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ENERGY OF A LEADER:

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DTEK

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CEO statement

DTEK's Social Report is the first corporate social responsibility (CSR) report of a Ukrainian production company. Preparing this report based on internationally recognized reporting standards and completing the audit was an important milestone in our CSR management practices.

For us, 2007 was a year of actively understanding and introducing the CSR concept into the Company's work. We formed a basic framework for systematically addressing social investments and launched important and innovative social partnership programs in the regions in which we operate. We also joined the UN Global Compact, which sets out universal SCR principles that we fully share and support.

DTEK's position and activities in the CSR field are determined by the role of the coal and energy sectors in Ukraine's socioeconomic development as well as the nature of our business. Our production is vital to a number of key areas of the Ukrainian economy. In addition, electricity and heat generated by our enterprises are essential to the lives of millions of people.

We define three key social responsibility areas, and we have structured the Report to focus on these areas:


Commitment to the populations of the regions in which we operate. The Company is working to increase the effectiveness of its long-term contribution to the socioeconomic development of the regions in which it operates.

Commitment to our employees. The Company focuses on creating optimal conditions for our employees' development and career growth, providing appropriate remuneration based on their individual contribution to the Company's success and ensuring maximum occupational safety.

Commitment to society as a whole, present and future generations. The Company is committed to reduce the negative environmental impact of our production activities by introducing safe and modern technologies.

We believe that social reporting is an indispensable tool to foster positive relations with our stakeholders. In the future, we plan to issue social reports once every two years, while continually upgrading the quality of the provided information. Any feedback received on the Report will be used for the subsequent improvement of the Company's efforts to implement such key corporate values as responsibility and transparency.

Chief Executive Officer



Maxim Timchenko



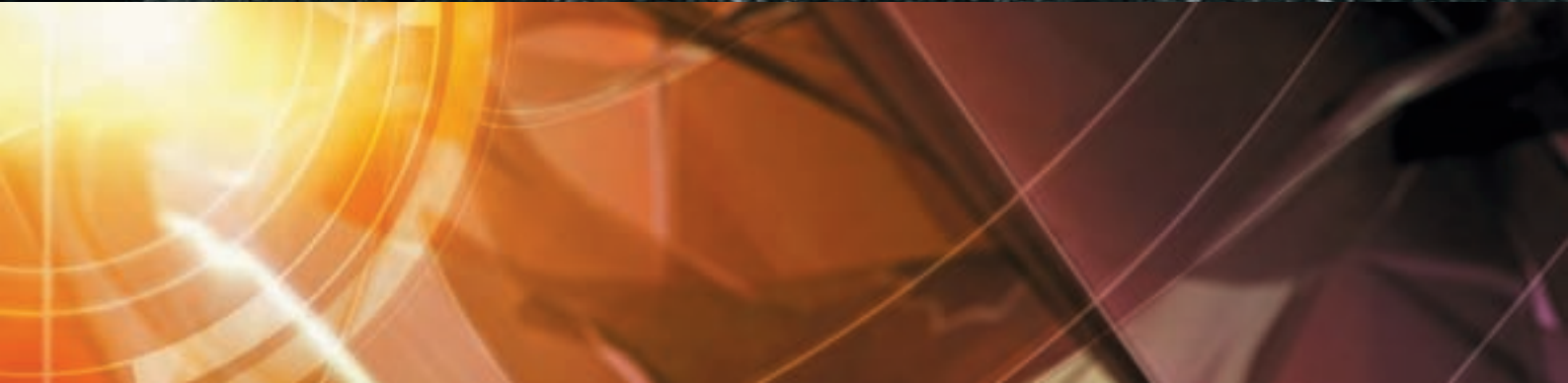


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COMPANY
PROFILE

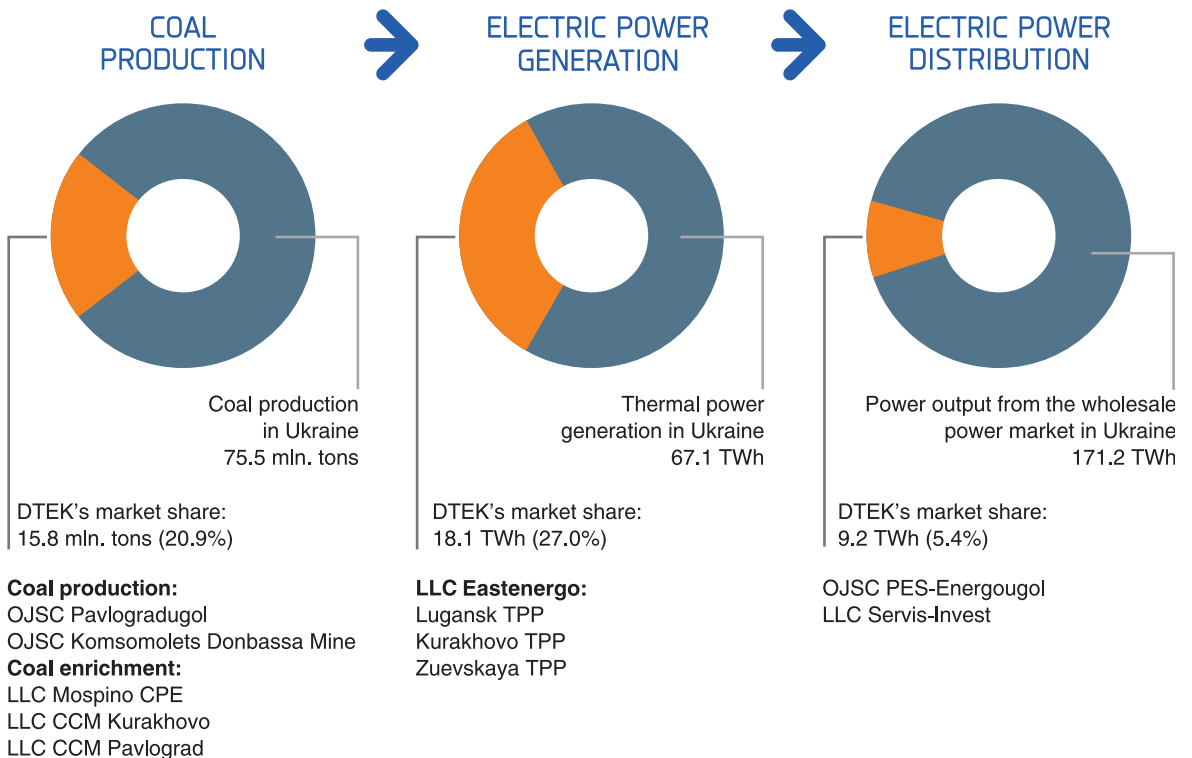




1.1. Production structure

The Donbass Fuel-Energy Company (DTEK)¹ is the first and only private vertically integrated energy company in Ukraine. The Company's enterprises make up a unified production chain from coal production and enrichment to power generation and distribution. This unified production chain is a key success driver for the Company. The adoption of advanced technologies, a professional management team and an active social policy are key factors in the Company's sustainable development on Ukraine's fuel and energy market and create the necessary conditions for the social and economic development of the regions in which the Company operates and the country as a whole.

DTEK's production structure, 2007²



¹ Hereafter the Donbass Fuel-Energy Company, DTEK, the Company and DTEK Company are used synonymously, unless otherwise stated.

² Only DTEK's main production units are described in the scheme; they are the units included in the scope of the Report Complete data on DTEK enterprises' geographic location is contained on the Company's website: www.dtek.com

Coal production and enrichment

The Company's coal producing enterprises – **OJSC Pavlogradugol** and **OJSC Komsomolets Donbassa Mine** – are Ukraine's largest. In terms of technical equipment, production volumes and labor productivity, Komsomolets Donbassa Mine is one of the leaders in the Ukrainian coal industry. Pavlogradugol is the largest coal-producing enterprise in the country – with 10 mines in Western Donbass.

Following extraction, coal goes through an enrichment process during which the share of mineral impurities and waste in the coal decreases and its calorific properties increase. The final product is a coal concentrate that is supplied to consumers. Coal is enriched at three of the Company's production enterprises: **LLC Mospino CPE, LLC CCM Kurakhovo and LLC CCM Pavlograd.**

The primary consumers of our coal production are our own thermal power plants (in-house consumption accounts for up to 90% of total output) as well as other generating and metallurgical plants. Areas supplied in Ukraine include: the Lugansk, Donetsk, Zaporozhye, Dnepropetrovsk, Ivano-Frankovsk and Vinnitsa Regions.

Power generation and distribution

LLC Eastenergo is the only private energy generation company in Ukraine; it operates three thermal power plants (TPP), the Zuevskaya, Kurakhovo and Lugansk TPPs. Combined, these three power plants produce a quarter of all electric power generated by Ukrainian thermal power plants. In accordance with the Ukrainian law "On Electric Power," all energy generated by DTEK power plants is sold to a state enterprise, Energorynok, which operates as a wholesaler on the electricity market.

Two of our companies – LLC Servis-Invest and OJSC Energougol Electric Networks Enterprise – operate in the area of energy distribution. They buy electric power from Energorynok and supply it to end users: primarily metallurgical, coal-producing and machine-building enterprises as well as other large East Ukrainian enterprises, municipal and state organizations and residential consumers.



The companies' distribution networks extend approximately 3,000 kilometers and traverse Donetsk and Dnepropetrovsk regions. In terms of electric power supplied, Servis-Invest is one of Ukraine's largest private energy suppliers.

Management

LLC DTEK (until August 2007, the DTEK Corporation) is the Company's corporate center, focused on strategic planning, development and investment. It also provides production enterprises with methodological and organizational assistance in order to improve their business activities and management, including the realization of CSR policy³. The corporate center's representative offices have complementary functions and are located in the cities of:

- Kyiv (core functions: business strategy and development, regulatory policy and legal support, external communications); and
- Donetsk (core functions: enterprise development, human resource management, occupational safety and environmental protection, finance, internal audit, risk management and control, internal communications, social management and security).

The Company's enterprises in the Donetsk, Dnepropetrovsk and Lugansk regions employ more than 49,000 people. We form an integral part of System Capital Management (SCM) – Ukraine's largest financial-industrial group – operating as one of its sector holding companies.

SCM, which was founded in 2000, is the country's largest multi-sector group. SCM has enterprises in such sectors as mining, metallurgy, energy, machine-building, finance, telecommunications and the media. The Group comprises more than 90 companies that employ approximately 160,000 people. More information can be found at the Group's official website: <http://www.scm.com.ua/>.

Since 2005, SCM has applied a management principle based on creating sector-specific holdings, which in turn own and manage the Group's assets. SCM is not involved in the day-to-day management of its subsidiaries and holding companies, but instead acts primarily as a strategic investor, selecting the most promising investment opportunities. SCM also approves its businesses' development strategies and formulates CSR policy.

³ Hereafter in the Report, the words "strategy" and "policy" will be uppercased when referring to documents and lowercased when referring to activities (i.e., a series of measures, projects, programs, etc.).



1.2. Development strategy

'We believe that our business will in time compete equally with leading European energy companies. DTEK's successful development will guarantee the country's energy security. Our confidence is not based on simple ambition but rather on our appraisal and deep analysis of both the current situation and the future of the fuel and energy industry in Ukraine and other countries throughout the world'.

Maxim Timchenko, Chief Executive Officer

The Ukrainian energy market today⁴

The strength of a country's energy industry is one of the key factors determining its economic development. Due to its geographical position, Ukraine was a key element of the East European energy system in the Soviet period. Global trends – and particularly changes on the European market – are thus especially relevant for Ukraine today.

The energy market of the European Union (EU)

Europe is going through a serious and comprehensive reassessment of its energy policies in an effort to ensure energy security and reliable supplies in light of organic fuel shortages, rising prices and growing global demand for energy. Liberalizing the EU's internal energy market will open up this market to a range of suppliers that will have to comply with the EU's energy norms and standards in order to be competitive.

⁴ This subsection has been prepared using materials and data from the independent analytical organization "The Razumkov Center" (www.uceps.org)





Areas of EU energy policy that have the most significant impact on DTEK today include:

- **Maintaining access to coal reserves**

Despite the coal industry's general lack of profitability and greater environmental impact (compared to gas), for reasons of energy security, the European Union plans to continue subsidizing coal mines until at least the end of 2010. At the same time, the "European Strategy for Sustainable, Competitive and Secure Energy" (adopted as the basis for the EU's new energy policy at the beginning of 2006) advised countries planning to continue using coal energy to convert to carbon dioxide capture technologies together with environmentally friendly fuel usage.

- **Improving energy efficiency**

Improved energy efficiency not only strengthens a country's energy security, but also has a positive environmental impact. Primarily due to sustained efforts to improve energy efficiency, EU countries today have among the lowest GDP energy intensity indicators in the world.

Ukrainian energy

To successfully integrate into the European economy, Ukraine's energy sector will have to accomplish numerous tasks, including:

- **Modernizing power equipment**

The operating lives of a number of facilities and their equipment are coming to an end, which may negatively affect supply reliability and operations at power units. Upgrading the industry will require investments, qualified personnel (starting with the management team) and an effective legal environment.

- **Achieving a domestic fuel balance taking into account the limits on the country's available energy resources**

One of the strategic tasks for the country's economic development is to decrease energy dependence by stimulating domestic energy generation using its own energy resources. As part of the "Energy Strategy of Ukraine until 2030", and given higher prices for imported gas, coal will play a key role in thermal generation.

- **Improving the economy's energy efficiency**

Ukraine's industrial and communal service sectors are still highly energy intensive, which hampers economic growth.

A project is currently being realized on Ukraine's electric power market for transition to a model based on bilateral agreements between energy consumers and producers. This model will contribute to the growth of free market competition, while at the same time decreasing the state's administrative control over market participants and the energy pricing system.

'Today, approximately 40% of electric power in Ukraine is produced by thermal generation. Not only is thermal generation a substantial portion of the energy market, but there is also no immediate replacement for it. Therefore, thermal generation development will likely continue. However, it is vital to make the production process as ecologically clean as possible. Clearly, this will substantially raise costs (compared to their current levels). But Ukraine will certainly follow this path.'

Gennady Turanov, Managing Director, Eastenergo



The Company's development strategy

OUR MISSION We work for progress and the prosperity of society. Our energy brings light and warmth to people.

OUR VISION We are a dynamically developing Ukrainian company which strives for leadership on the European energy market. Our success and uniqueness are based on the professionalism of our people and the application of advanced technologies.

- OUR VALUES**
- Professionalism
 - Responsibility
 - Pursuit of excellence
 - Unity
 - Openness

At the beginning of 2007, we developed and presented DTEK's Development Strategy through 2012. The Strategy is based on four main priorities: leadership, stability, effectiveness and growth.

In 2008, we reassessed the Company's prospective development, taking into consideration our achievements as well as our growth rates and prospects. This analysis resulted in DTEK's long-term development concept, which was formulated as follows: to build an energy company connecting Ukraine, Russia and the European Union in a unified electric power production and distribution chain. This will capitalize on DTEK's competitive advantages, including vertical integration, better management expertise in the markets where the Company operates, the experience of developing coal-producing enterprises in complex geological conditions, and Ukraine's unique geographical position.

'For DTEK's management team, the Strategy is a document which is constantly being improved and always contains new elements. This strategy has become the basis for long-term growth in terms of organizational and human capital development as well as investment. The strategy is effectively balanced between the different sectors in which DTEK operates. It is appropriately aggressive and based on international experience. I firmly believe that it will help the Company become a world-class organization.'


Stanislav Shekshnya, Independent Member of the SCM Group's Supervisory Board

Key production and financial indicators⁵

INDICATOR	2006	2007
Number of employees as of the end of the year, persons	50 250	49 544
Revenue, mln. UAH	5 049	8 969
Tax payments, mln. UAH	1 057	1 117
Investment volume, mln. UAH	537	979
Coal production and enrichment		
Coal production, mln. tons	15,3	15,8
Coal enrichment, mln. tons	5,6	6,5
Concentrate, mln. tons	3,3	4,6
Power generation and distribution		
Power generation, mln. kWh	17 951,1	19 907,6
Share of power purchased for subsequent resale, %	4,9	5,4

⁵ Note: The table above includes data about the Company as a whole, which is broader than the scope of the Report (See the Appendix "Report Methodology").



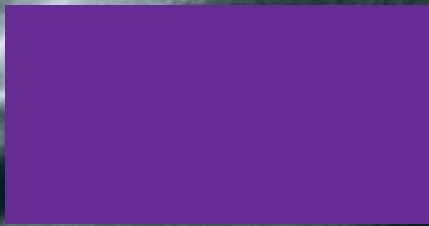


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SOCIAL RESPONSIBILITY



2. What CSR and Sustainable Development Mean to the Company

2.1. Our position

For the Company, corporate social responsibility⁶ is a long-term development philosophy that allows us to harmoniously combine successful business operations with core universal values, while also taking into account national development priorities.

The impressive scale and dynamics of the Company's development not only allow us to set and achieve ambitious production goals, but also to align the accomplishment of these goals with our social responsibility. This understanding is based on the realities of our business:

- DTEK brings light and warmth to millions of citizens;
- The Company's financial potential and management expertise are valuable resources for the development of the regions in which the Company operates;
- The ecological well-being of towns and rural communities located near our enterprises depends in large part on competent and responsible management of the Company's environmental impact.

We strive to be seen as a socially responsible company, which for us means being a responsible employer, tax payer and social investor. We are not looking to replace the functions of state authorities, but rather to contribute to the socioeconomic development of the regions in which our businesses operate.

Well-structured efforts to introduce a systematic approach to CSR, active engagement with stakeholders and the launching of innovative social partnership programs in the regions in which the Company operates have made us one of the pioneers of socially responsible Ukrainian business.

⁶ Throughout the text, the term "corporate social responsibility" (CSR) has the same meaning (unless otherwise stated) as more widely accepted terms such as "corporate responsibility" and "sustainable development."



2.2. CSR content

Developing a CSR concept

We frame our CSR activities on the basis of world experience, while at the same time taking into consideration peculiarities of the current stage of socioeconomic transformation of Ukrainian society.

We aim to achieve the following objectives:

- **leadership**, based on a commitment to increase our systematic input into practical and long-term solutions to social problems
- **balanced development of dialogue⁷ and collaboration** between the Company and key stakeholders
- **effective contribution** of our socially-targeted programs and projects to long-term business sustainability
- **enhancement** of corporate governance

2007 was a year of intensive development for the Company's CSR concept. The initial reference points were guidelines elaborated by the SCM Group; based on these, we developed DTEK's draft CSR Policy⁸. This document reflects our intentions to structure the Company's approach and concentrate our efforts in those areas which we believe will be most beneficial to society.

⁷ The definition of the term "dialogue" can be found in the Glossary at the end of the Report.

⁸ Can be accessed on the Company's website (http://dtek.com/social_responsibility).

Key CSR areas, priorities and principles described in the draft Policy

CSR areas	DTEK's priorities	DTEK's principles
Corporate governance and business ethics	<ul style="list-style-type: none"> ● provide consumers with high-quality services and products ● fully comply with legislation ● effectively invest in production development aimed at increasing Ukraine's competitiveness in the interests of both shareholders and society ● develop a systematic approach to building mutually beneficial and good-faith relations with all stakeholders based on ethical requirements 	<p>Recognition of the role that the Company can play in social development and its responsibility for making a long-term, systematic and transparent contribution to society</p> <p>Recognition of the rule of law in all socioeconomic areas, respect for human rights</p>
Labor conditions	<ul style="list-style-type: none"> ● ensure occupational safety and invest in the Company's human resource potential 	<p>Unconditional priority of programs involving occupational safety, human resource development and other CSR aspects that directly affect the Company's employees</p>
Environmental protection	<ul style="list-style-type: none"> ● ensure concern for the environment 	
Local communities	<ul style="list-style-type: none"> ● contribute to local community development by creating mutually beneficial social partnerships in the regions in which the Company operates 	<p>Ensuring that the level and direction of internal and external social investments in the regions in which the Company operates are aligned with the business's scale and growth prospects</p>
Social investments	<ul style="list-style-type: none"> ● develop social reporting, taking into account the expectations and opinions of those social groups which are directly or indirectly affected by our CSR policy 	<p>Due account of international experience and CSR best practices</p>
Charity and sponsorship		<p>Dialogue with society, transparency and publicity</p>

The draft Policy was discussed with various target audiences. As part of these discussions, on December 11, 2007, we conducted a corporate managerial conference, which involved department heads of the Company's corporate center and enterprises as well as invited experts. The goal of this conference was to reach a common understanding of the document as a basis for its effective implementation.

Another key event directly connected with social responsibility was the development of a Code of Ethics, which was also presented to Conference participants.

The draft CSR Policy was also a topic of discussion during the dialogue with representatives of 10 non-governmental organizations (NGOs) in Donetsk on July 18, 2008. The document aroused lively interest and received support; useful recommendations were put forward on the practical implementation of the Policy.

Dialogue participants' opinions:

'The document is well-balanced and has a good format and style of presentation.'

'The document is exemplary, and it is now important for stakeholders to accept this policy ... Integrated social marketing communications, social advertising, dialogues and FAQ-style booklets should be used, as these are the best received.'

'DTEK's draft CSR Policy is a high-quality, comprehensive document. For this reason, it would be more appropriate to discuss practical implementation than the document itself.'

More detailed information about the dialogue with NGOs can be found on the Company's website: http://dtek.com/social_responsibility and http://dtek.com/social_responsibility/socinvest

When this Report was prepared, the draft Policy was being refined at the Company's corporate center. The final version will be published on the Company's website. We are still open to feedback and practical suggestions.



2.3. CSR management structure

The Company strives to treat CSR management as an integrated corporate function that is fully geared into the core business processes, as well as in corporate governance and management systems. The social aspect of the Company's activity is already taken into account in strategic planning.

CSR management has a multi-level structure. Strategic horizons are determined at the level of DTEK's upper management bodies. The corporate center develops general principles and priorities, whereas operational management is entrusted to the Company's HR and corporate communications division. Direct supervision of CSR activity is entrusted to a new specialized unit in the Company's corporate structure created in 2007.

On the local level, CSR policy is put into practice by the managing directors and profile managers of DTEK enterprises. In order to preserve each enterprise's unique traditions, the corporate center allows them to develop, adapt and implement specific plans (in line with the Company's general principles and priorities). The corporate center provides the enterprises with methodological and organizational assistance.

The effectiveness of this approach was confirmed by the study "CSR Practices at DTEK Enterprises," conducted in 2007 by an independent contractor.

Regulatory body	Area of responsibility	Functions
Strategic level		
Supervisory Board and Executive Board – the Company's highest management bodies	Define strategic goals, taking into account the Company's business development priorities and SCM guidelines	Analysis of factors affecting CSR, strategic decision making and control over execution
Operational level: corporate center (CC)		
HR and corporate communications division: Director	Perform operational management of the strategic realization of CSR strategy, direct the working group on social reporting	Elaboration of corporate CSR policy and control over its implementation
Specialized unit formed in 2007 as part of the HR and corporate communications division: CSR Manager, Specialist	<p>Coordinate CSR activities in all priority areas</p> <p>Organize the social reporting process</p>	<p>Interaction with functional and production departments and liaison with the Advisor to the CEO on social reform (a position established in 2008) and regional enterprise managers</p> <p>Monitoring of programs and projects, evaluation of results</p> <p>Collection and presentation of relevant data in reports on functional directions</p>
Working group on social reporting	Coordinate preparation of social reports	
Operational level: production enterprises		
Managing directors In 2007 the Company began establishing CSR management systems at the enterprise level and appointing profile managers	<p>Realize the Company's CSR strategy at enterprises and in regions in which the Company and its enterprises operate</p> <p>Adapt CSR policy, taking into account each enterprise's traditions</p> <p>Gather data for the social report</p>	<p>Interaction with the corporate center</p> <p>Coordination of partnerships and targeted projects with local government bodies.</p>



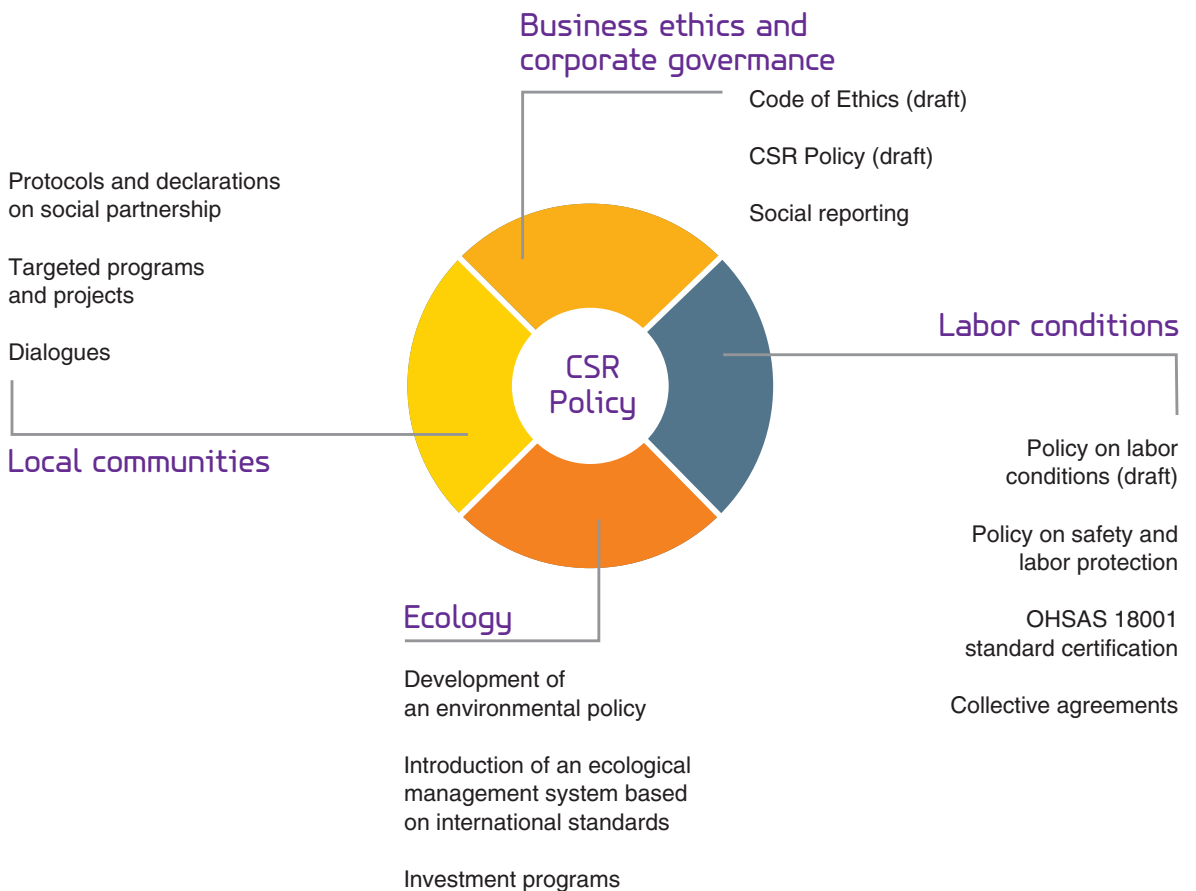


Mechanisms for implementing CSR policy

The Company plans to use best-practice and internationally recognized mechanisms in implementing CSR policy. By “mechanism” we understand interconnected methods, measures and principles which allow the Company to achieve its stated objectives. The Company’s CSR policy defines activities in four core areas: business ethics and corporate governance, labor conditions, environmental protection and engagement with local communities. The principles set for each of these areas are realized using the following methods:

- Development and approval of guiding documents (policies) in each area, outlining the Company’s objectives and commitments as well as ways of achieving them;
- Increasing the effectiveness of management systems;
- Development and implementation of programs and projects designed to achieve the stated objectives.

The means for the effective achievement of these objectives are specific for each area of activity.



In order to further perfect and embed business and corporate ethics, the Company develops documents which codify decisions of senior management. The Company's future Code of Ethics is addressed to our employees as well as to external stakeholders. It stipulates principles of ethical behavior which the Company as a whole and each of our employees must adhere to.

Our internal communications system (including corporate media, intranet and special events) helps to make these principles a genuine foundation of corporate culture, adhered to by all employees.

We are developing policies in the areas of occupational safety and environmental protection and are undergoing certification or preparing for certification to international standards. The Company's obligations as a responsible employer are set down in collective bargaining agreements.

External social investments are gradually being converted to program-structured activities. A more detailed description of how these mechanisms function in practice is contained in the relevant sections of this Report.

Social reporting

In our view, social reporting is both a key CSR management instrument and an effective means of communicating with a broad range of stakeholders. Social reporting familiarizes readers with how the Company realizes its publicly stated intentions and underlines our commitment to transparency and cooperation. Feedback is vital in enduring that our dialogue with stakeholders is two-sided.

We took a responsible approach to this task, doing the necessary preliminary work and studying international experience. In 2007 the Company prepared an internal social report for the previous period. This report was primarily intended for use by enterprise executives to foster better understanding of future CSR activities and social reporting. Finally, a corporate working group on social reporting was established to oversee the preparation of the current Report (more detailed information can be found in the Appendix "Report Methodology").





2.4. Improving our CSR governance system

We believe that an effective CSR governance system must be constantly upgraded and developed. This can best be achieved by supplementing the Company's internal monitoring and evaluation processes with dialogue and feedback from colleagues in other Ukrainian and international companies and from other stakeholders.

Participation in international and national CSR initiatives

We participate in a number of CSR programs and initiatives both in Ukraine and internationally. In 2007 we joined the UN Global Compact and became one of over a hundred Ukrainian companies and organizations in the Ukrainian Global Compact network⁹. In 2008 our Company became the chairman of the Business and Human Rights working group in the Global Compact network. This was particularly important to us because 2008 marked the sixtieth anniversary of the UN General Assembly's adoption of the Universal Declaration on Human Rights.

We also participate in the Ukrainian National Committee for the Development of the International Social Responsibility Standard (ISO 26000) to be adopted in 2010.

⁹ More details about the UN Global Compact can be found on the Internet at: www.unglobalcompact.org.



Interactions with stakeholders

Over the last twenty years, the stakeholder theory¹⁰ has been widely put into practice to develop a system of interaction between a company and its stakeholders. This is largely due to changing business conditions, such as increased globalization, the introduction of new information technologies and changes in production and consumption. Stakeholder engagement means creating a new response system to substantial external and internal changes.

Interacting with stakeholders is a process which:

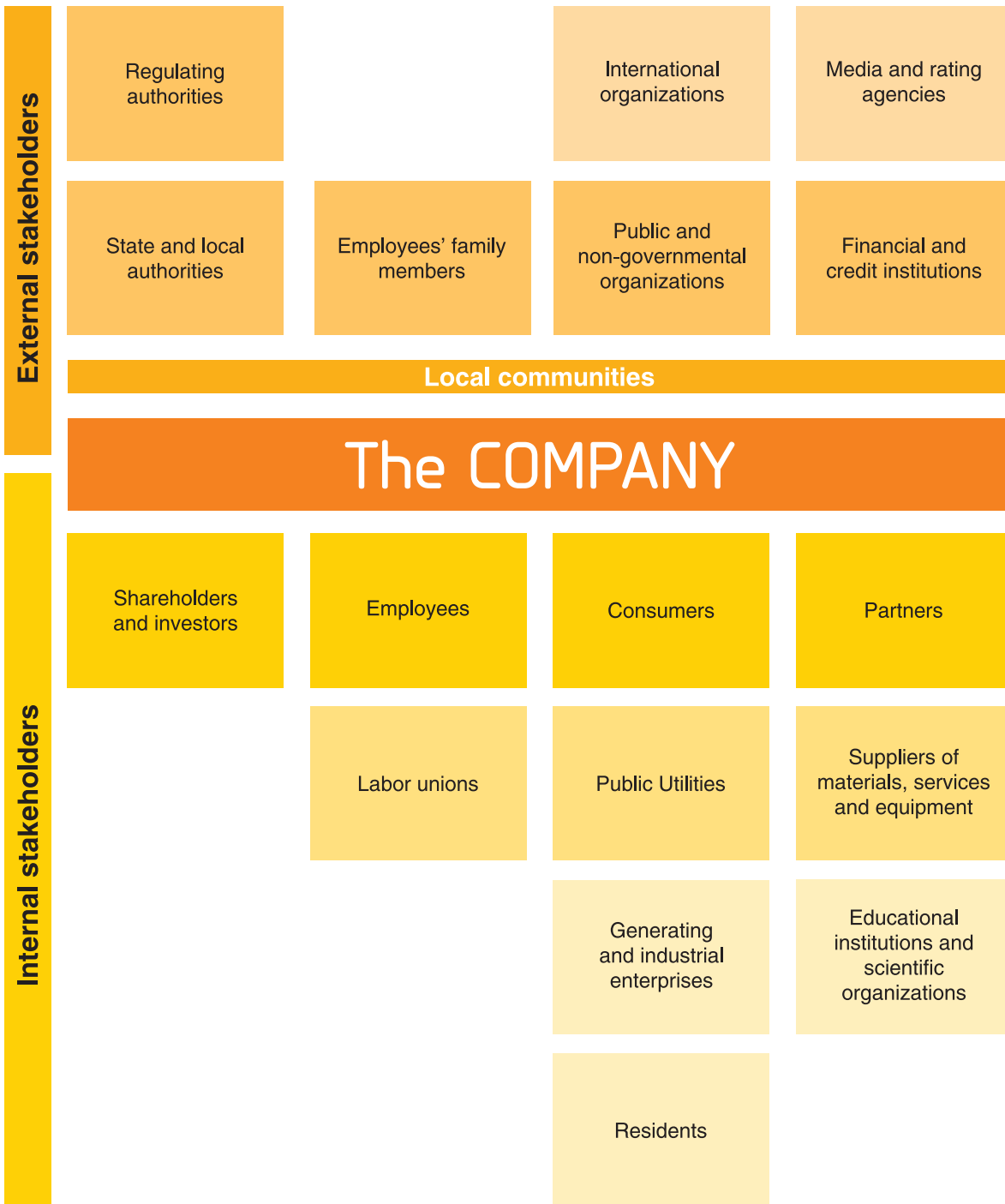
- helps us understand stakeholders' needs as well as their interests and concerns
- allows us to create new opportunities through constructive dialogue
- permits the Company to correct its strategy in light of global trends

We are willing to take into account and discuss the rational expectations of stakeholders in order to balance everyone's interests. This is our main principle in the stakeholder engagement process.

We have begun to identify the stakeholders (see diagram) and search for forms of communication and collaboration that will be of interest and use to both sides. This process is still in its initial stage. In the future, we plan to adjust and expand the groups that were identified when the Report was prepared.

In addition to the main groups, which tend to be the same across industries and company size (shareholders, employees, suppliers, consumers, local communities, partners and local and state authorities), we identify target audiences with whom we already cooperate and intend to cooperate in the future as we implement our CSR policies.

¹⁰ This term is precisely defined and explained in the Glossary at the end of the Report and on DTEK's website (www.dtek.com).





Our internal stakeholders are groups and organizations directly connected to the production and consumption of our enterprises' products. Among the primary internal stakeholders are our shareholders, employees, consumers and partners. Each of these groups consists of more specialized or local sub-groups (partly shown in the diagram above).

Our key external stakeholders are local communities in the regions in which we operate, including state and local authorities, public and non-governmental organizations (NGOs), employees' family members and other groups. Given the specifics of our business, we classify environmental non-governmental organizations as a separate group with which a long-term system of consultations must be developed. From a global perspective, our stakeholders also include international organizations, such as USAID, with which we have already formed a partnership, as well as rating agencies and business publications (which cover the activities of large companies like DTEK).

The primary goal of stakeholder engagement is to disseminate complete and reliable information on the Company's activities and to receive feedback. Therefore, we believe that holding events with stakeholder participation is key to the system. In 2008, we began holding consultations and dialogues with representatives of non-governmental organizations (NGOs) in Donetsk. In the future, the format of these meetings may be diversified.

The Company's plans for realizing CSR Policy

Prior to final approval of the CSR Policy and the development of long-term plans, we base our activities on short- and medium-term plans, taking into account strategic business development factors.

DTEK's priorities

Plans for 2009-2010

Systematic approach to building good-faith, mutually beneficial relationships with all stakeholders

Development of social reporting, taking into account the expectations and opinions of social groups that may be directly or indirectly affected by the Company's CSR policy

Ensure occupational safety and human resource development

Environmental protection

Contribution to the development of local communities, particularly by creating mutually beneficial social partnerships in the regions in which the Company operates

Stakeholders

To organize events (including a corporate management conference) to make communications with stakeholders more effective

Reporting

To increase the level of report preparation and verification. Beginning in 2008, social reports will be prepared on a two-year cycle

Occupational health and safety management

To complete the process of introducing a modern occupational safety and health management system at the Company's three main enterprises: Eastenergo, Pavlogradugol and Komsomolets Donbassa Mine

To complete the process of OHSAS 18001 international standard certification

Human resources development

To staff a minimum 80% of middle and upper management vacancies with in-house candidates

Environmental management system

To begin implementing an environmental management system in compliance with the ISO 14001 standard

To train environmental protection line managers, to review their job responsibilities, to develop a planning system, to improve monitoring and control systems

Social partnership

To independently evaluate the results of implementing the Declaration on Social Partnership

To widen the geographic scope of projects and ensure management and coordination effectiveness

To improve the practical management of charitable activities






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MANAGEMENT AND RESULTS



3.1. Support for local communities and regions in which the Company operates

Information on the following main CSR areas is contained in the Report:

- Support for local communities and regions in which the Company and its enterprises operate
- Quality of labor relations
- Environmental protection

In 2007, the main projects and programs carried out in each area were developed based on the Company's strategic priorities for business development. The main results are detailed in this section of the Report and also in the Appendix "Mapping of DTEK's Social Activities." DTEK voluntarily commits itself to devote resources commensurate with the scale of business to socially oriented programs in both the regions where DTEK operates and the country as a whole.

Our position

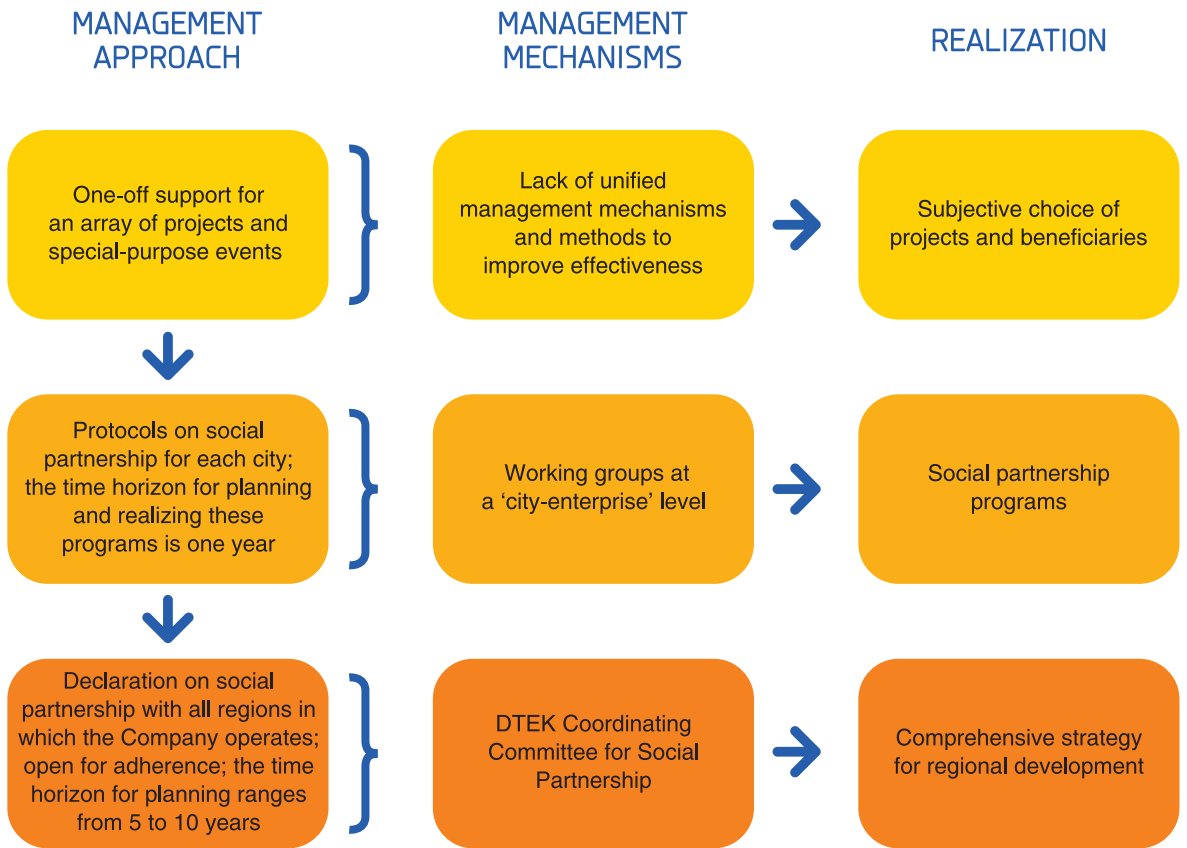
The Company's goal is to insure that our investments in social development are systematic, transparent and long-term. Our social investments are primarily focused on creating a stable and favorable social environment for business development.

2007 marked a transition as the Company gradually moved from financing one-off projects and "required" charity to long-term programs based on principles of social partnership. Systematic cooperation with local authorities and communities is important to us, because the conditions in which our employees and their families live directly affect workplace morale.

In the future, we intend to focus more attention on pan-Ukrainian projects and strategic development programs in the regions in which DTEK operates.

Блок 14





Social partnership model

In 2007 we initiated our first model of long-term social partnership in the regions in which the Company operates. The model works in the following way: The local government bodies of each region that participates in the partnership program, along with our enterprises and other stakeholders, decide on social investment priorities. After discussion, a social partnership program is formed in each participating region, and specific worthwhile projects are selected. These programs are aimed to improve quality of life in the cities in which our enterprises operate. Expected results of the new partnership model are: renewed cultural institutions, hospitals and clinics equipped with modern medical equipment, computer classes in schools and other visible signs of improving living standards.

The practical implementation of this model was achieved in multiple stages. At the first stage, in summer 2007, a trilateral protocol of intentions was signed between the Company's corporate center, its production enterprises and the government bodies of cities, including Pavlograd, Ternovka and Pershotravensk in Dnepropetrovsk Region; Zugres, Kirovskoye and Kurakhovo in Donetsk Region; and Schastye in Lugansk Region.

Under these short-term agreements, the first social partnership programs were developed. At this stage, planning varied from several months to one year. In some territories, coordination groups were created to resolve day-to-day program management issues.

2008¹¹ marked a new stage in the development of the social partnership model. In March 2008 a multilateral, long-term Declaration on Social Partnership was drafted and signed. This new document expanded both the geographical reach and the scope of cooperation.

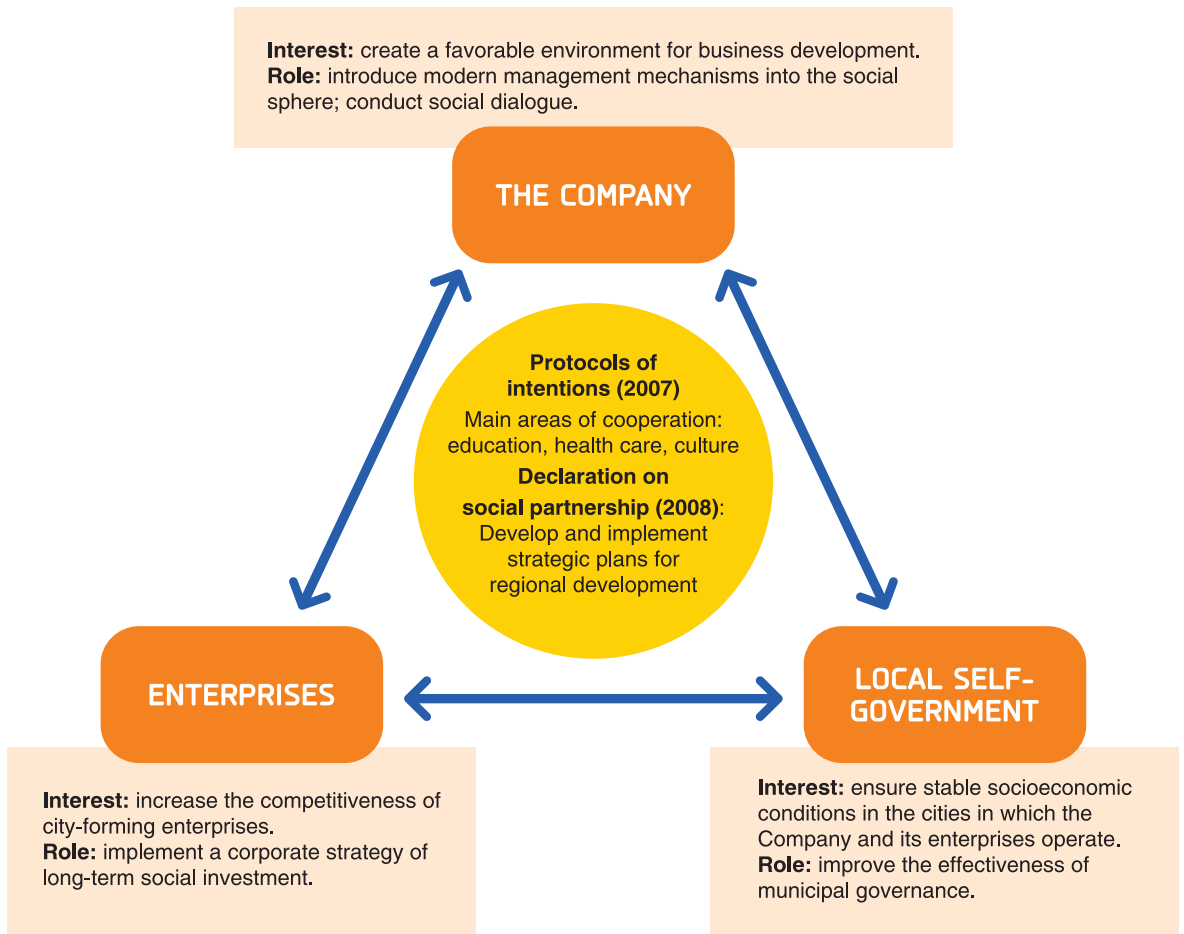
Participants who signed on agreed not to pursue any political or commercial objectives. Instead, they agreed to focus on:

- Upgrading the standard of living
- Creating stable conditions to foster socioeconomic development
- Providing for individuals' well-being
- Promoting the rule of law and supporting public initiatives

To encourage transparency and increase the efficiency of funds used, a Coordination Committee for social partnership was formed. This committee allows participants to coordinate joint activities and discuss the results. The first session of the Coordination Committee approved the committee's regulations, working methods and procedures as well as programs for 2008.

At this stage, social partnership programs will increasingly be focused on long-term goals. When the socioeconomic development strategies of cities are worked out, the programs will become a part of them.

¹¹ The Report refers to the most important events and facts outside the scope of the Report, e.g., those which took place prior to or after 2007, in order to give readers a more complete understanding of the events of 2007.



In 2007 the Company’s enterprises included in the reporting boundaries spent 9.6 mln UAH on activities in the main CSR areas (more detailed information on the Company’s social partnership programs can be found in the Appendix 'Mapping of DTEK’s social activities'¹²).

The model is continuously being developed: new elements are added which foster interaction between participants – for example, partnership programs with other organizations working to achieve the same goals.

¹² The difference between the figures contained in DTEK’s 2007 annual report ('Charitable donations and sponsorship' – 25 mln. UAH) can be explained as follows:

- the social report focuses on a smaller number of the Company’s enterprises;
- enterprises used different approaches to account for funds used, primarily due to varying interpretations of the terms 'charity' and 'sponsorship.'

The problem was identified in the reporting process and will be addressed during the next reporting cycle (see also the Appendix 'Report Methodology').

Partnership program with USAID/Kyiv – 'Local Economic Development'

In December 2007, a partnership program — Local Economic Development (LED, <http://www.led.net.ua/ukr/>) – was launched by DTEK and USAID (the US Agency for International Development, <http://ukraine.usaid.gov/ukr/>), which is one of the leading international organizations focused on fostering social and economic progress.

DTEK and USAID stipulated the partnership's legal and practical framework in the Memorandum of Understanding signed in Donetsk on December 28, 2007. The project aims to provide expert and practical assistance to city councils in the regions in which the Company operates. This assistance will be targeted at improving strategic planning, which, in the long run, should enhance the cities' competitiveness and investor attractiveness. This project was selected because of its methodology based on a partnership approach to strategic planning, allowing participants to fully consider the needs of communities and the capabilities of local and municipal authorities as well as business priorities and views.

From the Declaration on Social Partnership, March 2008

'The enterprises intend to provide local government bodies with consultancy assistance in developing long-term strategic plans designed to make cities more attractive to investors. Assistance will primarily be provided in the form of expert advice and coordinated help within the framework of the Local Economic Development project of the US Agency for International Development (USAID). During the development, adoption and renewal of strategic plans, preferential support will be provided by enterprises to projects and programs directly related to these plans' implementation.'

Sponsorship and charitable activities

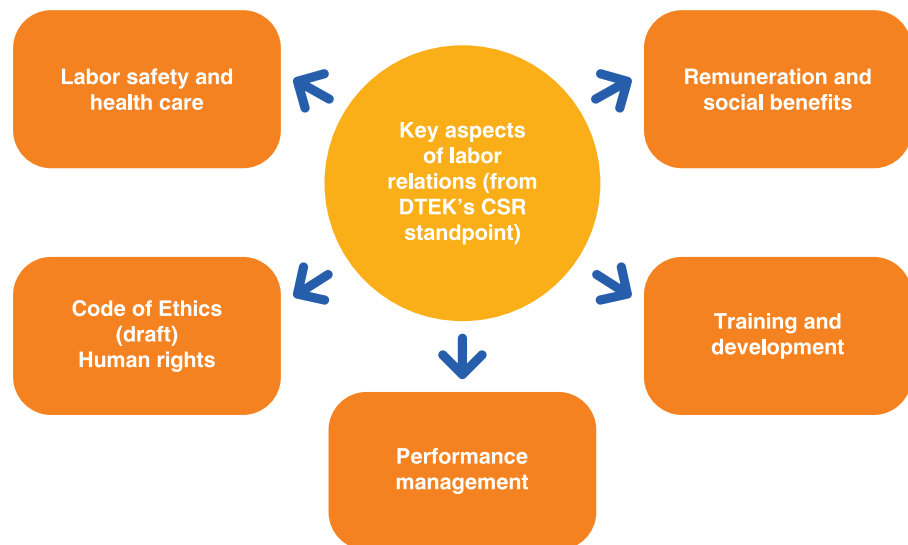
We provide and will continue to provide donations to charitable organizations that support local communities and individuals in need. The areas and types of sponsorship and charitable activity will correspond to the Company's corporate social responsibility strategy (more detailed information about our enterprises' charitable activity can be found in the Appendix 'Mapping of DTEK's social activities').

3.2. Labor relations

Employees are our primary asset and a prerequisite for success. To achieve the Company's strategic goals, it is necessary that employees work as a united team focused on maximizing their combined input to achieve a common goal.

Our position

The changing global economy requires not only new approaches on the part of management, but also calls for employees to develop a new attitude toward their roles and responsibilities. It is vital for the Company that employees value their work. It is also important that employees' professional skills correspond to modern business challenges. A well-developed human resource policy requires creating necessary conditions and incentives to achieve these goals.





Managing the quality of labor relations

In 2007, due to dynamic Company growth and fundamentally new business tasks, the main focus in the human resource management was to build up effective interaction between the Company's corporate center and its enterprises. During the year, several documents were drafted which allowed the Company's values to be successfully integrated in the operational management process.

In 2007, the Company developed a draft Policy on Labor Conditions which is to be a unified corporate document on human resource management for all enterprises. The draft was presented at a corporate conference and approved for further discussion. According to the draft, the Company's primary goals in the area of labor conditions are:

- to attract, motivate and retain talented and enterprising specialists
- to constantly develop employees' competence and professional skills, allowing them to successfully fulfill current and future tasks
- to develop management potential and ensure highly professional and stable management
- to create a favorable working environment in order to protect employees' health

Key achievements in 2007 were as follows:

- a talent reserve was formed at the corporate center and also for production enterprises' top management
- a Company-wide comprehensive assessment of management-level employees was completed
- an organizational framework was developed at the corporate center and a number of leading enterprises

Workforce overview

More than 80% of DTEK's employees work in coal production and enrichment enterprises.

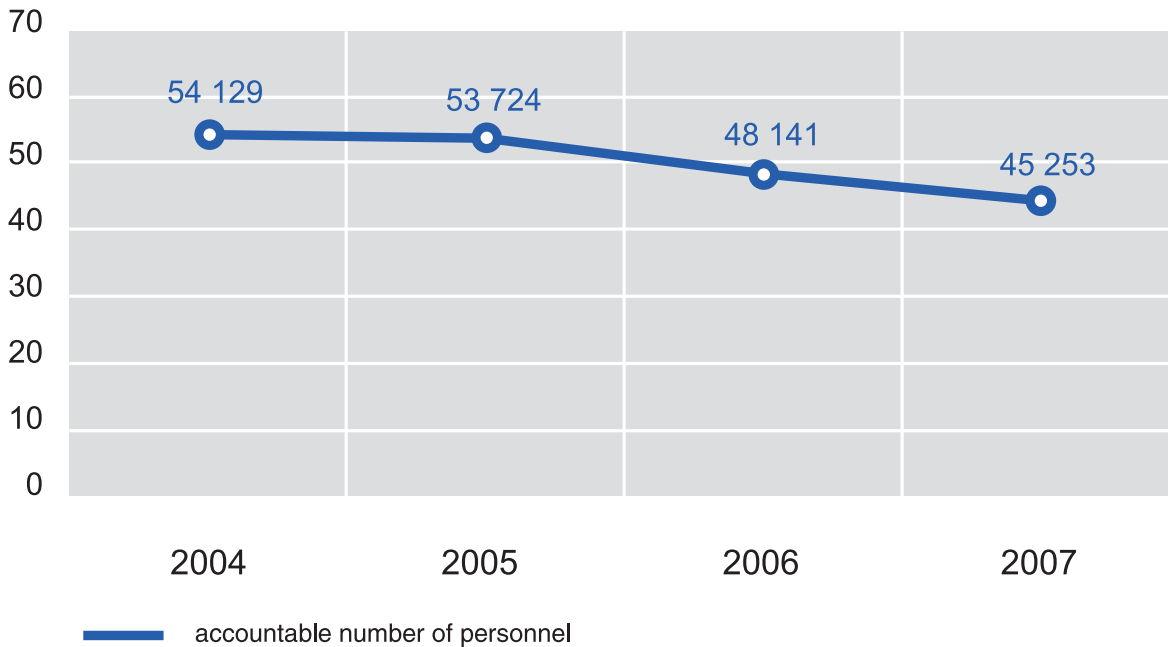
The largest enterprises¹³ (based on the number of employees) are:

- Pavlogradugol (more than 30,000 employees);
- Komsomolets Donbassa Mine (almost 5,400 employees);
- Eastenergo (6,200 employees).

As of the end of 2007, the Company's enterprises (within the reporting boundaries) employed 45,253 people. Over the last four years, the Company's staffing level has tended to decline, primarily due to modernization and restructuring.

¹³ Data as of the end of 2007.

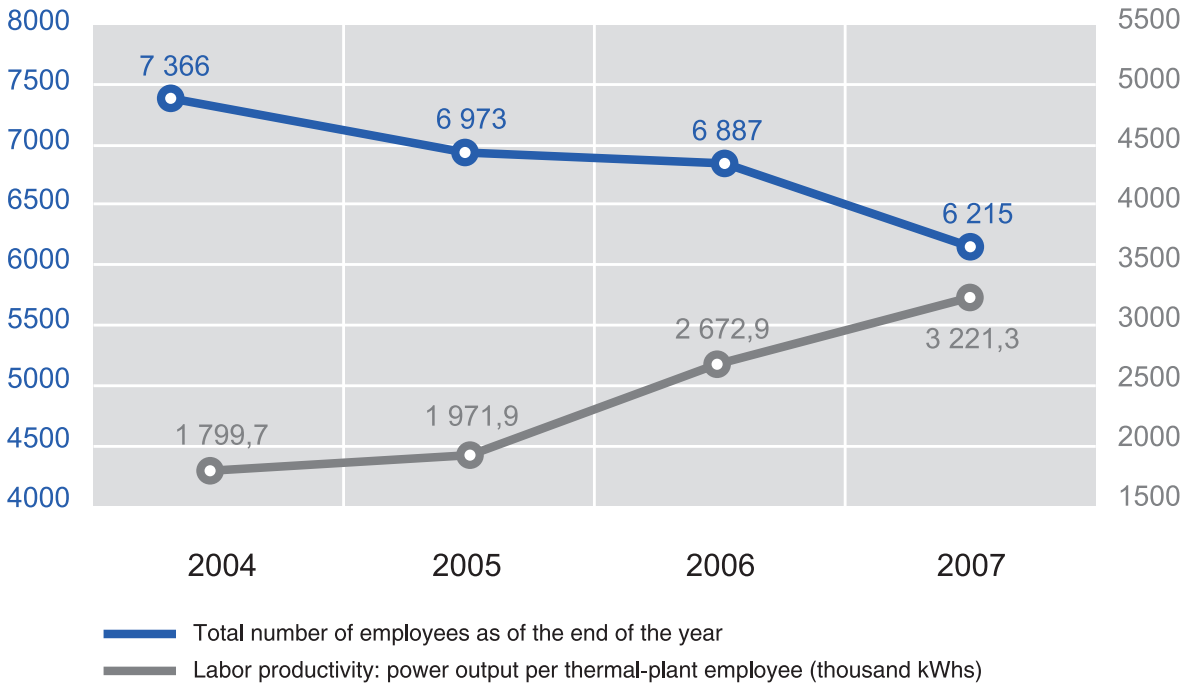
Staffing level dynamics



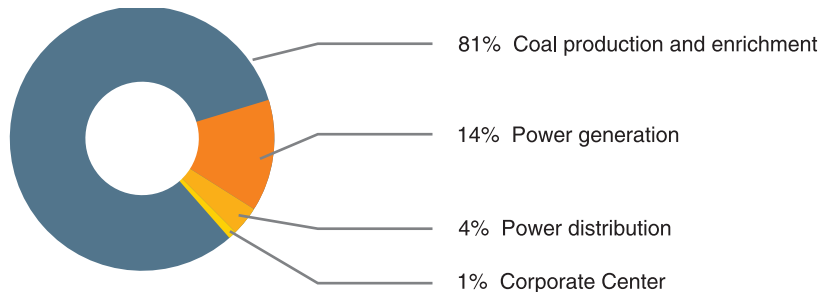
Staffing level optimization is done in accordance with relevant legislation; the Company provides all assistance stipulated by law to laid-off employees. In addition to mandatory measures, the Company also offers additional job placement help and assists former employees as they adapt to new economic conditions. As a result of these changes, labor productivity has increased at a number of the Company's enterprises.

In 2007 an **Adaptation Center** was created at Pavlogradugol (where optimization has been the most active). The Center was launched together with the local employment center, labor unions, and regional authorities. At the Adaptation Center, former employees receive psychological support and job placement assistance, including advice for opening their own businesses. The Center's staff arranges consultations with lawyers, psychologists, HR departments and employment centers as well as assists laid-off employees in obtaining additional professional skills or advanced training paid for by the enterprise.

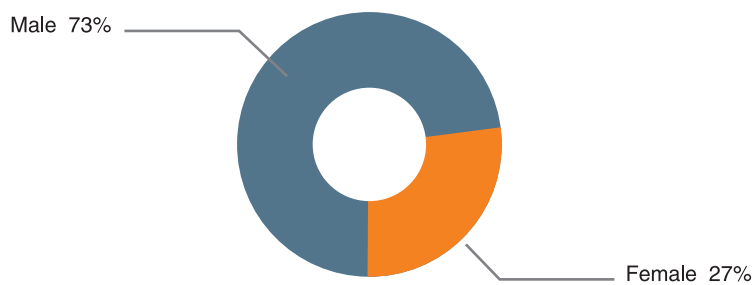
Personnel dynamics and key productivity indicators at Eastenergo



Total workforce breakdown by production sector

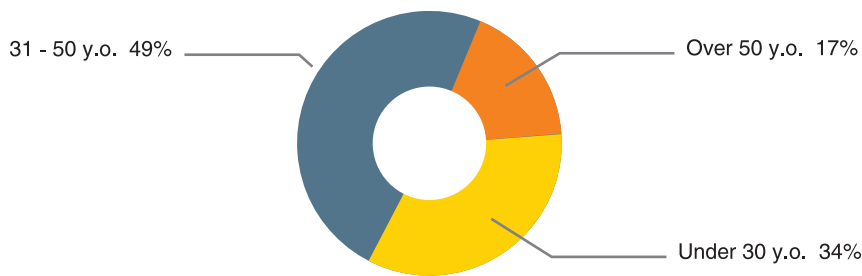


Total workforce breakdown by gender



Due to production specifics, most DTEK employees are male. The workforce's age profile is generally balanced, although the average age of employees at the Company's coal enterprises is slightly higher than at energy enterprises. Due to the high-risk work environment, the Company does not employ anyone under the age of 18.

Total workforce breakdown by age



Labor policy implementation mechanisms

Industry-wide agreements

Our Company is a party to the industry-wide agreement between the Ukrainian Coal Ministry, other state agencies, owners (or associations of owners) in the coal industry, and the All-Ukrainian Coal Industry Labor Union. Agreement No. 71, registered by the Ukrainian Ministry of Labor and Social Policy on August 7, 2001, is still in effect with amendments and additions. The most recent amendments and additions (No. 40) were signed and registered by the Ukrainian Ministry of Labor and Social Policy on August 4, 2008.

In the energy sector the 2006-2007 Industry-Wide Agreement is in force; it was signed by the Ukrainian Energy Company (a national joint stock company), the Labor Union for the Power and Electric Industries in Ukraine and the Independent Industrial Labor Union for Ukrainian Power Specialists. Eastenergo itself is not a party to this agreement, but labor union organizations at power plants are part of the larger Ukrainian Labor Union for the Power and Electric Industries (as part of the union's Donetsk and Lugansk regional committees). Thus, labor unions working at Eastenergo power plants are parties to this agreement.



Collective bargaining agreements

The requirements of industry-wide agreements are taken into account when collective agreements are negotiated. The majority of our enterprises sign collective agreements for a period of at least one year. After the agreement expires, it remains in effect until both parties sign a new agreement or review the existing one. Collective bargaining agreements stipulate arrangements between the workforce, represented by its delegates (labor unions), and enterprise management.

Concluding agreements and discussing their contents is a complicated process both for the Company and its employees. Internationally – and in Ukraine as well – the coal and electric power industries have gone through difficult transformation periods. It is possible to increase wages and retain social benefits (see the subsection 'Labor remuneration and social support' below) only if enterprises operate at maximum profitability and labor productivity increases. Given the current economy, this can be achieved by introducing new technologies and more productive equipment as well as by broadening employees' professional skills and knowledge base.

The Company discusses all clauses in collective bargaining agreements with labor union representatives, and if necessary, both parties additionally review any contentious issues.

The collective bargaining agreements signed by Eastenergo enterprises reflect labor remuneration conditions, social benefits and payments to employees and retirees, as well as the Company's commitments in the areas of training and occupational safety.

Throughout its entire history, Eastenergo has never had wage arrears. In 2007 funds for labor remuneration were increased by 28.4% compared to the previous year.

Substantial financial resources are allocated on an annual basis for the social support of employees and retirees. The amount spent on social support has risen from 14.735 mln. UAH in 2005 to 16.866 mln. UAH in 2006 and 22.475 mln. UAH in 2007.

Labor unions

Several labor unions operate at the Company's enterprises. Based on management estimates, the majority of our employees are union members.

Enterprise	Percentage of employees belonging to labor union organizations
Pavlogradugol	100%
Komsomolets Donbassa Mine	98%
Central enrichment plants:	
Kurakhovo	65%
Mospino	97%
Pavlograd	98%
Eastenergo	92%
Servis-Invest PES-Energougol	Council of employees 91.6%

The Company does not impede the rights of its employees to form labor unions to protect their interests and is ready to engage in constructive dialogue with labor union representatives.

Building a constructive dialogue between the Company and miners' labor unions in Western Donbass was not simple. In early 2007, tension grew between the two parties. The Company's management and labor union representatives sat down at the negotiating table. A joint session of Pavlogradugol's Supervisory Board, enterprise management and labor union leaders took place on February 12, 2007. This session produced agreements on several fundamental issues, which increased the level of social protection for Pavlogradugol employees and improved the enterprise's overall efficiency.

Occupational safety and health

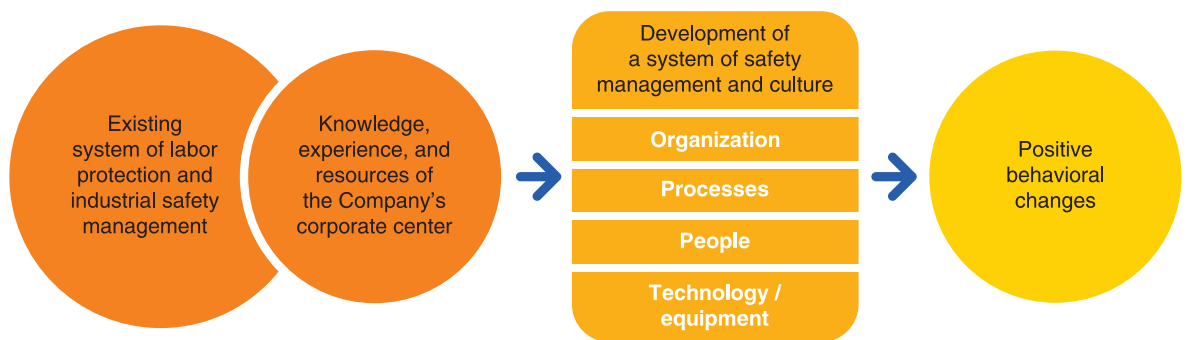
Increasingly, modern society understands the important economic and social role played by power-generating and coal-production enterprises in industrial development. As a result, the requirements for an effective occupational and industrial safety management system – focused on managing and minimizing behavioral and production risks – have increased.

Industrial downtime caused by emergencies, job-related accidents and occupational illnesses not only slows down production but may also increase costs. These factors may also negatively affect occupational safety, production quality and employees' attitudes. Therefore, improving workplace safety not only has a positive social impact but also yields economic benefits.

Occupational and industrial safety management

In 2007 the Company's top management addressed the pressing issue of developing and introducing a modern and effective occupational and industrial safety system. Later that year, a Labor and Industrial Safety Policy was developed and adopted, and strategic goals were defined. To achieve these goals, the Company invested more than 76.4 mln. UAH in occupational safety programs in 2007.

Occupational and industrial safety management



In 2007, corporate safety standards were established to regulate the following key processes in the Company's management system:

- Setting annual goals and objectives in the area of occupational safety
- The work of committees and sub-committees on occupational safety
- Internal investigations into workplace accidents
- The identification and evaluation of production risks
- Internal audit of the occupational safety management system
- Informing employees on occupational safety issues
- Dedicated training programs
- The establishment of occupational safety incentives
- Control over subcontractors' safety standards



Certification to international standards

A key event in 2007 was top management’s decision to create an occupational and industrial safety management system in compliance with international standard OHSAS 18001:2007. Such a management system will allow enterprises to:

- Control dangerous production factors
- Manage production-related risks
- Prevent incidents, accidents and other emergency situations
- Integrate measures in enterprise management systems
- Improve workplace morale
- Reduce costs

Creation of an occupational and industrial safety management system

Since 2007, efforts have been made to create a modern occupational and industrial safety management system at three of the Company’s enterprises (Pavlogradugol, Komsomolets Donbassa Mine and Eastenergo).

<ol style="list-style-type: none"> 1. Diagnostic of existing management processes 2. Seminar for management 3. Development of a plan of action 	<p>STAGE I PREPARATION</p>	<p>April – May 2007</p>
<ol style="list-style-type: none"> 1. Creation of working groups 2. Training for working groups: <ul style="list-style-type: none"> - introduction to OHSAS 18001 - risk assessment - a course for internal auditors 	<p>STAGE II TRAINING</p>	<p>June – August 2007</p>
<ol style="list-style-type: none"> 1. Analysis and adaptation of existing documentation 2. Development of management-system documentation 	<p>STAGE III ELABORATION</p>	<p>June 2007 – May 2008</p>
<p>Introduction of:</p> <ul style="list-style-type: none"> - policies - standards - internal audit procedures - occupational safety committees 	<p>STAGE IV INTRODUCTION</p>	<p>July 2007 - August 2008</p>
<p>Pre-certification audit:</p> <ul style="list-style-type: none"> - evaluation of achievements - adjustments 	<p>STAGE V EVALUATION AND ANALYSIS</p>	<p>September - October 2008</p>
<p>Certification audit:</p> <ul style="list-style-type: none"> - conformation to OHSAS 18001 requirements - sustainable results - on-going improvements 	<p>STAGE VI FUTHER DEVELOPMENT</p>	<p>January - March 2009</p>

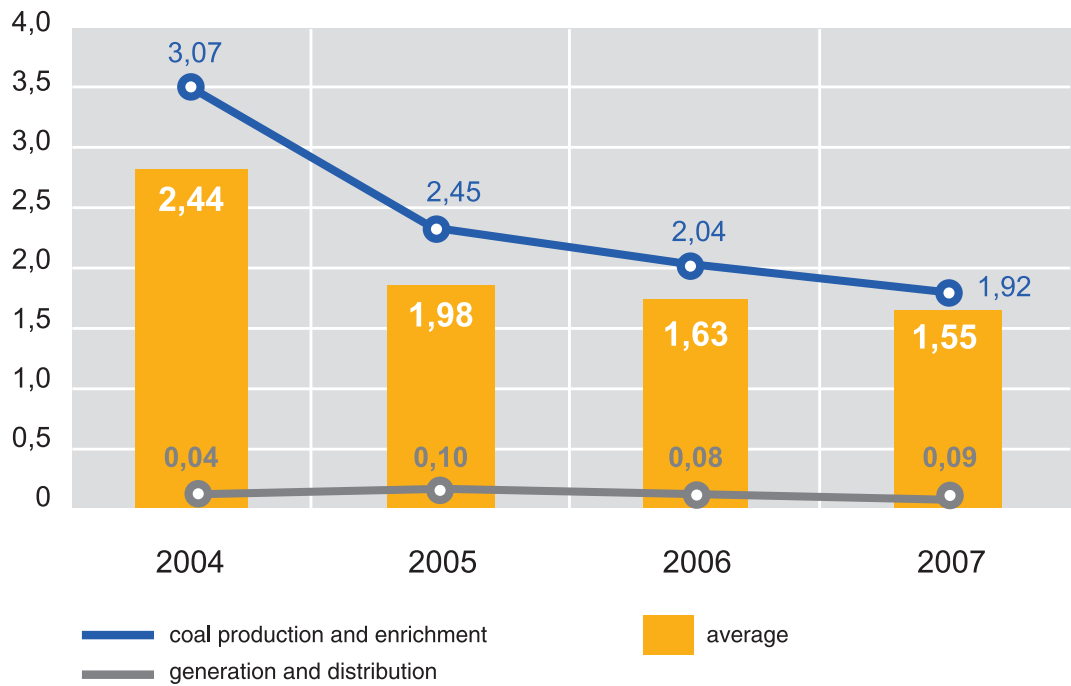


Decline in the frequency of injuries

As compared to 2006, the following trends were seen in 2007 at the Company's enterprises:

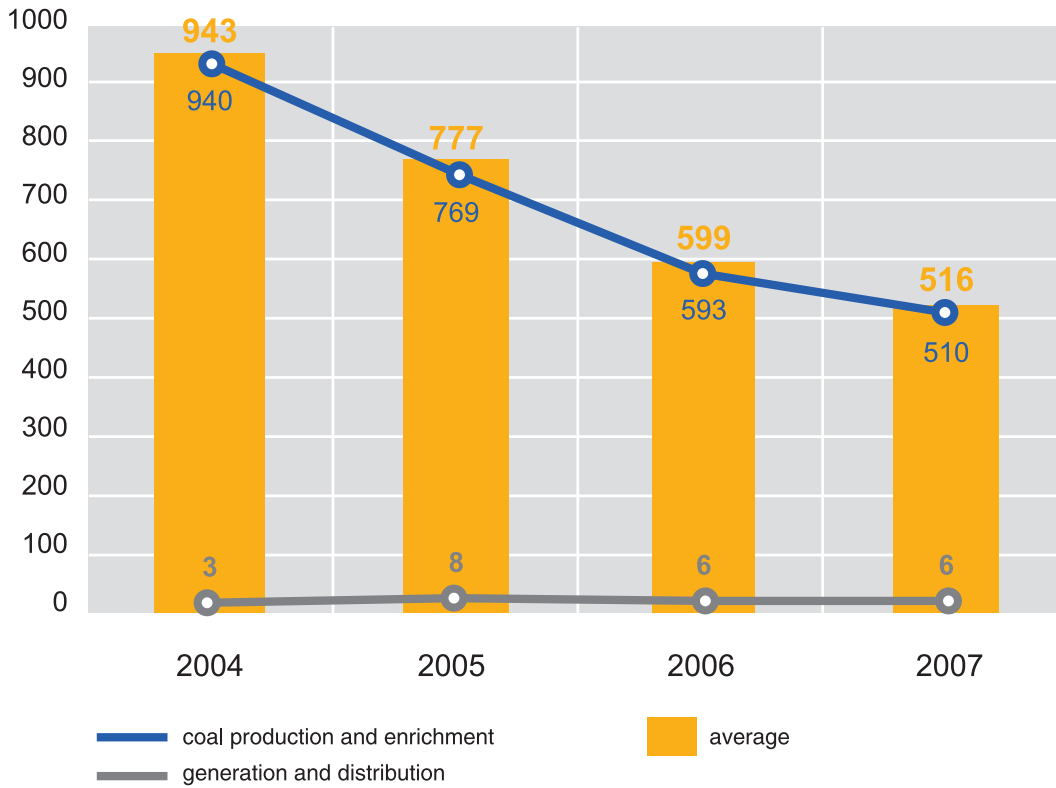
- the number of fatalities dropped 50% (from 12 to 6)
- the fatality level per 1 mln. tons of produced coal decreased 56% (from 0.72 to 0.32 cases)¹⁴
- the total number of injuries declined 14% (from 599 to 516 cases)
- the number of severe injuries dropped 19% (from 21 to 17 cases)
- the injury frequency rate (per 200,000 man-hours) dropped 5% (from 1.63 to 1.55)
- the injury severity rate (per 200,000 man-hours) decreased 11% (from 65.51 to 58.6 days of disability)

Lost Time Injury Frequency Rate (per 200,000 man-hours)

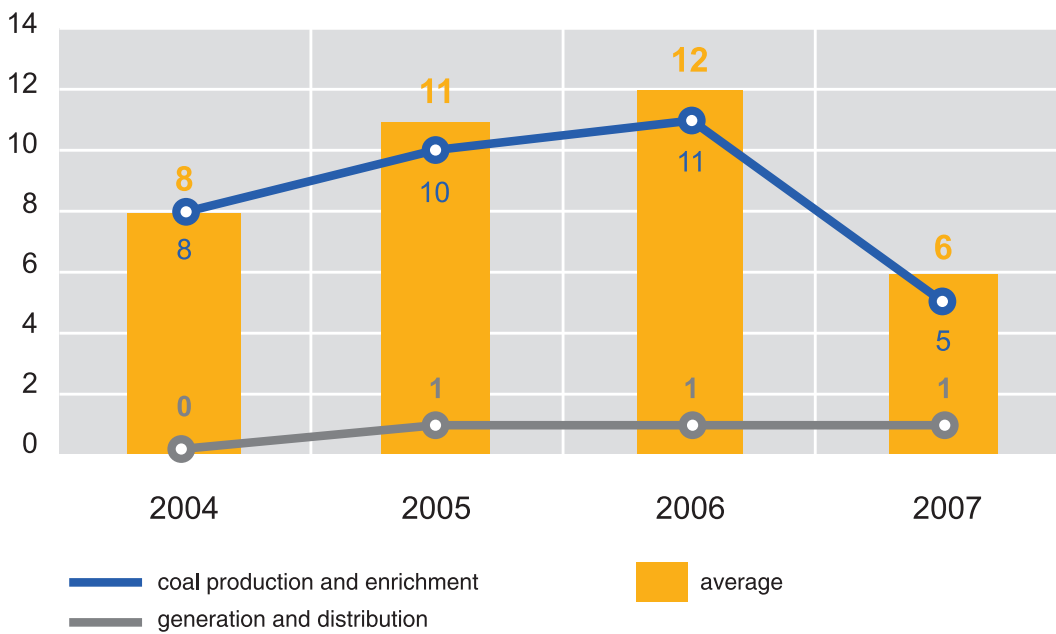


¹⁴ The fatality rate is calculated only for the Company's coal-extracting enterprises, Pavlogradugol and Komsomolets Donbassa Mine.

Total number of injuries



Total number of fatal injuries



Labor remuneration and social support

We adhere to the following key principles in the area of labor conditions:

- to fully comply with effective legislation and the observance of human rights
- to provide our employees with fair and competitive remuneration, based on their professionalism, the difficulty of their work and the degree of their responsibility
- to develop managerial potential and ensure highly professional and stable management
- to invest in employees' training and development to help them realize their potential
- to offer our employees social support; the size and type of support hinges on business performance

The Company works to ensure that its remuneration and social support programs (including benefits and compensation) are effectively managed. The Company focuses not only on aspects of the program stipulated by Ukrainian legislation, but also on additional benefits negotiated during collective bargaining, taking into account financial indicators, production capacity and labor productivity. The Company's corporate center defines the overall vector for developing labor relations. The practical implementation of the goals, however, is determined by individual enterprises in cooperation with labor unions and depends on economic performance.

'In 2004, when preparing for Pavlogradugol's privatization, the enterprise's total loss from 2003 stood at 136 mln. UAH, including payment arrears of more than 90 mln. UAH. Following privatization, payment arrears were settled within one month – much faster than the timetable stipulated by the investment agreement.

Immediately after privatization, a collective bargaining agreement was signed in 2004. This agreement is still recognized as an industry best, according to labor union leaders. From 2005–2007, DTEK invested 1.209 bln. UAH in the development of Pavlogradugol. This figure far exceeds DTEK's obligations based on the original sales contract.

The Company's social package is regularly upgraded, and new benefits and guarantees are introduced. In 2007 the enterprise invested more than 57 mln. UAH in the social package (as compared to 47 mln. UAH the previous year).

Employees are compensated for their utilities, including gas, electricity and heating. Young workers and qualified specialists may obtain interest-free home loans or apply for a guaranteed mortgage credit (which compensates for two-thirds of a loan's interest rate).'

Evgeny Romaschin, Director for Coal Production and Enrichment, DTEK
Nikolai Tischenko, Managing Director, OJSC Pavlogradugol

Labor remuneration. Social benefits and guarantees

We aim to build long-term relationships with skilled employees who will promote corporate efficiency. Our system of labor remuneration, social benefits and guarantees is designed to boost the Company's attractiveness as an employer.

In 2007 the Company's average wage as a percentage of the industry average was:

- 150% in the electric power industry
- 125% in coal production

Each year, the social support package offered by Eastenergo is broadened. In 2007 the enterprise offered its employees the following incentives, benefits and additional compensatory payments:

- sanatorium and resort vacations for employees and family members, in cooperation with labor union committees: vouchers to Sotsis's recreation centers and sanatoriums as well as to other therapeutic institutions and partially compensated vouchers to children's recreation camps
- financial assistance, including childcare benefits for children up to three years of age, for medical treatment, etc.
- one-time premiums and incentives
- medical care for employees at Sotsis's healthcare facilities and other centers
- partial compensation for midday meals (this is a new program introduced in 2007)

Principal types of guaranteed social support for our employees include: free household fuel (for the coal production sector), training for employees and their children in core professional areas, and vacations for employees and their families.

The types of social support are determined by the enterprises and labor representatives when collective agreements are negotiated.

Servis-Invest's incentive system is structured so that each employee clearly understanding that results depend on their personal contribution to the Company's strategic goals.

Employees and family members are compensated up to 100% of the cost of sanatorium and resort vacations and or receive financial assistance of up to 100% of their monthly wages during a vacation. Employees may obtain vouchers to children's holiday centers in the Crimea.

The enterprise offers corporate incentives for anniversaries and holidays. In addition, our specialists receive recognition outside the Company, including certificates of merit, badges of honor and medals from the Ukrainian Ministry of Fuel and Energy.



Dispatchers in operative services who work the night shift receive meals at the Company's canteens.

Employees' children receive presents and are invited to New Year's celebrations. On September 1 (the first day of the school year in Ukraine), first-grade students receive presents, and their mothers are given an additional day off work.

Some of our enterprises have aid programs which support former employees, and we intend to maintain this tradition.

In 2007 **Pavlogradugol** continued the Care Social Program. Along with labor unions, the Company determines which of its employees are in greatest need of assistance (including those with large families and former employees who were disabled in work-related accidents). The program allows employees:

- to receive medical treatment (including payment for critical medical treatment, sanatorium care and medicines)
- to make necessary house and apartment repairs (payment for materials)
- to improve their housing conditions (assistance in obtaining a portion of funds required to purchase an apartment)
- to upgrade living standards (payment for household appliances)
- to give their children an education (payment for cultural events, musical instruments and travel so that gifted children can attend competitions and receive training in specialized studios and sections)

The program is run by a committee which includes representatives from labor unions and Company management.

Eastenergo retirees receive annual financial support for medical treatment as well as payments on holidays such as Victory Day and the Day of Electric Power Engineers. The Company also supplies household fuel to its retirees at reduced rates and offers them vouchers to Sotsis sanatoriums.

Social infrastructure

The creation of comfortable conditions ensuring adequate rest and recreation for our employees is one of the Company's most important social tasks.

Until recently, the Company's balance sheet included a significant number of social facilities, which served not only our employees but also residents of cities in which the Company's enterprises are the dominant local employers. The Company is currently optimizing its social infrastructure, including transferring some facilities to municipal ownership (see the Appendix 'Mapping of DTEK's social activities'). Facilities remaining on an enterprise's balance sheet will be integrated into an efficiently managed complex with high-quality services which will effectively meet the needs of the Company's employees.

To this end, the day-to-day management of social and cultural facilities has been entrusted to the specialized organizations **Sotsis** and **Sotsugol** (a branch of Pavlogradugol). Facilities managed by these enterprises include canteens, dormitories, hotels, recreation centers, children's holiday camps, sanatoriums, sports complexes and community centers. The catering and accommodation services provided by both Sotsis and Sotsugol are fully certified, and sanatoriums and healthcare centers are officially accredited.

Sotsis's therapeutic activity is based on the World Health Organization's thesis that preventive medicine through ambulatory care should be at the core of any health care system. Today, Sotsis provides comprehensive medical care based on the following scheme: emergency pre-doctor and doctor care – preventive measures – diagnostics – clinical examination – rehabilitation.

In 2007, 4,267 people took advantage of Company-sponsored recreation and rehabilitation services. These services included 386 family vouchers for Eastenergo employees to visit recreation centers and sanatorium care for 1,074 employees and 90 retirees.

Sports are an excellent way to improve one's health. Pavlogradugol employees engage in both individual and team sports. In 2007 more than a thousand employees participated in sports events. At the first All-Ukrainian Olympics for Coal Workers, the corporate team took first place.



Education opportunities

The Company's strategic goal in the area of human resource training is to allow for the constant accumulation and renewal of the Company's knowledge base, while at the same time refreshing individual employees' skill sets. We offer our employees every opportunity to develop their professional skills and advance to management positions (at any level) within the Company. During 2007, 5,500 Company employees received various types of training.

Strategic approach to human resources development

Core business requirements:

- new assets (in Ukraine and Russia)
- new European partners

Training and development:

- provide the Company with highly-skilled, well-qualified personnel, able to effectively meet current and future business challenges
- implement unified corporate training policies based on the 'corporate university' principle



The Company's training and development system establishes a mandatory training schedule for employees (across all competency levels) through individual and corporate plans based on:

- Professional competency and performance evaluation
- Production needs within the approved budgets

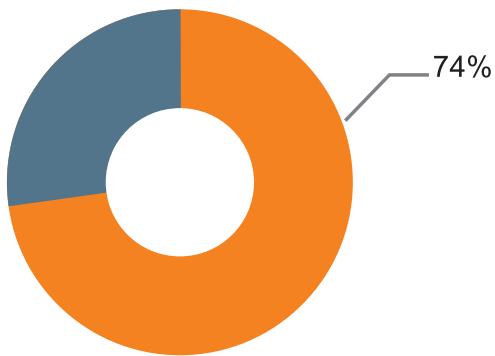
The evaluation procedure assesses each individual employee's contribution to the Company's strategic goals (based on key performance indicators). The results indicate how closely an employee's professional and personal qualities match those of an exemplary performer in that specific position. This approach maximizes not only the Company's competitiveness, but that of individual workers as well. Employees' future career growth within the Company depends on the results of the evaluation.

In 2007, the Company reviewed all first- and second-level managers at its enterprises and also at the corporate center (at Komsomolets Donbassa Mine, third- and fourth-level managers were also evaluated). In 2008, it is planned to evaluate third- and fourth-level managers of all enterprises.

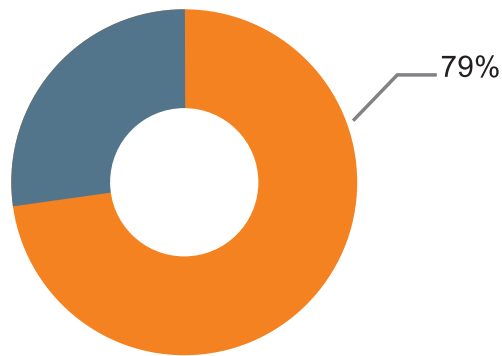
During the evaluation process, the employee, together with his/her immediate supervisor, puts together an individual development plan based on the employee's desires, the supervisor's opinion and the Company's needs. To ensure high-quality evaluation, primary training was conducted for employees taking part in the process. Followup studies indicated that most employees' attitudes toward the new practice were positive.



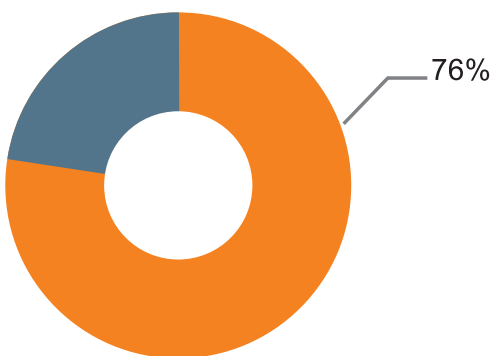
Employees' attitudes toward the evaluation process



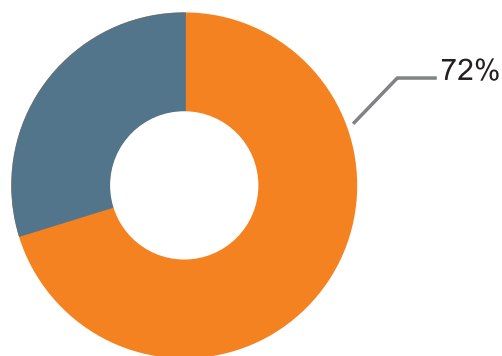
'During the evaluation, I was able to see my strengths and weaknesses'



'My individual development plan dovetails with the requirements for my future activities at the Company'



'During the evaluation, I received clear goals for the upcoming year'



'Competency definitions are clear and allow a comprehensive evaluation of the employee's performance'

Corporate training programs may be initiated either by the corporate center or by individual enterprises. These programs include educational aspects aimed at developing both professional qualities (such as participation in conferences, seminars and other events) and corporate competencies. To foster these competencies, the Company usually selects skills that are the least developed and in the greatest demand at the given time.

Training programs are conducted either directly at the Company (by invited outside trainers) or at specialized educational institutions. DTEK cooperates with industry-related universities and colleges in Ukraine.

Every year, the Company's enterprises receive a special budget for training programs. Training expenditures have increased on a yearly basis.

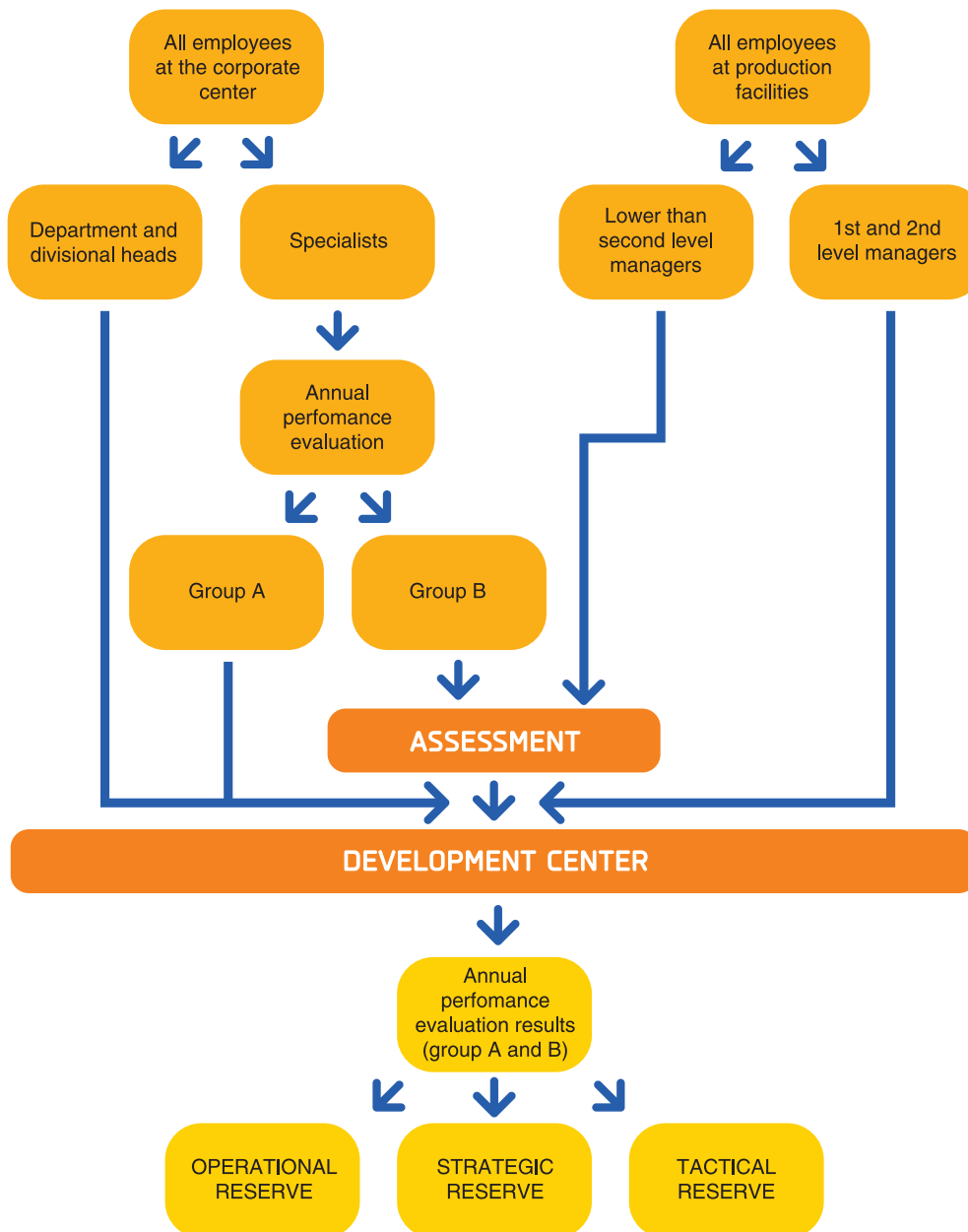
Funds spent on personnel training and the number of employees who received different types of training (for enterprises within the scope of the Report)



Talent reserve

The Company’s talent reserve is made up of promising future leaders. Having a network of employees in managerial positions who understand the Company’s production processes and market specifics is a key factor for the Company’s growth and competitiveness. The Company’s strategy is focused on meeting managerial needs by developing its own in-house workforce to the necessary level. The system for developing this talent reserve is illustrated below.

Talent reserve selection process



Specialists and workers

At present, the Company is going through a period of intensive changes – both in managerial practices and in the technologies being used at the enterprises. These changes require that employees acquire new skills. In 2007 the Company organized centralized training in new management and accounting systems for certain categories of specialist.

The Company faced the challenging task of introducing a unified accounting system that would allow consolidated data (based on International Financial Reporting Standards, IFRS) to be obtained from all of its enterprises. Prior to this unification, different enterprises used different accounting and managerial reporting systems. As a result, the Company needed to launch a large-scale training program covering numerous categories of employees. The program had approximately 1,500 participants, including:

- IT-specialists who provided support during the data consolidation process (5,256 man-hours);
- Accountants who input data into the unified 1C-accounting system (166,656 man-hours);
- Accountants who ensured unified standards of data processing and consolidation in compliance with IFRS standards (26,432 man-hours);
- Corporate trainers who instructed the employees of new enterprises in international financial reporting standards (648 man-hours).

By introducing the new system, the Company successfully reduced input time from several months to several weeks; for some operations, input time fell to several days.

Another example is a training program for HR managers. When unified search, selection and evaluation standards were introduced, it was essential that HR departments develop a common understanding of the new tasks and procedures. To achieve this, a Company-wide seminar (240 man-hours) was organized. This seminar helped unify the requirements with respect to personnel selection and evaluation.

In addition to obligatory proficiency testing and skill improvement courses, the Company also offers training in the use of new products and technologies (target courses). Training is provided both in the workplace and at local training centers. The Company also organizes study abroad. In 2007, for example, Servis-Invest specialists received training in Finland and Germany to familiarize them with the enterprise's new equipment.

Corporate culture

The Company is committed to building a positive corporate culture and has placed particular emphasis on the role of corporate media. In 2007 we began publishing a newspaper (Our Newspaper) and a corporate magazine (The Energy of Life). These publications inform employees about key results as well as the strategic goals and tasks of the Company and its enterprises.

In addition to receiving feedback through the media, suggestion boxes have also been placed at the enterprises' information stands. The Company believes that a DTEK hotline will also help to improve feedback.

The Company pays particular attention to corporate life by regularly conducting corporate holidays, social and sports events (e.g., competitions for our employees' children, Miners' Day, the Day of Electric Power Engineers, the DTEK Olympics and Victory Day celebrations in the regions in which the Company operates).



3.3. Environmental protection

Our position

Our business is based on production cycles which may have a significant environmental impact. As a socially responsible company, we firmly believe that our long-term growth and development must be not only economically sustainable, but also sustainable from an ecological point of view.

At present, legal requirements with respect to environmental protection are being strengthened in Ukraine and globally, particularly in Europe. Each year substantial amendments are made to bring Ukrainian legislation in this area up to European standards. Ecological monitoring system requirements are being upgraded, and environmental taxes and fines are being increased.

All of these factors explain the increased attention given by the Company's top management to environmental protection. In the corporate integrated risk management system, ecological risks are foregrounded. These risks also guide the Company's CSR policy.

Our goal is to enhance environmental safety and increase the Company's value by ensuring reliable and environmentally safe production. To achieve this goal, a number of investment and organizational activities are planned.





Investment activities

- Complete technological re-equipment, and gradually remove outdated equipment from service
- Introduce the best technologies
- Enhance technological production processes
- Decrease waste and ensure its safe handling; realize waste recycling measures
- Implement energy-efficiency programs

Organizational activities

- Actively participate in improving Ukraine's environmental protection legislation in order to bring it into line with EU legislation
- Enhance management systems in the areas of environmental protection, natural resource usage and prevention and liquidation of emergency situations by introducing an environmental management system in compliance with ISO 14001.

We adhere to the following **principles** in implementing our CSR policy:

- Conserve and rationally use natural resources, including energy
- Minimize and prevent negative environmental impact from production cycles (affecting land, air, water and ecosystems)
- Consult and partner with local communities and society as a whole on ecological issues

Environmental management approach

In 2007 the Company established the Industrial Safety and Environmental Protection Department to ensure integrated environmental management. Each of the enterprises has an ecological service which develops environmental programs in coordination with local executive bodies and regional environmental inspectorates.

The condition of key assets when enterprises joined DTEK largely determined environmental priorities and management approaches as well as a number of environmental indicators. In privatizing production enterprises, the Company inherited the following ecological challenges:

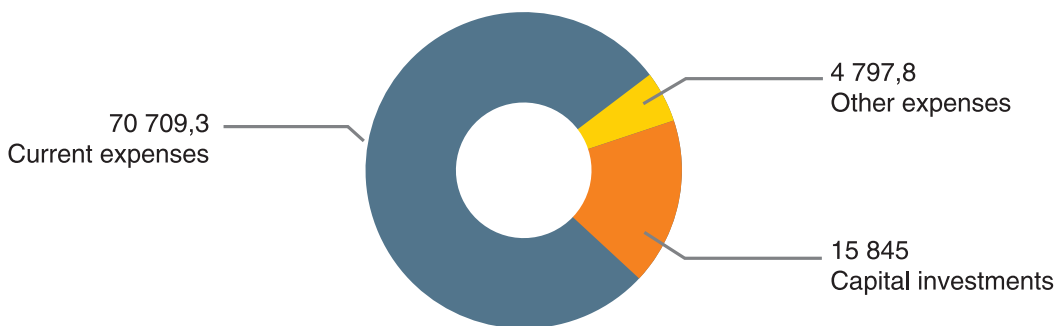
- Unsatisfactory condition of dust and gas filtering equipment
- Worn-out equipment and facilities for wastewater treatment, transportation and disposal
- Substantial amounts of mine water
- Flooded territories
- Substantial areas of disturbed land
- Burning waste dumps¹⁵

¹⁵ A waste dump is a surface mound at a mine location, where mining waste and non-conforming substances removed during the mining process are disposed of.

Most of the above challenges are currently being met: investments go toward renewing technologies and production equipment as well as modernizing technological processes at the Company's enterprises.

In 2007 the Company's overall expenditures for environmental protection increased 45.6% compared to 2006 and totalled about 91.4 million UAH.

2007 expenditures for environmental protection, thousand UAH



Corporate environmental priorities were shaped with a view to the existing challenges and affect the management of the impact on water, air and soil.

Air conservation	Conservation and efficient use of water	Conservation and efficient use of land
Priorities		
Ensure that the level of pollutant emissions produced by operational and new equipment meets regulations	Ensure that the volume and quality of wastewater produced by operational and new equipment meet regulations	Protect soil from the negative impact of production
Activities		
Decreasing solid emissions by reconstructing and adjusting boiler units and dust-and-gas cleaning units	Decreasing discharges of pollutants into bodies of water	Reclaiming the affected soil and landscape
Improving dust suppression during mining work	Monitoring water discharges	Protecting soil from dusting by ash and waste dumps
Decreasing nitric oxide emissions by means of technological operations involving nitric oxide suppression methods and also by introducing flue gas purification technologies	Increasing the technical level of treatment-facility usage	Recycling ash and cinder waste and rock
Decreasing sulphur dioxide emissions by using fuel with a lower sulphur content and building sulphur-removal facilities	Conserving bodies of water and bio-resources by building and reconstructing treatment facilities using new technologies	Decreasing the negative health and environmental impact of production and consumption waste by equipping waste disposal locations
Decreasing greenhouse gas emissions by introducing fuel efficient technologies, as well as by capturing and utilizing methane from coal mines	Ensuring monitoring and decreasing the volume of fresh water consumption	
Decreasing sulphur dioxide emissions by using fuel with a lower sulphur content and building sulphur-removal facilities	Decreasing irrecoverable water loss (relief leakages)	
Decreasing greenhouse gas emissions by introducing fuel efficient technologies, as well as by capturing and utilizing methane from coal mines	Maximizing reusage of treated effluents	
Developing and introducing a continuous pollutant-emission monitoring system at the Company's power generating plants		

In the long-term perspective, based on the Company's general development strategy, we have identified the following key strategic goals for **2008–2021**:

- To introduce an environmental management system (in compliance with ISO 14001:2004) at each of the Company's production enterprises
- To implement an investment program by 2021 in order to meet 2001/80/EU Directive requirements
- To implement environmental protection investment programs at coal production and enrichment plants
- To adopt GHG reduction projects in the framework of the Kyoto Protocol

Key environmental impact of DTEK's production enterprises

Coal production and enrichment as well as power generation have a substantial impact on soil, water and air.

Coal production results in substantial soil disturbance (requiring subsequent reclamation) as well as solid waste formation, mine water waste and methane emissions.

Coal enrichment primarily affects the air, due to pollutant emissions, and soil, due to the disposal of large amounts of coal enrichment waste.

The primary environmental impact of power generation by thermal power plants consists of pollutant and GHG emissions. Power generation involves substantial water consumption: water is used for cooling, and nominally clean water is subsequently discharged into bodies of water (thermal pollution). In addition, during coal burning, a large amount of ash is produced, which is then placed in special storage units that occupy large areas.

Air conservation

The volumes of pollutant emissions are determined by the following factors:

- the technological processes of coal production and enrichment, dusting at waste dumps and coalmine methane emissions (at coal production and enrichment plants)
- substances generated by fuel burning (at power plants)

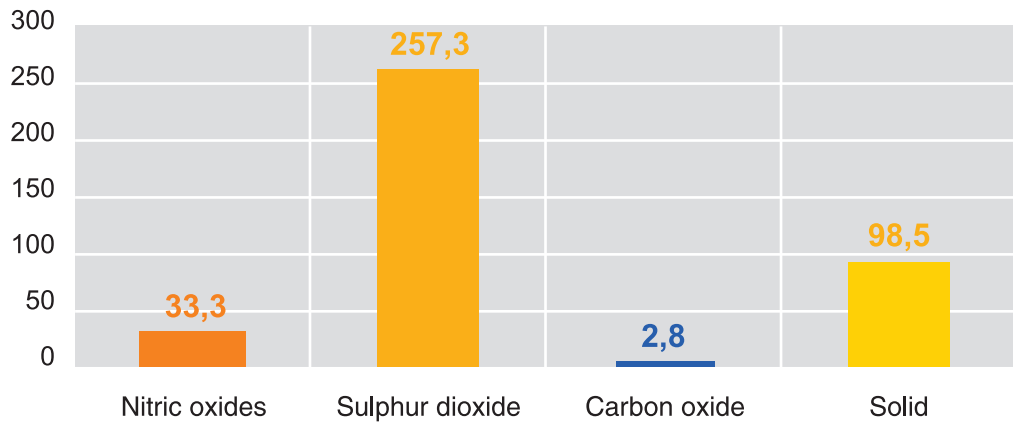




The dynamics of this indicator are influenced by increased production as well as equipment condition, technologies and fuel used in power plants.

The structure of emissions did not change significantly from 2006 to 2007: the bulk of emissions were sulphur dioxide and solid substances, which are primarily produced by power plants.

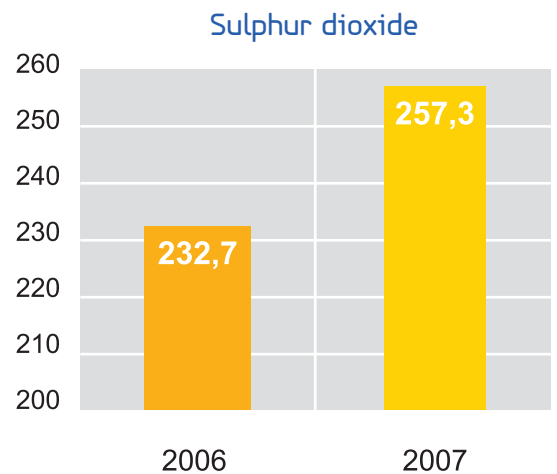
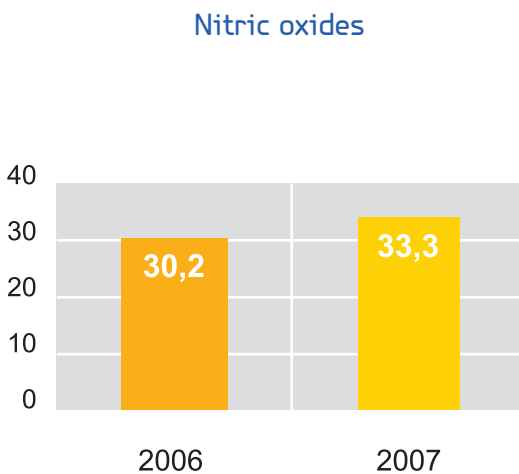
2007 emissions, thousand tons



From 2006 to 2007, an increase in pollutant emissions was registered due to:

- Increased coal production and enrichment and increased power production
- Increased ash content in coal burned at thermal stations
- Changes in the state system of registering emissions

Emissions of nitric oxides and sulphur dioxide at DTEK enterprises, thousand tons per year



In 2007 the Company achieved a cut of dust emissions at the Zuevskaya thermal plant (at blocks No. 3 and 4) and at the Kurakhovo plant (at block No. 3) by 4,185 tons totally. These reductions were primarily due to substantially increased efficiency of the repaired and reconstructed electrical filters.

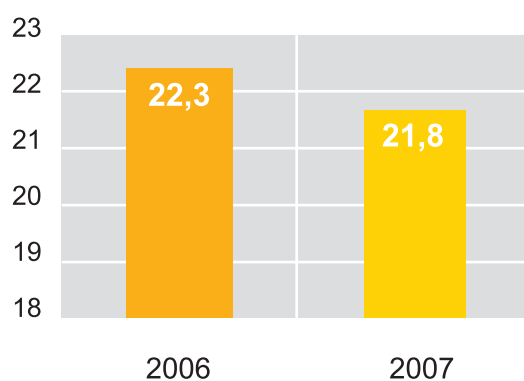
At the coal production and enrichment plants, environmental protection measures were primarily focused on improving the efficiency of dust and gas filters and also on reducing the burning extracted rock.

By the end of 2007, the challenge of burning rock waste had successfully been met. For example, a fire extinguishing project was implemented at waste dump at the Kurakhovo plant. As a result of this project, emissions decreased (by 7.3 tons for sulphur dioxide, by 98.9 tons for carbon monoxide and by 5.9 tons for hydrogen sulphide).

Greenhouse gases

The Company has developed innovative projects and programs focused on decreasing GHG emissions. In 2007, GHG emissions dropped 2.7%, or 594,333.1 tons (converted to carbon dioxide) compared to 2006 levels. This decrease was due to a decline in equivalent fuel consumption.

GHG emissions (converted to carbon dioxide) in 2006-2007, million tons per year.



In 2007, the Company introduced methane-utilization measures at Komsomolets Donbassa Mine to reduce methane emissions. It is planned to use methane to operate the mine boiler house during the heating season as well as in power generation.

Water consumption

The overall increase in water consumption in 2007 was due to increased coal production and enrichment and increased power generation.

The specifics of coal production involve the production of mine water, part of which is used for dust suppression and mining irrigation as well as in coal enrichment.

Thermal power plants use a small amount of utility effluents following cleaning.

Volume of water used, thousand cubic meters

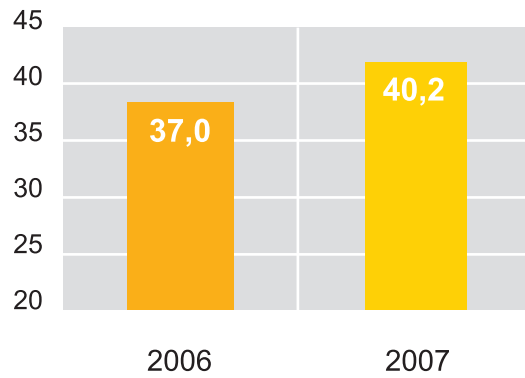
WATER	2006	2007
Surface water	43 468,8	52 492,4
Ground water	3 638,2	3 244,1
Water supplied by communal services and other enterprises	22 008,6	22 432
Other sources (including effluents and mine water)	11 138,2	6 676,9
Overall water consumption	80 153,8	84 845,4

In 2007 drinking water consumption fell by 802,000 cubic meters (a 7.8% drop from 2006). This decreased consumption is the Company's contribution toward providing residents of water-poor Donetsk Region with a sustainable supply of drinking water.

Wastewater

In 2007 the volume of wastewater discharged by DTEK enterprises stood at 40,213,200 cubic meters.

2006-2007 dynamics of wastewater discharged, million cubic meters



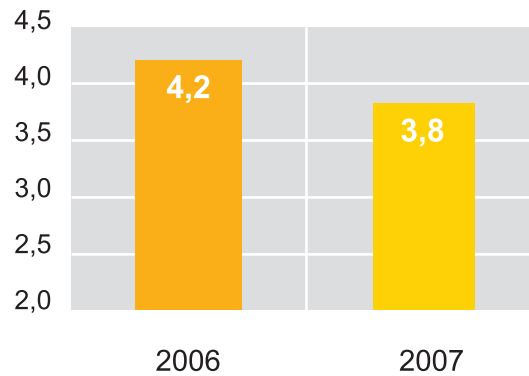
The substantial increase in wastewater discharged in 2007 was due to increased coal production and enrichment and increased power generation.

Quality of wastewater discharged in 2007, tons

Biological oxygen requirements	180,5
Petro-chemicals	16
Suspended solids	583,7
Dry particles	117 603,1
Chlorides	38 326,2
Sulfates	19 575,8
Ammonia nitrogen	30,6
Total ferrum	9,1
Nitrates	100,4

During the reporting year, the discharge of utility wastewater fell 407,400 cubic meters (a 10% drop from 2006), due to a decrease in drinking water consumption.

Dynamics of wastewater discharged in 2006-2007, million cubic meters



Land reclamation and waste management

Most types of waste generated by the enterprises are not hazardous (classified as fourth class). However, due to a significant land shortage in Donetsk Region, high-tonnage coalmining waste remains a challenge.

In Western Donbass, coal resources lie below the flood plains of the Samara River and its confluents. Therefore, coal production in this region often results in surface subsidence, flooding and swamp formation. A specialized division within Pavlogradugol works to restore land disturbed by mining operations (Pavlograd specialized unit for fire control at waste banks and land reclamation).

At the coal production enterprises, production activities are accompanied by the reclamation of subsided and flooded land. Mining rock waste is used for these purposes; as a result, waste banks do not appear. A total 13.8 hectares of land was reclaimed in 2007.

To protect 1,295 hectares of forestland in the area around Verbki village (Dnepropetrovsk Region) from flooding, a drainage system is used to lower the ground water level. Pavlograd Enrichment Plant has developed a project to modernize the water-slurry circuit, which should reduce enrichment waste at the tailing dump by 724,200 tons in 2009-2017 (an average 80.5 tons per year).

Kurakhovo Thermal Plant is reclaiming the Stariye Terni ash dump; as a result, ash and cinder waste has decreased by 52,350 tons.

The increased volume of waste was due to increased coal production and enrichment and increased power generation. Waste in hazard classes 1 to 3 is primarily utilized or transferred to special organizations for future utilization.

2006 waste breakdown by type, tons

Hazard class	Total waste generated	Waste disposed of	Waste transferred (to outside organizations)	Waste utilized
Class 1	22,5	4,3	21,9	0
Class 2	442,2	48,3	150,1	142,2
Class 3	302,8	64,4	72,4	170
Class 4	8 132 415,8	5 654 545,4	825 342,9	1 795 332,6
Total	8 133 183,3	5 645 662,4	825 587,3	1 795 644,8

2007 waste breakdown by type, tons

Hazard class	Total waste generated	Waste disposed of	Waste transferred (to outside organizations)	Waste utilized
Class 1	15,1	9,7	15,6	0
Class 2	363,6	29,5	159,9	116,3
Class 3	299,7	53,1	98	210,2
Class 4	9 058 840,1	6 595 722,4	808 845,7	1 823 951,6
Total	9 059 518,5	6 595 814,7	809 119,2	1 824 278,1

Public cooperation

The Company actively cooperates with the public and local government bodies in the area of environmental protection.

The organizational and technical measures that our enterprises take to protect the environment are coordinated annually with local government bodies. For example, the Environmental Protection Program for OJSC Komsomolets Donbassa Mine is included in the Kirovskoye Socioeconomic Development Program approved by the city council.

The environmental protection measures launched by Pavlogradugol are part of an integrated regional Plan for the Reduction of Pollution by Dnepropetrovsk's Main Enterprises for 2007-2015.

The Company informs citizens about the ecological impact of its projects through publications in the media.



APPENDICES



Report Methodology

About the Reporting Process and the Report

The Report is based on the Global Reporting Initiative (GRI) guidelines and AA1000 standards. 'Sustainability reporting guidelines' make it possible to analyze the impact businesses have on the environment and socioeconomic processes in the regions where they operate. AA1000 standards provide a basis for stakeholder identification as well as for elaborating forms and methods of cooperation with stakeholders, receiving feedback and planning activities accordingly.

Managing the reporting process

Managing the reporting process is entrusted to the Working Group on Social Reporting and the CSR Manager.

The working group includes representatives of the following corporate divisions: the Human Resources and Corporate Communications Department (including CSR Management, Corporate Communications, Human Resource Planning, and Human Resource Development); the Safety and Environmental Department and the Advisor for Social Reform.

During the Report's preparation, four meetings of the working group were held, and decisions were recorded in protocols.

By a decision of the working group, a two-year reporting cycle was approved (Protocol No. 4 of October 20, 2008).

Reporting period

The Report covers the year 2007 and also highlights significant events in both 2006 and 2008 which may affect the reader's understanding of key processes during the reporting period.

Report scope and boundaries

Geography: Ukraine, as the Company's primary activities are carried out on Ukrainian territory.

Business segments: coal production and enrichment; power production and distribution.

The Report covers the activities of the following enterprises:

The corporate center (LLC DTEK); OJSC Komsomolets Donbassa Mine, OJSC Pavlogradugol, LLC Mospino CPE, LLC Pavlograd CCM, LLC Kurakhovo CCM, LLC Eastenergo (Zuevskaya, Kurakhovo and Lugansk TPP), OJSC PES-Energougol and LLC Servis-Invest.

Information on LLC Sotsis and Sotsugol is given in regard to the services they provide only.

The list of enterprises was approved by a decision of the working group (Protocol No. 1 of June 19, 2008). The basis for including enterprises within the Report boundaries was: the size of DTEK's ownership share, the financial results of the enterprises and the number of employees at each.

The application of non-financial reporting systems

The Report is based on version 3.0 of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

The Company indicates the level of conformance to GRI as C+.

Principles used for determining the Report's content

Materiality

When determining material issues, the following methods were used:

- analysis of non-financial reports produced by companies working in the extraction and energy sectors in Ukraine, Russia and the rest of the world
- review of relevant publications on DTEK in the print media and the Internet
- analysis of key corporate documents

As a result, several issues that are likely to be material for the Report were identified, including "energy consumption and energy efficiency programs." Since the data collection system for non-financial reporting purposes is still being formed, we plan to focus due attention on those issues in future reports.

Stakeholder inclusiveness

Basic stakeholder identification was based on the "Stakeholder Engagement Standard" (AA1000SES) of the Institute of Social and Ethical Accountability (AccountAbility, UK).

In preparing the Report, the Company held two dialogues with representatives of Donetsk social organizations (NGOs), and protocols were drawn up. Acceptable formats for engagement with other stakeholders for purposes of non-financial reporting and CSR planning will be developed in future reporting cycles.

Completeness

The Report covers main enterprises selected by the following criteria: the extent to which DTEK controls an enterprise; significant impact on DTEK's financial, social and environmental results.

No significant information which could significantly affect the perception of the Company's performance was omitted from the Report.

The following methods were used to gather information:

- analysis of internal documentation on the main reporting issues;
- questionnaires sent to the enterprises; answers were gathered and analyzed at the corporate center. Data was verified by the relevant departments of the corporate center.

Principles ensuring the Report's quality

Balance

The Company has tried to represent both its achievements and challenges in the Report.

Comparability

Some performance indicators are presented on a year-to-year basis over several years.

Accuracy

The facts and data presented in the Report are officially recognized by the Company and supported by internal and external documentation.

Clarity

The Report generally avoids technical terms and information that requires special knowledge.

Reliability

The Report was independently verified by Ernst & Young LLC.



GRI Standard Disclosures and Performance Indicators

GRI Standard disclosures and performance indicators	Comments
1.1	CEO's statement
1.2 (partial)	Section 1. Company profile Section 3. CSR (corporate social responsibility): management and results
2.2–2.8	Section 1. Company profile
2.1	LLC Donbass Fuel-Energy Company
2.9	In 2007, DTEK acquired two coal enrichment plants: Oktyabrskaya CPP and Dobropolskaya CPP (neither of these plants is included in the scope of the Report).
2.10	During the reported period, the Company as a whole received no awards. Some of DTEK's enterprises, however, were awarded.
3.1, 3.2, 3.5–3.7	Appendix 2. "Report Methodology"
3.3	CEO's statement Section 2. What CSR and sustainable development mean to the Company, subsection 2.4. Improving our CSR management system
3.4. Contact information	11 Shevchenko Boulevard, Donetsk, Ukraine 83001
3.8, 3.11	Irrelevant, as this is the Company's first Report
3.10	The following indicators were reformulated: EC5 – The report presents the average wage and the average wage in the respective industries as a percentage. This is due to the fact that the Company does not monitor the necessary data for this indicator.
3.12	Appendix 2
4.14, 4.15	Section 2. What CSR and sustainable development mean to the Company, subsection 2.4. Improving the CSR management system Appendix 2. Report Methodology

GRI Standard disclosures and performance indicators	Comments
EC1 (partial)	Section 1. Company Profile
EC3	The Company has not adopted a pension program.
EC5 (reformulated), EC7	Section 3. CSR (corporate social responsibility): management and results, subsection 3.2. Labour relations
EC8	Appendix "Mapping of DTEK's Social Activities"
EN8, EN16, EN20, EN21, EN30	Section 3. CSR (corporate social responsibility): management and results, subsection 3.3. Environmental protection
LA1, LA3, LA7 (partial), LA11,	Section 3. CSR (corporate social responsibility): management and results, subsection 3.2. Labour relations
LA5	In accordance with Ukrainian labour legislation
HR1	Irrelevant, since the Company has not concluded any investment agreements.
HR5	The Company does not impede the activities of labour unions at its enterprises – see section 3. CSR (corporate social responsibility): management and results, subsection 3.2. Labour relations
HR6	The Company does not use child labour. Section 3. CSR (corporate social responsibility): management and results, subsection 3.2. Labour relations.
HR7	The Company does not employ forced labour.
HR9	Irrelevant, since the Company does not operate on the territories of any indigenous or small peoples.
SO1	Section 3. CSR (corporate social responsibility): management and results, subsection 3.1. Support for the regions and local communities in which we operate Appendix "Mapping of DTEK's Social Activities"
SO4	Development of the Company's Code of Ethics
SO5	Section 3. CSR (corporate social responsibility): management and results, subsection 3.1. Support for the regions and local communities in which we operate
SO8	During the reporting period, the Company was not charged any fines for violating laws or normative requirements.

Information for standard disclosures 4.1–4.4

Corporate governance

The Company's corporate governance structure:

- Superior body – General Meeting of Participants (General Meeting)
- Supervisory body – the Supervisory Board
- Executive body – the CEO
- Consultative body – the Management Board
- Controlling body – the Audit Commission (auditor)

The procedures for these corporate governance bodies' formation and functioning are defined by the Company's internal regulatory documents: the Company's Charter, the Statement on the Supervisory Board and the Statement on the Executive Board.

The General Meeting of Participants is the Company's highest governing body and is composed of authorized representatives of the Company's participant – DTEK Holdings Limited.


The General Meeting is authorized to make decisions on the following issues: determining the main directions of the Company's activities; approving internal statements, annual reports and balance sheets; electing and recalling governing body members; forming, reorganizing and liquidating subsidiaries, branches and representative offices; and making amendments to the Company's Charter.

The Supervisory Board is the Company's collegial supervisory body, which represents the interests of the participant and protects its rights between General Meetings.

Competencies of the Company's Supervisory Board include: defining the corporate development strategy; deciding on investment and divestment issues related to the Company's enterprises; appointing the CEO; controlling and regulating the CEO's performance; and approving the Company's organizational structure and budget.

Supervisory Board members bear responsibility to the Company's participant.

The CEO is the Company official responsible for day-to-day management of its economic activity. The CEO provides the Supervisory Board with a draft corporate strategy for approval and bears responsibility for the strategy's implementation as well as for achieving the approved targets.



The Management Board is a collegial consultative body under the supervision of the Company's CEO. The Board was created to ensure that decisions by the Supervisory and Management Board, as well as by the CEO, are implemented. Competencies of the Management Board include: approving the Company's economic transactions; evaluating the implementation and adjustment of the Company's strategy, business plans and budget; conducting a preliminary review of issues to be considered by the Company's Supervisory Council; and approving policies, internal regulations and provisions. The Management Board is composed of the Company's top managers in accordance with the relevant Reglament.

The Audit Commission (auditor) controls the Company's financing and economic activities in accordance with a decision of the participant or an instruction of the Supervisory Board. The Audit Commission also prepares conclusions on the Company's annual reports and balance sheets. Members of the Supervisory Board and the CEO are not allowed to be members of the Audit Commission.

UN Global Compact: Communication on Progress

UN GC principles	GRI indicator(s)	Section of the Report
Measures undertaken to realize the UN Global Compact's principles		Section 2. What CSR and sustainable development mean to the Company, subsection 2.4. Improving the CSR management system
Promotion of the principles among stakeholders	4.12–4.13	
Human rights:		
Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights.	EC5, LA7, LA9 HR5, HR6, HR7, HR9	Section 3. CSR (corporate social responsibility): management and results, subsection 3.2. Labor relations
Principle 2 Businesses should make sure they are not complicit in human rights abuses.	HR5, HR6, HR7, HR9	
Labor standards:		Appendix "Report Methodology"
Principle 3 Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining.	LA5 HR5	
Principle 4 Businesses should uphold the elimination of all forms of forced and compulsory labor.	HR7	
Principle 5 Businesses should uphold the effective abolition of child labor.	HR6	
Principle 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.	EC7	
The environment:		
Principle 7 Businesses should support a precautionary approach to environmental challenges.	EN30	Section 3. CSR (corporate social responsibility): management and results, subsection 3.4. Environmental protection
Principle 8 Businesses should undertake initiatives to promote greater environmental responsibility.	EN8, EN16, EN20, EN21, EN30	
Principle 9 Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN30	
Anti-corruption:		
Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.	SO5	Section 3. CSR (corporate social responsibility): management and results, subsection 3.4. Environmental protection



Independent Assurance Report on DTEK's Social Report for 2007 "Energy of a Leader: the Social Dimension"

to the Management of LLC DTEK¹

Engagement and responsibilities

At the request of LLC DTEK (hereinafter "DTEK") we performed an assurance engagement on its Social Report for 2007 "Energy of the Leader: Social Dimension" (hereinafter the "Report"). The objective of this assurance engagement is to obtain a limited level of assurance on the accuracy of assertions and data related to sustainability performance and coverage of respective material issues² in the Report.

Our responsibility in performing our assurance activities is solely to the management of DTEK in accordance with procedures agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance that any such third party may place on the Report is entirely at its own risk.

DTEK's management is responsible for the preparation of the report and the information therein in accordance with the criteria mentioned below. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of a sustainability report that is free of material misstatements, selecting and applying appropriate reporting policies,

¹Sustainability performance refers to an organization's total performance, which might include its policies, decisions, and actions that create social, environmental and/or economic (including financial) outcomes (AA1000AS, AccountAbility, 2003).

²For the purpose of the assurance engagement, the term "material issue" is used as defined in the GRI G3 Guidelines.

including reporting principles of the G3 Sustainability Reporting Guidelines issued by the Global Reporting Initiative (hereinafter “GRI G3 Guidelines”) and using measurement methods and estimates that are reasonable in the circumstances. The choices made by management, the scope of the Report and the reporting policy, including any inherent limitations that could affect the reliability of information, are set out in the section “About the reporting process and the Report” on pages 80-82 of the Report.

Limitations of the assurance engagement

The limitations of the assurance engagement are as follows:

- Independent statements made by third parties in the text of the Report and related to DTEK’s sustainability performance were not included in the scope of the assurance engagement
- The conclusions on DTEK’s self-declaration about the application level of GRI G3 Guidelines as well as the Report’s compliance with the Communication on Progress on the UN Global Compact were not included in the scope of the assurance engagement.

Criteria

We assessed the Report against the GRI G3 Guidelines and DTEK’s internal reporting policy. We believe that these criteria are suitable, given the purpose of our assurance engagement.

Scope of the assurance engagement

We conducted the assurance engagement in accordance with the International Standard for Assurance Engagements 3000 (“ISAE 3000”), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, and the Code of Ethics issued by the International Federation of Accountants, which includes requirements in relation to our independence.

We have performed the procedures deemed necessary to provide a basis for our conclusions.

Our principal procedures to obtain a limited level of assurance were the following:

- Interviews with representatives of DTEK’s management engaged in managing sustainability operations as well as in preparing the respective reporting
- Analysis of key documents related to DTEK’s sustainability performance and reporting
- Analysis of DTEK’s stakeholder engagement activities via reviewing the minutes and selective observation of stakeholder meetings conducted by DTEK and other public events concerning sustainability performance of DTEK
- Benchmarking of the Report against sustainability reports of selected international peers of DTEK
- Review of a selection of external publications with respect to DTEK’s sustainability activities in 2007

- Based on the procedures described above, compilation of a list of material issues and analysis of their reflection in the Report
- Assessment of the reporting principles used by DTEK
- Assessment of the accuracy of quantitative data in the areas of environmental protection, health and safety, social partnership and personnel
- Collection on a sample basis of evidence substantiating the qualitative and quantitative information included in the Report
- Visits to four DTEK sites (OJSC Pavlogradugol, OJSC Komsomolets Donbassa Mine, Zuyevka and Kurakhovo thermal power plants of LLC Eastenergo)

Conclusion

On the basis of the procedures performed and in accordance with the terms of reference for the assurance engagement, we provide the following conclusions on the Report. Our conclusions should be read in conjunction with the objectives and limitations of the assurance engagement, as described above.

Does the Report cover material issues?

- With the exception of the subject area listed below, we are not aware of any material issues concerning DTEK's sustainability performance which have been excluded from the Report.
- In our view, DTEK should have covered data and information on energy consumption and energy conservation programs.

Do the assertions and data accurately reflect DTEK's sustainability performance?

- Nothing has come to our attention that causes us to believe that the assertions made in the Report with regard to DTEK's sustainability performance contain material misstatements.
- Nothing has come to our attention that causes us to believe that the quantitative data in the spheres of environmental protection, health and safety, social partnership and personnel included in the Report are not accurate.

Ernst & Young LLC
Kiev, 20 November 2008



Glossary

Corporate governance – the framework of rules and practices to protect the rights and interests of shareholders, corporate management bodies and other stakeholders as well as to derive maximum profit from all business segments in compliance with legislation and with a view to international standards and business ethics. Corporate governance is not directly related to the Company’s operative management.

Dialogue – a term which has two meanings: 1) the process of interaction between an organization and stakeholders designed to balance interests; 2) a particular form of interaction based on precise rules: face-to-face interaction; an agreed agenda; a special role for an independent third party (moderator or auditor), ensuring that the process is open and objective.

Non-financial reporting (alternatively, social/environmental reporting, reporting on corporate social responsibility (CSR) and sustainability reporting) – the process of preparing and presenting voluntarily disclosed information to both stakeholders and society as a whole on the social and environmental impact of economic decisions made by a company. The term “non-financial reporting” is used as general term for all types of reports.

Non-financial reporting system – the process of preparing a non-financial report, including (but not limited to) principles, criteria, requirements, indicators, a data presentation format, etc. The most commonly used non-financial reporting system is the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

Social partnership (one of several meanings for this term) – a system of relations between a company and both local authorities and the community, based on principles of long-term cooperation and consideration of mutual interests.

Stakeholders – individuals and organizations or groups of individuals or organizations which can influence or be influenced by a company’s decisions and actions.

Sustainable development – development that “meets the needs of the present without compromising the ability of future generations to meet their own needs” (from the Declaration on Environment and Development produced in June 1992 at the United Nations Conference on Environment and Development in Rio de Janeiro). The terms “sustainable development” and “corporate social responsibility (CSR)/“corporate responsibility” are often used interchangeably.

Talent reserve – a group of employees who are potentially capable of assuming managerial positions. Such employees meet the requirements of a position of said rank and have undergone selection and completed systematic qualification preparation.

Verification of non-financial reporting – the process of independent evaluation of the quality of information presented in a non-financial report. Verification assumes that the evaluation results will be made available to various groups using the report.



Feedback Questionnaire

Please evaluate the Report based on the following criteria:

The importance of the information presented

Excellent Good Satisfactory Unsatisfactory

Accuracy and objectivity

Excellent Good Satisfactory Unsatisfactory

Completeness of information

Excellent Good Satisfactory Unsatisfactory

Structure and style of the text

Excellent Good Satisfactory Unsatisfactory

Format of the Report

Excellent Good Satisfactory Unsatisfactory

In your opinion, what information should be included in DTEK's next report?

Additional comments

Please specify the group to which you belong

- | | |
|--|--|
| <input type="checkbox"/> DTEK employee | <input type="checkbox"/> Employee of an industrial company |
| <input type="checkbox"/> Representative of a government body (state-level) | <input type="checkbox"/> Representative of a business association |
| <input type="checkbox"/> Representative of a regulatory agency | <input type="checkbox"/> Representative of a non-commercial organization |
| <input type="checkbox"/> Representative of local government | <input type="checkbox"/> Media representative |
| <input type="checkbox"/> Investor | <input type="checkbox"/> Expert |
| | <input type="checkbox"/> Other _____ |

Thank you for your assistance!

Please mail the completed questionnaire to the address below: 11 Shevchenko Boulevard,
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E-mail: info@dtek.com



7 ENERGY OF A LEADER:
00 THE SOCIAL
2 DIMENSION

