We work for a reasonable balance between work and family responsibilities.

Career and training

In a consulting business career progress and increasing levels of responsibility are indicated by professional grades, from a probationary employee to a full partner. In our company, every new employee begins work as a Trainee irrespective of experience and status. A career can progress from Trainee to Consultant (employees who are able to work as specialists on project teams and as project managers), to Senior Consultant, and finally to the highest professional grade — Partner.

The company developed a coaching system to support our employees' professional development. We believe that the best teachers are the clients themselves and an aspiring consultant needs the maximum possible range of immersions in actual work with clients to provide real training. In order to increase their expertise and follow current trends in consulting, our employees also take part in seminars, conferences, and round tables. In 2010, every employee spent about 40 hours in training and development activities.

We share information with our employees about how the business is going, including the difficulties we face, and we welcome everyone's active participation in the discussion.

Employee benefits

We reimburse employees' mobile phone and transportation expenses, and offer paid vacation leave and sick leave. Three of our colleagues became mothers in 2010 — 10% of our team! We are holding these young mothers' jobs and are continuing their benefits at the company's expense. Our collective celebrations are an old and beloved tradition. We're especially fond of the New Year celebration when Santa invites all of our employees' kids and gives presents to everybody!

Our attention to the children is a distinctive feature of STEP's atmosphere. They are always with us, on our minds, and the focus of our attention. News about our children's achievements and the significant events in their lives instantly spread around the office. Their lives become our common heritage and give special meaning to our work. We have an important adage: "Children are our future." Today the young children of our employees not only come to our company for celebrations, they also draw pictures that we publish as the illustrations for our bulletin, Business Life. Tomorrow, maybe some of our children will come and work with us. We already have an intriguing precedent for this "family work" in the second generation! Some of our grown-up children help as mystery shoppers, others check questionnaires, and one even developed a knowledge base.



Working conditions

Our office is comfortable for both employees and guests. It is spacious and light; each employee has about 4.5 square meters of usable work space. We installed additional air conditioning in 2010 and organized special areas for eating and rest. The company buys daily snacks for the employee lunch room and daily cleaning services for office areas. Our office is small and has the necessary alarms. Though we do not have formal safety training, we have careful employees, and have not had a single incident or accident during our entire history.

Example:

«For me STEP
is a lifestyle...»

Linbov Gorbunova,
Partner of STEP Consulting:

« I have been working at STEP already for 13 years. But with STEP leaders we know each other for much longer time. For me STEP is a lifestyle. First, because I have the same values as the management of STEP. I don't think I could work in another place with another view of the most important things.

The major value and the mission of STEP—“We make business better.” The idea to make businesses better inspires me to adhere to it.

Another value of STEP, which is also very important for me, is the people who work here. A person, in general, is the key value. Not the business, which sees people just like a cog in a machine, but what we are doing all

of this for. Here you will always find support and understanding, whatever happened.

The work in STEP has a remarkable feature. Our whole life is divided into projects. This is where I am the most effective. I live in sprints. For me it is important to run to the finish line, to cross it, and to get a result—excellent, move on. It allows you to somehow fulfill your life. I can't imagine sitting somewhere for 13 years just to move papers, or selling something every day, or giving orders to subordinates every single day. Sooner or later this is going to bore you. Here, there is an opportunity to live in project mode—in stages. Human life consists of events. The more events you have, the greater feeling you've got that you live longer. I can hardly imagine where I could meet so many people, companies, and businesses. And not on the surface, but deep, taking part in the creation of something new. Maybe only actors have such a feeling when they can live in a variety of roles. Plus, I am interested a lot in people

we meet during the projects. They are interesting, attractive, and they've achieved a lot.

I became a partner of the company seven years ago. It may seem that this is the end, there is no place to grow. But the goals should correspond to the values. I am finding satisfaction in other things; not in the career development, but in the good work and the results.

Despite the fact that in a consulting company there are not many career steps, the consultant's status shows itself in something else, since STEP consultants work with clients on the highest level—with owners and the CEOs of businesses. This is somehow an unofficial status. Many of the clients say to me: “What a wonderful job you have—you always work with intelligent and smart people.”

There is one more demonstration of the consultant's status—the large number of publications. Just go to the Internet, type your name and understand: I'm leaving an imprint. »

Our impact in different business spheres

Business community

1.

We impact the formation of a **favorable business climate** through participation in the lawmaking process of the Moscow Government's "Public Expert Council on Small- and Medium-Size Businesses," presentations in centers that support development of entrepreneurship, and active participation in conferences on business issues.

3.

We help colleagues from **client companies** to achieve maximum self-actualization by working on jobs where they can most successfully apply their talents, knowledge, and experience.

2.

We help to **Russian entrepreneurs** to build sustainable and developing businesses.

4.

We organize trainings for managers and specialists and give them the opportunity to exchange their experiences.



Example:

Dmitry Kitchenko,
General Director of «Rocksa»,
Client of STEP Consulting:

« STEP Consulting has been working as a “family” consultant who knows and understands the problems of the company in which he works. This “doctor” examines the sick body and gets to the cause of his illness, prescribes the necessary medicine, and meticulously monitors the correctness of its application.

STEP’s staff in the process of work provided effective assistance to the company in developing and implementing a management accounting system, developing the financial model of the enterprise that includes financial responsibility centers. They proposed a method of cost accounting, procedures for department budgeting and prepar-

ing financial statements, internal accounting rules and workflow regulations, a structure of responsibilities, a motivation system, the method of pricing, etc.

The great value for the company was STEP’s proposal for streamlining business processes that resulted in conclusions about the need to change the organizational and functional structure of the company and changed the emphasis in the company’s future development. STEP specified the powers and responsibilities of employees, and developed job descriptions (a set of functions and clear guidance to each employee).

The results of our joint activities revealed that STEP actually has considerable experience in providing consulting services: the availability of corporate procedures and elaborated procedures for building relationships with employees, customers, and partners.



STEP Consulting is characterized by the high intellectual level of its employees, its strong reputation among related organizations, the effectiveness of its own policies and procedures and their application with clients, and an excellent understanding of the business environment and customer problems in Russia. »

Consulting Community



1. A STEP initiative founded the Association of Russian Consulting Companies (ASCONCO) with two co-partners in 2007. The Association has done much to consolidate the Russian consulting community and professionalize consulting services, increasing their quality and reliability.

2. We are on the road to integration in the international consulting community by working for ASCONCO's membership in FEACO (European Federation of National Consulting Associations).

3. We help members of ASCONCO to get real commercial orders.

4. In 2010, we joined the editorial board of the professional journal Management Consulting. «Management consultant».

Example: Alexander Pechersky,
one of ASCONCO's co-founders:

« The main goal and value of ASCONCO membership is the opportunity to exchange views and experience with colleagues in professional consulting. Consulting is one of the professions whose members may see each other as competitors or opponents, but rarely as colleagues. In ASCONCO, thoughtful selection of members created an informal atmosphere that encourages discussion of current issues that are important to consultants such as market development and company management.

Well-organized businesses always result in multiple benefits. We realized that ASCONCO is a good source of valuable contacts and projects when it referred a major international company to us, with whom we subsequently signed a contract. We hope that ASCONCO's efforts will help professionalize the Russian consulting market and grow the quality of services in different market segments to the best international standards. »

Social community

1. Our contribution to our clients' development leads to the creation and preservation of jobs, stable revenue, AND tax contributions.

2. We provide jobs not only to our employees, but also to many partner-contractors, including private individuals.

3. We see the results of our educational activity in the improving culture and quality of services in the consumer market in Russia.

4. For several years we have been providing information and financial support to ADVITA, a charitable foundation that helps people suffering from cancer.

Example 1:

SQI Management's core staff and contractors are young people: students, graduates, and post-graduates from many different Russian regions. This work doesn't require special professional knowledge, but it does require discipline, responsibility, intelligence, and good communication and managerial skills. Work as managers, mystery shoppers, and supervisors provides good communication and management experience. This work is sensible and humane: we understand the mission and goal, we benefit people, and we help companies to improve the quality of their service.

Over the years, many young people passed through our company. Working with STEP is a great way to learn sociability and adaptation. Our consultants helped each one by word and deed. We have grown many young people: some have stayed with STEP and some have left the company. All of them received a ticket to a career and the opportunity to absorb the values and attitudes they saw at STEP.

Example 2:

Denis. Nikulin.
Director, Department of Retail chain «Dixis»,
Client of STEP Consulting:

« STEP Consulting helped maintain the quality of service at Dixis telecommunications stores at a proper level. We have been working with STEP for a long time. In the first stage of our work with STEP we developed 'customer service standards in the retail chain' and a methodology for assessing service quality.

Subsequently, STEP began conducting monthly service quality assessments in the Dixis stores in Moscow and St. Petersburg.

The salaries of our salesmen depended directly on service quality, so that STEP's monthly reports became a part of the technological cycle of our company. »

World business

1. We help major western producers and distributors control service quality in the stores in Russia that sell their products.

2. We have completed many consulting projects and continue to do consulting work for foreign companies that increases the efficiency of their businesses and provides cross-cultural exchange.

Example:

In the 1990s, cross-cultural issues made it necessary for the foreign companies in Russia to use management consultants. The foreign managers in Russia were encountering problems of mutual understanding, cooperation, and team spirit in teams with Russian employees. By the beginning of the new century, this market situation had changed and the issue of cross-cultural interactions in business had practically disappeared. Recently, cross-cultural issues have reappeared from an unexpected direction. There is the need to integrate foreign workers from other CIS countries into the standards and practices of Russian business. This is a brand new situation. Whereas the "first wave" required consulting projects involving foreign managers, the second wave now requires consulting projects involving low-level, foreign workers, such as sales people, bar tenders, and waiters.

Objectives for 2011 and the ways to achieve them:

We think our purposes are positive and creative, and intend to continue our work even more intensively, offering new projects, ideas, solutions, and tools. Our goal for 2011 is to increase the number of projects by 20%.

In order to achieve this goal we plan to:

- 👉 Increase the number of consultants;
- 👉 Create procedures that help our company accumulate experience and generate new solutions (inside trainings, seminars, case discussions);
- 👉 Strengthen information and educational work, continue popularizing ideas for increasing efficiency and improving service culture, etc. (increase the number of publications by 40%);
- 👉 Continue to work in non-for-profit projects, such as our "Tutorship" program, service quality studies with international partners, and service quality competitions.

Our not-for-profit activities

Svetlana Emelyanova has been a member of the Moscow Government's Public Expert Council on Small and Medium-sized Businesses since 2006. Regular work on the Public Expert Council gives us an opportunity to participate in the lawmaking process for small businesses in Moscow, to discuss law projects, and to protect the interests of small- and medium-sized businesses.

We are often invited to make presentations at different centers that support the development of entrepreneurship, and to make reports on business issues at conferences, round tables, and seminars. We always use these opportunities to inform everybody about current issues, express our opinions, and support entrepreneurs.

Not-for-profit "Tutorship" mentoring program

In 2010 we began the "Tutorship" program, a mentoring effort organized in cooperation with the Center of Entrepreneurship USA-Russia. The goal of the program is providing no-cost consulting help to start-up entrepreneurs. Evgeny Emelyanov, the President of STEP Group, has been holding bimonthly meetings with the owner of a young business for more than a year. These are not formal talks, but lengthy, in-depth consultations, with exchanges of knowledge and experience, cooperative search for solutions, and action planning. The "Tutorship" program cultivates discipline by defining a set of problems that both the consultant and the young business person must solve by the next meeting.



Not-for-profit service quality studies and competitions

We regularly organize not-for-profit studies of service quality in different markets at own expense, both at our own initiative and in partnership with media and foreign partners. We spent 995 person/hours in 2009 and 880 person/hours in 2010 on

these not-for-profit studies.

We regularly hold competitions among different companies for the best service quality. Several categories of winners are selected from the list of nominees and given awards. This competition has coverage in professional and corporate media.

Outreach and educational activity

The fact that we work in variety of projects in different arenas of business gives us a rich and diversified behind-the-scenes experience. We can see how and why businesses work as they do, and are privileged to integrate and share our own experience for the benefit of others.

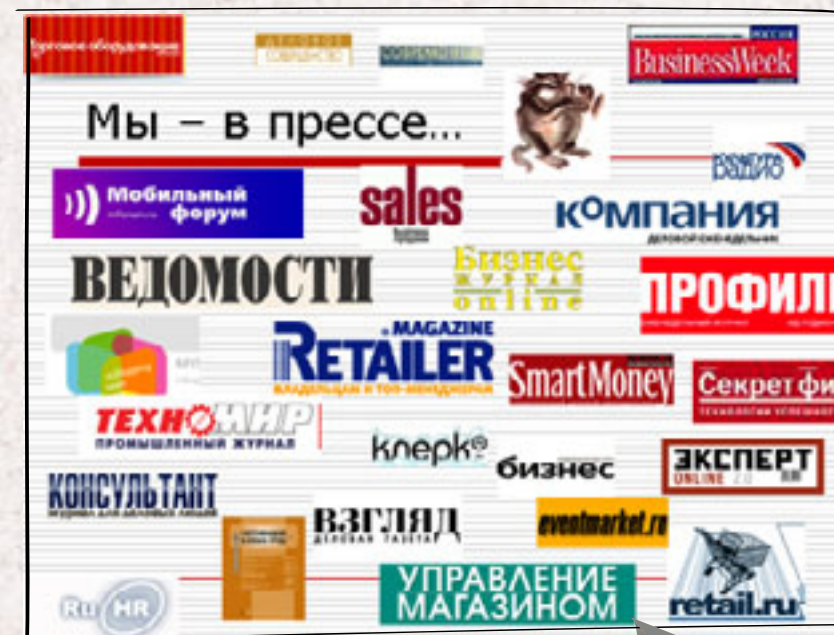


Our consultants are recognized experts whose articles regularly appear in business publications.

Total number of publications	2009	2010
Total	22	36
STEP	19	30
SQI Management	3	6

In 2010, a total of 36 analytical articles, examples of successful solutions, and expert comments by our consultants were published in the general press — up 60% from a total of 22 in 2009. These articles appeared in 14 business newspapers and magazines — up from seven in 2009.

We are
published in:



Number of editions/Sources (magazines, newspapers)	2009	2010
Total	12	14
STEP	11	13
SQI Management	3	3

In 2010, our materials were published in 14 editions, that is twice more than in 2009.

2. In the last ten years we have regularly published a bimonthly business bulletin Business Life. 1000 copies are printed for clients and partners. Business Life is our medium for communicating our views on today's business and its social role to our clients and partners. Business Life contains original articles by our consultants about current issues, interesting people and developments, our accumulated experience, and the subjects addressed at the business meetings we hold. Business Life includes "SQI Herald," a regular appendix devoted to popularizing ideas for improving service culture and quality. "SQI Herald" focuses on SQI

Management's service quality contests and their results—the companies that can serve as models for others.



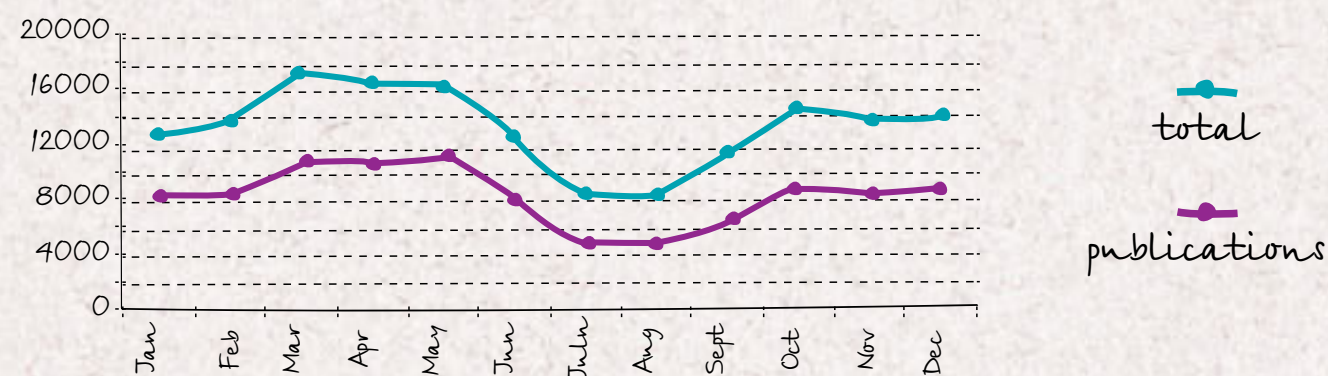
3.

Since our founding, we've published one book on business psychology

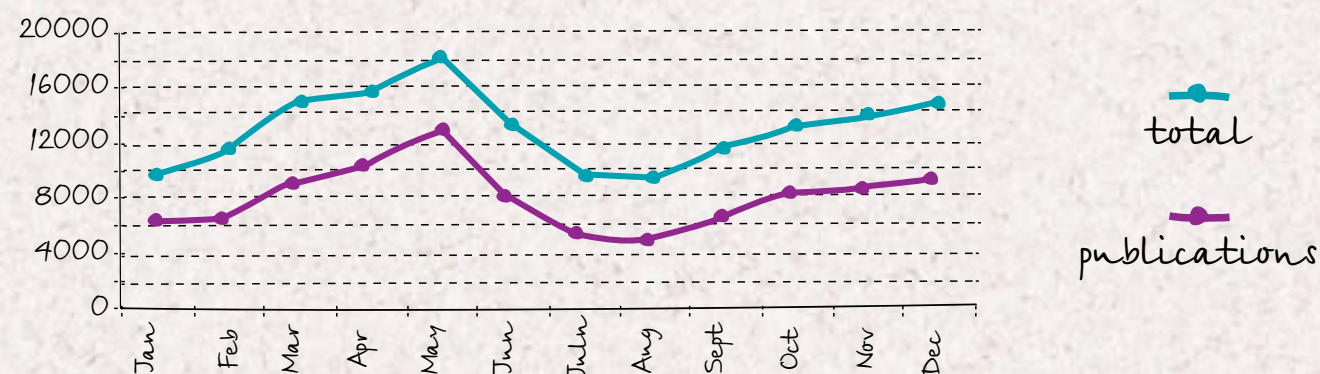
4.

The number of visitors to our web site indicates the public's interest in our original articles. About 65% of all visits are to the pages with these materials—typically 100,000 of the approximately 160,000 annual visits to our web-site.

Web-site visits, including publications, monthly for 2009



Web-site visits, including publications, monthly for 2010



Thus, from 160.000 of year annual web-site views 100.000 is accounted for our original articles.

5.

Seminars and trainings. Our consultants often organize educational programs for employees of client companies on management issues, finance, sales, marketing, etc.

6.

The “Tutorship” program and the “Inheritors of Business” project are also active platforms for sharing experience and knowledge with young entrepreneurs.

7.

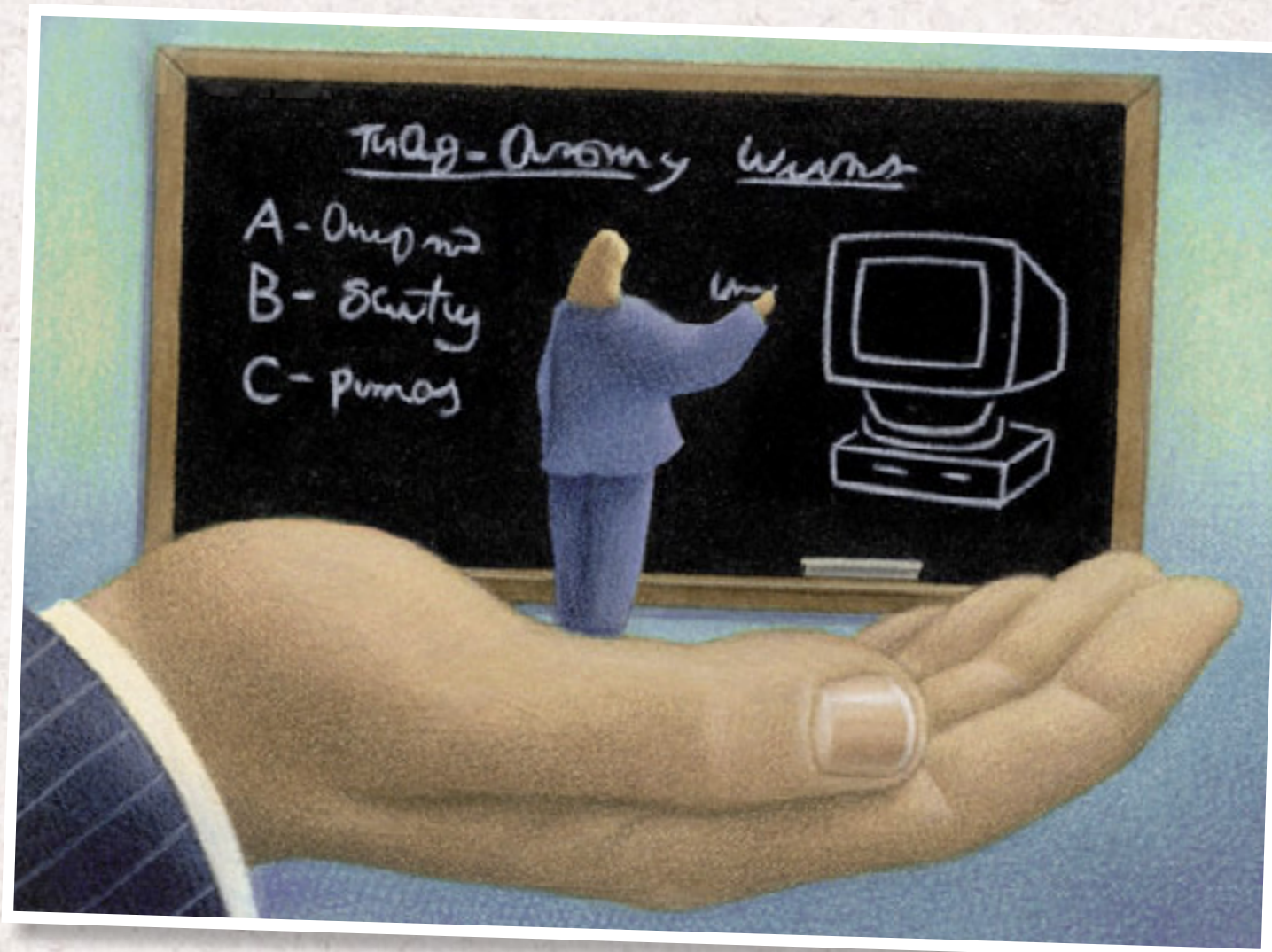
Our business meetings are a successful platform for increasing awareness of the value of responsibility and openness of businesses through the exchange of experience and information among entrepreneurs and top managers.

Example: Viktor Naishuller,
the Owner of OMC Company:

« STEP’s business meetings are an opportunity to hear honest answers to real and painful issues through informal talk with like-minded people. Sometimes we need information about how our own problems have been solved in other businesses and STEP organizes various communications to meet that need. Together we find fresh solutions that further our work. »

8.

We meet our research and information objectives by regularly analyzing markets and evaluating service quality at our own expense.

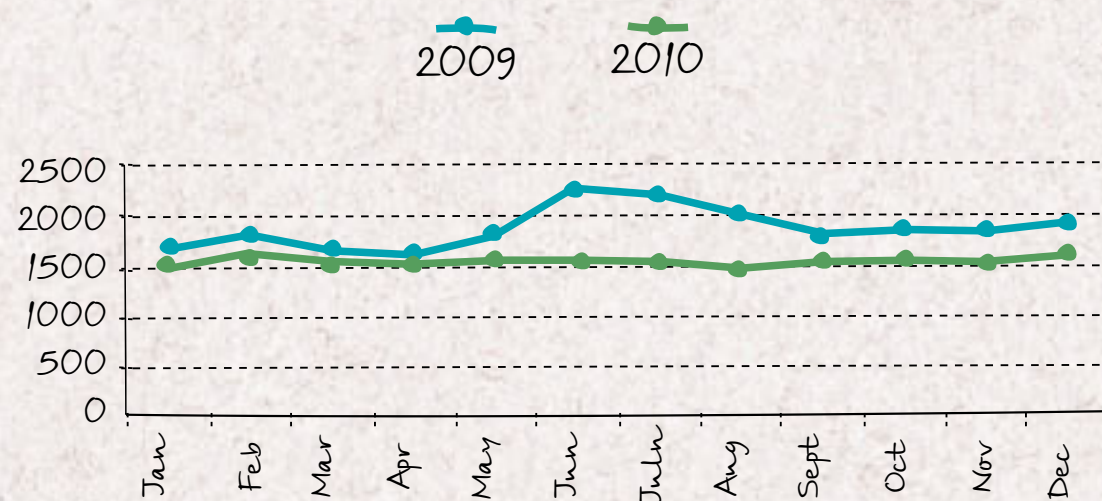


Environment

Our activities don't create any appreciable risks for the environment, nevertheless, even a company with a small "foot-print" can help protect the environment.

We use only energy-saving bulbs to minimize our use of electricity and we switch off our computers at the end of the day. We have been able to reduce our electricity usage by 17%, from 21,975 kWh in 2009 to 18,313 kWh in 2010.

Electricity Consumption, kWh



We strive for a paperless office through careful use and printing on both sides of a sheet. We don't use disposable plastic tableware. We strongly advocate and support quitting smoking, at least in public places.

Example:

Although paper forms are still widely used in service quality research, SQI Management stopped using paper questionnaires for Mystery Shoppers ten years ago. Instead we use paperless data collection technologies, recording and processing all information electronically.

We have also helped our client companies switch to paperless technologies as their primary method data collection. Over the last ten years we have saved more than ten tons of paper—45 cubic meters of wood or 1/4 hectare (.6 acre) of forest. If we had not discontinued using paper forms, we would have used an additional one ton of paper in 2010, consuming more than 4.5 cubic meters of wood.

We are trying to minimize pollution of the atmosphere. To achieve this almost all the staff (including those with private cars) commute to work on the Moscow Metro, a more environmentally-friendly form of transportation that minimizes harm to the environment. We minimize use of taxis by buying Metro passes for our employees. The company paid for 30 annual Metro passes in 2009 and 33 annual Metro passes in 2010.

When our work requires travel, we go by train to the cities within 1000 km. We fly by air only to Europe or more distant Russian cities—14 flights in 2010.

In 2010, our carbon footprint (emissions of greenhouse gases into the atmosphere) was 19.5 tons—two thirds from consuming electricity and one third from air travel.

How we calculated our carbon footprint	Details	Carbon emissions (tons)	Share of emission (%)
Electricity consumption (01.01.—31.12.2010)	18 3/3 kw/h	12.95	66.4
Flights in 2010	14 return flights	6.56	33.6
Total		19.51	100

We don't like garbage in the streets or in the environment and enthusiastically support companies that need to address environmental problems—from how a perfume store chain helps make the world fragrant to how a large construction company disposes of and processes its debris. We do not just use energy-saving bulbs, we work with the company that produces them—the market leader in energy-saving bulbs and electronics.

We were awarded



In 2007, 2008, 2009, and 2010, STEP Consulting won the Golden Certificate as “The leader of the business services market in the ‘Consulting’ category” in the Federal Integrated Rating by UNIPRAVEX, a Russian expert analysis and information rating company.

About the report 2010

STEP Group’s economic, ecological and social performance (including risks and opportunities, and adherence to internationally approved standards) are managed by the President of the Group of Companies. The President approves the strategy and plans for selected indicators annually and monitors their implementation.

This is our first annual sustainability report and covers our activities for the FY 2009–2010, though most of the data is from 2010. The report covers all operations of our company without restrictions on either size or content. This report describes the ten main indicators prescribed for the “Level C” classification of the Global Reporting Initiative (GRI). We have included additional data on several other indicators specific to our business and plan to publish the report annually in the future.

The whole consulting team, including STEP’s founders, worked on the content of this report. We thank many of our clients, partners, and employees, who shared their opinions, willingly gave the interviews, and made sensible suggestions during the report’s preparation. Work on this report helped us to better understand what our organization represents and to once again clearly define our objectives and priorities. We hope that this sample of the arenas where STEP has influence and impact is complete and that we haven’t inadvertently missed something important.

Contacts and feedback:

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Malaya Nikitskaya 27, building 2

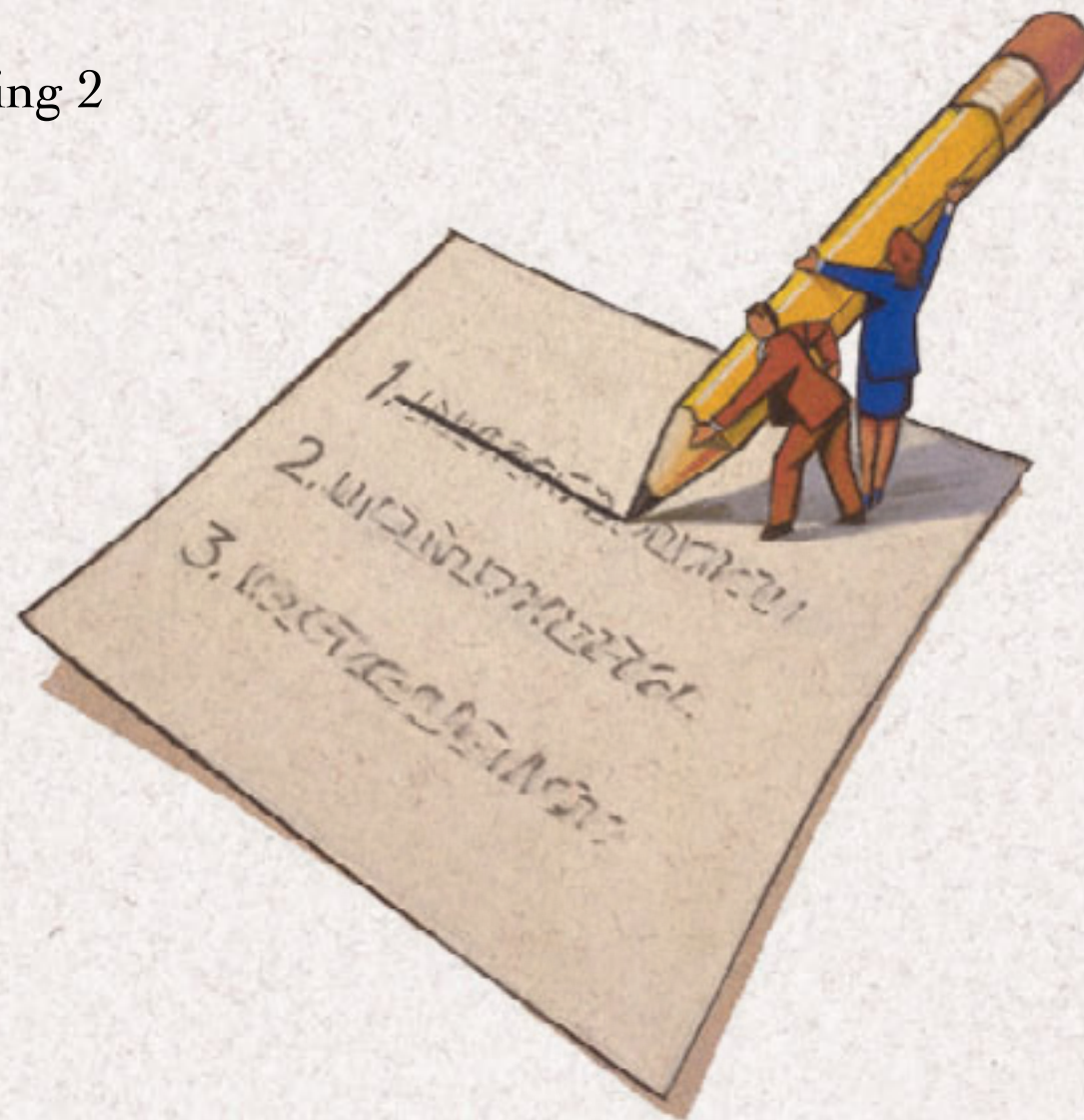
Phone: +7 (495) 258 25 02

E-mail: step@stepconsulting.ru

STEP Consulting: www.stepconsulting.ru

SQI Management: www.sqi.ru

ASCONCO: www.asconco.ru



GRI Content Index

The content included in our report complies with Level C of the GRI reporting guidelines, which requires reporting on at least 10 Core Indicators. The following charts specify in which section of the report the indicators are covered.

General Information

G3 Section	Indicator	Report Section or Clarification
1.1	Statement from the most senior decision maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	page 3 – 4
1.2	Description of key impacts, risks, and opportunities; table summarizing performance and targets; description of governance mechanisms in place.	page 5 – 6
2.1	Name of the organization.	page 1
2.2	Primary brands, products, and/or services.	page 1; page 10 – 15
2.3	Operational structure of the organization.	
2.4	Location of organization's headquarters.	page 1; page 43
2.5	Number of countries where the organization operates.	page 9
2.6	Nature of ownership and legal form.	page 1
2.7	Markets served.	page 9; page 18
2.8	Scale of reporting organization.	
2.9	Significant changes during reporting period regarding size, structure, or ownership.	
2.10	Awards received during reporting period.	page 42
3.1	Reporting period for information provided.	page 42

3.2	Date of most recent previous report.	
3.3	Reporting cycle.	page 42
3.4	Contact point for questions.	page 42
3.5	Process for defining report content.	page 42
3.6	Boundary of the report.	page 42
3.7	State any specific limitations on the scope or boundary of the report.	page 42
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities.	
3.9	Data measurement techniques and the basis of calculations.	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports.	
3.11	Significant changes from previous reporting periods.	
3.12	Table identifying the location of the Standard Disclosures in the report.	page 44
3.13	Policy and practice regarding external assurance for report.	
4.1	Governance structure of the organization.	page 7 – 9
4.2	Indicate whether the chair of the highest governance body is also an executive officer.	page 25
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or nonexecutive members.	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance, and the status of their implementation.	

4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	page 3 -4; page 7 – 9
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	
4.13	Memberships in associations.	page 6; page 15; page 33
4.14	List of stakeholder groups engaged by the organization.	page 16
4.15	Basis for identification and selection of stakeholders with whom to engage.	page 16; page 22
4.16	Approaches to stakeholder engagement.	page 16; page 21 – 22
4.17	Key topics and concerns raised through stakeholder engagement	page 17

Economic

G3 Section	Indicator	Report Section or Clarification
EC1	Economic value generated and distributed.	page 23
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	
EC3	Coverage of the organization's defined benefit plan obligations.	page 23
EC4	Significant financial assistance received from government.	

EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operations.	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	page 31 – 39
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	page 31 – 39

Human Rights

G3 Section	Indicator	Report Section or Clarification
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	
HR4	Total number of incidents of discrimination and actions taken.	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	

HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	

Labor

G3 Section	Indicator	Report Section or Clarification
LA1	Total workforce by employment type, employment contract, and region.	page 25 – 27
LA2	Total number and rate of employee turnover by age group, gender, and region.	page 25 – 27
LA3	Benefits provided to full-time employees that are not provided to temporary or parttime employees.	page 28 – 29
LA4	Percentage of employees covered by collective bargaining agreements.	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	page 29
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	
LA9	Health and safety topics covered in formal agreements with trade unions.	
LA10	Average hours of training per year per employee by employee category	page 28

LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	page 28
LA12	Percentage of employees receiving regular performance and career development reviews.	
LA13	Composition of governance bodies and breakdown of employees per category	page 27
LA14	Ratio of basic salary of men to women by employee category.	page 27

Environmental

G3 Section	Indicator	Report Section or Clarification
EN1	Materials used by weight or volume.	
EN2	Percentage of materials used that are recycled input materials.	page 40 – 41
EN3	Direct energy consumption by primary energy source.	page 40 – 41
EN4	Indirect energy consumption by primary source.	
EN5	Energy saved due to conservation and efficiency improvements.	page 40 – 41
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	page 40 – 41
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	page 40 – 41
EN8	Total water withdrawal by source.	
EN9	Water sources significantly affected by withdrawal of water.	
EN10	Percentage and total volume of water recycled and reused.	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	

EN13	Habitats protected or restored.	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	
EN15	Number of IUCN Red List species and national conservation list specific with habitats in areas affected by operations, by level of extinction risk.	
EN16	Total direct and indirect greenhouse gas emissions by weight.	page 41
EN17	Other relevant indirect greenhouse gas emissions by weight.	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	page 40 – 41
EN19	Emissions of ozone-depleting substances by weight.	
EN20	NO _x , SO _x , and other significant air emissions by type and weight.	
EN21	Total water discharge by quality and destination.	
EN22	Total weight of waste by type and disposal method.	
EN23	Total weight of waste by type and disposal method.	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex.	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected.	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	page 40 – 41
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	page 40 – 41
EN30	Total environmental protection expenditures and investments by type.	

Society

G3 Section	Indicator	Report Section or Clarification
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	
SO2	Percentage and total number of business units analyzed for risks related to corruption.	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	
SO4	Actions taken in response to incidents of corruption.	
SO5	Public policy positions and participation in public policy development and lobbying	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	

Product Responsibility

G3 Section	Indicator	Report Section or Clarification
PR1	Life cycle states in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	