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JSC Nizhny Novgorod Engineering Company ATOMENERGOPROEKT Annual Report • 2014



*Engineering as the Mainstream*

**ANNUAL REPORT  
2014**

 **Multi-D**  
engineering



STATE CORPORATION ROSATOM  
 JOINT-STOCK COMPANY  
 Nizhny Novgorod engineering company  
**ATOMENERGOPROEKT**



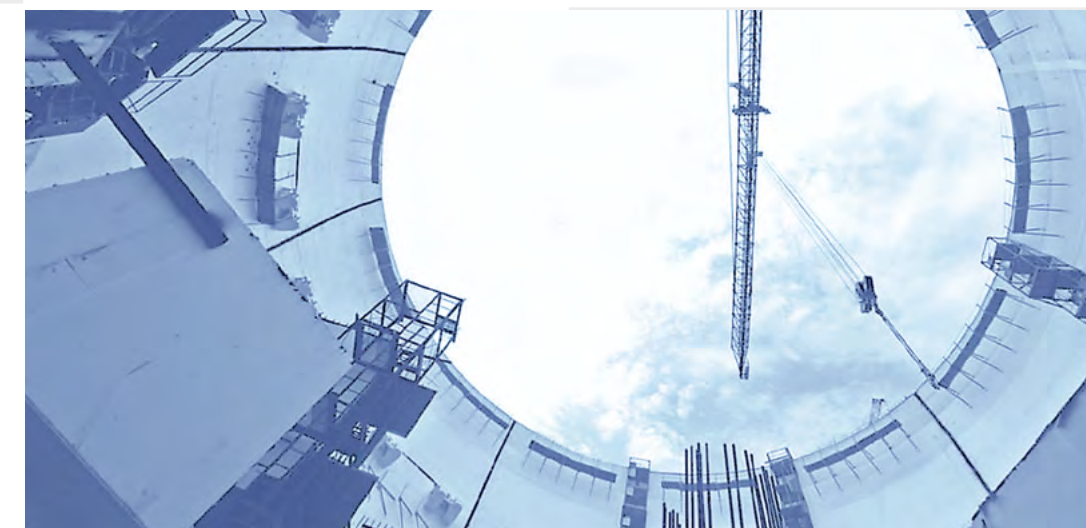
APPROVED BY THE DECISION  
OF THE ANNUAL GENERAL  
SHAREHOLDER MEETING OF JSC NIAEP

CEO

V. I. Limarenko

Chief Accountant

E. V. Samogorodskaya



*Engineering as the Mainstream*

# ANNUAL REPORT 2014

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# JOINT-STOCK COMPANY NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT (JSC NIAEP)

## Details:

Postal address: 3, Svobody pl.,  
Nizhny Novgorod 603006  
Tel.: +7 831 421-79-00  
Fax: +7 831 419-84-90; 421-06-04  
Website: <http://www.niaep.ru>  
E-mail: niaep@niaep.ru

## Registrar:

The JSC NIAEP registered stock holders' register is kept by the Open Joint-Stock Company Registrar R.O.S.T.  
Address: Moscow, 18, Stromynka, bld. 13.

## Authorized capital:

As of December 31, 2014, the authorized capital of the Company amounted to

500 001 877 rubles

## Shareholders:

As of December 31, 2014, shareholders of JSC NIAEP are:

- the Joint-Stock Company Atomic Energy Power Corporation (JSC Atomenergoprom) –

51% of shares

- the Joint-Stock Company Atomstroyexport (JSC ASE) –

49% of shares

## Auditor:

The JSC NIAEP external auditor is the Limited Liability Company Nexia Pacioli.

Postal address: Russia, 101990, Moscow, 2, Malaya Polyanka st.  
Legal address: Russia, 101990, Moscow, 2, Malaya Polyanka st.

## Contact persons for the Annual Report:

Vladimir Kats, Executive Director of JSC NIAEP, Chairman of the Public Reporting Committee of JSC NIAEP and JSC ASE, E-mail: [niaep@niaep.ru](mailto:niaep@niaep.ru);

Evgeniy Shadrin, Head of Investment and Economics Department of JSC NIAEP, E-mail: [e.shadrin@niaep.ru](mailto:e.shadrin@niaep.ru).



# MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

## Dear Colleagues and Partners!

In 2014 the ASE – NIAEP United Company achieved significant results in its activities and turned into a full-scale engineering division of the Rosatom State Corporation and the world's leading nuclear engineering company.

During the reporting year, considerable efforts were applied to strengthening and extension of the Company's competencies in the international market of construction of nuclear energy facilities and first fruits were delivered at the end of 2014 as new significant contracts were signed in Europe and in the Middle East ensuring employment of the ASE – NIAEP personnel for many decades.

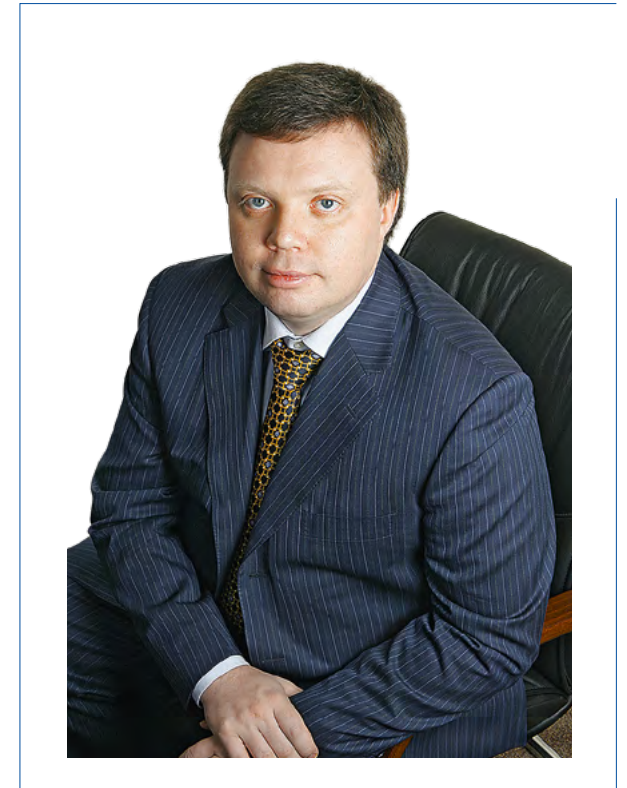
In 2014 the Company actively operated at all of its sites, including those in China, India, Belarus, Turkey, Bangladesh and Vietnam. In particular, we mounted a domed containment building of the Tianwan NPP-2 Unit 3 and completed concreting of the first tier of the inside containment at the Belarus NPP Unit 1.

Achievements of ASE – NIAEP were noticed globally. Two projects of the Company – Bushehr NPP and Kudankulam NPP – totally compliant with the highest international standards in terms of management and application of innovative technologies, were named the "Projects of the Year 2014" by the US Power Engineering magazine.

Today, the Company faces new tasks in the international market and successful solution of these tasks depends on ability of ASE – NIAEP to fulfill their obligations to partners to the highest standards and just in time within the given budgets. Being one of the innovation leaders of domestic nuclear industry, the United Company successfully introduces advanced technologies in the field of management of complex engineering facilities. The essential components of the Company's success in 2015 are innovations, unconditioned reliability as a partner and the highest quality of work.

The Board of Directors of JSC NIAEP is sure that in 2015 the team of the Company will not only maintain the leading positions in the growing global market of NPP construction, but also achieve new impressive successes in backlog gain in both traditional and new areas of activity, such as decommissioning, construction of RW and SF handling facilities and erection of gas and oil refining plants.

The Company's Annual Report unveils the major development stages of ASE – NIAEP in 2014, and I am sure that it will be of interest not only to our current partners, but also to the investment community in whole.



**KIRILL KOMAROV,**  
Chairman of the Board of Directors of JSC NIAEP,  
First Deputy General Director –  
Director of Department for Development and Global Business  
of the State Corporation Rosatom

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

### Dear Colleagues!



The key events in 2014 formed the foreseeable future of the ASE – NIAEP United Company.

First of all, we successfully completed the major projects of the reporting period. Power startup of the Rostov NPP Unit 3 took place two months ahead of the approved schedule. It is noteworthy that this was mainly due to the introduction of the Rosatom Production System and elements of the Multi-D construction management system for complex engineering facilities.

Secondly, efficient work of our team allowed to complete the Yuzhnouralskaya HPP-2 project and hand the facility over to the customer. Owing to the contract on construction of Yuzhnouralskaya HPP-2, the Company gained unique competencies in the non-nuclear energy sector, what may expand backlog of orders considerably both in Russia, and at the international market.

In my opinion, the brightest achievement of the last year is the warranty-period commissioning of the Kudankulam NPP Unit 1, the largest facility of the Russian-Indian cooperation. In terms of design approaches and safety solutions, Kudankulam NPP is the most advanced project in the world which is now at the lock-up stage.

Current backlog of orders includes over 30 power units of nuclear power plants designed and constructed by our company in Russia and other countries. Thus, in 2014 JSC NIAEP retained the first place in the world by the number of nuclear power units designed and constructed at the same time.

Lifting of the domed containment building of the Tianwan NPP-2 Unit 3 in China took place in winter 2014. We signed a contract on construction of two additional units of Bushehr NPP by the Russian technology. Three executive agreements were concluded for construction of Units 5 and 6 of Paks NPP with VVER.1200 reactors in Hungary. We signed all the necessary contracts to begin practical implementation of the project of construction of the Kudankulam NPP Units 3 and 4. Basically, alone in international projects, we will be kept engaged as an engineering company for many decades.

End of the year 2014 was marked by good financial results; the proceeds of JSC NIAEP increased by 14.6 % compared to 2013 – up to 43,000.3 million rubles; net income increased by 12.4 % – up to 1,630.3 million rubles.

Owing to successful operation of ASE – NIAEP, the Company was appointed the sole executive body of JSC Atomenergoproekt and took responsibility of Novovoronezh NPP-2 projects. The total personnel capacity of the United Company reached 18 thousand persons, with about 4 thousand designers among them.

The strategic objective of the United Company consists in extensive development of Engineering Division of the Rosatom State Corporation, and specifically through buildup of the range of activity and diversification beyond the main core of business. Speaking of the main core of business – construction of high-power NPPs – the Company plans to maintain the leading positions in the growing market, mainly through reduction of NPP construction time and cost.

Our major project in 2015 is the startup of Novovoronezh NPP-2 Unit 1. For the coming five years, the main tasks outside Russia will be new power units in India, China, Bangladesh, Hungary and Iran.

We actively introduce Multi-D technology as a foundation of life cycle management system for complex engineering facilities. It includes cost and project management at all stages: designing, equipment procurement and delivery, and erection – and is introduced at all facilities of ASE – NIAEP. Application of this technology reduces duration of construction and cost of projects and increases labor productivity, work quality and safety level at nuclear power facilities.

To reach new frontiers, we need to improve efficiency in use of the Company's production resources and optimize process flows and logistics. Introduction of the Rosatom Production System at all stages of project execution is a key tool for this. We have been carrying out this process throughout 2014, and the coming year will not be an exception.

Special attention is paid to participation in international business and scientific and practical conferences, where the Company presents its unique innovative developments and vast experience to a wide range of prospective partners. In 2014 we presented the Multi-D technology in many countries globally, where it attracted keen interest, and the Company received a number of offers on cooperation in this field from the world's leading engineering corporations.

Two of our projects – Bushehr NPP and Kudankulam NPP – were named Projects of the Year 2014 in the international contest held by Power Engineering, one of the most respective and oldest industry-oriented publications.

ASE – NIAEP is an open and transparent company annually reporting on its activity to the stakeholders and paying special attention to disclosure of information on sustainable development. It is important for us not only to leave unique and complex facilities as a heritage for the future generations, but also to preserve the environment and natural resources in the course of implementation of our projects.

We have been actively working at the international markets, and the range of stakeholders has considerably increased during the reporting period, what in its turn imposes higher requirements for public reporting. I am proud to say that annual reports of our Company have been recognized as the best in the industry-specific and national contests during five consecutive years. In 2014 the Company was ranked first among the major Russian companies in the corporate transparency rating held by the Russian Regional Network on Integrated Reporting and was awarded MarCom Platinum Award.

This annual public report of the Company is prepared to acquaint all stakeholders with the detailed results of our activity in 2014 and long-range plans.

VALERY LIMARENKO  
CEO of JSC NIAEP

# ABOUT THE COMPANY

## Key Business Lines

The ASE – NIAEP United Company (hereinafter referred to as the United Company or the Company) renders project management services in the field of erection and retrofit of sophisticated engineering facilities, including designing and construction of:

In addition, the Company renders maintenance services as follows:

- diagnostics;
- maintenance;
- repair and life extension of complex engineering facilities;
- services on decommissioning of nuclear power facilities.

The Company also acts in the capacity of an EPC contractor<sup>1</sup>,

rendering full package of services on engineering and construction of complex nuclear and non-nuclear facilities.

- 1 Nuclear power plants
- 2 Heat power engineering facilities
- 3 RW and SF handling facilities
- 4 Oil and gas facilities



### Our Values

- Safety
- Responsibility for Result
- Efficiency
- Integrated Team
- One Step Ahead
- Respect

### Mission – philosophy of the Company («Who are we?»)

ASE – NIAEP is an innovative company which manages erection of complex engineering facilities relying on its vast experience in project execution in the nuclear industry.

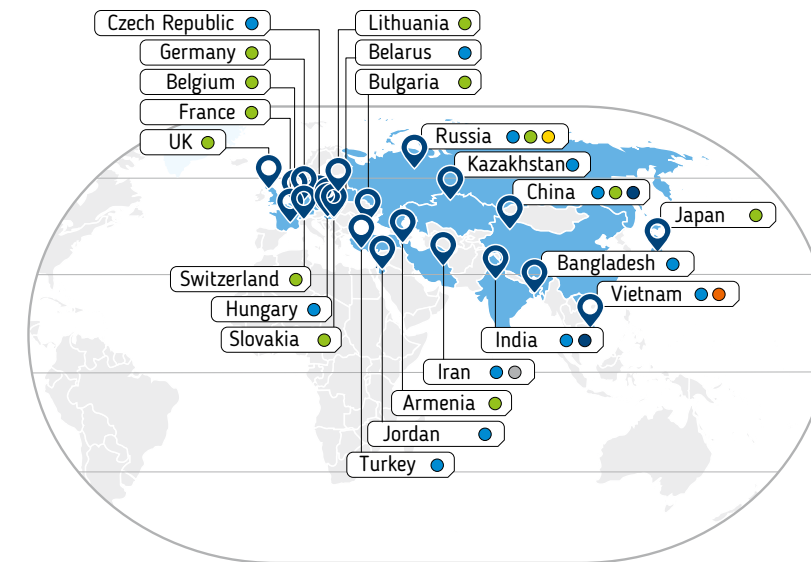
### Vision – guiding landmark (Where do we go?)

We strive to establish competitive business successfully implementing projects on construction of complex engineering facilities in the field of energy production and focused on maximization of shareholder value.

Public position of the Company concerning sustainable development is presented in the Annual Report of JSC NIAEP for 2013 <http://niaep.interity.info/en/publichnaia-pozitsiia-v-oblasti-ustoichivogo-razvitiia>.

## Operation Areas

The ASE – NIAEP United Company operates<sup>2</sup> in more than 20 countries.



- NPP erection
- Research reactors
- Decommissioning of nuclear and radiation hazardous facilities (DC NRHF), RW and SF handling facilities
- Service and retrofit
- Thermal power
- Project management consulting

THUS, IN 2014 JSC NIAEP RE-TAINED THE FIRST PLACE IN THE WORLD BY THE NUMBER OF NUCLEAR POWER UNITS DESIGNED AND CONSTRUCTED AT THE SAME TIME

Fig. 1. Operation Areas of the ASE – NIAEP United Company

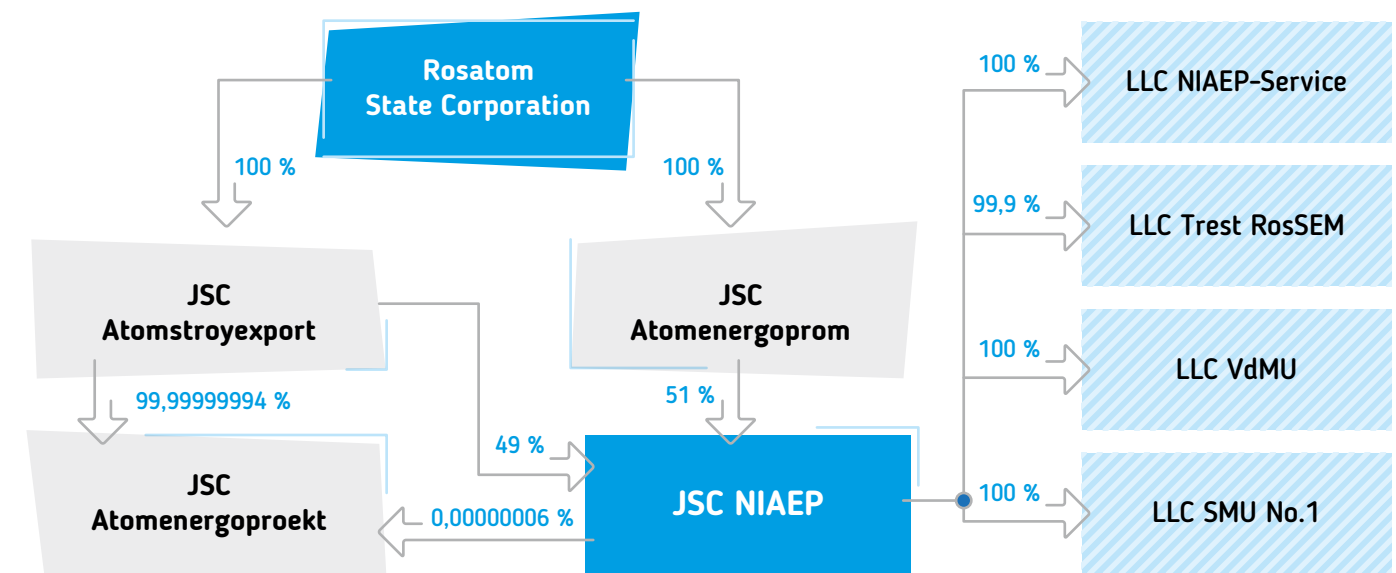


Fig. 2. Ownership Structure

1. EPC stands for engineering, procurement and construction. EPC contractor is a general contractor rendering full package of services from project development to complete introduction.

2. It executes projects and is engaged in tendering.

## Organizational Structure

JSC NIAEP is a sole executive body of JSC Atomstroyexport, JSC Atomenergoproekt, LLC Trest RosSEM, LLC NIAEP-Service<sup>3</sup> and LLC SMU No.1.

Organizational structure of the Company is presented in the [Annex 10](#).

### BRANCHES:

- Udomlya Branch of JSC NIAEP – Kalinin NPP General Contractor’s Directorate (NIAEP Udomlya Branch);
- Volgodonsk Branch of JSC NIAEP – Rostov NPP General Contractor’s Directorate (NIAEP Volgodonsk Branch);
- Baltic Branch of JSC NIAEP – Baltic NPP General Contractor’s Directorate (NIAEP Baltic Branch);
- Moscow Branch of JSC NIAEP;
- Yuzhnouralsk Branch of JSC NIAEP;
- Kursk Branch of JSC NIAEP;
- Navashino Branch of JSC NIAEP – Nizhny Novgorod NPP General Contractor’s Directorate (NIAEP Navashino Branch).

### AGENCIES:

- NIAEP Volgodonsk Representative Office;
- NIAEP Moscow Representative Office;
- NIAEP St. Petersburg Representative Office;
- NIAEP Kharkov Representative Office;
- NIAEP Representative Office in the Republic of Belarus.

### Membership in Associations

JSC NIAEP is a member of:

- All-Russian Industrial Federation of Employers in Nuclear Power Engineering, Power Engineering and Science Sector of Russia;
- Association of Innovative Designing;
- European Utility Requirements Organization (EUR);
- Czech Nuclear Forum.

### Membership in Self-Regulating Organizations

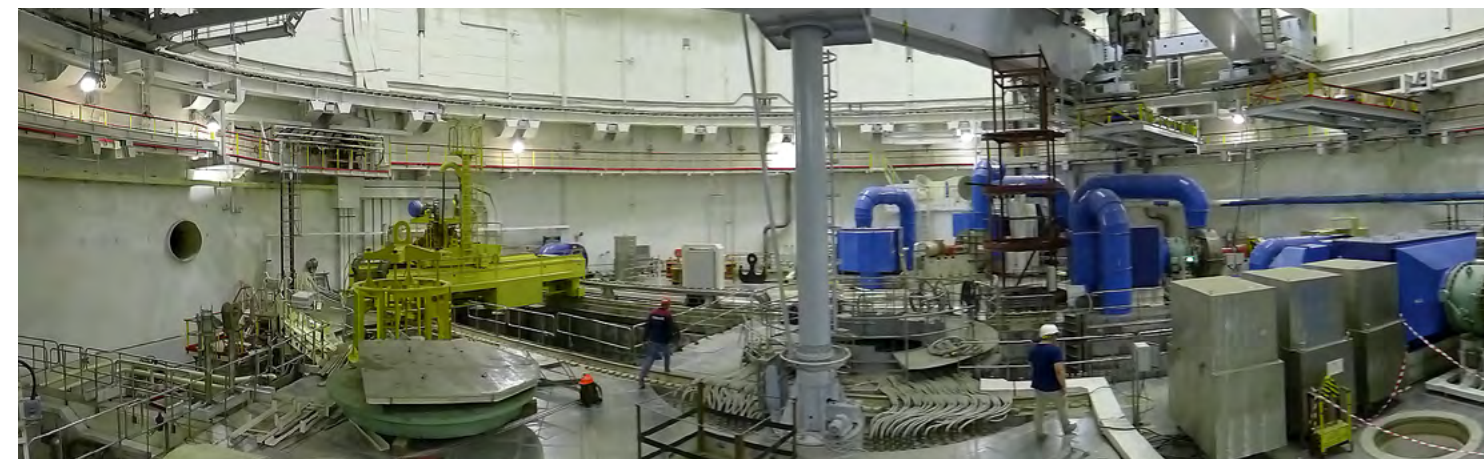
JSC NIAEP is a member of:

- Self-Governing Organization Non-Commercial Partnership SOYUZATOMGEO Association of Engineering-Prospecting Organizations Engaged in Architectural and Structural Designing, Construction, Reconstruction and Capital Repair of Nuclear Power Industry Facilities;
- Self-Governing Organization Non-Commercial Partnership SOYUZATOMSTROY Association of Organizations for Construction, Reconstruction and Capital Repair of Nuclear Power Industry Facilities;
- Self-Governing Organization Non-Commercial Partnership SOYUZATOMPROEKT Association of Organizations for Architectural and Structural Designing of Nuclear Power Industry Facilities.

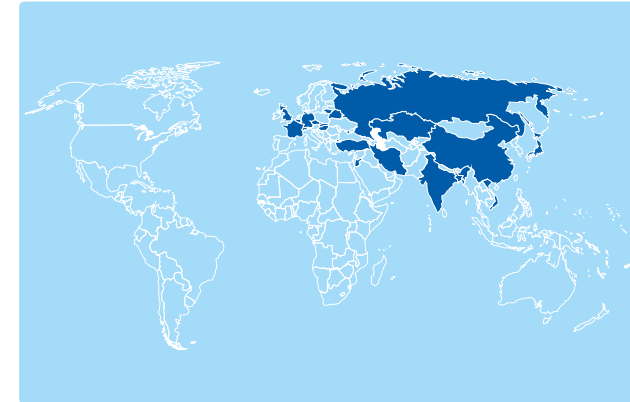
### Historical Background

Historical background (from the date of establishment of the Company to 2014) is given in the 2013 Annual Report <http://niaep.interity.info/en/opisaniie-dieiatelnosti>.

IN 2014, ON THE BASIS OF AGREEMENT ON DELEGATION OF AUTHORITY OF SOLE EXECUTIVE BODY, JSC NIAEP WAS APPOINTED THE MANAGING ORGANIZATION OF JSC ATOMENERGOPROEKT



## KEY PERFORMANCE INDICATORS



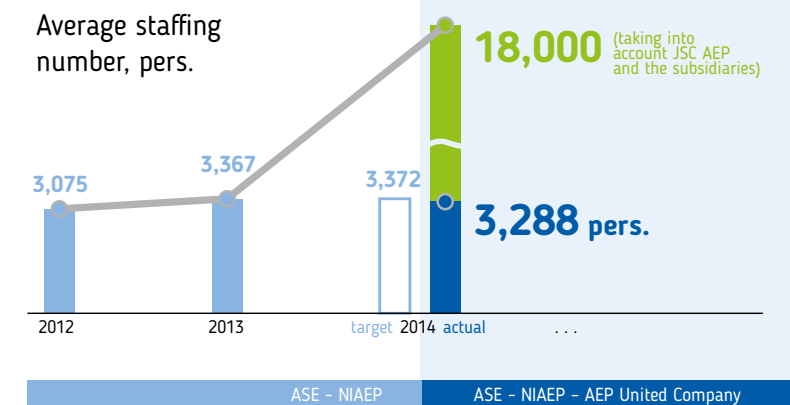
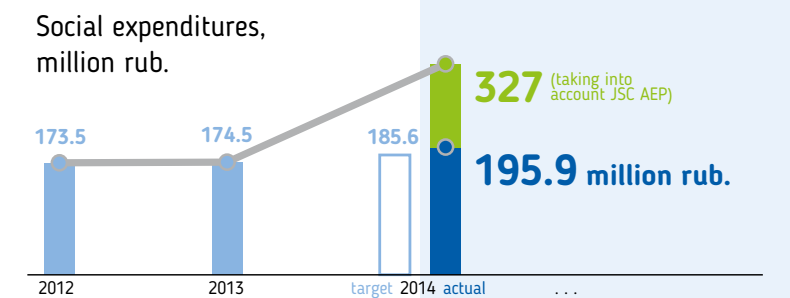
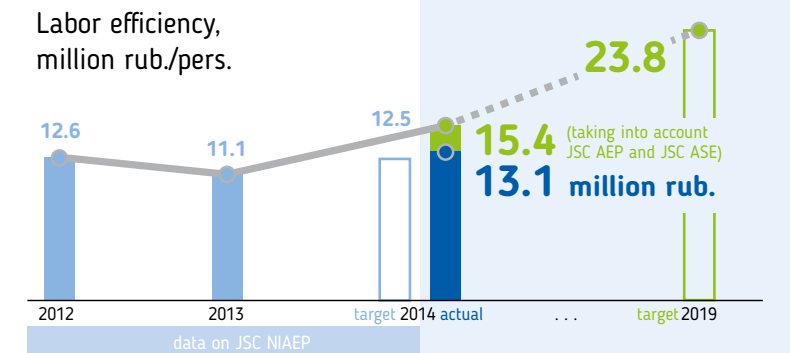
**\$ 72,5 billion**

Actual volume of the ASE – NIAEP portfolio

**30 %** The share of the ASE – NIAEP United Company in NPP construction market

**20 countries**

Operation areas of the ASE – NIAEP United Company



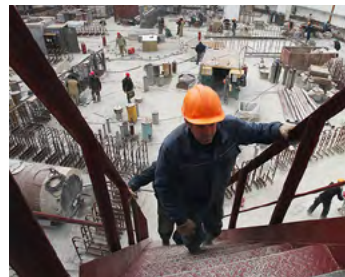
# KEY EVENTS

I QUARTER			II QUARTER		
JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE

17.02.2014. Commissioning of the Yuzhnouralskaya HPP-2 Unit 1.



26.02.2014. Start of the project of introduction of large-diameter pipeline welding procedure which enables reduction of welding time from 127 to 100 days.



10.04.2014. Signing of the General Framework Agreement on erection of the Kudankulam NPP Units 3 and 4 (India).



05.06.2014. Signing of the third Contract on High-Priority Operations of Preparatory Stage within Construction of Ruppur NPP (Bangladesh).

09.06.2014. Signing of the Memorandum of Understanding aimed at development of cooperation in the field of system engineering and design and construction management technologies between JSC NIAEP and IBM East Europe/Asia.

10.06.2014. Signing of the Memorandum of Strategic Partnership for cooperation in the field of development of management systems for projects, programs, and project portfolios between JSC NIAEP and NPO Project Management Association SOVNET.

27.06.2014. Completion of the project of life cycle extension of the Kalinin NPP Unit 1 to 2015.



III QUARTER			IV QUARTER		
JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER

08.07.2014. The Bushehr NPP Unit 1 (Iran) reached 100 percent capacity after fuel recharging.  
16.07.2014. The work within the program on 100 percent capacity testing of the Kudankulam NPP Unit 1 was completed.



07.08.2014. JSC NIAEP was appointed a pilot organization of the Rosatom State Corporation for introduction of experience of Lean Coaching Ltd.



07.10.2014. General Director of the Rosatom State Corporation approved the Strategy of the ASE – NIAEP United Company till 2030.  
10.10.2014. JSC NIAEP was appointed the sole executive body of JSC Atomenergoproekt.

24.11.2014. Commissioning of the Yuzhnouralskaya HPP-2 Unit 2.



11.12.2014. Signing of the Addendum to the General Framework Agreement on erection of the Kudankulam NPP Units 3 and 4 and ensuring conditions for its commencement.

11.12.2014. Signing of contracts on procurement of long-lead equipment and pilot production for the Kudankulam NPP Units 3 and 4.

27.12.2014. Signing of the Kudankulam NPP Unit 1 Provisional Acceptance Certificate.

27.12.2014. The Rostov NPP Unit 3 included in the Unified Power System of Russia.





# AWARDS

CONTESTS/CONFERENCES/FORUMS	AWARDS	
<b>INTERNATIONAL</b>		
US Power Engineering magazine of the power generation industry, Nuclear Power nomination	Projects of the Year 2014 Award	NPP Projects in Iran (Bushehr NPP) and India (Kudankulam NPP)
The VI-th International forum of suppliers of atomic industry "ATOMEX-2014"	Bona Fide Supplier of atomic industry 2014	JSC NIAEP
	Honorable mention for contribution in development of atomic industry	JSC NIAEP
<b>NATIONAL</b>		
The XVIII-th All-Russian Competition for the Best Construction Organization (Ministry of Regional Development of the Russian Federation, Builders of Russia Union, and Union of Building and Construction Materials Workers)	First Class Grand Prize	JSC ASE - JSC NIAEP United Company
<b>INDUSTRY ORIENTED</b>		
Industry oriented contest "Rosatom Person of the Year 2014", "Win of the Year" nomination	I Prize	Management of the Rostov NPP Unit 3 construction: JSC NIAEP Vice-President in charge of Projects in Russia, Head of Volgodonsk Representative Office, Vladimir Belov, JSC NIAEP Senior Vice-President in Charge of International Projects, Alexander Khazin, and JSC NIAEP Rostov NPP Construction Director - Head of Volgodonsk Branch, Vitaliy Medyakov
	II Prize	Joint team of JSC Rusatom Overseas and JSC ASE - JSC NIAEP for signing of EPC contracts on packaged construction of the Hungarian Paks-2 NPP
	III Prize	Managers in charge of construction of the two Kudankulam NPP power units - JSC NIAEP Vice-President in charge of Projects in South Asia, Andrey Lebedev, and JSC ASE Head of NPP Construction Direction in India, Vladimir Saytiyev
Annual Conference of Atomic Industry Construction Workers	"Best Atomic Industry General Designer" Award	JSC NIAEP
Sporting competition "III-rd Nuclear Industry Cup 2014"	First Prize	Team of the ASE - NIAEP United Company



TWO OF OUR PROJECTS – BUSHEHR NPP AND KUDANKULAM NPP – WERE NAMED PROJECTS OF THE YEAR 2014 IN THE INTERNATIONAL CONTEST HELD BY POWER ENGINEERING, ONE OF THE MOST RESPECTIVE AND OLDEST INDUSTRY-ORIENTED PUBLICATIONS



# ABOUT THIS REPORT



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Interactive version

## International Reporting Standards

- International Integrated Reporting Framework.
- Standards of AA1000 Series.
- Global Reporting Initiative Guidelines (GRI G4) + GRI CRESS industry-specific supplement for construction companies.

## Russian Reporting Standards

- Corporate Governance Code.
- CB Requirements for Information Disclosure.

## Industrial Reporting Standards

- Policy of the State Corporation Rosatom.
- Corporate Standard, Procedure for Public Annual Report Preparation for Accounting Period (the table of disclosed indicators is given in the on-line version of the Report).
- See details at <http://niaep.interity.info/en/informatsiia-ob-otchietie>

## GRI Application Level:

Comprehensive option in accordance with the GRI G4 Guidelines

## Scope of Report

(see also [Annex 8](#))

- Production Activity of the ASE – NIAEP Integrated Company;
- Financial Results of JSC NIAEP 01.01.2014 – 31.12.2014. Information on certain significant aspects is given by organizations managed by JSC NIAEP.

Data measurement and calculation methods have not been changed compared to the previous reporting period.

*The Company issues integrated reports annually, the previous report was published in July, 2014 ([http://www.niaep.ru/information\\_disclosure/Annual\\_reports/](http://www.niaep.ru/information_disclosure/Annual_reports/)).*

## Defining Report Content

Within preparation of the Report concept for defining the report content the following work was performed:

- analysis of the Company's activity and external context in 2014;
- analysis of inquiries made by stakeholders in the course of preparation of the 2013 Report, aspects of the GRI G4 Guidelines and JSC NIAEP Standard;
- listing of aspects/topics on the basis of the analysis (total of 67 aspects);
- estimate of significance of aspects by the Company's top management and Stakeholder Panel (SH);
- defining the most material aspects on the basis of estimates by the top management and Stakeholder Panel (by 5-point scale) and correspondence to the Company's strategic objectives (15 %) (see Fig. 3 'Materiality Matrix') – 24 aspects.
- discussion of aspects/topics with the stakeholders, selection of a priority topic.

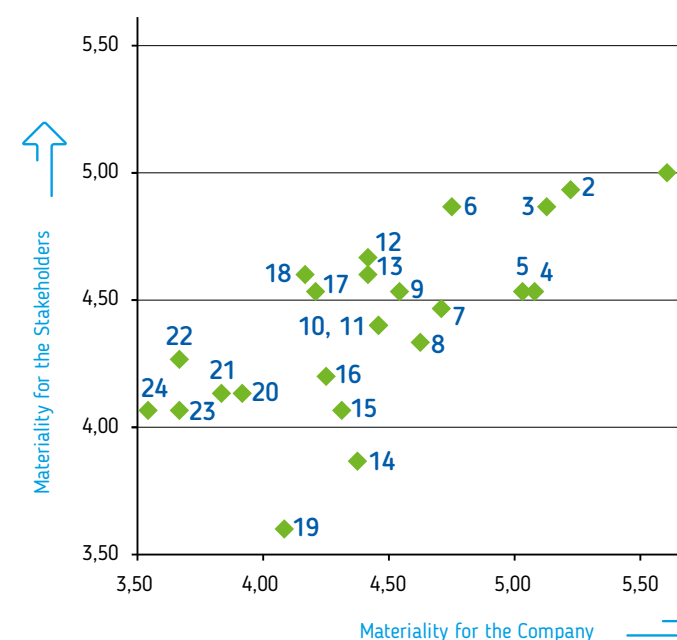
## PRIORITY TOPIC OF THE REPORT: OPERATIONAL EXCELLENCE OF JSC NIAEP

## Report Verification

- Financial assurance – Nexia Pacioli Ltd. ([Annex 4](#)).
- Non-financial assurance – Bureau Veritas Russia, CJSC ([Annex 6](#)).
- Internal control and audit assurance – Internal Control and Audit Department ([Annex 5](#)).
- Stakeholder assurance (AA1000AS) –Stakeholder Panel ([Chapter 3](#)).

## Disclaimer on Disclosure of Pro Forma Information

The Report contains pro forma statements with regard to production, financial, economic, social and other indicators characterizing further development of the Company. Implementation of plans and intentions depends on the changing political, economic, social and legal situation in Russia and worldwide. In this connection the actual performance results in subsequent reports may differ from the pro forma statements.



1. Provision of effective construction of new power units (characterizes implementation of the state program on construction of new nuclear power units in the Russian Federation).
2. Innovative activity.
3. International cooperation in the field of peaceful application of atomic energy.
4. Development of international cooperation, cooperation with international partners.
5. Diversification and development of promising segments of business.
6. **Economic performance.**
7. Development of engineering in the Russian Federation.
8. Raising transparency of nuclear industry.
9. Industrial safety at all stages of work in the context of changes in the law on industrial safety.
10. **Market presence.**
11. Improvement of management mechanisms.
12. Business sustainability.
13. **Customer health and safety.**
14. **Compliance (product responsibility).**
15. **Compliance (society).**
16. Supply of qualified workers.
17. Public acceptance of construction projects.
18. Investment program.
19. **Procurement practices.**
20. **Occupational health and safety.**
21. **Training and education.**
22. **Compliance (environmental).**
23. Compliance of the enterprise labour conditions with international standards of safety and occupational safety.
24. Cooperation of the Company with local enterprises.

Fig. 3. Materiality Matrix<sup>5</sup>

5. GRI G4 aspects are typed in bold. The Matrix represents 24 most significant aspects of 67 with the maximum number of points, according to the top management and/or Stakeholder Panel.

ADOPTING THE FUTURE!

# Company Management

1

- 1.1. Strategy
- 1.2. Value Creation
- 1.3. Target Markets and Priority Directions of Development
- 1.4. Opportunities and Risks
- 1.5. Corporate Governance



## 1.1. STRATEGY



Ivan Borisov,  
Vice-President of Development of JSC NIAEP

**What external challenges did the Company encounter with in the reporting year? What economic and political factors influenced implementation of the projects most of all?**

Global external challenges of 2014, including in political and economic spheres, had no detrimental effect on the Company. As it has been pointed out on numerous occasions by the CEO of the State Corporation Rosatom, Sergey Kirienko,

despite the sanctions against Russia, none of the partners of Rosatom has refused from implementation of the signed contracts and agreements. In addition, in 2014 the ASE – NIAEP United Company has managed to conclude a number of important contracts relating to new power units in India, Hungary and Iran, widening the Company's portfolio of international projects.

**How will integration with JSC Atomenergoproekt influence the Company's activity and prospects?**

Merger of two strong nuclear companies will allow to combine key industrial competencies and lead to competitive growth of Engineering Division of the State Corporation Rosatom in the international market. JSC Atomenergoproekt has a powerful project office. Strong points of JSC ASE – JSC NIAEP are modern project management tools and competencies in the field of construction. The integration will allow us to perform the assigned tasks on reduction of construction time and costs in a more efficient way, resulting in competitive growth of the Company and subsequent profit increase.

**In 2014 the backlog of orders of JSC NIAEP increased by four power units. What competitive advantages allow to win NPP construction tenders around the world?**

First of all, success of our Company in the global market of NPP construction is conditioned by that we offer our partners the most advanced technologies of "three plus" generation. These technologies comply with all safety requirements, including regulations introduced after the Fukushima. Secondly, our huge advantage is that all facilities erected by Rosatom abroad were previously tried and tested in Russia. We successfully build new power units in Russia: in 2014 we commissioned the Rostov NPP Unit 3, and today we are actively engaged in construction of a completely new power unit at Novovoronezh NPP-2 based on the VVER.1200E project. Innovative engineering technologies at the disposal of our Company are applicable to projects of any complexity both in nuclear and non-nuclear industries, and we offer our prospective partners comprehensive and competitive solutions on erection of NPPs and any other large engineering facilities.

In October 2014, the CEO of the State Corporation Rosatom approved the Strategy of the ASE – NIAEP United Company till 2030 stipulating for establishment of the United Company as an efficient and sustainable engineering division of the State Corporation Rosatom. The

ASE – NIAEP United Company merged with the Atomenergoproekt Engineering Company, owner of the VVER-TOI basic project. Merger with AEP did not influence the strategy and strategic goals of the ASE – NIAEP United Company. At the same time, the competen-

cies of AEP, first of all, in the field of basic engineering, give additional opportunities for implementation of strategic tasks of the Engineering Division.

« ESTABLISHMENT OF AN EFFICIENT ENGINEERING DIVISION ADDRESSES THE ISSUE OF SUSTAINABILITY OF THE RUSSIAN NUCLEAR INDUSTRY. TODAY, THERE IS NOTHING MORE IMPORTANT FOR US THAN BEING ABLE TO MEET COMPETITION IN ENGINEERING. SELLING A POWER PLANT, WE SELL FUEL, EQUIPMENT AND ALL OTHER PRODUCTS. »

Sergey Kirienko, CEO of the State Corporation Rosatom

! Merger of two strong nuclear companies will allow to combine key industrial competencies and lead to competitive growth of Engineering Division of the State Corporation Rosatom in the international market.

### THE ENGINEERING DIVISION

The Engineering Division is a group of companies consisting of three large engineering companies of the State Corporation Rosatom: JSC NIAEP, JSC ASE and JSC Atomenergoproekt.



**JSC NIAEP –**

is a management company; engineering company focused on design and construction of nuclear power plants.



**JSC ASE –**

is an engineering company focused on construction of nuclear power plants abroad.



**JSC ATOMENERGOPROEKT –**

is an engineering company focused on design of nuclear power plants.

## Strategic Goals of the Engineering Division in sight till 2030

The main strategic goal of the Company in sight till 2030 includes retention of the leading position in the global market by number of constructed power units and preservation of market share with consideration of market growth tendencies in absolute terms. To maintain the leading position in 2014, a field-specific Plan of Measures on NPP Construction Time and Cost Reduction was elaborated in the Company.

Implementation of the field-specific Plan will allow to achieve a competitive LCOE level<sup>6</sup> (the actual LCOE level of VVER-1150 is equal to 43 USD/MWh, the minimum LCOE level of APR-1400 (Korea) amounts to 29 USD/MWh, see Fig. 5)<sup>7</sup> and maximum profitability at the international markets.

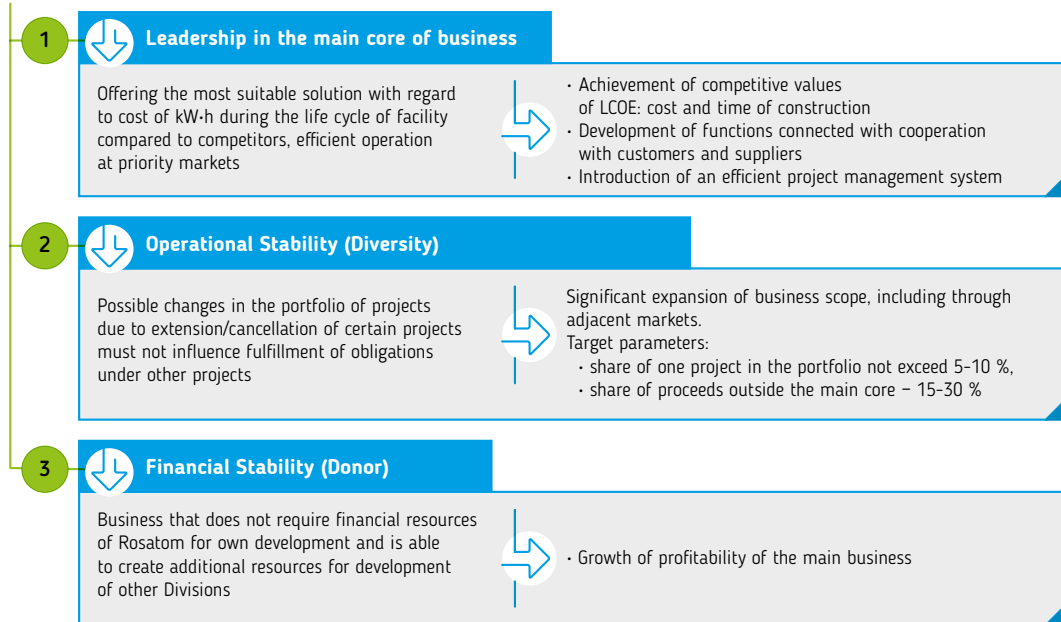


Fig. 4. Strategic Goals of the Engineering Division in sight till 2030

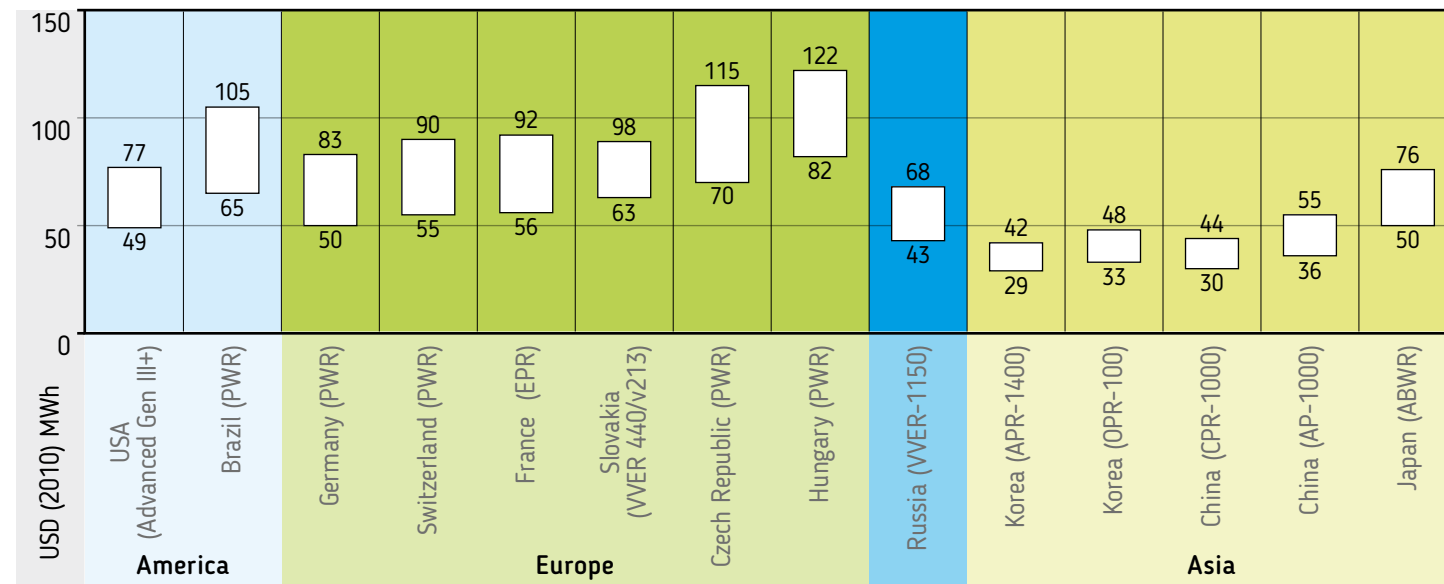


Fig. 5. Comparison of LCOE of International NPPs<sup>8</sup>

6. LCOE stands for Levelized Cost of Energy and means an average estimated cost of electrical power generation during the whole life cycle of a power plant (including all possible investments, expenditures and gains).

7. At discounting level of 5 %.

8. Lower bounds of values correspond to discount rate of 5 %, upper bounds – to discount rate of 10 %. The given LCOE values are calculated without consideration of expenditures for fuel, operating costs and financing cost. They include only capital expenditures for NPP construction. Besides, the results of comparison of LCOE of international NPPs are not adjusted for changes in exchange rates in 2014. Recalculation of LCOE with consideration of exchange rate will only strengthen the leading positions of Russia with regard to LCOE of high-power NPPs. Source: OECD "Projected Cost of Generating Electricity" 2010 Edition. OECD stands for Organization for Economic Co-operation and Development.

To assure stability, the share of one project in the portfolio must not exceed 5 to 10 %. With consideration of NPP projects' cost, achievement of the project share value sets the requirements for business scope. Thus, operational stability of the ASE – NIAEP United Company will be assured through buildup of the range of activity in Russia and abroad, as well as diversification beyond the main core of business. In 2014 the share of proceeds

outside the main core of business amounted to nearly 9 % with consideration of integration. Expected share of proceeds outside the main core of business must reach about 30 % by 2030.

One of the main tools for enhancement of the Company's financial stability is improvement of operating efficiency composed of three major elements (see Fig. 6).

The strategic goals of the ASE – NIAEP United Company on establishment of a competitive, operationally and financially stable engineering division within and around the core of business, as well as diversification outside the segment of main presence completely correspond to the strategic goals of the State Corporation Rosatom (see Table 1).

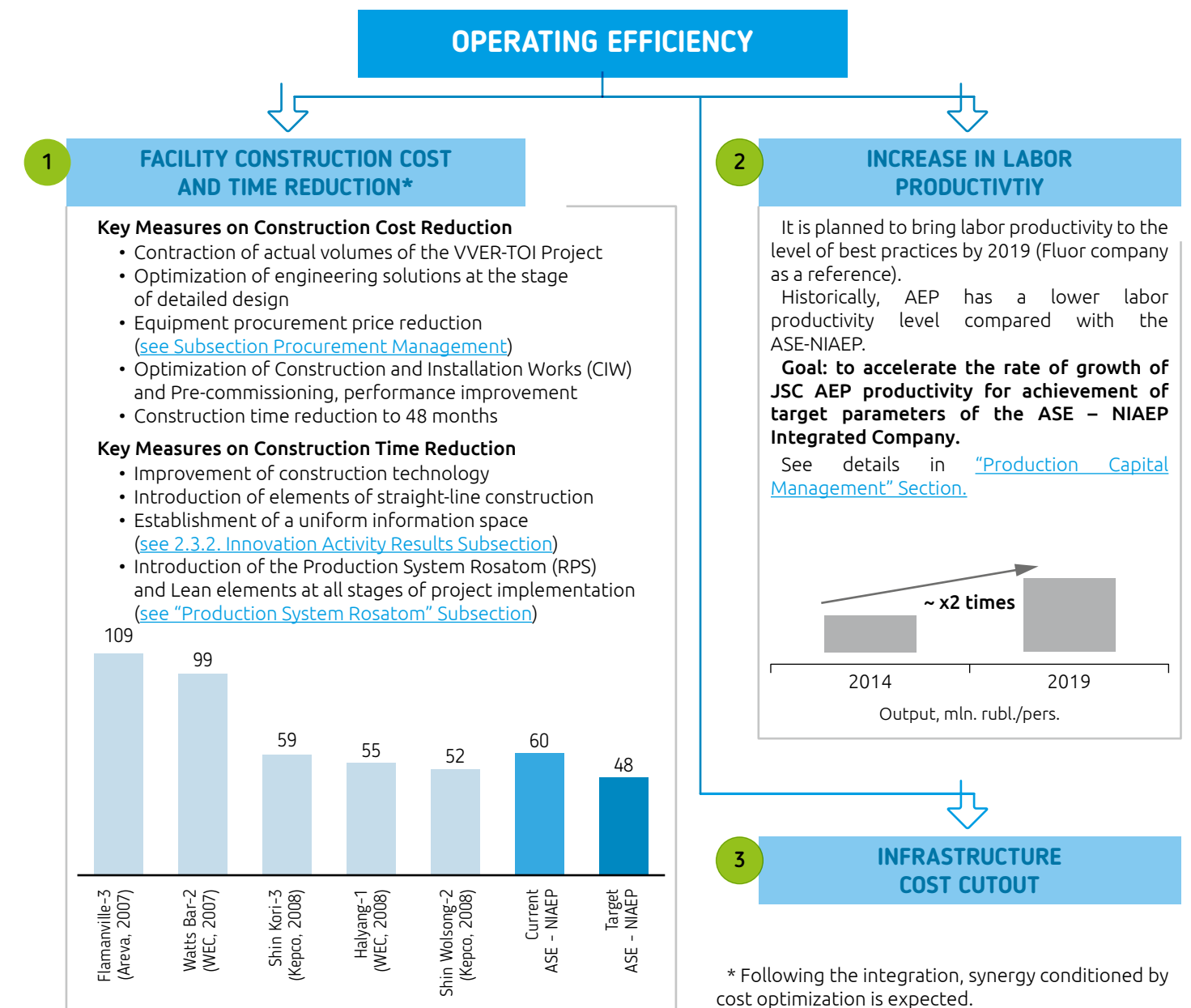


Fig. 6. Improvement of Operating Efficiency

THE MAIN STRATEGIC GOAL OF THE COMPANY IN SIGHT TILL 2030 INCLUDES RETENTION OF THE LEADING POSITION IN THE GLOBAL MARKET BY NUMBER OF CONSTRUCTED POWER UNITS



Table 1. Correspondence to Strategic Goals of the State Corporation Rosatom

Strategic Goals of the State Corporation Rosatom	Strategic Goals of the ASE - NIAEP United Company				
	Leadership in the main core of business		Operational stability		Financial stability
	Implementation of plans on NPP construction in the Russian Federation and abroad	Growth of competitive strength of the Russian NPPs	Diversification in the nuclear industry	Assurance of operational stability (diversification)	
Assurance of defensive ability of Russia					
Contribution to development of the Russian economy	+	+	+	+	
Assurance of geopolitical influence: implementation of international projects in the countries of Russia's geopolitical interest	+	+	+		
Improvement of Rosatom economic performance in Russia and globally	+	+	+	+	+
Assurance of long-term competitiveness and stability of business		+		+	+

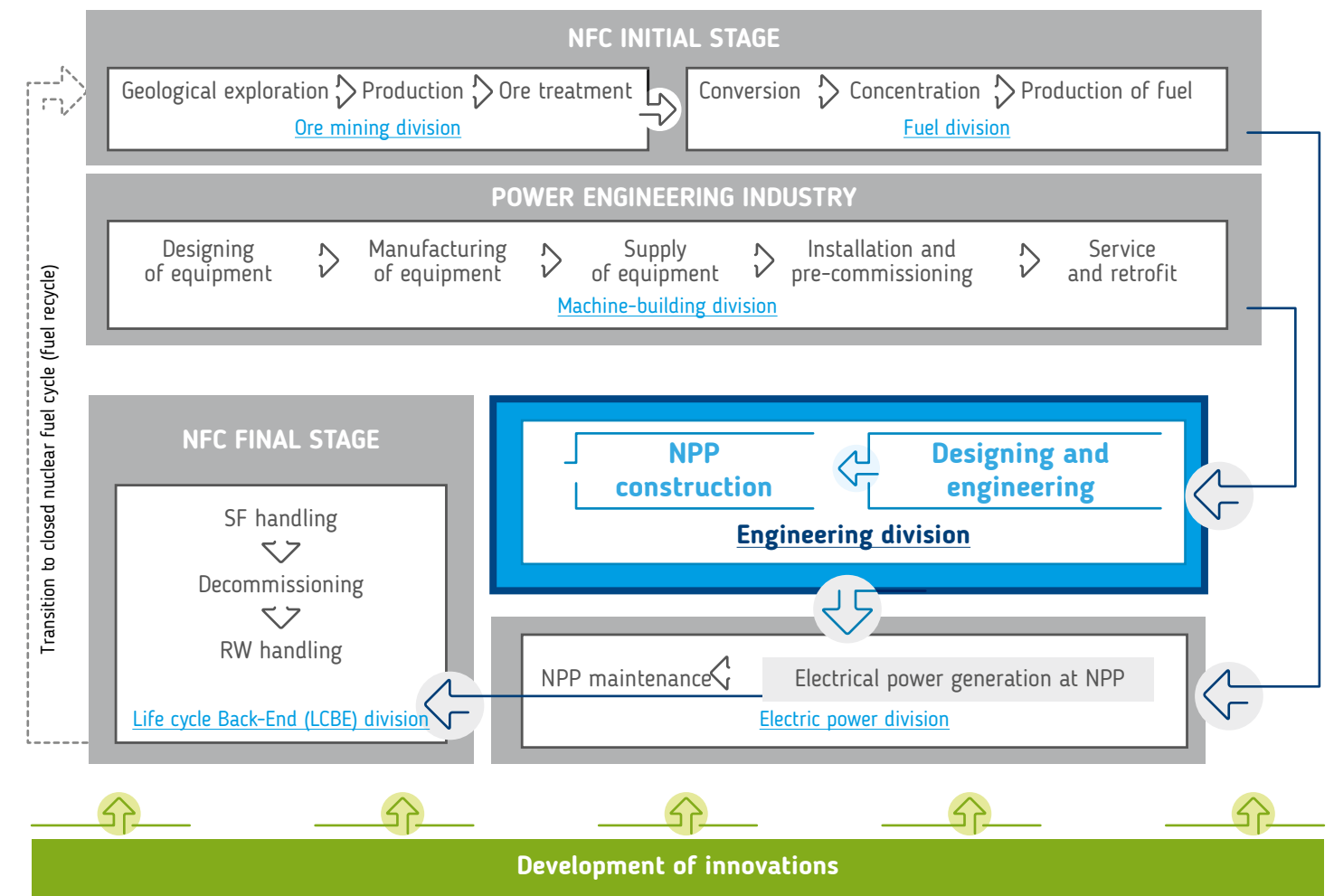
## 1.2. VALUE CREATION

### 1.2.1. Value Chain

The value chain of the Engineering Division in the main core of business is a component part of the uniform value chain of the whole nuclear industry (see Fig. 7). Role and place of the ASE – NIAEP United Company in the value chain of NPP

construction is defined by significance of EPC contractor's role in the State Corporation Rosatom structure – over 60 % of NPP production cost throughout the life cycle depends on performance of the EPC contractor (averaged share

of investments, decommissioning and spent fuel handling services within the given cost of electrical power).



\* Within these areas of activity the engineering business includes: during NPP maintenance – operations on life cycle extension (LCE) and retrofit, maintenance and repair (M&R), as well as training; during NPP decommissioning – work on preparation, decontamination, demounting of NRHF, and other operations; during erection of RW and SF handling facilities – designing, construction and mounting works (CIW), pre-commissioning of the RW and SF handling facilities; during operation of NPP – development and servicing of information models of NPP.

Fig. 7. Place of Engineering Division in the Value Chain of the State Corporation Rosatom



### 1.2.2. Business Model

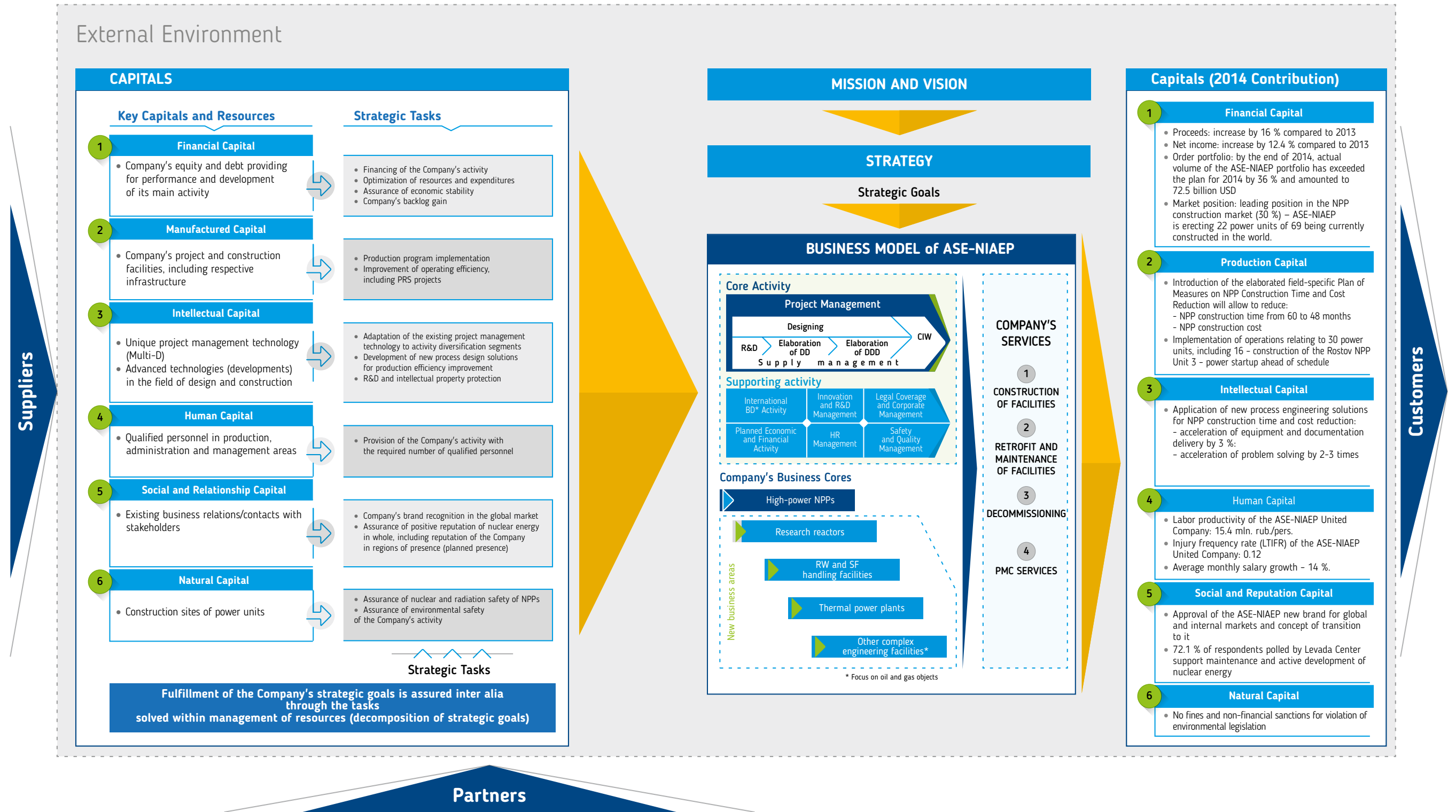
The ASE – NIAEP United Company defines its business model (see Fig. 8) as a system enabling value creation in short-, mid- and long-term perspective and aimed at achievement of strategic goals.

**!** The Company's business model is based on its long-term strategy and sustainable development.

The business model includes:

- available capitals;
- management system aimed at maximum efficiency of available capitals;
- activity on value creation based on value chain. Throughout the complete value chain, capitals which change (increase/decrease) while participating in the value creation play an important role in implementation of the strategy;
- products and services;
- results of value creation activity and their contribution to long-term capital growth of the Company.

Growth and/or loss of capital results from activities on value growth (see Fig. 8).



**Capitals (2014 Contribution)**

- 1 Financial Capital**
  - Proceeds: increase by 16 % compared to 2013
  - Net income: increase by 12.4 % compared to 2013
  - Order portfolio: by the end of 2014, actual volume of the ASE-NIAEP portfolio has exceeded the plan for 2014 by 36 % and amounted to 72.5 billion USD
  - Market position: leading position in the NPP construction market (30 %) – ASE-NIAEP is erecting 22 power units of 69 being currently constructed in the world.
- 2 Production Capital**
  - Introduction of the elaborated field-specific Plan of Measures on NPP Construction Time and Cost Reduction will allow to reduce:
    - NPP construction time from 60 to 48 months
    - NPP construction cost
  - Implementation of operations relating to 30 power units, including 16 – construction of the Rostov NPP Unit 3 – power startup ahead of schedule
- 3 Intellectual Capital**
  - Application of new process engineering solutions for NPP construction time and cost reduction:
    - acceleration of equipment and documentation delivery by 3 %;
    - acceleration of problem solving by 2-3 times
- 4 Human Capital**
  - Labor productivity of the ASE-NIAEP United Company: 15.4 mln. rub./pers.
  - Injury frequency rate (LTIFR) of the ASE-NIAEP United Company: 0.12
  - Average monthly salary growth – 14 %.
- 5 Social and Reputation Capital**
  - Approval of the ASE-NIAEP new brand for global and internal markets and concept of transition to it
  - 72.1 % of respondents polled by Levada Center support maintenance and active development of nuclear energy
- 6 Natural Capital**
  - No fines and non-financial sanctions for violation of environmental legislation

Fig. 8. Business Model of the ASE – NIAEP United Company

# 1.3. TARGET MARKETS AND PRIORITY DIRECTIONS OF DEVELOPMENT

## 1.3.1. NPP Construction Market

### 1.3.1.1. RUSSIAN NPP CONSTRUCTION MARKET

As of December 31, 2014 Russia is ranked second in the world by the number of NPP units being constructed in its territory<sup>7</sup>.

According to the forecasts, growth of installed capacity of nuclear power plants will amount to 40 % by 2030.

The ASE – NIAEP United Company functions as an EPC contractor in relation to the majority of power units under construction and is the absolute leader in the Russian market. In light of integration with JSC Atomenergoproekt operating mainly in the Russian NPP construction market, the United Company's portfolio of orders in the Russian market included ten power units at various stages of project implementation: front end engineering design, design and exploration work, construction, including pre-commissioning and other stages (see Fig. 9).

Rosenergoatom Concern within the State Corporation Rosatom is the main customer of the United Company in the Russian market. The Russian market channels, scope of work, and performance time are defined by the State Corporation Rosatom on the basis of the road map of NPP construction in the Russian Federation.

The ASE – NIAEP United Company leads the international market of NPP construction by number of projects in progress: the Company's share amounts to nearly 30 %. Prospective order portfolio of the State Corporation Rosatom in the international markets may reach 40 power units by 2030 depending on development of economic and political situation.

At the time of integration of JSC Atomenergoproekt (hereinafter referred to as AEP), international projects of the United Company amounted to over 70 % of the portfolio, what is equal to ~90 % of the total portfolio of international NPP construction orders of the State Corporation Rosatom. Integration of JSC AEP did not affect the portfolio of the ASE – NIAEP United Company in the international market of NPP construction, as far as AEP operates in the Russian market mainly.

As of December 31, 2014, the ASE – NIAEP United Company performs contractual/pre-contractual operations on 20 power units in the international market. (see Fig. 9).

#### STRATEGIC GOAL

Strategic goal of the Engineering Division in sight till 2030 includes retention of the leading position and preservation of market share through:

- competitive growth of the projects, including construction time and cost reduction with simultaneous enhancement of project management quality and focus on interests of certain customers;
- development of marketing and commercial functions of the Company.

#### PRIORITY DIRECTIONS

The first-priority international markets in the mid-term perspective are countries of South-east Asia (India, Bangladesh, Vietnam, China, etc.), Central and South Africa (Republic of South Africa), Middle East and North Africa (Turkey, Iran, Jordan, etc.) and CIS (Armenia et al.).

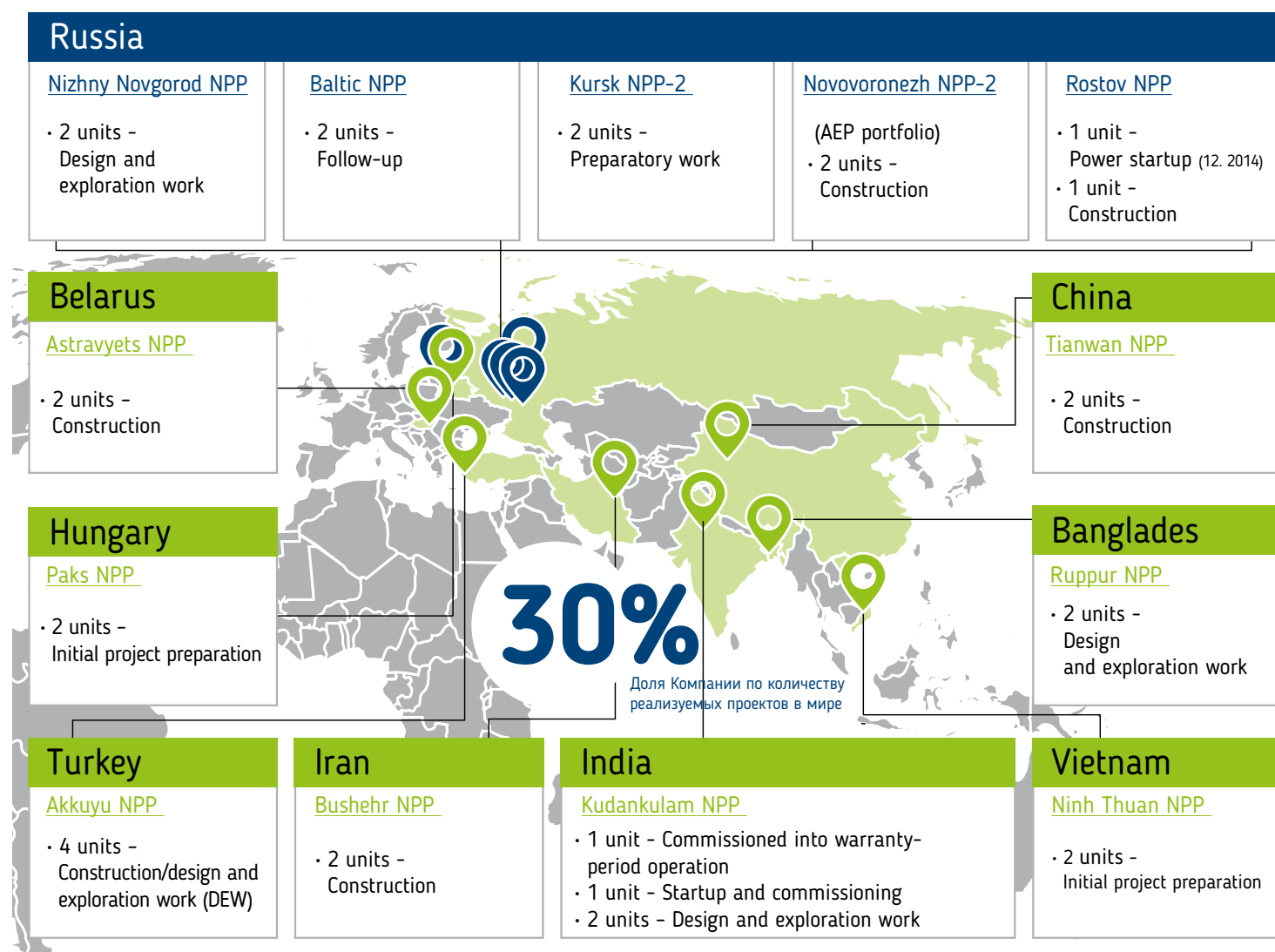


Fig. 9. NPP construction projects in progress

#### RISKS

Competitive expansion on the part of Korea and China, insufficient financing, deterioration of competitiveness due to development of other generation sources, inability of Russian machine building enterprises to supply the required volume of equipment, political influence on decisions concerning selection of nuclear technology suppliers, poor culture of safety and lack of developed elements of nuclear infrastructure on the new markets (see details in [Section 1.4.3.2. Strategy Implementation Risks](#)).

Expected share of proceeds outside the main core of business must reach about 30 % by 2030.

Priority directions of growth still relate to the market segments close to the main core of business:

- research reactors;
- decommissioning of nuclear and radiation

## 1.3.2. Diversification Markets

Diversification of the Engineering Division activity is mainly aimed at assurance of long-term operating stability of the Company.

hazardous facilities (DC NRHF), construction and retrofit of radioactive waste (RW) and spent fuel (SF) handling facilities;

- service and retrofit of NPP;
- thermal power;
- project management consulting.

Diversification directions were defined with consideration of available Company's competencies in the high-power NPP construction market. Similar requirements for the competencies of participants by selected diversification directions allow the ASE – NIAEP United Company to minimize diversification risks.

CURRENT BACKLOG OF ORDERS INCLUDES **30** POWER UNITS OF NPP IN RUSSIA AND OTHER COUNTRIES

7. According to IAEA statistics, China is ranked first.





### 1.3.2.1. MARKET OF RESEARCH REACTORS

According to IAEA, in 2014 the number of research reactors (RR) in the world (both in operation and under construction) amounted to 253 reactors in 55 countries. The share of research reactors built by the Russian technologies amounts to nearly 34 % (see Fig. 10).

The total cost of projects to be implemented till 2030 is ~ 6.2 billion USD, the number of planned research reactors amounts to 14.

The ASE – NIAEP United Company either operates in the countries (Vietnam, China and Iran) which declared their intention to build RR or plans to develop their territory (Brazil, RSA and Saudi Arabia). Main participants of the RR market: customers, regulatory bodies and main equipment suppliers are the same for construction of both high-power NPP and RR.

The main competitors of the United Company in the international RR market are vendors of own process engineering solutions: KAERI (Korea), AREVA (France), INVAR (Argentina) and CIAE (China).

As of December 31, 2014 the United Company's portfolio included the project of construction of the Nuclear Science and Technology Center in Vietnam.

#### STRATEGIC GOAL

Global leader in the research reactor construction segment.

#### PROMISING DIRECTIONS

Possible participation of the Company in the projects on construction of research reactors in RSA, Argentina, Brazil, the Netherlands, etc. is being negotiated.

#### MID-TERM PLANS

- generation of portfolio of projects and reference experience of project implementation in Russia and abroad: implementation of one project within 2–3 years,
- establishment of transparent scheme of partnership with key companies operating in the industry and supplying technologies for development of own process engineering solutions.

#### RISKS:

- High competition in the market, lack of experience of RR operation by new countries (see details in [Section 1.4.3.2. Strategy Implementation Risks](#)).

#### KEY COMPETITIVE ADVANTAGES

Industry-specific experience and knowledge of key participants of the segment.

### 1.3.2.2. MARKET OF DECOMMISSIONING OF NUCLEAR AND RADIATION HAZARDOUS FACILITIES (DC NRHF) CONSTRUCTION OF RW AND SF HANDLING FACILITIES (BACK-END)

The market of DC NRHF and RW/SF handling facilities is attractive and has a significant growth potential conditioned by the plans on decommissioning of nuclear facilities in a number of regions.

In 2014 the forecast total market volume in sight till 2030 decreased to 275 billion USD (see Fig. 11) due to changes in the strategy of decommissioning of NPP and other NRHF in some countries: decision on commissioning of Japanese power plants shut down after the accident at the Fukushima NPP; decision on the program of NPP decommissioning in Germany (startup is possible), etc.

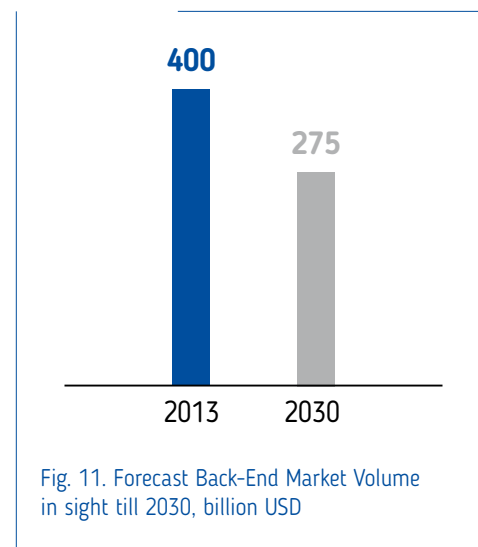
The key participants operating in the international back-end market are the major players of the nuclear energy markets with package proposal (general contract and technical solutions) on decommissioning of NRHF, construction and retrofit of RW and SF handling facilities: Areva, Energy Solutions, GNS, ONET Technologies, Westinghouse, etc.

#### STRATEGIC GOAL

Remain in TOP-5 companies of the segment.

#### PRIORITY DIRECTIONS

Russia, CIS countries, Europe countries (historical markets of presence of NUKEM Technologies), China, Asia and Pacific Region, Africa, etc.



#### MID-TERM PLANS

- Implementation of current projects:
  - Ignalina NPP projects;
  - FSUE PA Mayak projects;
  - projects at the Andreeva Bay facility;
  - operations at Kursk and Smolensk NPPs, etc.
- Further development of competencies within the frames of integration with the basic project owner, JSC AEP;
- Active widening of portfolio of projects in the existing and new priority markets.

#### RISKS

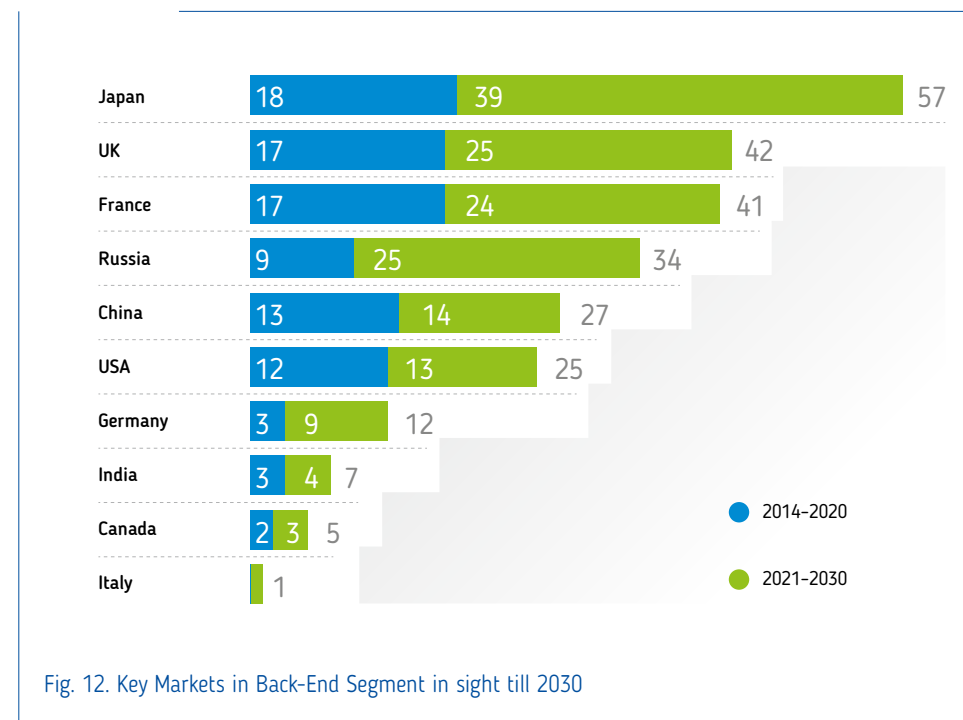
High dependency of the segment on political decisions, fine division of orders by owners of the heritage in the domestic market, lack of complete regulatory framework for the domestic market (see details in [Section 1.4.3.2. Strategy Implementation Risks](#)).

#### COMPETITIVE ADVANTAGES

As an EPC contractor implementing high-power NPP construction projects in the global market, the ASE – NIAEP United Company has competencies required for execution of EPC projects in the segment of construction, retrofit and repair of RW and SF handling facilities, decommissioning of NRHF:

- designing;
- CIW;
- supplies management/equipment;
- project management.

Integration with JSC AEP strengthened the Engineering Division as a general contractor performing retrofit and decommissioning of facilities, since JSC AEP is the owner of NPP basic project.



### 1.3.2.3. SERVICE MARKET

Service market is extremely attractive in terms of stability and extent, since customer care is an infrastructure activity for all types of production activity and scarcely subject to cyclic fluctuations. At the same time, the market is strongly fragmented both in geographical and industry-specific terms – barriers for entrance to new markets are lower compared to NPP and TPP construction.

In whole, the service market may be divided into three main segments: nuclear power, thermal power, service in industry (see Fig. 13).

The ASE – NIAEP United Company renders services (diagnostics, repair, maintenance, and retrofit) for the nuclear power segment. The key project in this segment is maintenance service of the Bushehr NPP Unit 1 (Iran). The Kalinin NPP (Russia) serves as a reference project for the United Company.

JSC Atomenergoproekt also performs activity in the NPP service and retrofit segment. The key projects in the JSC AEP portfolio include operations on maintenance service and life cycle extension (LCE) of the following facilities:

- Balakovo NPP
- Kursk NPP-2,
- Novovoronezh NPP-2,
- Smolensk NPP,
- Armenian NPP.

#### STRATEGIC GOAL

The main task of the United Company with-in development of activity in this segment consists in maximization of its participation in the projects of JSC Rusatom Service.

#### PRIORITY DIRECTIONS

The priority directions in sight till 2030 are as follows:

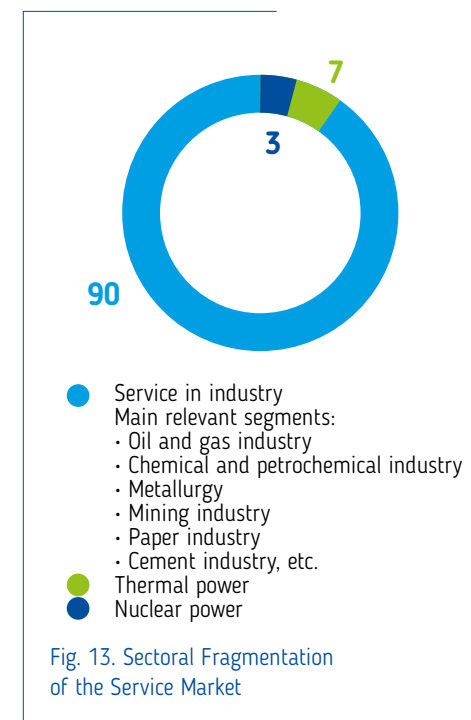
- markets of Asia and Middle East as the widest and most dynamic. Large amount of commissioned industrial and energy capacities entails increase in service volume in these regions;
- market of Russia and CIS.

#### MID-TERM PLANS

- generation of portfolio of projects and reference experience of project implementation in Russia and abroad,
- establishment of infrastructure and partnerships for development of specific competencies in the segment.

#### RISKS

High competence on the part of local contractors (see details in [Section 1.4.3.2. Strategy Implementation Risks](#)).



### 1.3.2.4. THERMAL POWER MARKET

The volume of the Russian thermal power market is limited. The existing projects on construction and commissioning of additional facilities till 2020 are contracted under Capacity Delivery Agreements (CDA) by various suppliers. Commissioning of facilities without CDA requires establishment of an investment support mechanism which has not been yet worked out. It is planned to commission 25 to 35 GW till 2030, in addition, 7 to 10 % of the existing TPP facilities require retrofitting.

On December 31, 2014 the share of the ASE – NIAEP United Company in the thermal power market amounted to 14 %. The key reference project of the Company is the project of construction of Yuzhnouralskaya HPP-2 (Russia); two power units of Yuzhnouralskaya HPP-2 were commissioned in 2014.



**STRATEGIC GOAL**

Under conditions of limited capability of the TPP construction market in the Russian Federation, the target priorities of the ASE – NIAEP United Company till 2030 are as follows:

- retention of segment share in the structure of the Company's proceeds at the level of 2013 (18 %);
- entrance of the Company to the international thermal power markets.

**PRIORITY DIRECTIONS**

Priority regions are the countries, where the Company performs its activity within the main core of business: Bangladesh, India, China, Vietnam, Turkey, etc.

**MID-TERM PLANS**

Generation of portfolio of projects and reference experience of project implementation in Russia and abroad, including PMC projects.

**RISKS**

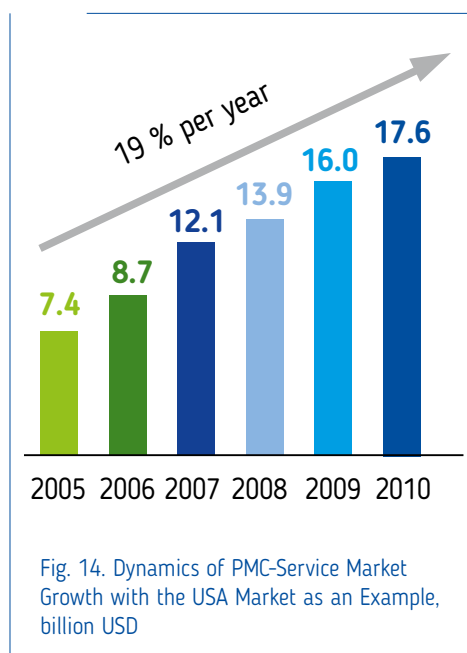
High uncertainty of market volumes till 2020 (see details in [Section 1.4.3.2. Strategy Implementation Risks](#)).

**1.3.2.5. PROJECT MANAGEMENT CONSULTING MARKET (PMC SERVICES)**

In recent years the project management consulting market (PMC market) has been actively developed due to growing complexity of project solutions and increase in duration and budgets of capital construction projects (see Fig. 14).

Portfolios of all large international engineering companies/EPC contractors, such as Bechtel, URS, Jacobs, Parsons, et al., contain a considerable share of PMC services. On the average, the share of PMC services in the project cost amounts to approximately 5 % of an EPC contract.

To render consulting services in the field of project management, the United Company applies its strong competencies based on the projects of construction of complex engineering facilities (nuclear and thermal power plants, RW and SF handling facilities) and advanced project management technology for construction of NPPs – Multi-D. In addition, the Company has references of PMC services rendered within the projects of construction of Tianwan NPP (China) and Kudankulam NPP (India).



**STRATEGIC GOAL**

Creation of references in the segment through implementation of PMC projects. The United Company may act as a PMC contractor for certain types of work and in this role it may be one of the partners in projects.

The Company's activity in the segment of PMC services is a task of strategic importance not only within this segment, but also in other segments. Implementation of PMC projects within the projects of construction of complex engineering facilities (TPP, RW and SF handling facilities, etc.) will allow the Company to form a basis for development of EPC activity in these segments.

**RESULTS OF 2014**

- Schemes of partnership for promotion of PMC services in the Russian market were elaborated.
- Standard commercial proposal for PMC on the basis of Multi-D was prepared.
- list of PMC services to be promoted in the Russian market was created.
- Four consulting workshops were held on promotion of PMC in priority regions: Brazil, Argentina, China and Russia.

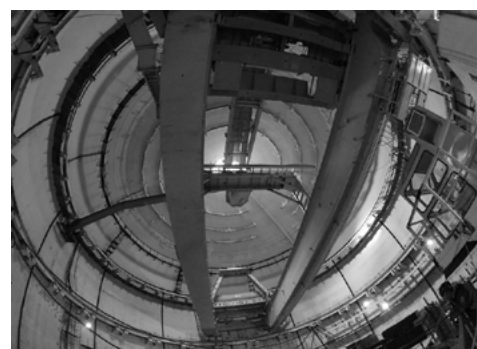
- Within elaboration of a draft EPC contract on construction of the Paks NPP Units 5 and 6, a requirement management system was applied which enabled efficient organization of work with the customer on negotiation of over 13 thousand requirements for the nuclear power plant, design and construction technologies, and project management in whole (see details on the system in [Section 2.3.2.2. Information Technologies](#)).

**PRIORITY MID-TERM TASKS**

- assurance of Company's recognition by industrial customers;
- winning a pilot project in the capacity of a PMC consultant in the course of construction of oil and gas facilities;
- preparation of a standard PMC proposal for complex engineering facilities in various fields;
- elaboration of standard schemes of partnership, standard agreements, and proposals;
- generation of portfolio of projects and reference experience of project implementation in Russia and abroad (development of competencies and brand in the capacity of a consultant):
  - carrying out regular workshops in Russia and abroad,
  - winning one PMC project a year (starting from 2016).

**RISKS**

High competence in the international market (see details in [Section 1.4.3.2. Strategy Implementation Risks](#)).



**!** In February, 2014 the ASE – NIAEP United Company took part in the 4<sup>th</sup> Russia & CIS Oil & Gas Summit.

# 1.4. OPPORTUNITIES AND RISKS

## 1.4.1. Political Context of Operation

The first half of the year 2014 was characterized by an upsurge in tension in the global markets. The events in the Middle East and

Ukraine led to an even higher escalation. Influence of political factors on the global economy is rapidly growing, so, socio-political and regu-

latory risks connected with possible limitations of activity of the ASE – NIAEP United Company in the international market have increased.

## 1.4.2. Macroeconomic Context of Operation

In 2014, the inflation rate in Russia hit 11.4 % (compare to 6.5 % in 2013 and 6.6 % in 2012). Last time, double digit inflation at year-end in the Russian Federation was registered in 2008 (at that time it amounted to 13.3 %). The average annual US dollar exchange rate against ruble increased by 21 % in 2014 compared to 2013<sup>10</sup>.

On January 30, 2015, Standard & Poor's Ratings Services lowered the short-term and long-term

ratings of JSC Atomenergoprom (member of the State Corporation Rosatom) from BBB-/A-3 to BB +/B, forecast is negative. A downgrade of JSC Atomenergoproekt places the ASE – NIAEP United Company at risk of limitation of access to foreign funding sources (foreign credits and investment flows), what may cause cost increase and problems with employment of funds required for implementation of international projects.

Devaluation had a significant impact on the financial state of the ASE – NIAEP United Company, since the Company's proceeds are mainly formed through the international projects. However, we must upscale efforts to assure financing in the extent required for implementation of projects in the international market.

Table 2. External Challenges: Opportunities and Risks, PEST-Analysis

Factors	Influence
<b>Political factors</b>	
Political pressure on the part of the USA and the EU caused by a crisis in Ukraine, including introduction of sanctions	Limitation of access to funding sources Limited opportunities for participation in projects in the international markets financed by EBRD Risks of limitation of access to international equipment and technologies
Introducing retaliatory sanctions on the part of Russia	Probability of limitation of access to international equipment and technologies
Complicated political situation in Ukraine	Suspension of current projects in the territory of Ukraine (Khmelnyskiy NPP) Limited opportunities for participation in new projects (decommissioning of facilities at Chernobyl NPP)
Development of cooperation with the countries of Southeast Asia, first of all, China	Creation of conditions for winning new projects in the territory of SEA countries, including outside the NPP construction segment
Support of the State Corporation Rosatom projects in the international markets by the Government of the Russian Federation, including readiness to provide public loans to countries building NPPs on the basis of the Russian design	Creation of additional factors increasing the Company's competitive strength in the global market
Enhancement of interest of developing countries in development of their own nuclear energy	Opportunity to win new contracts in the international markets High risks of project implementation in countries with lack of infrastructure and qualified personnel.
Support of promotion of nuclear technologies in the international markets by the Government of China and Korea	Improvement of competition in target markets, first of all, of developing countries
Decision on nuclear power phase-out by a number of European countries	Growth of the market of RW and SF handling facilities and NRHF decommissioning which is potentially accessible for the Company (with consideration of Nukem asset in Europe)
<b>Economic Factors</b>	
Depreciation of the ruble	Appreciation of equipment and services purchased from foreign partners and subsequent risks of cost increase and profitability decrease. Considering that the Company's proceeds are to a large extent formed through contracts in the international markets and denominated in foreign currency, there is an opportunity for growth of key performance indicators.
Limitation of access to financial markets of Europe and the USA	Appreciation of credit financing

10. The analysis is carried out on the basis of statistical data of the Central Bank of the Russian Federation.

Table 2. External Challenges: Opportunities and Risks, PEST-Analysis (end)

Factors	Influence
Credit rating downgrade of the country in whole and of JSC Atomenergoprom	Appreciation of credit financing
Growth of inflation rate in the country	Appreciation of equipment and services purchased in the country – risks of profitability decrease Generation of additional incentives for implementation of initiatives on efficiency improvement of the main processes in the Company
Development of global economic crisis	Mid-term risks of correction of investment programs on construction of power engineering facilities worldwide, including NPP, towards decrease as a result of contraction of electric energy demand. Limited financial resources of prospective customers of power engineering facilities and subsequent strengthening of competitive positions of companies which may provide credit financing by the project
Fall in oil prices	Risks of reduction of state funding for nuclear energy development programs
<b>Technology Factors</b>	
Fall in gas prices as a result of shale gas expansion	Decrease in competitive strength of NPP compared to gas energy facilities, necessity to introduce technologies providing for project cost reduction
Development of technologies of low- and mid-power reactors	Demand for own technology of low- and mid-power reactors
Limited access to equipment and technologies as a result of sanctions	Necessity to search for partners ready to provide replacement technologies
Toughening of requirements for NPP safety	Opportunities for development of activity conditioned by the world's leading position of the Russian NPPs in terms of safety
Increase in process complexity of project solutions, time, and budgets of capital projects	Significant opportunities for application of Multi-D technology for promotion in the PMC market in sectors new for the Company
Competitive pressure caused by technologies of competitors from Korea and China	Necessity to implement programs aimed at competitive growth of parameters of NPP built by the Russian technology and subsequent reduction of cost, time and actual volumes
<b>Social Factors</b>	
Lack of qualified workers and engineers in the Russian Federation	Demand for programs of cooperation with higher education institutions Implementation of programs on performance improvement Implementation of own training and coaching programs
Lack/absence of nuclear energy specialists for NPP construction in developing countries	Capability to train specialists from countries, where NPP construction is planned, forms an additional competitive advantage of the Company
Growth of level of public confidence in nuclear energy	Favorable conditions for development of nuclear energy and implementation of the Company's growth plans
Negative attitude of the EU and the USA towards Russia and Russian technologies against the background of crisis in Ukraine	Risks of the EU market foreclosure for the Company's projects

### 1.4.3. Risk Management

#### 1.4.3.1. RISK MANAGEMENT SYSTEM

One of the main factors providing achievement of the Company's strategic goals is risk management. Responsibility for detection, analysis, minimization, and monitoring of certain risks shall be distributed among functional subdivisions of the Company.

A special Risk Focus Group shall be appointed for adoption of risk management procedures and coordination of activities of functional subdivisions. Performing its activity, the Group shall be guided by regulatory and procedural

documents of the State Corporation Rosatom:

- Risk Management Policy of the State Corporation Rosatom;
- Standard field-specific methodological recommendations on management of risks arising in the course of investment projects of construction of nuclear energy, industry, atomic engineering, and instrument engineering facilities;
- and common risk management practice applicable to construction of complex engineering facilities.

#### RESULTS OF 2014

In order to improve the risk management system, the following activities were carried out in 2014:

- elaboration of the Regulations for Subprocess of Risk Management in Construction of Power Engineering Facilities;
- appointment of owners of key common and project risks and owners of compliance risks of JSC NIAEP and JSC ASE;
- issue of order on application of the Uniform Industrial Procedural Guidelines for Risk Analysis in Budgeting and Control of Imple-

mentation of Budgets and Mid-Term Plans of the State Corporation Rosatom and its Organizations in JSC NIAEP;

- elaboration of the Action Plan on Risk Management in Akkuyu NPP Construction Project including Construction and Installation Work (CIW) Stage.

The following measures were carried out within the risk management activities:

- assessment of unforeseen costs and risks influencing on construction rescheduling of the Bushehr NPP Units 2 and 3;

• risk assessment of budget performance of 70 % of (the largest) ongoing construction projects in 2014;

- risk assessment of implementation of 57 % of the most capital-intensive projects and forecast of risk influence on the adjusted consolidated cash flow (ACCF) of the projects for 2015-2019 within the elaborated business plan allowing to estimate the results of the Company's projects (including financial and economic performance).

#### 1.4.3.2. STRATEGY IMPLEMENTATION RISKS

Due to the current political and economic situation, the risk map and strategy implementation risk management policy of the ASE – NIAEP United Company elaborated in 2013 were updated as of the end of 2014 (see Fig. 15, Table. 3).

In the reporting year, execution of contracts concluded with suppliers of equipment manu-

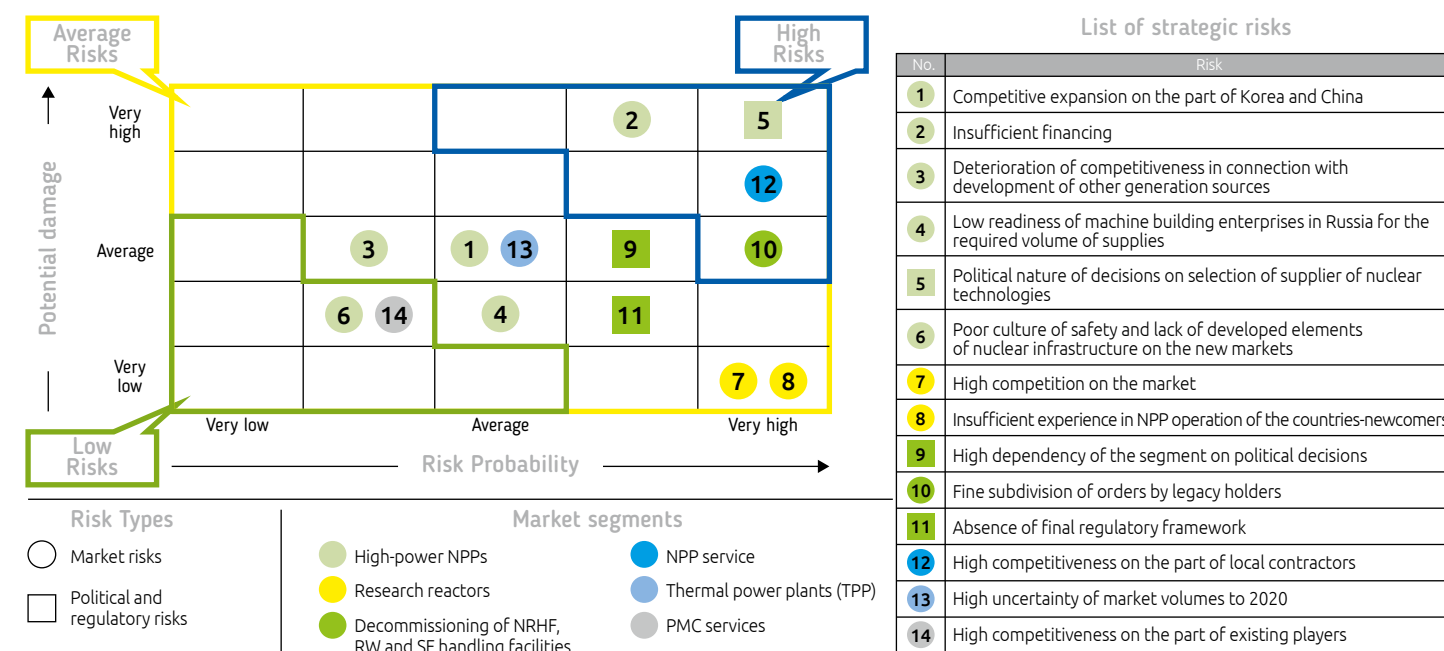


Fig. 15. Risk Map of the ASE – NIAEP United Company

Table 3. Management of the Strategy Implementation Risks

Risk	Risk Factors	Extent of Risk	Risk Management Activities	Change
<b>"High-power NPPs" Segment</b>				
Competitive expansion on the part of Korea and China	Active promotion of the Korean APR-1400 technology in the international market, in particular, successful experience of winning a tender in UAE. Large-scale transfer of technologies by China (in particular, within the contracts with Westinghouse) and endeavors to enter the international market (Argentina, RSA).	Average risks	Implementation of Program on NPP Construction Cost and Time Reduction (see Section 2.2.1. Production Capital Management). More active position of the Company in cooperation with existing foreign customers in future projects.	Due to a large-scale transfer of technologies by China, slight shift of geographical priorities is observed, what did not influence the level of risk in whole.

Table 3. Management of the Strategy Implementation Risks (continued)

Risk	Risk Factors	Extent of Risk	Risk Management Activities	Change
Insufficient financing	No financing sources of several countries where the Company has promising projects on NPPs construction. Limited investment resource of the Russian Federation for project financing Limited access to international financing sources Appreciation of available international credit financing	High risks	Activities on alternative financing sources – commercial lending, involvement of partners and investors in alternative markets, including through regular involvement of the Private institution of Atomic Energy Power Corporation “Rusatom International Network” in carrying out of the specified activities on alternative funding sources.	 Average risk at the end of 2013. The specifics of the global political and macroeconomic situation conditioned limitation and rise in the cost of access to international financing.
	Deterioration of competitiveness in connection with development of other generation sources		Interest of countries in renewable energy sources Nuclear power phase-out programs of some countries (Germany) Reduction of cost of non-renewable sources (oil and gas)	
Low readiness of machine building enterprises in Russia for the required volume of supplies	Limited production of Atomenergomash – not more than 4 assembly sets in one production cycle	Average risks	Allocation of machine industry supplies in the countries-customers (see “Procurement Management” Section). Enhancement of efficiency of procurement procedures in the industry.	
Political nature of decisions on selection of supplier of nuclear technologies	High dependency of vendor selection on political influence of countries-competitors (for instance, the USA and the EU) Risks of limitation of access to international equipment and technologies (due to sanctions)	High risks	Enhanced support of projects through political channels Implementation of import phase-out program with regard to equipment and technologies.	
			Enhanced support of projects through political channels, involvement of the Private institution of Atomic Energy Power Corporation “Rusatom International Network” with regard to GR.	
Poor culture of safety and lack of developed elements of nuclear infrastructure on the new markets	Low readiness of potentially interested countries to implement NPP construction projects, in particular, due to poor legislation, industrial base, low environmental protection requirements, etc.	Low risks	Cooperation with countries – potential customers on elaboration of plan of infrastructure development to achieve the level which is sufficient for further management of NPP construction project.	
<b>“Research Reactors” Segment</b>				
High competition in the market	Strong market positions of Argentinean (INVAP), Korean (KAERI) and French (Areva) players	Average risks	Increase in quality of elaboration of tender offers. More active monitoring of the market and participation in negotiations. Development of own process engineering solutions	

Table 3. Management of the Strategy Implementation Risks (end)

Risk	Risk Factors	Extent of Risk	Risk Management Activities	Change
No experience in NPP operation of the countries-newcomers	Lack of qualified personnel, understanding of production processes, and regulatory framework for operation of research reactors	Average risks	Suggestion of programs on personnel training of countries-newcomers	
<b>“Back-End” Segment</b>				
High dependency of the segment on political decisions	Dependency of the total volume of orders on care of the Government for the heritage issues	Average risks	Promotion of projects at national level.	
Fine division of orders by owners of the heritage in the domestic market	Common practice of implementation of decommissioning projects by Rosenergoatom Concern and JSC TVEL stipulating for distribution of small amounts of work between a number of contractors	High risks	Conduct of negotiations with KREA and TVEL in respect of participation in projects in the capacity of general contractor	
Incomplete regulatory framework in the domestic market	Indefinite boundaries of state responsibility for decommissioning of heritage facilities Missing procedure for implementation of the Decrees of the Government of the Russian Federation concerning designation of facilities as major radiation hazards Need for correction of the Regulations on Procedure for Decommissioning Arrangement and Field-Specific Concept of Decommissioning of Equipment for Nuclear Facilities	Average risks	Participation in activity of the State Corporation on elaboration of suggestions for finalization of regulatory framework.	
<b>“NPP Service” Segment</b>				
High competitiveness on the part of local contractors	Significant share of maintenance and repair operations implemented using own resources or by local service organizations	High risks	Elaboration and market promotion of proposal concerning optimized maintenance service package in cooperation with JSC Rusatom Service Maximization of ASE – NIAEP participation in the projects of Rusatom Service	
<b>“Thermal Power Plants” Segment</b>				
High uncertainty of market volumes till 2020	CDA conclusion Missing mechanism of support of investments for commissioning of capacities till 2020 not under CDA	Average risks	Extension of geography through entrance to foreign markets, including implementation of PMC projects in the segment	
<b>“PMC Services” Segment</b>				
High competition in the international market	Insufficient awareness/poor development of the Company’s brand in the PMC services market	Low risks	Winning one reference PMC project Creation of register of PMC services for international customers Elaboration of standard schemes of partnership with international partners Extension of business geography through entrance to foreign markets, including support from the Private institution of Atomic Energy Power Corporation “Rusatom International Network” and implementation of PMC projects in the segment	<b>NEW</b>

factured at Ukrainian factories for the Rostov, Baltic, Belarusian NPPs, Bushehr NPP (Iran), Tianwan NPP Units 3 and 4 (China) and Kudankulam NPP Units 1 and 2 (India) was monitored on a weekly basis.

We have ensured delivery of equipment for the Rostov NPP Units 3 and 4 from the territory of Ukraine ahead of schedule.

Within the Project Risk Assessment for 2014 of the approved JSC NIAEP Development Pro-

gram, information was prepared to elaborate a technical design assignment for automated risk management decision support system on project manager portal (see detailed description of the portal in "Innovation Activity Results" Section).

**PRODUCTION RISKS**

The projects of complex engineering facilities construction are accompanied by various

risks. The highest of them are connected with performance of construction and installation works (CIW) on site.

The risks coming out at this stage of project refer to cooperation of general contractor with customer, subcontracting organizations, detailed design documentation support, supply of labor and mechanisms, materials and equipment, and performance of CIW.

Table 4. Production Risks

Risk	Extent of Risk	Risk Management Activities within the Reporting Period
Risk of delay in the execution of work caused by misalignment of diary and network schedules of detailed design documentation release, procurement and supplies, and work performance	High risk	In 2014 we approved the project implementation plan - Joint Design, Procurement, and Construction Schedule - and put respective information systems of the Belarusian NPP and FSUE PA Mayak facilities into pilot operation, what will allow to reduce the risk of delay in execution of work.
Risk of qualified personnel shortage by subcontractors engaged in construction of power units (in 2014 - Rostov NPP Units 3 and 4)	High risk	The issue was regularly put before the Company's management in weekly reports by the Volgodonsk Branch management. Immediate decisions were made on the problem during sessions of the emergency response team in charge of Rostov NPP construction; orders were issued on the required workforce size of contractors engaged in construction of the Rostov NPP Units 3 and 4. This facilitated the power startup of the Unit 3 in 2014 and construction of the Unit 4 in accordance with the diary and network schedule.

**FINANCIAL RISKS**

Financial risks: deterioration (loss) of liquidity and solvency, currency risk, credit risk.

To minimize financial risks, the following tools were used:

- assessment of financial stability of guarantor banks,
- financial assessment of participants of procurement procedures,
- multilevel control of applications for expenditure of monetary resources,
- control of amount and quality of receivables.

**REPUTATIONAL RISKS**

Reputational risks of the Company in whole are stable.

Public acceptance of nuclear power development and construction of new NPP in Russia is high. This has a positive effect on perception of the Company's activity at the domestic level.

**!** *With methodological support by the Accounting Department of JSC NIAEP we were able to minimize tax risks arising out of conclusion of an international contract for construction of PAKS-2 NPP (Hungary).*

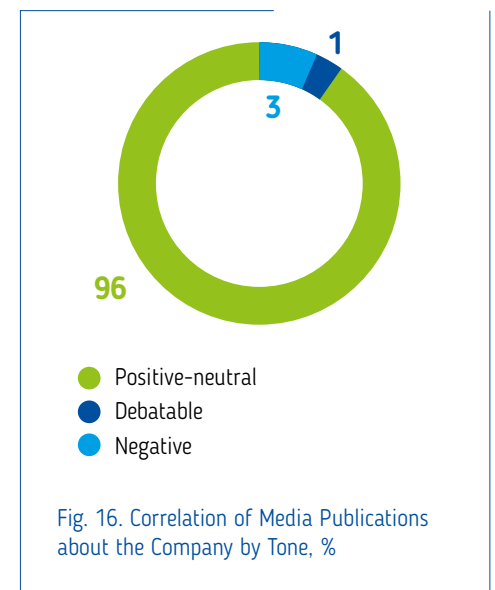


Fig. 16. Correlation of Media Publications about the Company by Tone, %

**72,1 % – THE SHARE OF SUPPORTERS OF NUCLEAR POWER USE OF ALL RESPONDENTS IN RUSSIA (ACCORDING TO LEVADA CENTER POLLING, IN 2014)**

Growth of public support of nuclear power development was conditioned by external factors. On the one hand, it is the leveling of effect caused by the so called Fukushima syndrome. On the other hand, perception of nuclear power as one of the symbols of Russian state sovereignty has strengthened due to the aggravation of the international situation.

At the same time, integration of JSC Atomenergoproekt and promotion of the Multi-D system by the Company won acclaim of mass media.

In some cases development of the Company's projects abroad comes across resistance of local non-governmental organizations and political structures. In whole, the scale of resistance is insignificant, however such events receive regular response in mass media. Influence of the Fukushima syndrome on foreign people's perception is stronger, however, it is also not critical.

Escalation of international tension had no significant negative impact on the Company's activity in 2014. However, this factor may potentially increase the Company's reputational risks abroad in 2015.

**REPUTATIONAL RISK MANAGEMENT ACTIVITIES**

To reduce the reputational risks, we carry out activities aimed at strengthening of positive public attitude towards nuclear energy development through increase in transparency and structural cooperation with all stakeholders.

The United Company cooperates with the public and mass media in regions of construction

of facilities on a systematic basis. One of the tools to ensure transparency is the Company's public accounting (see details in Chapter 3, Cooperation with Stakeholders). The United Company takes active part in information and exhibition activities.

**1.4.3.3. RISK INSURANCE**

For the purposes of risk management, the Company actively applies such tool as insurance:

- package insurance of construction and installation risks and liability insurance covering damage inflicted by the insured facilities as a result of any unexpected and unforeseen events during CIW and throughout the warranty period due to mistakes or oversights made in the course of warranty maintenance of the facilities or mistakes or oversights made during construction and installation works, but revealed in the course of warranty operation, as well as damage caused to life, health or property of third parties during performance of construction and installation works and in the warranty period;
- insurance of documentation, equipment and materials against all risks for the period of their transportation to the delivery point;
- medical insurance of the Company's personnel and accident insurance, including for the period of business travels.

In addition, the ASE – NIAEP United Company maintains insurance of public liability for inflicting harm as a result of defects in the work which are detrimental to safety of capital facilities, in accordance with the Rules of SROs of which the Company is a member.

When implementing international projects, the Company insures professional liability of designers to protect the Company's property rights connected with the requirement for compensation for damage to third parties due to mistakes and omissions made in the course of designing.

The insurance program is elaborated on a project by project basis with consideration of project specifics and scope of obligations under it.

Among other things, to maintain insurance, the Company is guided by respective insurance regulations and standards of the State Corporation Rosatom, requirements of the Uniform Industrial Procurement Standard, current legislation of the Russian Federation and other countries (depending on the law applicable to the project), and experience of JSC NIAEP and JSC ASE in implementation of projects in Russia and abroad.

To improve quality of insurance coverage, the Company engages leading Russian insurers and international insurers and insurance agents. Furthermore, the Company controls organization of reinsurance coverage bearing the major part of the risk.

**1.4.3.4. PLANS FOR RISK MANAGEMENT SYSTEM DEVELOPMENT IN 2015:**

- elaboration of budget risk analysis and assessment methodology for complex engineering facilities;
- methodological support of work on elaboration of automated risk management decision support system on project manager portal;
- introduction of risk management system for analysis of the Company's common risks covering all business processes of the Company, including investment projects of JSC NIAEP of construction nature.

# 1.5. CORPORATE GOVERNANCE

## 1.5.1. Corporate Governance Principles

Corporate governance of JSC NIAEP is built on the basis of responsibility, transparency, expertise and competence. The corporate governance structure stipulates for respect of rights and interests of stakeholders and contributes to successful activity of the Company, including rise of its value, maintenance of financial viability and profitability.

Particular norms of the Corporate Governance Code recommended by the Letter No. 06-52/2463 of the Bank of Russia of April 10, 2014 are applied by JSC NIAEP with consideration of specifics of the State Corporation Rosatom legal status which is recognized in the regulatory legal acts of the Russian Federation and stipulates for unity of management of nuclear organizations, and are covered by a number of local regulatory acts.

See Annex 2 for the Report on Compliance with Principles and Recommendations of the Corporate Governance Code

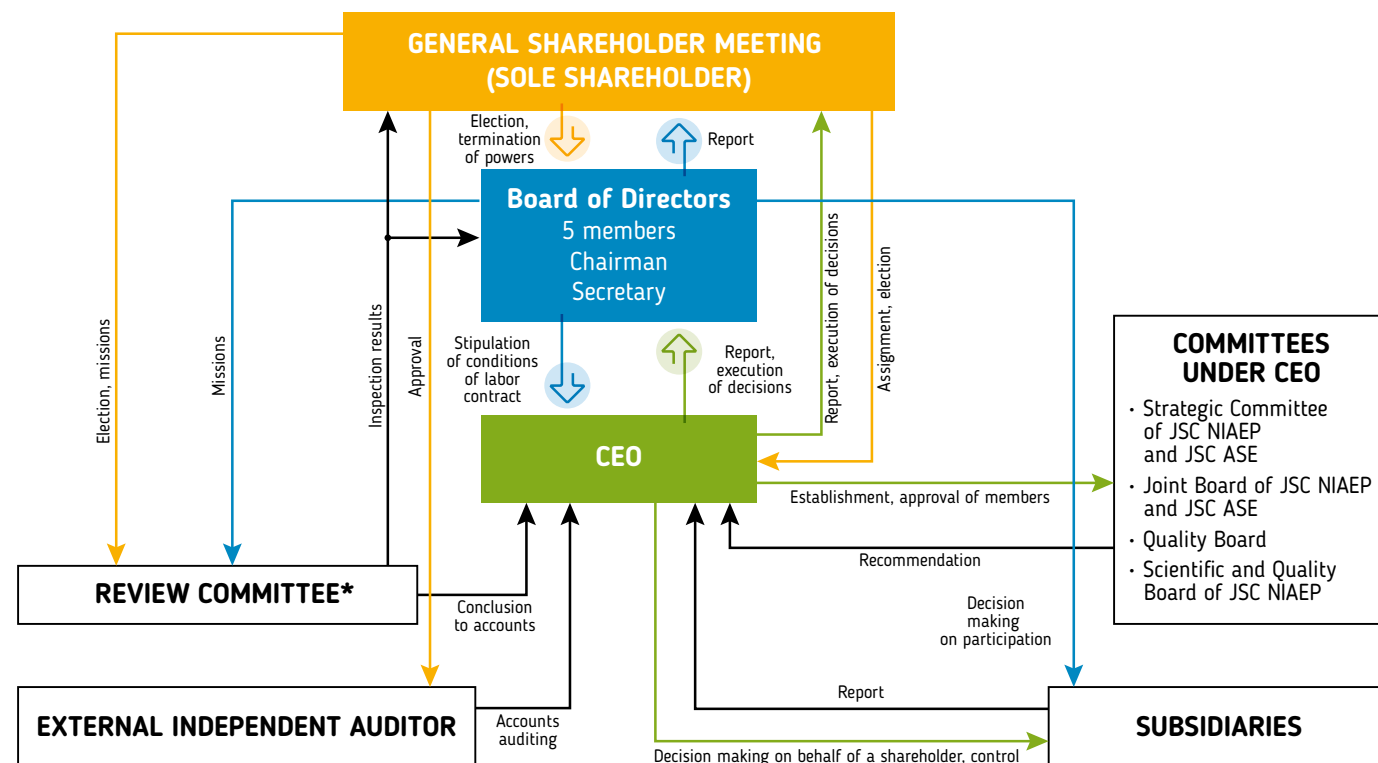
### REGULATORY FRAMEWORK

- Federal Law No. 208-FZ "On Joint-Stock Companies", as of December 26, 1995 (as amended on April 06, 2015).
- Civil Code of the Russian Federation.
- Federal Law No. 99-FZ as of May 05, 2014.
- Regulations for follow-up of decisions made by JSC NIAEP Governing Boards.
- Regulations for cooperation of the JSC NIAEP Structural Subdivisions during preparation of materials for Meetings of the JSC NIAEP Board of Directors and the JSC NIAEP General Shareholder Meeting.
- Provision on cooperation of the JSC NIAEP Structural Subdivisions and Executive Officers in Management of the JSC NIAEP Subsidiaries.

## 1.5.2. Corporate Governance System

The JSC NIAEP Corporate Governance System is formed by corporate bodies, including the General Shareholder Meeting, Board of Directors and CEO (sole executive body). Powers of the corporate bodies are defined by the Charter of JSC NIAEP approved by the sole shareholder's decision of September 29, 2014.

The JSC NIAEP Corporate Governance System is based on the requirements of the State Corporation Rosatom. The Company strives for compliance with the Corporate Governance Code with consideration of specific nature of corporate management conditioned by presence of a sole shareholder.



\* Ceased to exist on March 05, 2015

Fig. 17. JSC NIAEP Governance Structure in 2014

## 1.5.2.1. GENERAL SHAREHOLDER MEETING OF JSC NIAEP

In 2014 decisions on issues falling within the competence of the General Shareholder Meeting were made by the sole shareholder individually. Since December 26, 2014, supreme body of JSC NIAEP is the General Shareholder Meeting (JSC Atomstroyexport and JSC Atomenergoprom).

Activity of the General Shareholder Meeting (sole shareholder) and Board of Directors of JSC NIAEP is performed by means of decision making within their competence. Meetings of the Board of Directors are convened by the Chairman of the Board of Directors by his own initiative, at request of a member of the Board of Directors, auditor or sole executive body (CEO) proposing agenda items.

Determining business priorities falls within the competence of the JSC NIAEP Board of Directors.

Activity of the supreme corporate management body is not anyhow assessed in JSC NIAEP. No measures are taken in JSC NIAEP for development and enhancement of collective awareness of the corporate management supreme body members with regard to economic, environmental and social problems.

Decisions of the General Shareholder Meeting, including on economic, environmental and social issues, are binding on the Company represented by the sole executive body – CEO of the Company. When exercising its powers, CEO

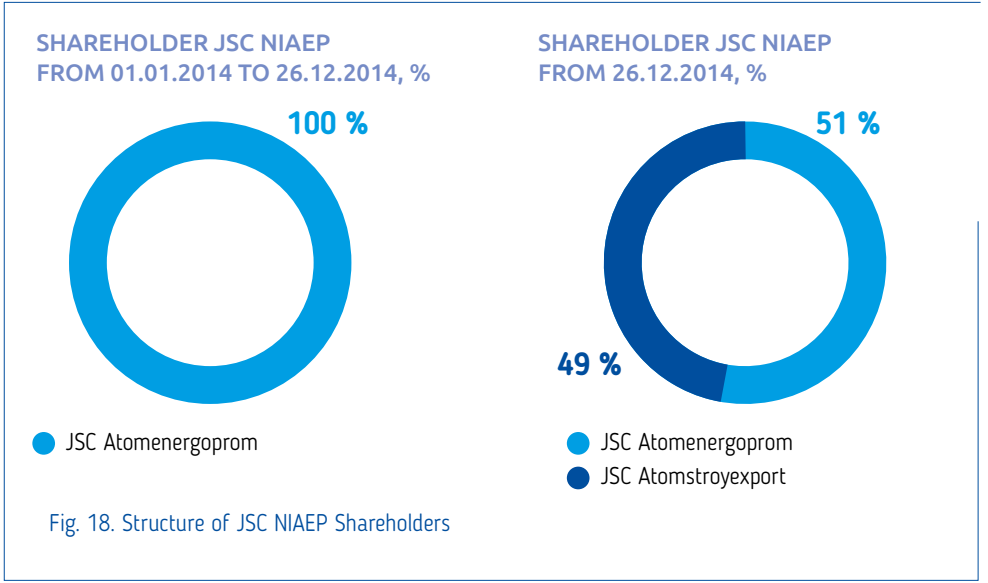


Fig. 18. Structure of JSC NIAEP Shareholders

of JSC NIAEP issues orders, instructions, directions, including on economic, environmental and social issues, binding on all employees of the Company.

Activity of the General Shareholder Meeting and Board of Directors of JSC NIAEP is directed at efficient management of the Company and focuses on high profitability of business, minimization of risks and possible negative consequences of the Company's operation, in compliance with the Russian legislation, international legal norms, legislation of countries in regions of presence.

## 1.5.2.2. CEO OF JSC NIAEP

The sole executive body of JSC NIAEP – CEO of JSC NIAEP – is selected by the General Shareholder Meeting, responsible for execution of its decisions and subordinated to it.

**In JSC NIAEP:**

- social sphere is within the sphere of responsibility of Vice-President for HR Management;
- Vice-President for Economic and Financial Affairs is responsible for issues in the field of economics and finance;
- there is no managing position in charge of environmental issues only (responsibility is allocated).

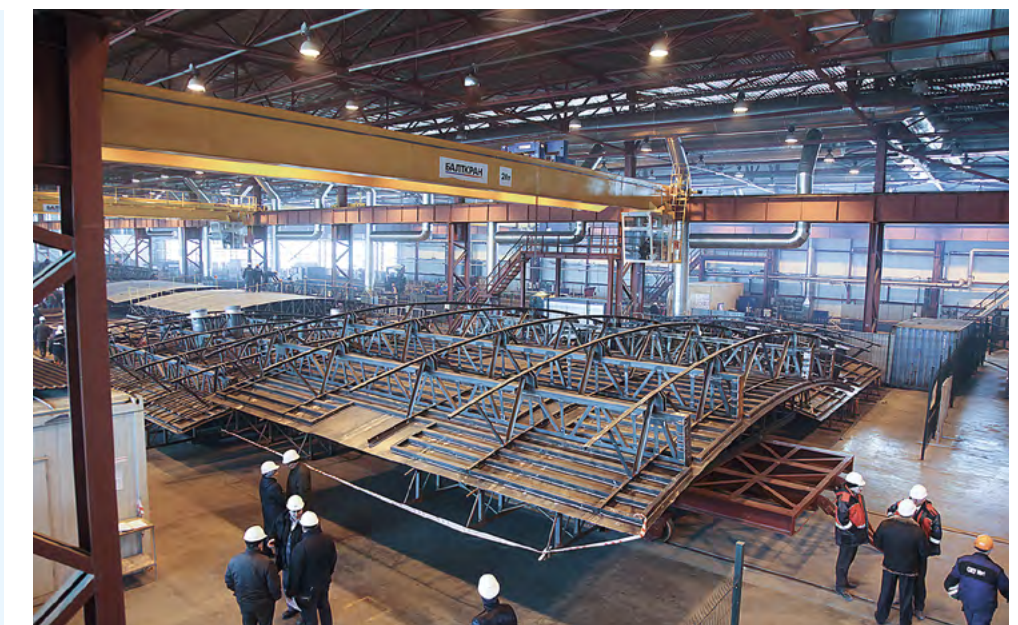


Table 5. Committees under CEO of JSC NIAEP

Committee	Date of Establishment	Members	Objectives	Activity in 2014
Strategic Committee of JSC NIAEP and JSC ASE	17.07.2014	V.I. Limarenko – Chairman I.A. Borisov – Deputy Chairman Yu.A. Ivanov V.L. Kats A.A. Medvedev S.P. Olontsev A.K. Polushkin A.V. Popov V.N. Savushkin V.V. Sinitsin G.O. Tepkyan N.P. Sheshokin	<ul style="list-style-type: none"> <li>• Business development;</li> <li>• Organization of management and strategy implementation process;</li> <li>• Review and generation of strategy-related recommendations;</li> <li>• Review of strategic initiatives by business areas;</li> <li>• Management of strategic projects.</li> </ul>	The Committee of the ASE – NIAEP United Company was established, its members and powers were defined.
Joint Board of JSC NIAEP – JSC ASE – JSC Atomenergoproekt.	27.06.2014	V.I. Limarenko – Chairman V.L. Kats – Deputy Chairman I.Yu. Yudin – Secretary L.V. Egorov N.G. Podorov E.V. Rzhannikova O.V. Rymar E.V. Samogorodskaya V.V. Sinitsin N.P. Sheshokin M.Yu. Shcherbak V.G. Yarygin	<ul style="list-style-type: none"> <li>• Enhancement of rapid and efficient decision making,</li> <li>• Solving current issues relating to business activity, including corporate, financial and economic, proprietary and legal issues, issues on approval of contracts and regulatory acts, and other problems that require rapid decision making by CEO and were not solved in the process of cooperation with functional managers.</li> </ul>	27 meetings were held. 23 official protocols were placed under control.
Quality Board	14.02.2008	V.I. Limarenko – Chairman S. A. Streltsov – Deputy Chairman A. V. Prokopenko – Secretary V. S. Belov I. A. Borisov I. V. Bronnikov L. S. Vaganov Yu. A. Ivanov V. L. Kats E. V. Kotov A. A. Medvedev V. N. Medyakov Yu. A. Neretin A. K. Polushkin Yu. A. Pustovoy E. V. Rzhannikova O. V. Rymar S. A. Sadkov S. A. Fateyeva A. B. Khazin N. P. Sheshokin Sheshokin M. Yu. Shcherbak V. G. Yarygin	Improvement of the Company's integrated management system.	The Board reviewed the materials on assessment of operation of the integrated management system in 2013 and proposals on its improvement. Quality Day was held. The Board prepared for witness audits of the quality management systems, environmental and OHS management system.

### 1.5.2.3. BOARD OF DIRECTORS OF JSC NIAEP

The list of members of the Board of Directors was defined by the sole shareholder and brought to the notice of JSC NIAEP by means of the sole shareholder resolutions. Non-executive directors may not be members of the Board of Directors.

In accordance with the Charter of JSC NIAEP, the Board of Directors consists of five members. Throughout 2014, the list of members of the Board of Directors was changed on the basis of the sole shareholder resolutions.

There are no dedicated Committees under the Board of Directors, since no resolution on establishment of Committees falling within the competence of the JSC NIAEP Board of Directors was taken as of December 31, 2014.

The Chairman of the Board of Directors is not a Company's executive manager.

23 meeting of the Board of Directors were held in 2014 (see Fig. 19). See Annex 1 for Statement of the Board of Directors on Performance of JSC NIAEP.

As of January 01, 2014, on the basis of the sole shareholder's resolution of June 27, 2013, the members of the Board of Directors of JSC NIAEP were as follows:

- Kirill Borisovich Komarov,
- Yekaterina Viktorovna Lyakhova,
- Ivan Alekseyevich Borisov,
- Yevgeniya Gennadyevna Gorbunova,
- Valery Igorevich Limarenko.

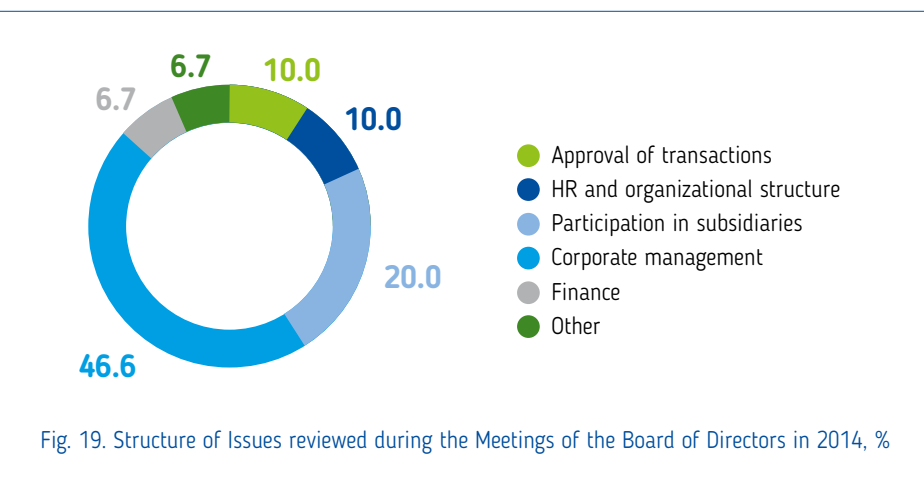


Table 6. CVs of Members of the Board of Directors of JSC NIAEP

Yevgeniya Gennadyevna GORBUNOVA	Kirill Borisovich KOMAROV	Yekaterina Viktorovna LYAKHOVA	Ivan Alekseyevich BORISOV	Nikolay Sergeyeovich DROZDOV	Valery Igorevich LIMARENKO
Date and place of birth					
23.05.1972, Moscow	29.12.1973, Leningrad	07.06.1975, Sverdlovsk	21.04.1981, Leningrad	23.06.1972, Moscow	19.10.1960, Kharkov
Education					
Moscow Institute of Economics and Statistics.	The Urals State Law Academy. Candidate of Legal Sciences. The Urals State Law Academy. Candidate of Legal Sciences.	The Urals State Law Academy. MBA in M. V. Lomonosov Moscow State University. Executive MBA, Institute of Business Studies within the Russian Presidential Academy of National Economy and Public Administration University. Antwerpen Management School.	St. Petersburg State University.	G.V. Plekhanov Russian University of Economics.	Kharkov Aviation Institute. Doctor of Economic Sciences.

Table 6. CVs of Members of the Board of Directors of JSC NIAEP

Yevgeniya Gennadyevna GORBUNOVA	Kirill Borisovich KOMAROV	Yekaterina Viktorovna LYAKHOVA	Ivan Alekseyevich BORISOV	Nikolay Sergeyeovich DROZDOV	Valery Igorevich LIMARENKO
<b>Occupational background</b>					
<p>1994-1999 – Economist of the Credit Department for debit operations, Head of Project Financing Department of JSCB Metallinvestbank.</p> <p>1999-2003 – Head of Economic Department of CJSC United Metallurgical Company.</p> <p>2003- 005 – Vice-president of CJSC United Metallurgical Company.</p> <p>2005-2009 – Director for Organizational Development of JSC FGC UES.</p> <p>2010- 2013 – Director for Organizational Development of the State Corporation Rosatom.</p> <p>Since 2013 – Director for Development and Restructuring of the State Corporation Rosatom.</p> <p>2012-2013 – a Member of the Board of Directors of JSC NIAEP.</p> <p>January 2014 – June 2014 – a Member of the Board of Directors of JSC NIAEP.</p>	<p>1993-2000 – Head of Financial Legislation Department, Vice President – Head of Legal Services of the Legal Consulting Company CJSC YurKon (Yekaterinburg).</p> <p>2000-2005 – Director of Legal Affairs and Project Management, First Deputy General Director, General Director of CJSC RENOVA – Development in RENOVA Group of Companies.</p> <p>2005-2006 – Deputy Head of the Federal Agency for Water Resources of the Russian Federation.</p> <p>2006-2007 – Vice-President of JSC TVEL, General Director of JSC Atomenergomash.</p> <p>2007-2010 – Deputy Director of JSC Atomenergoprom, Chief Operating Officer of JSC Atomenergoprom.</p> <p>2010-2011 – Chief Operating Officer of Rosatom Directorate for Nuclear Weapon Complex.</p> <p>Since 2011 – Deputy General Director of the State Corporation Rosatom for Development and International Business.</p> <p>Since April 2010 he has combined these positions with position of Director of JSC Atomenergoprom.</p> <p>2012-2014 – Chairman of the Board of Directors of JSC NIAEP.</p> <p>Since 07.10.2014 – Chairman of the Board of Directors of JSC NIAEP.</p>	<p>1995-1996 – Legal Counsel of the Urals State Medical Academy.</p> <p>1996-2000 – Specialist, Head of Department for Financial Legislation and Legislation on Privatization in the Legal Consulting Company CJSC YurKon (Yekaterinburg).</p> <p>2000-2008 – Head of Law Department of CJSC RENOVA, Head of Representative Office of RENOVA PROJECT LIMITED in the Republic of Cyprus within RENOVA Group of Companies.</p> <p>2008-2010 – General Director of JSC Koltsovo-Invest.</p> <p>2010-2011 – Vice-President of JSC TVEL for Corporate Management.</p> <p>Since 2011 – Director for Investment and Operating Efficiency Management of the State Corporation Rosatom.</p> <p>2012-2014 – a Member of the Board of Directors of JSC NIAEP.</p> <p>Since 07.10.2014 – a Member of the Board of Directors of JSC NIAEP.</p>	<p>2002- 2004 – General Director of LLC EM-Design (St. Petersburg).</p> <p>2004-2005 – Director for Foundry Production at JSC “Penztyazhpromarmatura”, General Director of LLC Casting and Reinforcing Plant “Penztyazhpromarmatura” (Penza).</p> <p>2005-2008 – Deputy General Director of LLC Truboprovodnaya Armatura (Pipe Valves), Chief Operating Officer of LLC Intelenergomash (St. Petersburg).</p> <p>2008-2009 – Deputy Director of Organizational Development and Project Management Center of the State Corporation Rosatom.</p> <p>2009-2010 – Deputy Director of Prospective Development and System Engineering Department of the State Corporation Rosatom.</p> <p>2010-2011 – Deputy Director of Department for Strategic Management – Head of Department for Strategy Elaboration and Long-Term Planning of the State Corporation Rosatom.</p> <p>2011-2013 – Director for Development and Restructuring (Development and International Business Department of the State Corporation Rosatom).</p> <p>2013-2014 – Vice-President for Development of JSC NIAEP.</p> <p>Since October 2014 – Vice-President for Development of JSC NIAEP.</p> <p>2012-2014 – a Member of the Board of Directors of JSC NIAEP.</p> <p>Since 07.10.2014 – a Member of the Board of Directors of JSC NIAEP.</p>	<p>1991-2006 – work in the field of management of regional investments and projects.</p> <p>2006-2010 – Project Manager, JSC Atomenergomash.</p> <p>2010-2012 – Deputy General Director of JSC Alstom.</p> <p>2013 – Adviser to General Director of JSC Rusatom Overseas.</p> <p>Since July 2013 – Director of International Business Department of the State Corporation Rosatom.</p> <p>Since 07.10.2014 – a Member of the Board of Directors of JSC NIAEP.</p>	<p>1983-2001 – Work in CATU Sarov, scientific activity in RFNC-VNIIEF.</p> <p>1996-2001 – Deputy of Sarov city Duma, First Deputy Chairman of the Duma for Economics and Finance.</p> <p>2001-2003 – Minister of Construction and Housing and Communal Services of the Government of Nizhny Novgorod Region.</p> <p>2003-2005 – Chief Federal Inspector for Nizhny Novgorod Region.</p> <p>2005-2007 – Deputy Governor, Deputy Chairman of the Nizhny Novgorod Region Government for Construction, Energy, Housing and Utility Services, and Information Technologies.</p> <p>2007-2012 – Director of JSC NIAEP.</p> <p>2012-2014 – CEO of JSC NIAEP.</p> <p>Since 07.10.2014 – CEO of JSC NIAEP.</p> <p>Since 2007 – a Member of the Board of Directors of JSC NIAEP.</p> <p>Since 07.10.2014 – a Member of the Board of Directors of JSC NIAEP.</p>
<b>Share in charter capital and shareholding in JSC NIAEP</b>					
Has no share in the charter capital of JSC NIAEP, holds no shares of the Company.					

### 1.5.3. Remuneration of CEO and Members of the Board of Directors

The approach to remuneration of labor of top management is similar to the approach to remuneration of labor of other employees of the Company (see Section 2.4.2. HR Policy Implementation Results). The issues connected with remuneration of labor of the JSC NIAEP CEO are regulated by the labor contract, decisions of the Board of Directors of JSC NIAEP, and Provision on Remuneration of Labor of the JSC

NIAEP Employees. There are no remuneration consultants in JSC NIAEP. The size of remuneration of CEO of JSC NIAEP is defined by the labor contract. According to the resolution of the General Shareholder Meeting (sole shareholder), the members of the Board of Directors may receive remuneration and (or) reimbursement of expenditures connected with performance of

their functions as members of the Board of Directors of JSC NIAEP during the period of fulfillment of their obligations thereof. In 2014 no remuneration was allocated and paid to the members of the Board of Directors for the reporting period.

### 1.5.4. Corporate Conflict Management

A possibility of corporate conflict in JSC NIAEP with only one shareholder in the reporting period is minimized. In accordance with the Federal Law No. 208-FZ “On Joint-Stock Companies” as of December 26, 1995 (hereinafter referred to as the Law), the Charter of JSC NIAEP contains a clause stipulating that CEO of JSC NIAEP shall receive an approval of the Board of Directors to hold concurrent positions in management bodies of other organizations. In addition, in accordance with the Law, the sole shareholder,

the members of the Board of Directors and the sole executive body of the Company must notify the Board of Directors and the Company’s auditor on legal entities where they hold 20 or more percent of voting stocks (shares, equities) on their own or jointly with affiliated persons; legal entities where they hold positions in management bodies; and any related-party transactions made or supposed to be made.

In accordance with the Order No. 11-46/pz-n of the Federal Commission for Securities Markets of Russia (FCSM) of October 04, 2011 (effective in 2014) Concerning Approval of Regulations on Disclosure of Information by Emitters of Equity Securities and local acts of the Company, JSC NIAEP disclosed information on affiliated persons in form of a list of affiliated persons on a quarterly basis.

### 1.5.5. Financial and Economic Activity Control

Financial and economic activity is controlled by an independent auditor and Internal Control and Audit Department of JSC NIAEP. There is no review committee in JSC NIAEP. In connection with early termination of the Review Committee of JSC NIAEP on the basis of resolution of the General Shareholder Meeting, the Review Committee made no conclusion on the results of inspection of financial and economic activity in 2014.

#### INDEPENDENT AUDITOR

In accordance with the sole shareholder’s decision of June 27, 2014, independent auditor of JSC NIAEP is Nexia Pacioli Ltd.

#### INTERNAL CONTROL AND AUDIT DEPARTMENT

A system of internal control is established in the Company to ensure achievement of the Company’s goals and efficient corporate management.

The principal objective of the Internal Control and Audit Department is to control and support the actual state of the internal control system in compliance with the requirements of key stakeholders and international standards.

The internal control system operates in accordance with the general principles of the Internal Control and Audit Policy of the State Corporation Rosatom. The order of performance of control procedures in the course of implementation of the main business processes is defined by the Company’s system of regulatory documents which allocate responsibilities for proper performance of these procedures.

Table 7. Main Tasks and Activities of Internal Control and Audit Department

Tasks	Activities
Enhancement of efficiency and performance of financial and economic activity of the JSC NIAEP subsidiaries	Inspections within annual revisions and particular issues of financial and economic activity of these organizations
Enhancement of budget efficiency	Field limited scope audits and internal investigations carried out by order of CEO of the Company
Assessment and further enhancement of efficiency of the Company’s diversification processes	Inspections of particular issues of financial and economic activity of subdivisions connected with project implementation in such fields as thermal power (Yuzhnoouralskaya HPP) and implementation of investment projects on the basis of state-funded Federal Target Programs (FSUE PA Mayak)
Internal control of strategic level of the Company’s management	Participation in control of execution of managerial decisions, control of activity of top executive managers, control in the field of HR and social policy
Strategic planning	Audit of project network schedules and development programs of the Company, as well as main areas of its operation
Execution of control measures, studying performance of the Company and its subdivisions, checking efficiency of production operations and internal economic and working relations of the structural subdivisions	Field audit, internal audit, expert and analytical activities, revision, hot line inspection, centralized inspection and internal investigation
Compliance of public accounting procedures with industry-specific requirements	Checking compliance of public accounting procedure with the requirements of the Public Accounting Policy of the State Corporation Rosatom and local regulatory acts of JSC NIAEP in the field of public accounting



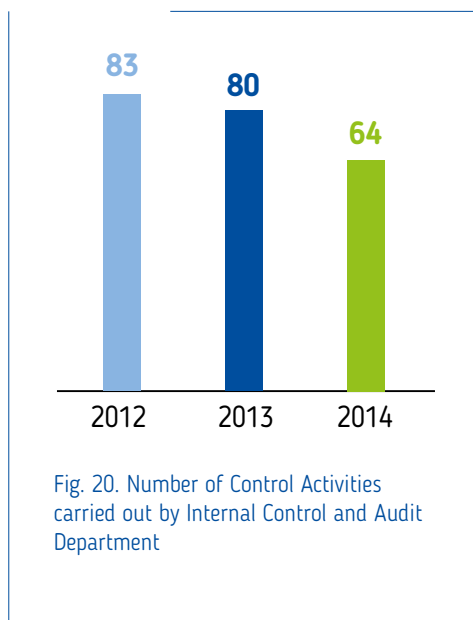


Fig. 20. Number of Control Activities carried out by Internal Control and Audit Department

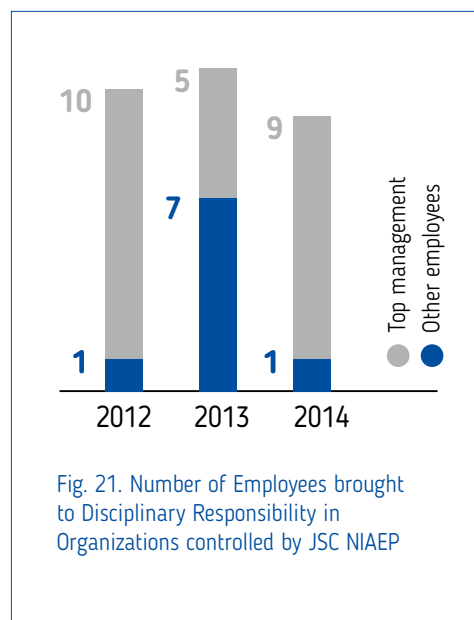


Fig. 21. Number of Employees brought to Disciplinary Responsibility in Organizations controlled by JSC NIAEP

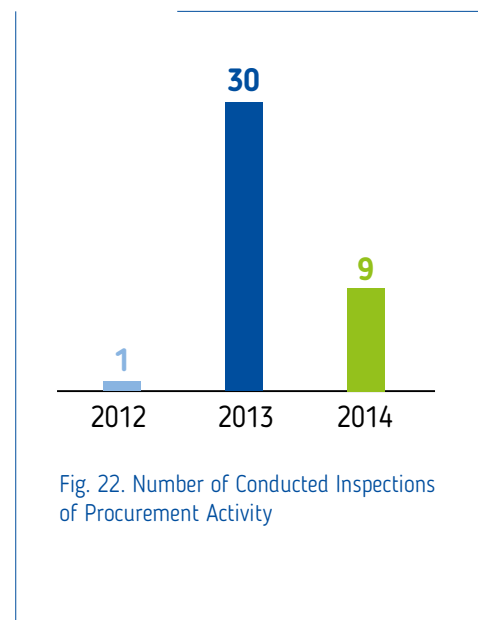


Fig. 22. Number of Conducted Inspections of Procurement Activity

**RESULTS OF 2014**

The lower number of inspections in 2014 is principally conditioned by reduction in the number of inspections carried out by single orders of the Company management (these control measures were not included in the summary control activity plan of Rosatom's specialized internal control bodies in the course of planning of the Department's activity). Obviously, the lower number of such inspections is conditioned by that the management had less causes for appointment of inspections. A growth is observed in the planned control activity of the Department (the control measures were included in the summary control activity plan of Rosatom's specialized internal control bodies in the course of planning of the Department's activity).

In 2014, we audited business processes "Tax Liability Accounting", "Diary and Network Scheduling" of construction of the Rostov NPP Unit 4, and "Claim Administration".

Employees of the Internal Control and Audit Department took part in audits of subsidiaries in the capacity of members of the Review Committees and in centralized inspections carried out by the Department of Control and Review Activity of the State Corporation Rosatom in other industry organizations.

As in previous years, in 2014 the largest number of violations was revealed in such business processes as procurement and delivery of equipment and materials, procurement and management of services of CIW subcontractors, and claim administration. In order to reduce risks in these business processes, the Internal Control and Audit Department monitors elimination of detected violations.

During audits of financial and economic performance of subdivisions, mandatory audit is carried out with regard to procurement and contract activity, compliance of procurement procedures with the Uniform Industrial Procurement Standard, and fulfillment of supply contracts. Special attention was paid to procurements from a sole supplier, since this type of procurements bears the major risks to the Company.

**PLANS FOR 2015**

- Scale-up of internal audits of the major business processes for monitoring of reliability and efficiency of the internal control system of the Company, its branches, agencies and subsidiaries;

- Widening scope of audits of financial and economic performance and procurement and contract activity in accordance with the approved control activity plan coordinated with the State Corporation Rosatom, and by decisions of management bodies, by orders and directions of the sole executive body, including increased control of construction and installation works performance of delivered projects;
- Carrying out of expert and analytical activities aimed at efficiency assessment of certain areas of the Company's focus;
- Further introduction of regulatory documents elaborated by the State Corporation Rosatom into the Company's activity within the frames of Internal Control and Audit processes;
- Advanced training of employees of the Internal Control and Audit Department, as well as exchange of experience with internal control and audit subdivisions of the State Corporation Rosatom and its organizations.

**1.5.6. Non-Core Assets**

December 2012 was marked by establishment of the Committee for Restructuring of Non-Core Assets, Immovable Property and Share Capital of the Level 2 Financial Responsibility

Center "Foreign Construction". Committee Chairman – V.L. Kats, Chief Operating Officer of JSC NIAEP. The Committee performs its activity in accordance with the Uniform Industrial

Regulations for Restructuring of Non-Core Assets, Immovable Property and Share Capital. The Committee makes decisions on attribution of property to non-core assets, practicability

and method of restructuring. Plan of Committee for subsequent year is approved annually within disposal of non-core assets.

In 2014 the Committee considered issues on 13 non-core assets: sale of ten assets was put off till 2016 (until completion of construction of the Rostov NPP), two assets were recognized

as non-core and subject to sale, and decision on yet another one was postponed to 2015. The Committee's Plan for 2015 stipulates for consideration of issues on three non-core assets.

**1.5.7. Share Capital and Securities**

In 2014 the share capital of JSC NIAEP remained unchanged. As of December 31, 2014 the authorized capital of the Company amounted to 500,001,877 rubles.

The number of actually placed securities amounted to 500,001,877. All shares were placed by means of closed subscription. The nominal cost of one security issued amounts to one ruble.

On December 26, 2014, 49 % of shares of the charter capital of JSC NIAEP were purchased from the sole shareholder of JSC Atomenergoprom by JSC Atomstroyexport.

**1.5.8. Information on Payment of Dividends**

The procedure of payment of dividends in JSC NIAEP is regulated by Section 8 of the Company's Charter. In accordance with the Charter, pursuant to the results of the first quarter, half-year period, nine month period of the financial year and/or financial year, the Company is entitled to make decisions on payment of dividends. The decision on payment of dividends pursuant to the results of the first quarter,

half-year period, nine month period of the financial year can be made within three months after completion of the corresponding period. The decision on payment of dividends, including amount, procedure, form and terms thereof, shall be made by the sole shareholder of JSC Atomenergoprom. In this case the amount of dividends shall not exceed the one recommended by the JSC NIAEP Board of Directors.

According to the sole shareholder's decision No. 39 of June 27, 2014 concerning the issues of the Annual General Shareholder Meeting, the following date of payment of dividends is established: "Payment of dividends shall be made in non-cash form by money transfer to the bank account of JSC Atomenergoprom on or before August 20, 2014".

Table 8. Information on Payment of Dividends

Year of dividends paid	2012	2013	2014
Amount of dividends paid, million rubles	785.8	1,343.4	1,549.8

**1.5.9. Report on Major Transactions and Related-Party Transactions**

No major transactions were made by JSC NIAEP in 2014.

In 2014 JSC NIAEP closed a number of related-party transactions, including the sole shareholder

as related party. In accordance with Part 2 Article 81 of the Federal Law "On Joint-Stock Companies", such transactions are not subject

to approval procedure stipulated for related-party transactions.

**1.5.10. Plans for Improvement of Corporate Governance System**

Improvement of the Corporate Governance System in 2015 is principally connected with protection of shareholder rights and assurance of equal treatment of shareholders for execution of their rights, in particular:

- prevention of actions leading to artificial redistribution of corporate governance;
- protection of dividend rights of the shareholders and elimination of income generation by

the shareholders at the Company's expense apart from dividends and disposal value;

- delivery of the most complete information on the issues of the General Shareholder Meeting of JSC NIAEP.

In addition, JSC NIAEP plans to implement the Uniform Corporate Policy in relation to management of subsidiaries.

Seeking to improve the Corporate Governance System, JSC NIAEP constantly monitors changes in legislation and advanced standards in this field, to ensure compliance of its corporate management with laws and standards. Within this process it is planned to approve a new edition of the Charter of JSC NIAEP and Regulations on the General Shareholder Meeting in 2015.





TURNING IDEAS  
INTO ACTION!

# Capital Management and Performance Results

2

- 2.1. Financial Capital
- 2.2. Manufactured Capital
- 2.3. Intellectual Capital
- 2.4. Human Capital
- 2.5. Social and Relationship Capital
- 2.6. Natural Capital

## 2.1. FINANCIAL CAPITAL



**Nikolay Podorov,**  
Vice-President of Economy and Finance  
of JSC NIAEP

### How would you assess 2014 financial results?

In 2014 financial performance was influenced both by active development of the Russian nuclear industry in whole and by improvement of efficiency and management quality of JSC NIAEP.

All key economic indicators planned for 2014 were fulfilled.

Increase in revenues from sales was driven by the projects of NPP in active phase of construction (Rostov NPP Units 3 and 4 and Kursk NPP-2). Compliance with

construction schedules ensured increase in revenues of the Construction Management business process. Growth of scope of design and survey work in the international projects – Ruppur NPP (Bangladesh) and Astravets NPP (Belarus) – contributed to achievement of the current value.

Increase in revenues was accompanied by strengthening of budget control of expenditures and development of the Rosatom Production System leading to net profit growth.

The Company's economic services which control business processes in terms of their influence on financial results play a critical part in maintaining management efficiency improvement of NPP construction projects being both under design and preparation and in active stage of construction. For this purpose, the Company consistently adopts new methods and standards of economic performance management within the budget system, system of key performance indicators, and operational plan/fact analysis system.

### What had the strongest influence on enhancement of business efficiency in the reporting year?

The priority task of business efficiency enhancement consists in growth of labor productivity. The Company's management is put to the task: ensure growth of labor productivity by at least 5 % a year in real prices through optimization of business processes. With consideration of international projects of NPP construction, we plan to bring this indicator to the level of foreign peer companies by 2019.

A significant contribution to the growth of indicators was made by the fact that in 2014 JSC NIAEP retained the first place in the world by the number of simultaneously constructed power units. Taking into account the NPP construction projects implemented by organizations controlled by JSC NIAEP, the number of power units simultaneously constructed in 2014 amounted to 30, thus, this indicator was 1.9 times higher compared to 2011 and increased by 20 % compared to 2013.

### 2.1.1. Financial Capital Management

Financial viability of the Company is mainly ensured by efficient management of economic performance.

The KPI (Key Performance Indicators) Management System adopted in the Company allows to influence achievement of the Company's goals in whole through KPI development and follow-up by the top management. The target values of indicators are set with consideration of strategic goals, forecasts on external environment and possible risks.

The system is intended for preparation of information on planned, expected and actual economic and production performance indicators, carrying out of plan/fact analysis of the specified indicators for detection of deviations and identification of operations to achieve the necessary rates of growth of the Company.

The economic aspect management is based on the budget management system of the Company's financial and economic activity regulated by the integrated management system standards. The system is based on collection, systematization, processing and analysis of economic information broken down by construction projects, income and expenditure items of the Company's subdivisions.

The budget system defines the target values of economic indicators with consideration of

strategic goals through performance of plan/fact analysis on a periodic basis and delivers up-to-date real-time information on deviations from target values as required for making managerial decisions by the Company's management in general and its subdivisions in particular.

Efficiency of financial performance is ensured by application of:

- the Company's financial policy, industry-specific and internal regulations and standards on financial risk management;
- information technologies, technical and program resources;
- unification of intradivision processes and procedures in relation to financial management, report templates and formats.

#### TREASURY CONTROL

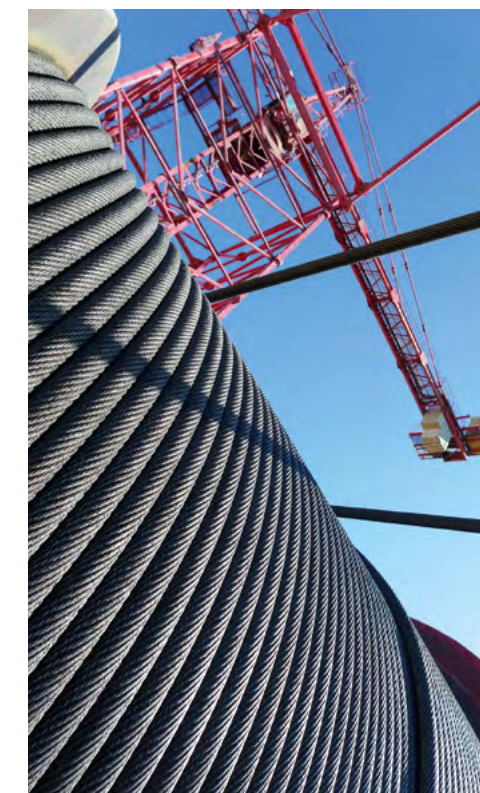
To establish corporate treasury board, in 2014 we analyzed the existing management system of the Company's financial flows, including:

- documents regulating organization of cash management and payment services, payment system;
- available instruments of financing of structural subdivisions' activity.

Based on the findings of the analysis, we elaborated a scheme of treasury control over the payments of branches that stipulates for centralized management of the Company's financial flows, minimization of financial risks and operating expenses, and maximum growth of profitability through allocation of temporarily surplus financial resources.

Main functions of treasury control:

- organization of system of relationships with banks to optimize the structure of bank accounts and minimize operating expenses for banking;
- real-time planning and optimization of cash flows for efficient distribution of financial resources inside the Company and investment of available cash assets;
- control activity, including control of implementation of budget, cash flows and determination of limits;
- financial risk management, including establishment and control of limits by various items of expenditures, in particular, generation of payment schedule and control of its fulfillment;
- building (development) of information infrastructure providing for automation of control functions of the Treasury Board.



## 2.1.2. Financial Results

Table 9. Financial Performance of JSC NIAEP, million rubles

Indicator	2012	2013	2014	(2014-2013) /2013, %	2015 (target)
Proceeds from sales	38,512.4	37,518.4	43,000.3	14.6	44,430.7
Cost of sales	35,363.5	33,854.6	38,911.5	14.9	41,901.9
Gross profit	3,148.9	3,663.8	4,088.8	11.6	2,529.6
Earnings before interest, taxes, depreciation and amortization (EBITDA)	1,089	1,603	1,288	-19.7	574
Net profit	1,355.8	1,450.7	1,630.3	12.4	315.4

Dynamics of proceeds of JSC NIAEP reflects a growth of proceeds from core activity. The growth amounted to 5.48 billion rubles or 14.6% compared to 2013. It covers all business processes. The main factor is the increase in the scope of work within NPP projects in active phase of construction (Rostov NPP Units 3 and 4, Kursk NPP-2).

**!** The key economic performance indicators of the Company point at growth compared to previous periods.

EBIDTA reduction was conditioned by the necessity for additional expenses due to integration of the managing company of the Engineering and Construction Division in JSC NIAEP.

Increase in gross profit was conditioned by the increase in the scope of work performed without subcontracting. Change in profit broken down by areas of activity is connected with the change in the structure of proceeds.

Net profit for 2014 was ahead of target due to the following factors:

- excess of actual proceeds over the target value (over-fulfillment of target proceeds in the projects of Rostov NPP, Tianwan NPP and Ruppur NPP);
- acquisition of significant income in form of exchange rate differences (not planned);
- excess of interest return on bank accounts and short-term loans over the target values (return was ahead of target due to the increase in the key interest rate of the Central Bank in the second half of 2014 and subsequent increase in active rates).

THE NET PROFIT GROWTH AMOUNTED TO 12.4%

THE PROCEEDS GROWTH AMOUNTED TO 14.6%

or 5.48 billion rubles

IN 2014 THE SHARE OF PROCEEDS OUTSIDE THE MAIN CORE OF BUSINESS AMOUNTED TO NEARLY 9%

Table 10. Financial Efficiency Indicators of the Company

Indicator	2012	2013	2014
Net cash flow, million rubles	676	(-957)	357
Net cash flow from core activity, million rubles	16,297	2,658	(-9,375)
Net asset value, million rubles	4,499	4,288	3,623
Ratio of borrowed and own funds	20.6	19.0	18.5

Dynamics of proceeds broken down by business processes is connected with implementation of various stages of NPP construction. Increase in proceeds compared to 2013 is connected with the commencement of work on new construction facilities (Kursk NPP-2) and increase in the scope of designing (proceeds of the Central Office). The largest part of proceeds is generated by the Construction Management business process. The most significant contribution to these summary economic indicators was made by the scope of work on construction of Rostov NPP (Units 3 and 4) and commissioning of Unit 3 performed in 2014.

Since the Company is project-oriented, this stable dynamics is achieved through existing well-balanced and growing portfolio of orders, on the one hand, and components used for efficiency management, on the other hand. There are three such components: budget planning and control system, personnel motivation system and Rosatom Production System.

At year-end 2014, proceeds of the JSC NIAEP subsidiaries from performance of construction and mounting operations amounted to 5,449.6 million rubles. The proceeds from operations performed without subcontracting amounted to 90% or 4,890 million rubles. The proceeds increased by 21% compared to 2013.

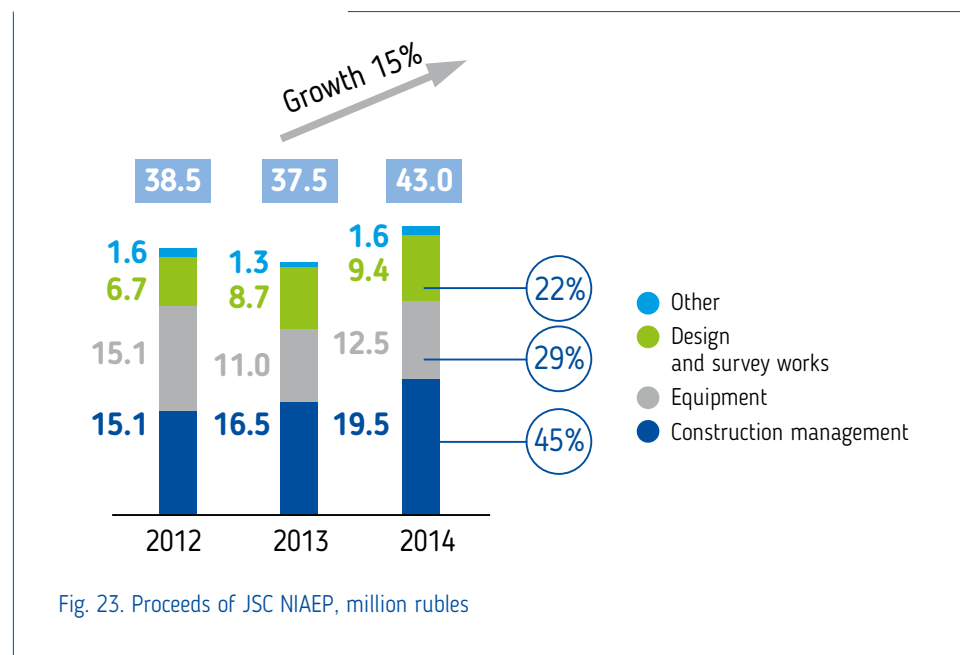


Fig. 23. Proceeds of JSC NIAEP, million rubles

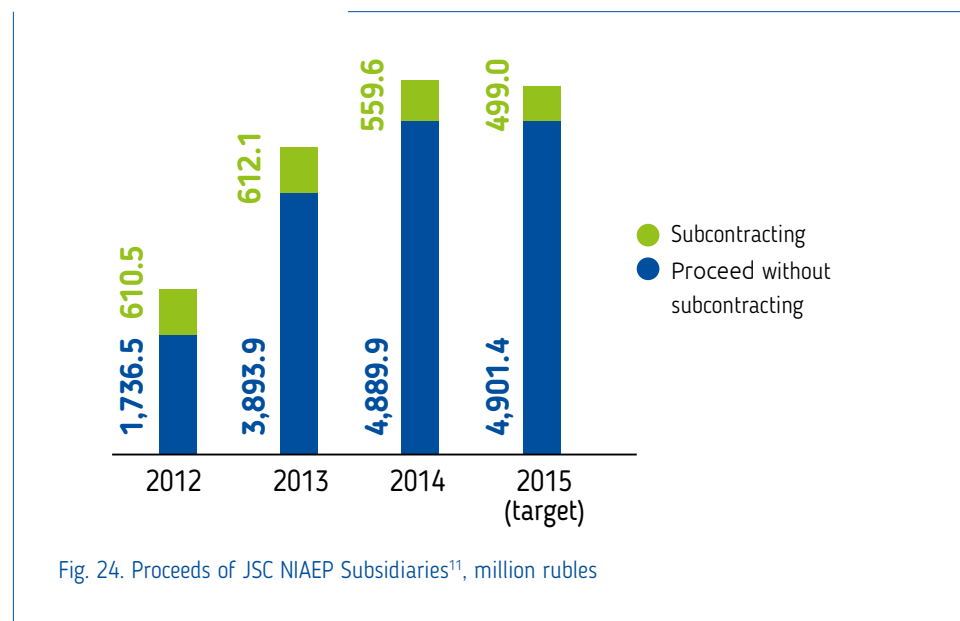


Fig. 24. Proceeds of JSC NIAEP Subsidiaries<sup>11</sup>, million rubles

11. Subcontracting relates to proceeds from the core activity obtained through performance of work by third-party contractors

Table 11. Proceeds of JSC NIAEP Subsidiaries, million rubles

Proceeds	2012	2013	2014	2015 (target)
LLC Trest RosSEM		1,905.0	2,993.7	3,221.0
including without subcontracting	-	1,892.5	2,646.8	2,835.6
LLC SMU No.1	1,838.4	1,677.4	1,291.5	1,193.7
including without subcontracting	1,254.5	1,151.3	1,175.1	1,100.1
LLC VdMU	508.5	923.7	1,164.4	985.7
including without subcontracting	482.0	850.1	1,068.0	965.7

Table 12. Net Profit of JSC NIAEP Subsidiaries, million rubles

Net profit	2012	2013	2014	2015 (target)
Subsidiaries Total	7.9	33.9	60.9	31.1
LLC Trest RosSEM	-	0.5	31.3	45.9
LLC SMU No.1	1.8	4.3	0.6	-51.4
LLC VdMU	6.1	29.0	29.1	36.7

Table 13. Scope of Design and Exploration Work (DEW) covered by FRC-3<sup>12</sup> of JSC NIAEP, million rubles

	2012	2013	2014	2015 (target)
Scope of DEW (number of completion certificates signed)	6,788.2	8,631.5	9,433.8	9,639.3
Scope of subcontracted DEW	3,338.0	4,661.11	4,992.3	5,053.19
including scope of exploration work performed by subcontractors	197.62	486.07	961.37	1,126.55

Table 14. Created and Distributed Direct Economic Value of JSC NIAEP, million rubles

Indicator	2012	2013	2014	(2014-2013)/2013, %
Income	40,114	38,923	44,772	15.0
Distributed Economic Value, including:	37,933	37,115	44,032	10.7
Operating expenditures	32,854	32,204	37,209	15.5
Wages and other payments and benefits to employees	3,007	3,617	4,032	11.5
Payments to suppliers of the capital	785	1,343	1,550	15.4
Gross tax payments	1,203	1,207	1,126	-6.7
Investments in communities	84	87	115	1.1
Undistributed Economic Value	2,181	1,298	740	-42.9

JSC NIAEP received no subsidies and loans from the federal budget of the Russian Federation within the reporting and previous periods. Increase in payment of wages within the reporting period is connected with influence of repeated indexation of wages, increase in payments depending on salaries, and increase in

integrated qualification allowance intended for accumulation of highly qualified specialists in the Company. [See details on adjustment of wages in Section 2.4.2. HR Policy Implementation Results.](#)

Revenue target (proceeds from sales, as well as income from financial investments and as-

set sales) for 2015 amounts to 45.3 billion rubles, what exceeds the actual value of 2014 by 2.7 %.

Table 15. Profitability Indicators, %

Indicator	2012	2013	2014	(2014-2013)/2013, %	2015 (target)
Return on sales by net profit (ROS)	3.5	3.9	4.0	3	0.7
Return on assets (ROA)	1.70	1.69	1.99	17.2	0.45
Return on equity (ROE)	37.4	33.8	34.5	2.2	9.5
EBITDA return	2.8	4.3	3.0	-29.9	1.3

Reduction in EBITDA return and net profit was conditioned by the necessity for additional expenses due to integration of the managing

company of the Engineering and Construction division in JSC NIAEP.

With consideration of international projects of NPP construction managed by JSC NIAEP,

the target value of average profitability for the period from 2014 to 2019 amounts to 6.1 % for international projects and 2.3 % for construction projects in the Russian Federation.

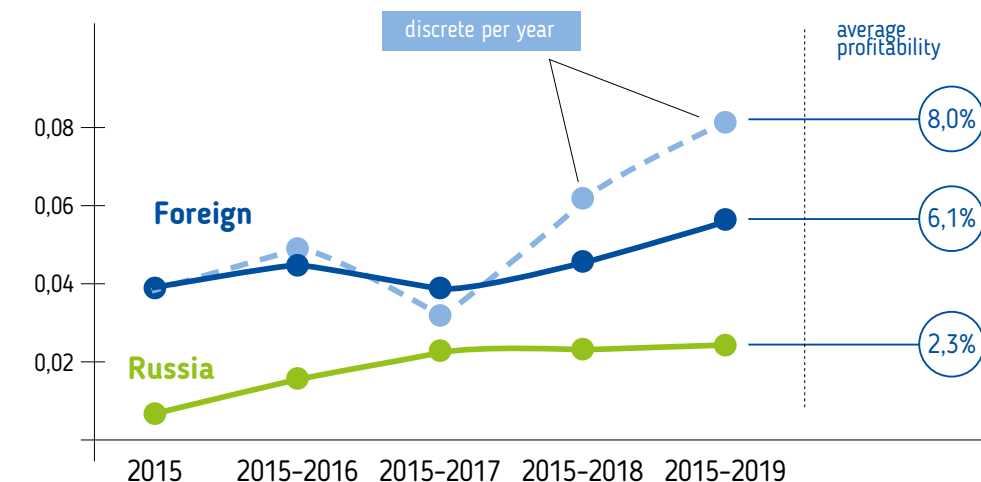


Fig. 25. Forecast Profitability of Business Segments in terms of EBITDA (year to date total), %

Table 16. Liquidity Indicators

Indicator	2012	2013	2014	(2014-2013)/2013, %
Absolute liquidity ratio	0.67	0.42	0.3	-28.5
Current liquidity ratio	2.23	1.52	1.66	9
Quick assets ratio	0.99	1.02	1.46	43

Table 17. Expenses of JSC NIAEP, million rubles

Type of Expenses	2012	2013	2014 (target)	2014 (actual)	(2014-2013)/2013, %
Support expenses, including:	2,600	3,271	3,550	3,973	21.5
auxiliary production	2,342	3,074	-	3,755	22.2
general production expenses	258	197	-	218	10.7
Administrative expenses	1,439	1,714	2,360	2,152	25.6
Commercial expenses	618	518	727.4	544.6	5.1



Decrease in absolute liquidity ratio compared to 2013 was conditioned by the decrease in short-term financial loans issued to JSC Atomenergoprom. In 2014 the acid-test ratio increased as compared to 2013 due to the growth of short-term receivables from settlements with buyers/customers and other debtors by 42.7 %. Actual value of this index is within the recommended level. The current liquidity ratio growth is connected with substitution of some short-term liabilities of 2014 (compared with 2013) for long-term liabilities.

## 2.2. MANUFACTURED CAPITAL



**Alexander Polushkin,**  
JSC NIAEP Senior Vice-President  
of Project Management

### What facilitated the reduction in cost and time of construction of the Rostov NPP Unit 3?

We managed to reduce the time by two months. It was the most challenging task: as a matter of fact, we “resolved” the unit into components and found the mechanisms allowing to speed up. Today, an average unit is built within 60 months; we face the task to reduce this term to 48 months. We have Multi-D project management system. It is a modern technology. In fact, we purchase and use state-of-the-art information products. The rest is attributable to our nuclear experts. Thus, introduction of the Last Planner tool in the RosSEM trust that managed the major part of construction operations on Unit 4

and closing-stage works on Unit 3 allowed to increase personnel efficiency and workload considerably and arrange cooperation between subdivisions.

When it comes to cost reduction, during construction of the Rostov NPP Unit 3 we saved approximately 12 % of the planned indicators.

**JSC NIAEP was appointed a pilot structural subdivision of the State Corporation Rosatom for introduction of experience of Lean Coaching Ltd. What activities are carried out in this direction and what is planned for 2015?**

The project includes investigation of JSC NIAEP structure, communication means, problem solving methods and process flow, in order to apply lean production principles at Kursk and Belarusian NPPs.

Implementation of the project will allow to avoid and eliminate overhead, increase productivity and efficiency of business processes in several areas of activity. First of all, we speak of designing. One can speak about multiple alterations of detailed design documentation or ill-timed delivery of detailed design documentation for CIW. Secondly, procurement and supplies. Prolonged negotiation of contracts, schedule delay, unreadiness of technical specifications by the moment of handover, etc. And finally, project

management. At this point we are called to reduce the time of negotiation of design and estimate documentation with customers and subcontracting organizations, eliminate delays in delivery of detailed design documentation.

In 2015 we need to introduce the production planning and control system for design, procurement and supplies. We will set targets for reduction of time of operations. We also plan to map the flow processes of design, procurement and supplies with classification of operations (value-creating activities; non-value-creating, but required activities; and on-value-creating activities).

In fact, all these three directions – design, procurement and supplies, and project management – will be the basic areas for business efficiency enhancement. Despite all our achievements, we still have reserves for performance improvement.

### 2.2.1. Manufactured Capital Management

#### 2.2.1.1. NPP CONSTRUCTION TIME AND COST REDUCTION

Achievement of strategic goals of the Engineering Division is impossible without improvement of efficiency in use of the

Company's production resources, including optimization of production process (design, construction and mounting operations, equipment supply) and logistics.

Reduction in time and specific capital costs of power unit construction allows to achieve competitive level of LCOE and maximum profitability in international markets.

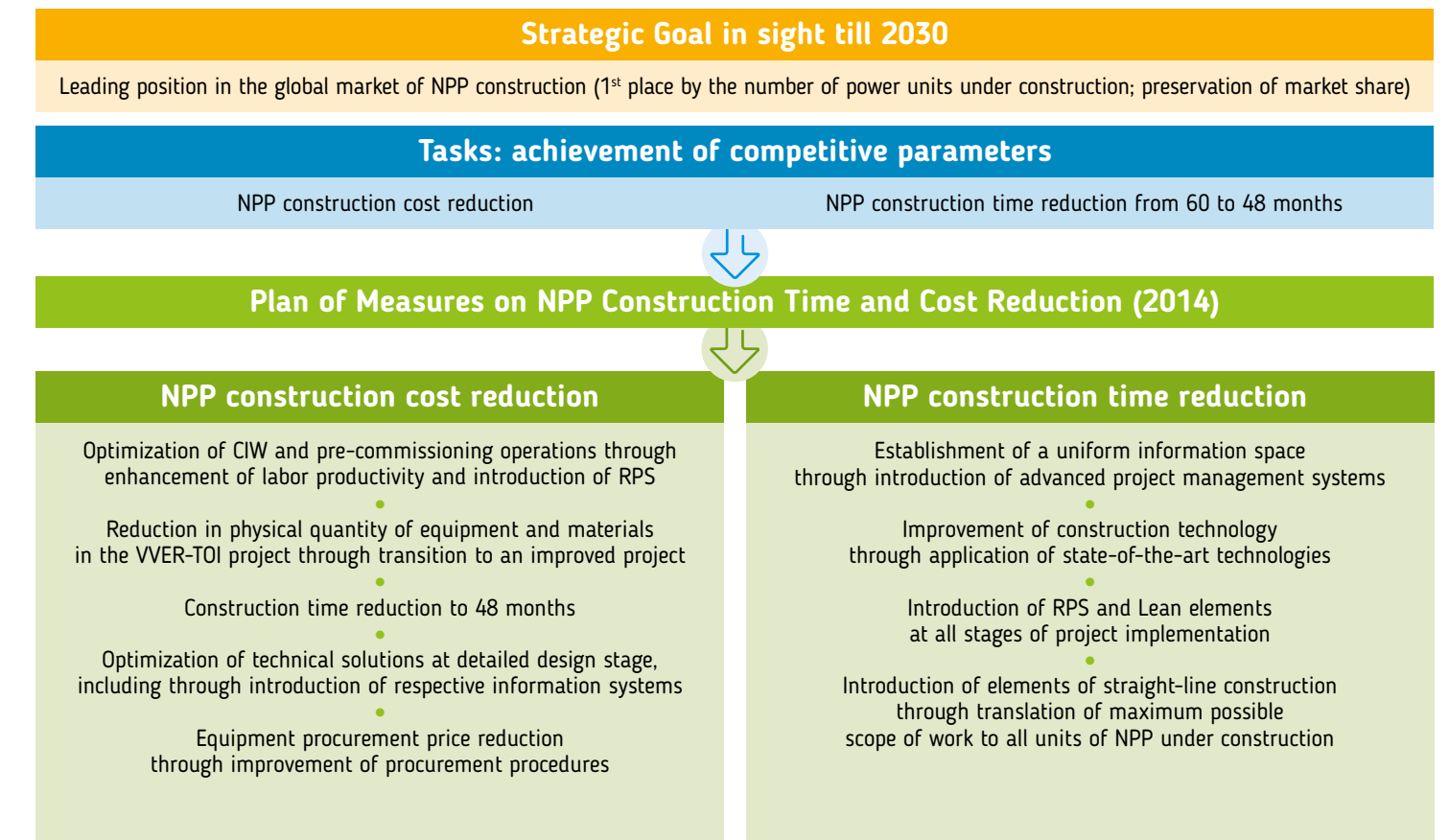


Fig. 26. NPP Construction Time and Cost Reduction

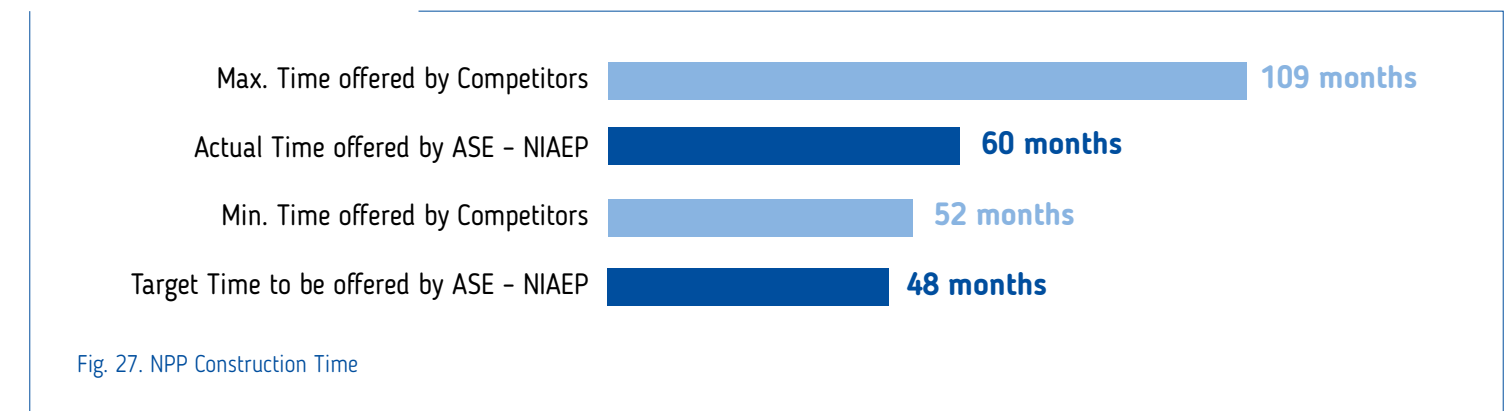


Fig. 27. NPP Construction Time

### 2.2.1.2. ROSATOM PRODUCTION SYSTEM [\(http://www.ps-rosatom.ru\)](http://www.ps-rosatom.ru)

The key tool for improvement of efficiency in use of the Company's production resources is introduction of the Rosatom Production System (RPS) at all stages of project implementation.

#### RPS IN CONSTRUCTION ENTERPRISE MANAGEMENT SYSTEM

One of the main aims of RPS at design and CIW stages consists in development of labor productivity of production subdivisions.

The following operations are performed at design stage within RPS:

- reduction in time of project elaboration and Design and Estimate Documentation (DED) release;
- reduction in time of negotiation of technical specifications and technical assignments for equipment;
- elaboration of general schedule of DEW, equipment supply and CIW;
- unification of forms of task assignment on the basis of SP Foundation;
- reduction in number of changes made in DED.

The following operations are performed during CIW within RPS:

- optimization of weekly and daily task scheduling system with monthly analysis of fulfillment;
- implementation of Electronic Help Chain tool;
- reduction in period of removal of nonconformity;
- introduction of production analysis and dynamic problem response system;
- optimization of production personnel incentive system.

See also [Section 2.3.2.2 Information Technologies](#).

When the number of implemented projects increases, it is important to improve efficiency and autonomy of project teams, what is assured through introduction of project management principles. For this purpose the following measures are carried out in the United Company:

- elaboration of project management documentation (project management standard, standard provision on project manager, project office and project management

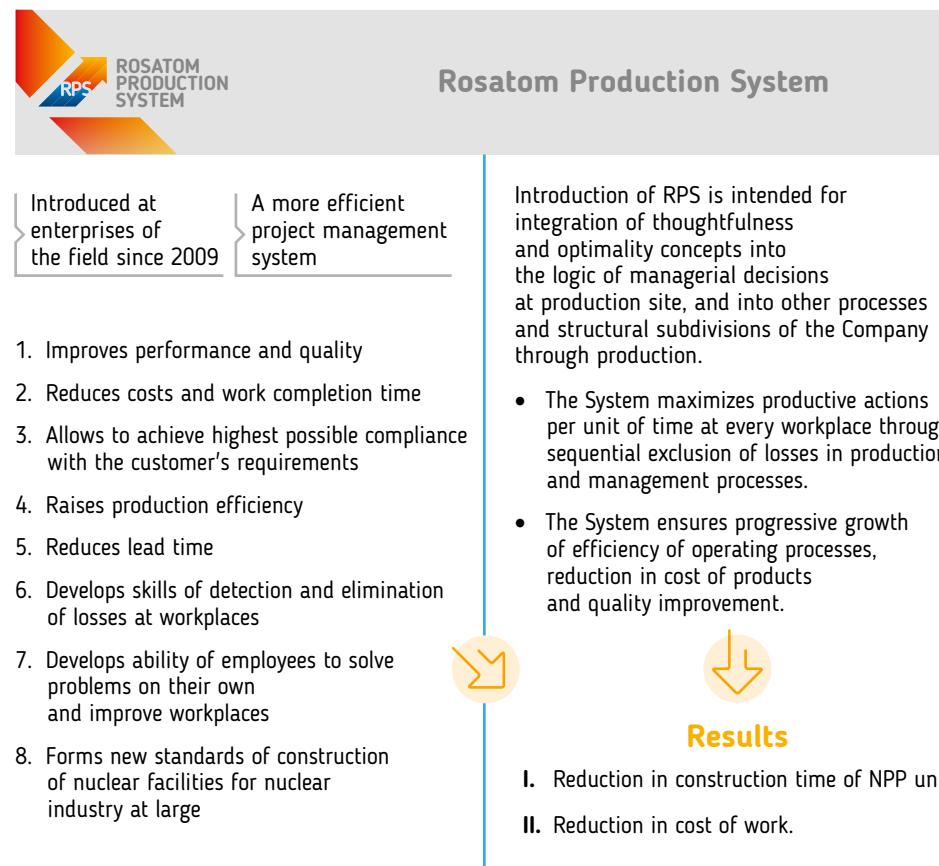


Fig. 28. Rosatom Production System

- office, and standard form of project design passport);
- matrix organization of project offices;
- elaboration of project management training program for the Company's employees.

The main RPS projects are intended for improving safety, quality, and labor productivity in critical path construction projects, sophisticated projects, and projects with significant schedule delay.



#### Case. Rostov NPP, Unit 4

**Task: physical startup of the power unit two months ahead of approved schedule.**

Endeavors to reduce the time of reactor vessel installation, flushing system units laying out, open reactor flushing, and other works, including parallel execution of some processes resulted in saving 59 days of the overall construction time, thus making possible physical startup of the reactor in October 2014.

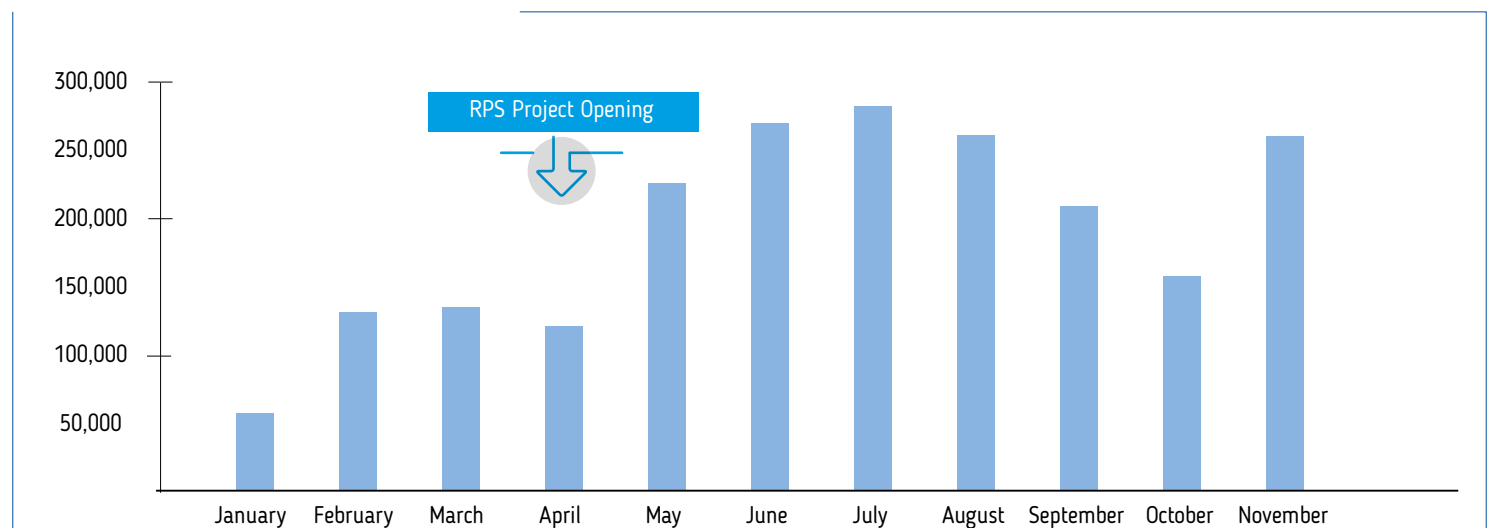


Fig. 29. Output per Worker, rubles



#### Case. Yuzhnouralskaya TPP-2 Unit 2

**Task: to compensate for delay in erection schedule caused by delay in delivery of the main equipment for 3 months.**

Total reduction in time of mounting of process systems, feed water system, and ice-protection system allowed to commence startup and commissioning ahead of schedule and ensured timely initial firing of gas turbine unit. Total work completion time was reduced by 73 days.

RPS IN OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

RPS IS INTRODUCED IN THE OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM (OHSMS), IN ORDER TO PROTECT THE LIFE AND HEALTH OF PERSONNEL AND REDUCE OCCUPATIONAL RISKS THROUGH PREVENTIVE ACTIVITY IN CONTRACTING ORGANIZATIONS. INTRODUCTION OF RPS IN OHSMS IS PERFORMED IN TWO MAIN DIRECTIONS: DEVELOPMENT OF OCCUPATIONAL SAFETY CULTURE AND SYSTEMATIC APPROACH TO OCCUPATIONAL SAFETY.

(see details on OHSMS in "Occupational Safety Assurance" Subsection).

RPS stipulates for performance of a number of activities:

- monitoring of construction site by skeleton groups, supervisory control of OHSE of the Volgodonsk Branch of JSC NIAEP;
- weekly meetings on occupational safety (with participation of OHS departments of the customer, JSC NIAEP and subcontracting organizations);
- monthly OHS audit in subcontracting organizations;
- target inspections of contracting organizations.

In 2014 within implementation of the Plan of Additional Measures on Safety Assurance and Injury Prevention, requirements were included in the standard contract agreement regarding inclusion of provisions on qualification and

proficiency control of newly-hired contractor employees, prohibition of employment under a reverse outsourcing contract, and requirements for inclusion of control and administration functions of fulfilling the OHS requirements by contractors in duty regulations for managers in charge of organization of capital construction. Contractors' obligations stipulated by agreements increase responsibility of contractors and ensure higher efficiency of claim administration in cases of non-compliance of construction participants with OHS rules and regulations.

In the reporting period we signed amendments to general contractor agreements for construction of the Rostov NPP Units 3 and 4, Kursk NPP-2 and Baltic NPP stipulating for mandatory use of the Standard Pro-

vision on OHS Management System at NPP construction sites by the contracting parties. This is the result of collaboration of OHS departments of JSC NIAEP, Volgodonsk, Kursk and Baltic Branches, and JSC Rosenergoatom Concern. This Provision establishes the OHS control and management procedure uniform for all participants of power unit construction in accordance with the legislation of the Russian Federation and industrial standards and sets basic requirements and procedures for cooperation. Standard Provision contains 12 mandatory procedures, including: Safety Line-ups, Construction Site Patrolling, and Head Office for Safe Performance of Work. These procedures are implemented in the projects of RPS introduction during construction of the Kalinin NPP Unit 4, Rostov NPP Unit 3, and Yuzhnouralskaya HPP-2; they are being introduced during construction of Kursk NPP-2.

Plans for 2015.

- RPS Company management projects (8 projects);
- further implementation of projects on reduction in designing, supplies and construction duration (56 projects);
- introduction of the Last Planner system into all facilities (Rostov NPP, Novovoronezh NPP, Kursk NPP-2 and Belarusian NPP);
- optimization of processes with consultants of Lean Coaching<sup>13</sup> Company:
  - increase in labor productivity at least by 30 % (within 2 years of project implementation);
  - decrease in equipment cost by 1.45 % and increase in labor productivity of the Commercial Block employees by 40 %;
  - reduction in CIW costs through increase in labor productivity by 4 %;
  - sharing of experience of JSC NIAEP at enterprises of the State Corporation Rosatom.



2014 became the "Year Without Injuries" at the construction sites of the Rostov NPP Units 3 and 4, Kursk NPP-2 and Baltic NPP.

13. Preliminary target indicators are defined in accordance with the Plan of Measures on NPP Construction Time and Cost Reduction. The target indicators are subject to approval within the second stage of project implementation and further achievement for the purpose of substantiation of ROI >2.

2.2.1.3. CONSTRUCTION COST MANAGEMENT

The cost management system is built on the principles established by the uniform industrial Cost Management Policy for construction of facilities built within Rosatom's investment projects implemented in form of capital investments (hereinafter – the Policy).

Within implementation of the Policy, JSC NIAEP elaborated the Marginal Cost Determination and Control Model for Construction of NPP Units. The Model describes the procedures for construction cost estimation, establishment of marginal values, and control of compliance with cost limits.

Construction cost management procedures are automated by means of the Automated Cost Management System module of the Information Project Management System available to personnel of investor, customer, and general contractor in real-line mode.

Fig. 30 shows the cost management process flow: cost estimation, determination of cost limits, control of compliance with cost limits and change management.

In 2014 we improved the procedure of and established a uniform approach to estimate NPP electricity cost on the basis of LCOE concept (Levelized Cost of Electricity) at various stages of managerial decision making within NPP life cycle for:

- creation of LCOE assessment tool taking maximum account of technical and process parameters of NPP without consideration of regional economic and legal specifics and macroeconomic forecasts;
- creation of LCOE assessment tool taking account of all technical specifics of project and construction site, requirements of customer and regulatory bodies, local economic and legal specifics and producing most realistic results.

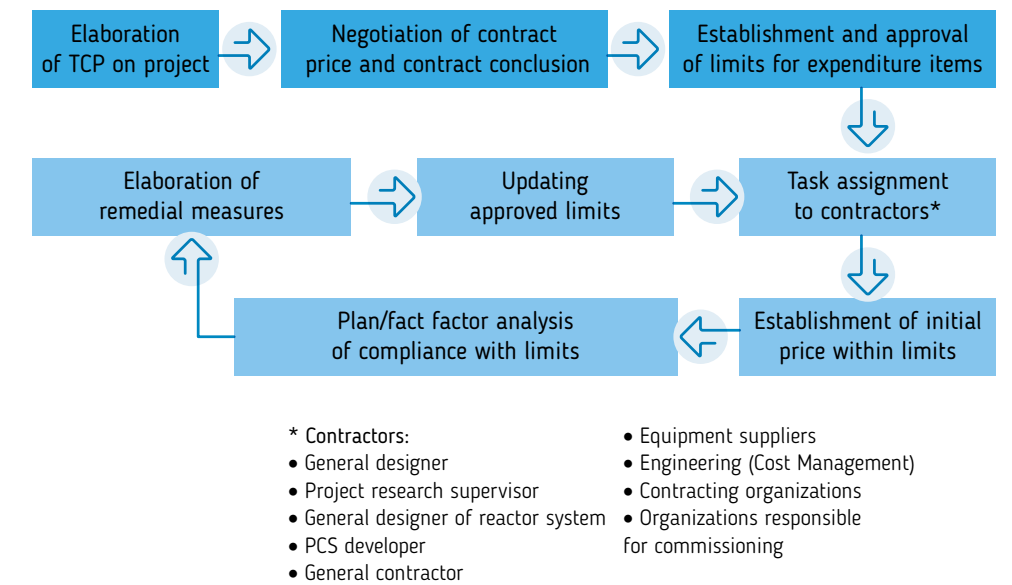


Fig. 30. Cost Management System

Prior to conclusion of Contract

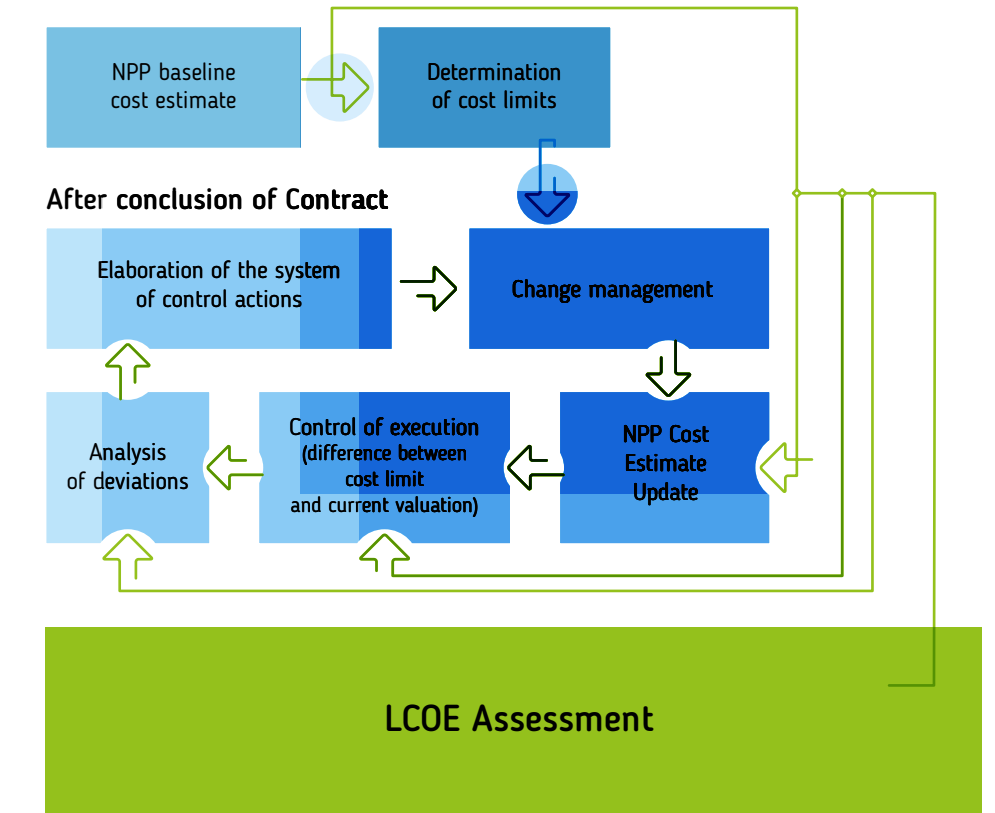


Fig. 31. Introduction of LCOE Assessment Tool into Model of Formation and Control of the NPP LCOE



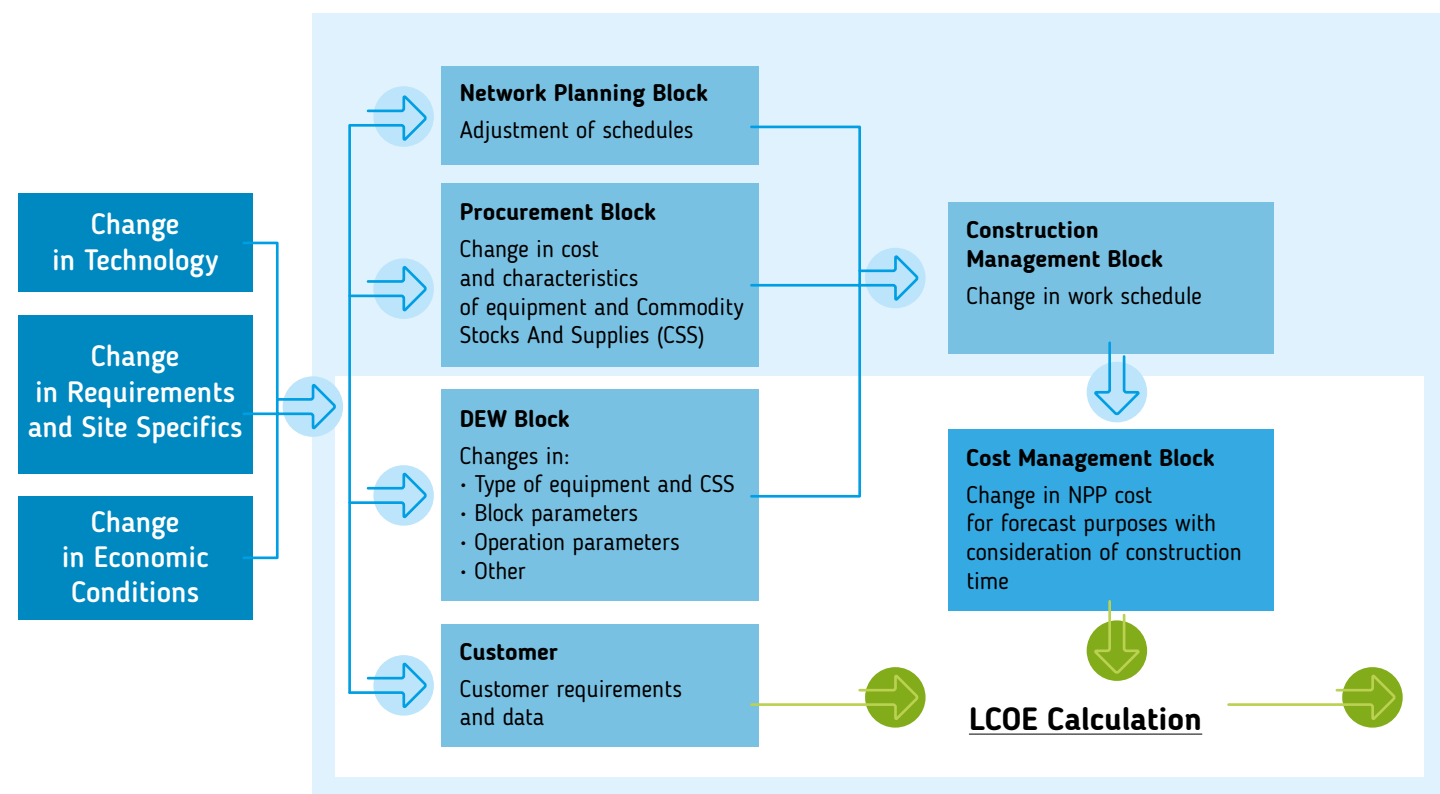


Fig. 32. LCOE Assessment Process

In 2014 by the order of the State Corporation Rosatom we approved the Uniform Industrial Procedural Guidelines on Elaboration of Incentive System for Organizations Participating in Investment and Construction Projects of the State Corporation Rosatom aimed at Cost and Time Reduction (hereinafter – the Procedural Guidelines), defined the specifics and main principles of administration of participants of investment and construction projects for construction cost and time reduction, including incentive system for reduction of key project parameters.

To increase efficiency of the process and reduce the period of negotiation of initial maximum price (hereinafter referred to as IMP) of lots, JSC NIAEP elaborated and adopted the IMP Negotiation Guidelines with consideration of specifics of IMP development and negotiation of capital construction lots and own needs of the Company.

In accordance with the adopted project management principles, responsible members of project offices were appointed within the block of cost management of current and prospective projects. This permitted to achieve greater efficiency in solving price formation and cost management issues within every project.

**!** *Marginal and target cost of the Kursk NPP-2 project under construction was set by the decision of the Board of Experts of the State Corporation Rosatom. To achieve compliance with the set target cost, JSC NIAEP elaborated the Procedural Guidelines on Target Cost Control and passed them to the customer (JSC Rosenergoatom Concern) for approval. In 2015 it is planned to elaborate detailed target and marginal cost of Kursk NPP-2 at the level of local cost estimate on the basis of the project approved by the internal expertise, customer, and State Expert Evaluation Department.*

One of the key problems is transparent cost formation of physical resources and its solution is connected with elaboration of industrial catalog of products, materials and structures applied in construction of nuclear facilities. Data preparation for industrial catalogs requires diligence from specialists in charge of elaboration and specification of lists of special materials, identification of manufacturing plants, and regular monitoring of prices.

Application of industrial catalogs enables balancing the interests of construction participants: on the one hand, it helps the contractors to compensate for actual cost of special materials exceeding the cost of similar general-purpose materials taken into account in construction-related standards. On the other hand, it protects customer interests and limits the current cost of resources applied in payments for the work performed on a regulatory basis.

**Plans for 2015**

In 2015 under conditions of economic instability, considerable and uneven rise in prices of materials an important focus area of cost management consists in monitoring and indexation of industrial catalogs and recalculation indexes, and addition of new materials to them. The list of catalogs will be supplemented for the facilities of Novovoronezh NPP-2 and Leningrad NPP and VVER-TOI project (Kursk NPP-2).

In 2014 the portfolio of projects of the ASE – NIAEP United Company included international contracts mainly. Contracts with fixed (constant) price in foreign currency require strengthening of cost control.

Main focus areas:

- elaboration of limit cost formation principles for fixed-price contracts with customer by expenditure items;

- elaboration of Cost Management Guidelines for NPP Construction abroad;
- elaboration of methodology to control limit cost and actual profitability of fixed-price contract along with its execution;
- automation of cost management of NPP construction projects implemented abroad.

**2.2.1.4. PROCUREMENT MANAGEMENT**

Procurement activity of the ASE – NIAEP United Company is carried out within the Unified Industrial Procurement Standard of the State Corporation Rosatom. One of the main objectives of this activity is to expand participation opportunities to the extent possible. The Company's Diagram of Procurement and Supplies is presented in the annual report of JSC NIAEP for 2013 <http://niaep.integrity.info/en/proizvodstviennyi-kapital>.

Advisory body responsible for public audit of procurement efficiency (including application of state-of-the-art engineering solutions, as well as elaboration and implementation of solutions for expansion of SME access to procurements) is the Business Transparency Council of the State Corporation Rosatom.

Throughout 2014, equipment and materials were purchased in accordance with the schedule of milestones of NPP units construction and JSC NIAEP annual procurement program. 2014 procurement plan was fulfilled by 100 %.

Table 18. Total Contractual Commitment in 2014, million rubles incl.VAT

Region	Total	ROSTOV NPP	BALTIC NPP	BELARUSIAN NPP	KURSK NPP-2
		Units 3 and 4	Units 1 and 2	Units 1 and 2	Preparatory period; Units 1 and 2 – basic period
	<b>34,953</b>	<b>3,627</b>	<b>613</b>	<b>14,054</b>	<b>16,029</b>
Nizhny Novgorod Region	1,251.8	57	41	1,137	15.8
Kursk Region	7.6	-	-	-	7.6
Rostov Region	475	341	17	117	-
Moscow Region	26,799.5	2,743	537	7,556	15,963.5
Leningrad Region	4,214	138	2	4,073	-
Samara Region	21.8	-	-	-	21.8
Other regions of the Russian Federation	1,493.1	346	15	1,112	20.1
Republic of Belarus	59	-	-	59	-



Table 19. Number of Suppliers in 2014

Region	Total	ROSTOV NPP	BALTIC NPP	BELARUSIAN NPP	KURSK NPP-2
		Units 3 and 4	Units 1 and 2	Units 1 and 2	Preparatory period; Units 1 and 2 - basic period
<b>Number of suppliers</b>	<b>276</b>	<b>155</b>	<b>24</b>	<b>61</b>	<b>36</b>
Nizhny Novgorod Region	28	13	2	6	7
Kursk Region	8	-	-	-	8
Rostov Region	12	8	3	1	-
Moscow Region	156	96	16	34	10
Leningrad Region	18	13	1	3	1
Other regions of the Russian Federation	42	25	2	5	10
Republic of Belarus	12	-	-	12	-

Since 2012, JSC NIAEP carries out all NPP construction tender procedures using Electronic Trading Platforms (ETPs). Exception (in non-electronic form) may apply when procurements relate to construction of foreign NPPs, to involve local suppliers at the request of foreign customers. As a rule, there are no ETPs in the territory of foreign countries<sup>14</sup>. Scope of

such procurements is small: approximately 1 to 3 % of the total scope (thus, such non-electronic procurements are excluded from the total scope and calculation).

Open tender procedures within ETPs led to minimizing contract prices (see Table 20).

Table 20. Amount of Savings, million rubles incl. VAT

Amount of savings provided by open tender procedures within ETPs	2012	2013	2014
Rostov NPP Units 3 and 4	670.3	432.0	475.9
Baltic NPP Units 1 and 2	621.6	312.0	0.6
Kursk NPP Units 1 and 2	-	109.6	2,034.7
<b>TOTAL:</b>	<b>1,291.9</b>	<b>853.6</b>	<b>2,511.2</b>

Relative increase in savings in 2014 is conditioned by transition into active phase of construction of Kursk NPP-2 (large-scale procurements for CIW).

Suppliers shall be preferably selected through open procurement tenders using ETPs. The tender shall be open for any domestic or foreign bidder duly registered at the electronic trading platform. Nevertheless, a general agreement or contract between the ASE – NIAEP United Company and customer may restrict tender to a foreign country to maximize involvement of local contractors. As a rule, Russian suppliers may also participate in such procurement procedures.

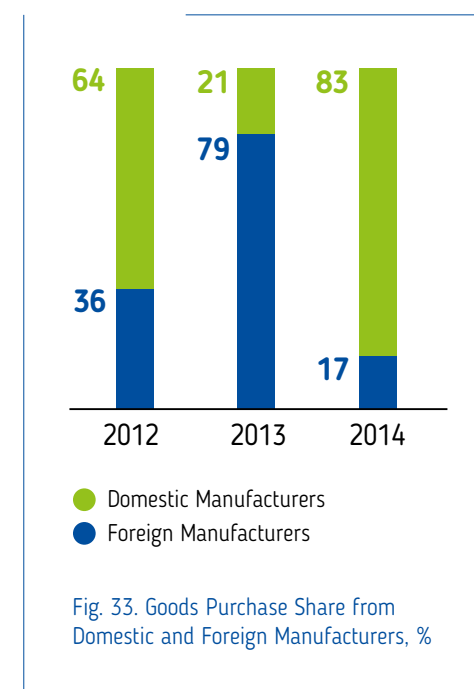
AMOUNT OF SAVINGS PROVIDED BY OPEN TENDER PROCEDURES WITHIN ETPS –

# 2 511.2 MILLION RUBLES

14. The electronic trading platforms in the Republic of Belarus may not be integrated with the EOS-Zakupki Uniform Industrial Procurement System (SAP SRM), since SAP SRM is not available in the Republic of Belarus. Procurements made by JSC ASE in Belarus are posted on the website [www.icetrade.by](http://www.icetrade.by).

Table 21. Purchase Share from Local Suppliers<sup>15</sup> in 2014

Power unit	Region	Purchase Share from Local Suppliers, %
Rostov NPP Units 3 and 4	Rostov Region	9.4
Baltic NPP Units 1 and 2	Leningrad Region	0.4
Belarusian NPP Units 1 and 2	Republic of Belarus	0.4
<b>TOTAL:</b>		<b>2.2</b>



**! EQUIPMENT PROCUREMENT PRICE REDUCTION**

Equipment supply contracts may only be concluded with enterprises officially registered in the territory of the Russian Federation (domestic organizations or branches of foreign companies). If ruble is the currency of the General Contract with customer, then all procurement procedures shall be made and all agreements with suppliers shall be concluded in rubles. The price of procured equipment offered before the tender procedures is determined on the basis of several approaches (market, reference index, counterpart comparison, etc.) in accordance with the IMP Calculation Guidelines established for procurement procedure of the State Corporation Rosatom.

To reduce equipment price category strategies shall be actively applied, with similar equipment consolidated into larger lots. Higher cost of a lot means lower contract price.

JSC NIAEP gives no preferences to suppliers, including by regional criterion. Selection of suppliers can only be influenced by compliance of a supplier with requirements and criteria specified in procurement documentation.

**IMPORT PHASE-OUT**

By the order of the President and Chairman of the Government of the Russian Federation, the Ministry of Industrial Trade and other ministries, agencies, and state corporations shall elaborate plans supporting import phase-out in industry. Import phase-out proposals were elaborated by JSC NIAEP and JSC ASE jointly with Rosatom and other enterprises of nuclear industry. Package of proposals is sent to all participants for consideration and common enlisting.

As far as JSC NIAEP and JSC ASE operate under the Federal Law No.223-FZ dated July 18, 2011 and the Unified Industrial Procurement Standard of the State Corporation Rosatom, then additional regulations by the Government of Russia are required because aforementioned acts neither allow imposing restrictions on and prohibit procurement of import equipment, nor provide for any preferences to domestic manufacturers, nor permit using any prohibitory, restrictive or incentive measures.

**2.2.1.5. INVESTMENT MANAGEMENT**

To institute uniform rules of investment activity management across JSC NIAEP and organizations controlled by JSC NIAEP, the Company

has adopted Investment Activity Management Standard.

The main task of the Investment Program implementation is provisioning of production demands for timely implementation of the contracts of erecting complex engineering facilities (providing building and survey machinery, design IT hardware and software). However, maximum economic effectiveness of investments is attained through implementation of the Division's core activity. Taking this into consideration, the major part of the portfolio is usually engineering projects most fully meeting the Company's demands.

15. For the purpose of this Report, local suppliers shall mean organizations located in the region of NPP construction, for instance, when it comes to Rostov NPP, local suppliers are suppliers located in the Rostov Region. All regions where procurements were made for NPPs under construction are listed.

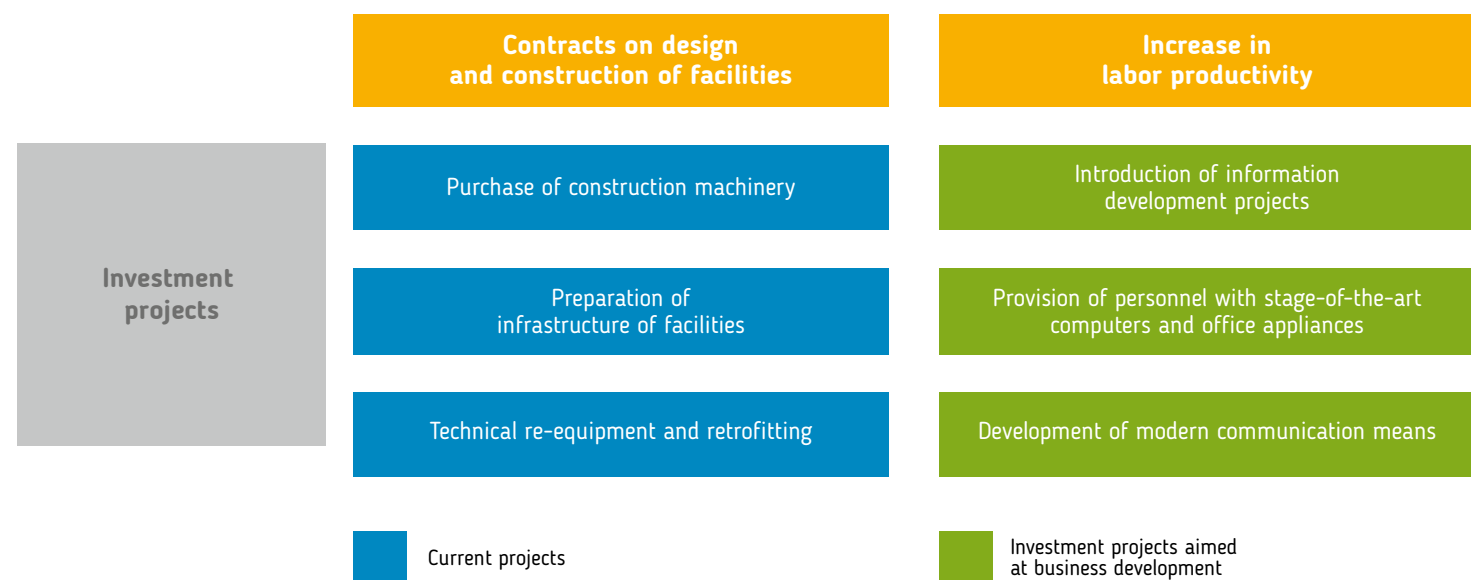


Fig. 34. Investment Projects of the Company

According to the Division's internal policy of investment management, yield on investment portfolio must be at least at the target level set forth annually by the State Corporation Rosatom with due consideration of the organization's portfolio specifics and characteristics or exceed it (as the companies in the Division did in 2014).

The main tasks on the improvement of investment activity effectiveness in 2014:

- introduction of system for project engineering study for solving assigned project tasks through optimization of investment resources;
- monitoring of investment projects implementation;
- setting target level of reducing financial outlays for cash-consuming projects;
- introduction into the United Company's management KPIs an indicator reflecting company's investment activity performance, taking into consideration the basic parameters of the investment program implementation:
  - compliance to milestones,
  - providing required level of yield on portfolio in the current and forecast periods;
- improvement of investment planning quality, adoption of individual KPIs of investment activity of project managers.



to convey principles of the uniform industrial investment policy of the State Corporation Rosatom and its organizations with the following competences:

- improvement of investment management procedures;
- elaboration of approved position on investment decisions within the established scope of responsibility;
- control of investment project implementation by organizations and structural divisions of the Second Level Financial Responsibility Center "Foreign Construction".

The Investment Committee delivers approved project portfolio for 2015 including implementation schedules, and manages 2014 project portfolio changes.

The investment projects are financed from the NIAEP equity capital (amortization and profit), leasing tools are also used.

Incentive system to promote enhancement of the project portfolio performance indicators was developed: Investment activity KPIs were set for managers of investment projects and main areas of operation.

Investment Activity Management Standard was updated in accordance with regulations introduced by the State Corporation Rosatom (both new and amended versions issued in 2012–2014) and actual changes in the investment process of the United Company caused by both increased number of organizations controlled by the Company and optimization of operation and structure of relations between subdivisions in the course of investment planning, control and reporting.

**INVESTMENT DIRECTIONS**

81.67 % of investments in 2014 were aimed at updating engineering and manufacturing base thus classified as capital investments into production facilities. 89.32 % of total 2015 investments will be of the same class.

The tasks set forth in the 2014 Investment Program were completed in full. Leftovers in the budget allocations were mainly caused by saving in the tender procedures, as well as by updating production demands.

Table 22. Amount of Funds allocated for Investment Policy Purposes, million rubles

Group of Investment Projects	2009-2012	2013	2014			Cause of deviation of actual value from target	2015 (target)
			target	actual	% of plan fulfillment		
Motorization of construction sites for performance of CIW	1,032.4	1,015.5	421.4	406.9	96.6	Savings on completion of procurement procedures	1,767.7
Equipment for engineering and exploration work	89.3	20.3	34.3	31.0	90.2	Production demand update	30.5
IT projects	1,239.0	514.4	306.6	288.4	94.1	Production demand update, savings on completion of procurement procedures	325.4
Infrastructure development (including safety assurance)	559.3	124.2	89.8	81.0	90.2	Savings on completion of procurement procedures	254.0
Development projects (including development and buildup of required competencies)	0.0	163.8	125.1	82.0	65.5	Savings on completion of procurement procedures, decision making for subsequent update of demand for further implementation	0.0
<b>TOTAL:</b>	<b>2,919.9</b>	<b>1,838.2</b>	<b>977.2</b>	<b>889.3</b>	<b>91.0</b>		<b>2,377.6</b>

**81.67 % of investments in 2014 were aimed at updating engineering and manufacturing base thus classified as capital investments into production facilities.**

**Motorization of construction sites for performance of CIW**

The major portion of 2014 investments was spent to procurements for Belarusian NPP construction site (purchase of construction machinery and rigging before the main construction stage) and Kursk NPP-2 (purchase of machinery and mechanisms for preparatory stage and the main construction stage).

**Equipment for engineering and exploration work**

Updating and expansion of technical basis was carried out in 2014 to perform a range of engineering and exploration works at the Rostov NPP and Kursk NPP-2 construction sites; 4 vehicles and 10 special machines were bought.

**IT projects**

In 2014, works on modifying different modules of the Integrated Enterprise Management System and functional development of the uniform reporting system were done, equipment for the Project Management Center and copy

center of the Moscow Branch was procured; server hardware for disc space expansion and capacity increase was delivered to meet requirements of emerging projects at new construction sites.



**Infrastructure development**

Project implementation assumes creation and development of infrastructure of the branches, agencies and Central Office. Scope of work includes reconstruction of buildings and structures, improvement of the personnel working conditions, purchase of vehicles to provide trouble free current activity.

Within implementation of the project in the reporting year, equipment was purchased and activities were performed for:

- Security assurance of the Company's Central Office, branches and agencies;
  - Reconstruction of buildings and structures;
  - Improvement of labor conditions;
  - Assurance of continuous execution of current activity (including procurement of vehicles);
  - Infrastructure development at construction sites (arrangements for construction of facilities).
- Due to the Company's growth, in 2014 expenditures were mainly directed at:
- Purchase of furniture and equipment for fitting out the building rented in Nizhny Novgorod;
  - Reconstruction of JSC ASE building in Moscow.

### Development projects

This direction includes projects which are at different stages of implementation and aimed at:

- consolidation of construction assets for assurance of development of the Company's construction competencies;
- increase in production self-reliance and increase in work efficiency within general contract;
- order portfolio gain, entrance to the European market of NPP construction projects.

### 2015 PLANS ON IMPROVEMENT OF INVESTMENT ACTIVITY

Expansion of the number of organizations controlled by the United Company in 2015 will require building unified investment activity management system across the entire range of organizations in the Division.

Starting from 2015 the list of investment projects in the Second Level Financial Responsibility Center "Engineering and Construction" will change. Rearrangement of projects on the basis of procedural requirements for the State Corporation Rosatom project portfolio formation for 2015–2018 was finished in 2014.

### Plans:

- updating the Regulations on Investment Committee of JSC NIAEP and JSC ASE providing for extension of the Committee's authorities over JSC Atomenergoproekt;
- introduction of system for investment project feasibility study for solving assigned project tasks through optimization of investment resources;
- development of tracking system for investment project implementation control;
- introduction of KPI system aimed at accurate planning and successful implementation of investment projects.

## 2.2.2. Production Results

### 2.2.2.1. NPP CONSTRUCTION

#### NPP CONSTRUCTION IN RUSSIA

One of the key changes in the reporting year: integration of NPP construction projects implemented in Russia and managed by JSC AEP into the Company's portfolio, including Novovoronezh NPP-2.

In 2014 the ASE – NIAEP United Company designed two power units in Russia in the capacity of general contractor

**IN 2014 THE ASE – NIAEP UNITED COMPANY CARRIED OUT DESIGNING AND CONSTRUCTION OF TEN1 POWER UNITS IN RUSSIA, INCLUDING CONSTRUCTION OF SIX POWER UNITS IN THE CAPACITY OF GENERAL CONTRACTOR:**

**ROSTOV NPP UNITS 3 AND 4;**

**NIZHNY NOVGOROD NPP UNITS 1 AND 2;**

**KURSK NPP-2 UNITS 1 AND 2;**

**BALTIC NPP UNITS 1 AND 2 <sup>16</sup>;**

**NOVOVORONEZH NPP-2 UNITS 1 AND 2.**

### Nizhny Novgorod NPP, Navashino District, Nizhny Novgorod Region

#### Project Description

Customer of the project is JSC Rosenergoatom Concern. General Designer is the ASE – NIAEP United Company. The project provides for construction of two VVER-TOI power units of 1,170 MW each. Design and exploration work started in 2012.

#### Results of 2014

Design and exploration work was completed. Design documentation was delivered to the customer. The customer performs the procedure of technical acceptance of reporting design and survey documentation.

#### Plans for 2015

Acquisition of expert evaluation report on design documentation from JSC Rosenergoatom Concern, expert evaluation report on design documentation from the State Corporation Rosatom, and expert report on engineering survey by the State Expert Evaluation Department.

### Kursk NPP-2, Kurchatov District of Kursk Region

#### Project Description

Kursk NPP-2 is expected to substitute decommissioned power units of existing Kursk NPP. The project provides for building four substituting power units in the Kursk Region using VVER reactors of the last generation, i.e. building four power units of VVER-TOI design of 1,255 MW each. It is planned to commission the units of Kursk NPP-2 synchronously with decommissioning existing Units 1 and 2. Construction of the facility will commence in 2015. Customer – JSC Rosenergoatom Concern, General Contractor – JSC NIAEP. It is planned to commission Unit 1 in 2022, and Unit 2 – in 2023.

#### Results of 2014

Preparatory work was launched, including power supply provisioning to the construction site, land planning works on the construction site, and site dewatering. Plan of CIW capital investment implementation was fulfilled.

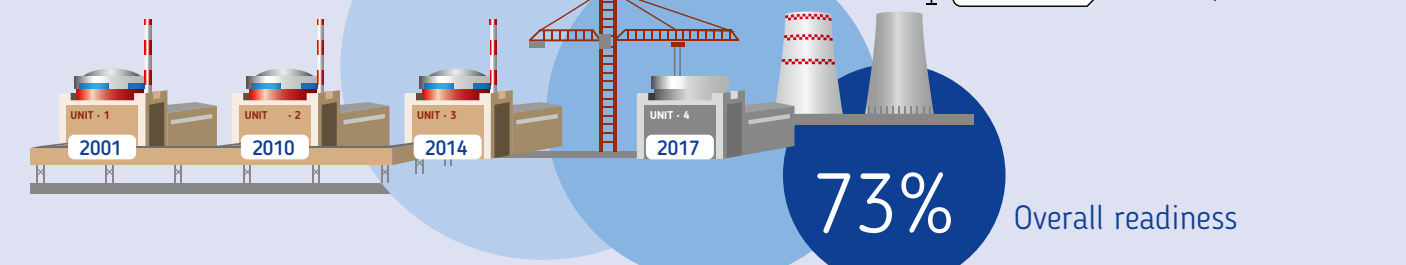
#### Plans for 2015

We will continue the preparatory work at the construction site, including design and exploration work, external infrastructure preparation to the main period of NPP construction (start of building construction yard arrangement, office and commodity facilities, and workshop for reinforced block production).

It is planned to obtain endorsement of design documentation on Kursk NPP-2 from the State Expert Evaluation Department and permits for siting and erection of NPP facilities.

### Rostov NPP, Volgodonsk, Rostov Region

<b>FACILITY PASSPORT UNIT - 3</b>	<b>SAFETY</b>	<b>POWER UNIT 3 CONSTRUCTION HISTORY</b>
Project - <b>VVER.1000</b> General Designer - <b>NIAEP</b> General Contractor - <b>ASE – NIAEP</b> Customer - <b>Rosenergoatom</b> General Constructor of Reactor - <b>OKB Gidropress</b> Research Supervisor - <b>Kurchatov Institute</b> Thermal power - <b>3,000 MW</b> Electric power - <b>1,070 MW</b>	<ul style="list-style-type: none"> <li> <b>HURRICANES, WHIRLWINDS</b> rated maximum wind speed with return period of once per 10,000 years - 56 m/s</li> <li> <b>FLOODS</b> at level with reliability of &gt; 0.01 %</li> <li> <b>SEISMIC IMPACTS</b> MP3 - 8 on MSK-64 scale</li> <li> <b>SHOCK WAVE</b> with blast pressure of 30 kPa</li> </ul>	<ul style="list-style-type: none"> <li>July 2009 Commencement of construction</li> <li>April 2011 Installation of reactor cavity</li> <li>October 2012 Installation of reactor compartment confinement dome</li> <li>June 2013 Installation of reactor vessel</li> <li>August 2013 Welding of main circulation pipeline</li> <li>March 2014 Open reactor system flushing</li> <li>June 2014 Turbine assembly</li> <li>June 2014 Hot trial of reactor system</li> <li>November 2014 Physical startup</li> <li>December 2014 Power startup</li> </ul>



**POWER STARTUP OF THE ROSTOV NPP UNIT 3 TOOK PLACE TWO MONTHS AHEAD OF THE APPROVED SCHEDULE**

16. Construction of the Baltic NPP was suspended till approval of power distribution scheme.

### Baltic NPP, Kaliningrad Region

#### Project Description

Commencement of Baltic NPP construction in the Neman District of the Kaliningrad Region is planned for February 25, 2010. Construction by VVER.1200E project includes two VVER.1200 units with V-491 reactor. The plant is intended for electric power supply to the Kaliningrad Region and energy export.

#### Results of 2014

We continued to perform work on erection of temporary buildings, structures and storage facilities for acceptance and storage of

equipment, and production of equipment for the plant in accordance with the contracts signed.

Preliminary EIA report of the IAEA expert review team was presented (the materials of EIA of the Baltic NPP were analyzed by the IAEA experts at the request of JSC Rosenergoatom Concern). The materials of EIA and explanations to questions which arose at the stage of consideration are provided by the project designer of JSC AEP.

#### Plans for 2015

Carrying out of scheduled activities within the Baltic NPP project.



### Novovoronezh NPP-2, Novovoronezh, Voronezh Region.

#### Project Description

The project of Novovoronezh NPP-2 provides for construction of two VVER.1200E power units with VVER-1200 reactor system. Customer – JSC Rosenergoatom Concern, General Designer – JSC AEP, General Contractor since October 2014 – JSC NIAEP.<sup>17</sup>

#### Results of 2014

In 2014 construction and installation works of both power units were performed.

#### Plans for 2015

In 2015 it is planned to continue performance of CIW and pre-commissioning in accordance with the schedule.

### NPP CONSTRUCTION ABROAD

As of December 31, 2014, the ASE – NIAEP United Company was engaged in construction of eight power units abroad, six power units were under design and exploration, four power units – under initial project preparation, one power unit was at the stage of pre-commissioning, and yet another one was commissioned into warranty-period operation.

The Company designs one power unit abroad in the capacity of general contractor.

All works are performed under control of IAEA and in accordance with existing international standards, laws and non-proliferation regime.

### India. Kudankulam NPP, Units 1 and 2

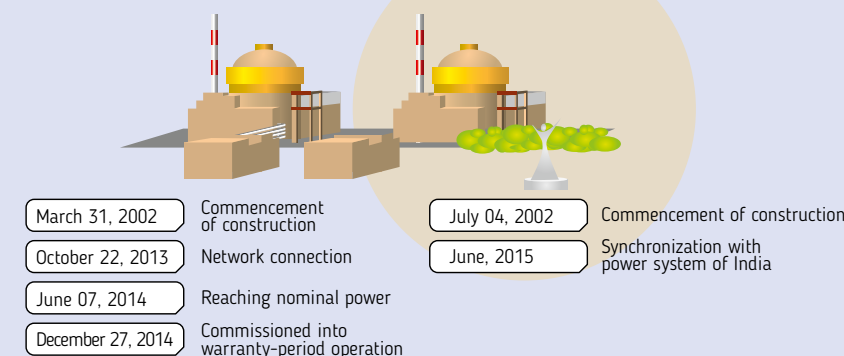
#### Units 1, 2

Customer – **Indian Atomic Energy Corporation**  
 General Designer – **JSC Atomenergoproekt**  
 General Constructor – **OKB Hidropress**  
 Research Supervisor – **RRC “Kurchatov Institute”**  
 Construction – **JSC ASE**  
 Project – **VVER.1000**  
 Power – **1,000 MW**



THE POWER UNIT 1  
 WAS SUCCESSFULLY  
 COMMISSIONED INTO  
 WARRANTY-PERIOD  
 OPERATION

#### Unit 1 Unit 2



### India. Kudankulam NPP, Units 3 and 4

#### Project Description

The Kudankulam NPP Units 3 and 4 will be designed on the basis of projects of Units 1 and 2. The United Company is responsible for performance of design works, equipment supply and technical support. [http://www.atomstroyexport.ru/wps/wcm/connect/ase/eng/about/NPP+Projects/Current/Kudankulam\\_india/](http://www.atomstroyexport.ru/wps/wcm/connect/ase/eng/about/NPP+Projects/Current/Kudankulam_india/).

#### Results of 2014

In April 2014 the General Framework Agreement (GFA) was signed along with the technical and commercial proposal for supplies and services on construction of the Kudankulam NPP Units 3 and 4. In December 2014, within delivery of GFA, the Company signed the contract for production and supply of long-cycle Russian-manufactured equipment for both power units.

#### Plans for 2015

It is planned to sign prime contracts for supplies and services on construction of Units 3 and 4.

17. In October 2014 JSC NIAEP was appointed the sole executive body of JSC Atomenergoproekt.





### China. Tianwan NPP, Units 3 and 4

#### Project Description

Power Units 3 and 4 represent the second stage of the Tianwan NPP with VVER-100 reactors (VVER.1000). Customer – Jiangsu Nuclear Power Corporation (JNPC). The planned term of commissioning of the power units: Unit 3 – February, 2018, Unit 4 – December, 2018. Project Description: <http://www.atomstroyexport.ru/wps/wcm/connect/ase/eng/about/NPP+Projects/Current/Tianwan/>.

#### Results of 2014

Construction and installation works were performed by the Chinese party on Units 3 and 4 in accordance with the schedule. The ASE – NIAEP United Company handed over the detailed de-

sign documentation of nuclear island (NI) to the Chinese customer and supplied equipment for NI in accordance with the contract schedule.

Domed containment building of the Unit 3 was lifted in December 2014. The annual work plan was fulfilled by 100 %. 2014 contribution to completion of Tianwan NPP-2 amounted to 18.6 %.

#### Plans for 2015

In 2015 it is planned to carry out construction and installation works in accordance with the schedule; key event – reactor vessel installation on both power units.

The expected contribution of the year 2015 to completion of Tianwan NPP-2 shall amount to 33.9 %.

### China. Fujian Sanming NPP with Fast Reactors of BN-800 Type (NPP-FR)

Cooperation between Russia and China on the project of construction of Fujian Sanming NPP started in 2008. The project provides for construction of nuclear power demonstration plant with fast fission commercial reactors within two power units with BN reactors of 800 MW each. The customer of the project is the China National Nuclear Corporation (CNNC).

Information on the project is given in the 2012 Annual Report of JSC NIAEP: <http://www.atomstroyexport.ru/wps/wcm/connect/ase/eng/about/NPP+Projects/Perspective/Sanming/>.

#### Results of 2014

In the course of the 18<sup>th</sup> meeting of the Russian-Chinese Sub-Commission for Nuclear Issues within the Commission on Preparation of Regular Meetings of the Heads of the Governments of Russia

and China (hereinafter – Sub-Commission) on September 02, 2014, further steps of cooperation on construction of Fujian Sanming NPP were set out.

To implement the decisions of the 18<sup>th</sup> meeting of the Sub-Commission, the Work Group for NPP construction cost reduction was established. The decision on implementation of this project will be made on the basis of performance of the Group.

In September 2014 the ASE – NIAEP United Company sent proposals on separation of duties between the Chinese and Russian parties to the Chinese party. The first coordination meeting on discussion of the proposal of the Russian party was held.

#### Plans for 2015

In 2015 it is planned to negotiate separation of construction cost separation with consideration of the approved working area, supplies and services with the Chinese party, what will permit to make decision on implementation of the project of NPP construction.



### Iran. Bushehr-2 NPP, Units 2 and 3

#### Project Description

Two units with VVER.1000 reactors (V-466B) and supply of fuel assemblies and related components for initial loading. <http://www.atomstroyexport.ru/wps/wcm/connect/ase/eng/about/NPP+Projects/Current/Bushehr/>.

#### Results of 2014

On November 11, 2014 the State Corporation Rosatom and Atomic Energy Organization of Iran signed the Protocol to the Intergovernmental Agreement between the Russian Federation and Iran for co-

operation within nuclear power plant construction in the territory of Iran of August 25, 1992, and the Interdepartmental Memorandum of Understanding for extension of cooperation in the field of peaceful use of nuclear energy. In fulfillment of the Protocol to IGA, the following documents were signed in November 2014: the Contract for construction of two power units with capability of expansion to four units (subject to specific conditions) and the Contract for performance of engineering surveys at Bushehr-2 NPP site.

#### Plans for 2015

Execution of work within the signed documents.

### Turkey. Akkuyu NPP, Units 1 to 4

#### Project Description

The project provides for design and construction of NPP in the Mersin Province consisting of four power units with total installed capacity of at least 4,800 MW, infrastructure development, plant operation and generated power purchase and sale. The VVER-TOI project solutions (VVER.1200E project) will be applied in design of power units.

The project is implemented according to the build-own-operate scheme<sup>18</sup>. The ASE – NIAEP United Company participates in the project in the capacity of general contractor; the customer is JSC AES AKKUYU. <http://www.atomstroyexport.ru/wps/wcm/connect/ase/eng/about/NPP+Projects/Current/Akkuyu/>.

#### Results of 2014

- acquisition of positive EIA statement of the Ministry of Environment and Urban Planning of Turkey;
- submission of application and substantiating documents for acquisition of building license to the Turkish Atomic Energy Authority;

- elaboration of project concept of maritime hydraulics;
- conclusion of contract with Turkish contractor for environmental monitoring of the site;
- completion of planning of the site relief (stage 1);
- completion of repair of the pioneer base facilities (stage 1).

#### Plans for 2015

- negotiation of the plan of land zoning;
- acquisition of permit for land plot use from the Turkish party;
- commencement of construction and installation works of the site infrastructure;
- acquisition of permit for construction in the coastal zone;
- start of engineering surveys of the detailed design documentation stage.

#### Mid- and Long-Term Plans

In future, the parties will cooperate on the issues of maintenance service, retrofit of NPP physical protection, as well as in the field of nuclear fuel and radioactive waste handling, and NPP decommissioning.

18. The build-own-operate concept means a contract stipulating for obligations on construction, owning, and operation of facility.



### Bangladesh. Ruppur NPP, Units 1 and 2

#### Project Description

The project provides for construction of NPP including two VVER.1000 power units of 2,000 MW. General Contractor – the ASE – NIAEP United Company. Scheduled commencement of preparatory stage – 2013, scheduled completion of preparatory stage – 2016.

#### Results of 2014

Within the preparatory stage in 2014, the contract was signed with the customer for execution of priority work within the preparatory stage of Ruppur NPP construction; we also prepared the contract for completion of work within the preparatory stage of Ruppur NPP construction and handed it over to the customer.

Agreements on financing the contracts were signed between the Ministry of Finance of the Russian Federation and JSC ASE defining the procedure for and conditions of financing from the federal budget resources.

A number of engineering surveys were completed at the NPP construction site according to the schedule: topographical, environmental, etc.

#### Plans for 2015

In 2015 it is planned to elaborate and sign the required preliminary project documentation (JOI, EIA), sign the General Contract for Construction of Ruppur NPP, and perform first-priority work within the preparatory stage of NPP construction.

### Vietnam. Ninh Thuan-1 NPP, Units 1 and 2

#### Project Description

The project provides for construction of two power units of 1,000 MW each. Customer – Vietnam Electricity (EVN). It is planned to commission Unit 1 in 2023, and Unit 2 – in 2024. <http://www.atomstroyexport.ru/wps/wcm/connect/ase/eng/about/NPP+Projects/Current/Vietnam/>.

#### Results of 2014

We attained agreement on signing the contract for performance of engineering surveys for NPP detailed design elaboration.

#### Plans for 2015

Preparation for signing the contract for performance of engineering surveys at NPP construction site (currently, negotiations are held with the Vietnamese party on the wording of the survey contract and annexes to it).

### Belarus. Astravets NPP, Units 1 and 2

#### Project Description

The project provides for construction of two power units with VVER.1200 reactors (V-491) of 1,200 MW each. General Contractor – JSC ASE, Customer – State-Owned Directorate for Nuclear Power Plant Construction. Commissioning of Unit 1 is planned for 2008, of Unit 2 – for 2020. <http://www.atomstroyexport.ru/wps/wcm/connect/ase/eng/about/NPP+Projects/Current/Belorussian/>.

#### Results of 2014

Construction and installation works were carried out in accordance with the schedule. Overground construction stage of Unit 1 began: concreting of inside containment completed. The site was prepared for operations with heavy loads and structures, lifting crane erection was completed. Construction of Unit 2 began.

One of the key events took place – molten core catcher mounted in the design position of the reactor building. By the end of the year, construction preparedness of the Unit 1 reactor building amounted to 28 %.

#### Plans for 2015

In 2015 it is planned to carry out construction and installation of Unit 2, in particular mounting of molten core catcher, reactor building inside containment assemblies, bridge crane and turbine building.

2015 contribution to completion of the main project buildings shall amount to approximately 70 %.

### Hungary. Paks NPP, Units 5 and 6

#### Project Description

The expansion plan of Paks NPP including construction of Units 5 and 6 with installed capacity of at least 1,000 each for replacement of power of existing Units 1 to 4 was approved by the Parliament of Hungary in 2009.

The following regulatory documents were signed in 2014:

- Agreement between the Government of Hungary and the Government of the Russian Federation on cooperation in the field of peaceful use of nuclear energy;
- Key conditions of EPC contract for development of Paks NPP;
- Key conditions of fuel supply contract for Paks NPP;
- Key conditions of contract for rendering services in the field of operation and maintenance of Paks NPP;
- Agreement between the Government of Hungary and the Government of the Russian Federation on granting of state credit for

financing construction of the nuclear power plant in the territory of Hungary.

#### Results of 2014

Milestone – signing the EPC contract on general contract terms on December 09, 2014. During preparation of the EPC contract we successfully applied the requirement management system<sup>19</sup> based on state-of-the-art information technologies (see details on the system in [Section 2.3.2.2. Information Technologies](#)).

#### Plans for 2015

In 2015 we plan to carry out preparatory work within the project: start of the stage 1 – Preparatory Stage, performance of engineering surveys, acquisition of preliminary NPP building license by the Customer and elaboration of construction base detailed design.

## PROSPECTIVE NPP CONSTRUCTION PROJECTS IN GLOBAL MARKET

### KAZAKHSTAN

#### Project Description

The work on the project of VVER.1200E NPP construction in the territory of the Republic of Kazakhstan with the participation of the Russian Federation is carried out in accordance with agreements set out in the Memorandum of Understanding on cooperation during nuclear power plant construction in the territory of the Republic of Kazakhstan concluded between the State Corporation Rosatom and JSC NAC Kazatomprom on May 29, 2014.

In September 2014, the draft Intergovernmental Agreement (IGA) between the Russian Federation and Kazakhstan on cooperation within construction and operation of NPP in the territory of Kazakhstan was endorsed. Currently, IGA is subject to interdepartmental coordination by the responsible departments of Kazakhstan for the purpose of signing.

#### Results of 2014

- Approval of the plan of first-priority measures on construction of two NPPs in the area of Ulken and Kurchatov.
- Signing of the documents relating to cooperation during construction of NPP:
  - Integrated Program of the Russian-Kazakh cooperation in the field of peaceful use of nuclear energy;
  - Memorandum of Understanding on cooperation during NPP construction in the territory of the Republic of Kazakhstan.

- Preliminary agreement attained in relation to construction of NPP units with pressurized water type reactors by the Russian technology VVER.1200E (developed by Atomproekt LLC) on the site near Kurchatov, Republic of Kazakhstan, on EPC contract terms.
- Main IGA provisions agreed.

#### Plans for 2015

- Completion of interdepartmental coordination of the draft IGA in Kazakhstan.
- Approval of Road Map of the project pre-contractual stage.
- Settlement of issues on fuel supply, spent nuclear fuel (SNF) and radioactive waste (RW) handling, radiation safety, and non-proliferation.

### REPUBLIC OF SOUTH AFRICA

In September 2014, IGA for strategic partnership and cooperation in the field of nuclear energy and industry was signed between the Governments of the Russian Federation and Republic of South Africa.

#### Plans for 2015 on NPP Project

- Signing of IGA for construction and financing of NPP construction (if and when the RSA party will be ready).
- Signing of the GFA for NPP construction, preparatory stage contract (if and when the RSA party will be ready).

19. The requirement management system is a component part of Multi-D® technology elaborated by the United Company.

**Plans for 2015 on MIR Multipurpose Research Reactor Project**

- Finalization and signing of IGA on MIR project (if and when the RSA party will be ready).
- Elaboration of contractual and financial schemes for implementation of project of MIR multipurpose research reactor construction (if and when the RSA party will be ready).



ARMENIA. METSAMOR NPP, UNIT 2

**Project Description**

Intergovernmental agreement signed in 2010 provides for construction of new power unit (NPU) of 1,060 MW based upon VVER reactor of project VVER.1000 in the Republic of Armenia. JSC ASE is the General Contractor for NPU construction; CJSC Metsamorenergoatom joint venture is the customer and appointed operating company.

On January 25, 2015, Russia and Armenia signed intergovernmental agreement extending operation life of Armenian NPP Unit-2. The parties agreed to finance the works from state credit granted by Russia.

**Results of 2014**

- On May 19, 2014, Armenia's Government adopted three-year program of the new power unit construction and extension of operation life of existing power unit of Armenian NPP.
- In pursuance of power industry development, on July 31, 2014 Armenia's Government approved the action plan which provides for implementation of the NPU construction plan; it is expected that the basic stage of construction will start in 2018, and power unit will be put into operation in 2026.

**Plans for 2015**

- Complex inspection of the power unit (deliverables: the Program of Unit-2 preparation for extended operation life).
- Implementation of the Program of Unit-2 preparation for extended operation life.
- Obtaining permit for extension of operation life.

SLOVAKIA. MOHOVCE NPP

In 2014, JSC ASE continued implementation of the Contract with JSC Slovenske Elektrarne signed on May 11, 2010 as amended for turnkey delivery of in-core control systems, boron concentration monitoring system, core coolant level monitoring subsystem, and supply of neutron noise diagnostic system to Mohovce NPP Units 3 and 4.

Equipment supply obligations were completed by 90 % as of December 31, 2014.

It is planned to complete supplies and start installation at Unit 3 in 2015.

JORDAN. MAJDAL NPP, UNITS 1 AND 2

**Project Description**

In 2013, on completion of the tender issued by the Jordan Atomic Energy Commission (JAEC), JSC ASE was selected as the preferred supplier of NPP. It is planned to build the power units with application of VVER.1000 project solutions. It is planned to sign the contract for NPP construction in 2016.

**Results of 2014**

- Draft contract for justification of investments, environmental impact assessment and performance of engineering surveys at the NPP location site.
- With consideration of customer's wishes, we prepared reports covering all outstanding issues on the NPP project (seismic conditions of the site, I&C system technology, plant water supply, spent fuel, countermeasures in case of major incidents, interaction with power system of Jordan).

**Plans for 2015**

- Approval of the draft IGA for NPP construction.
- Signing of the Project Development Agreement (PDA).
- Elaboration of the draft EPC contract.
- Elaboration and signing of the contract for rendering consultancy services to JAEC.
- Preparation and signing of the contract for optimization of NPP water supply plan.

2.2.2.2. NPP SERVICE AND RETROFIT

IRAN. BUSHEHR-1 NPP, UNIT 1

The first mid-life repair of Bushehr NPP Unit 1 was performed as a part of guarantee obligations. Demonstration test was carried out and assured quality guarantee of the delivered power unit. Throughout 2014, Russian specialists assisted Iranian personnel in the power unit operation in accordance with Addendum No.66 to the Contract.

**Plans for 2015**

It is planned to carry on with the Russian party's guarantee obligations under the contract, including assistance to the Iranian party in the power unit operation: preparation to the Final Acceptance of the power unit after the Guarantee period operation; carrying out the first and second stages of overhaul.

CZECH REPUBLIC. TEMELIN NPP, UNITS 1 AND 2, DUKOVANY NPP

Rendering engineering and consulting services on operation of NPPs in the Czech Republic continued under two open-end contracts between JSC ASE and JSC CEZ. <http://www.atomstroyexport.ru/wps/wcm/connect/ase/eng/about/NPP+Projects/Current/Temelin/>.

KALININ NPP. UNITS 1 AND 2

Decision on construction of Kalinin NPP was made in May 1970. It was planned to implement two stages of construction with two power units (VVER) of 1,000 MW. The Unit 4 was commissioned in 2011. General Designer and General Contractor – JSC NIAEP. In December 2009 the State Corporation Rosatom approved the project of life cycle extension of Unit 1.

**Results of 2014**

Five-year plan of extending operation life of Unit 1 was fulfilled and in June 2014 Permit for extension of operation life of the power unit till June 2025 was obtained.

**Plans for 2015**

Development of detailed design documentation and participation in commencement of works on extending operation life of Kalinin NPP Unit-2 expiring in December 2016.

2.2.2.3. CONSTRUCTION OF OTHER NUCLEAR FACILITIES

RESEARCH REACTORS

VIETNAM. NUCLEAR SCIENCE AND TECHNOLOGY CENTER (NSTC)

Building the Nuclear Science and Technology Center in Vietnam is carried out on the basis of Intergovernmental Agreement signed on November 21, 2011. The Customer is the Vietnam Atomic Energy Institute (Vinatom).

**Results of 2014**

The following regulatory documents were signed in 2014:

- General Framework Agreement with VINATOM,
- Finalization and initialing of the contract for feasibility study (FS).

**Plans for 2015**

It is planned to carry on project preparation work, in particular, preparation and conclusion of the contract for FS elaboration.

SF STORAGE FACILITIES AND REPROCESSING PLANTS

One of the milestones of the reporting year was integration of JSC Atomenergoproekt, the owner of the basic NPP project. This facilitated further expansion of competencies of the ASE – NIAEP United Company as general contractor for NPP decommissioning.

RUSSIA. FSUE PA MAYAK

Throughout the year 2014, we worked on the project "Development of Cementing Complex for Liquid and Heterogeneous Medium-Active Waste" for PA Mayak. Obligations of the United Company include performance of construction and installation works and pre-commissioning.

Works under the construction contract with FSUE PA Mayak on "Extension of 120/12 Building for Placement of EP-500/5 Electrical Furnace and Storage of Vitrified Radioactive Waste" for FSUE PA Mayak are continued. The work is performed on a turnkey basis.

RUSSIA. ANDREEVA BAY FACILITY

Intergovernmental agreement between Russia and Italy on cooperation in the field of disposal of decommissioned Russian nuclear submarines and safe handling of radioactive waste and spent fuel dated on November 05, 2003 assigned JSC ASE as coordinator of the Russian subcontractors during designing, supply and construction of radioactive waste reprocessing and storage plants at the Andreeva Bay facility.

The project documentation including EIA and EPM sections for radioactive waste reprocessing and temporary storage plants was elaborated in 2014. The works were performed under the contract on design works concluded between JSC ASE and Ansaldo Nucleare (Italy), and contracts between JSC ASE and JSC Federal Center for Nuclear and Radiation Safety, the State Corporation Rosatom and the Ministry of Economic Development of Italy. Works under two contracts are financed by the Government of Italy.

UKRAINE

Works on the guarantee support of previously finished project on installation of new ventilation pipe on the "Shelter" facility, the system of radiation containment and auxiliary systems on the Chernobyl NPP stage 2 were carried out.

Nukem Technologies Company (subsidiary of the ASE – NIAEP United Company) concluded the consulting services agreement for the Chernobyl NPP project.

IRAN

Works on the guarantee support of commissioned liquid radioactive waste reprocessing plant continued under the contract of Bushehr NPP Unit 1 construction. Works on commissioning and putting of the plant into design basis operation were carried out in 2012.

INDIA

The Company performed activities on guarantee support of commissioned cementing plant (CP), concentrating facility (CF) units, and CP and CF I&C systems.





**LITHUANIA**

**CHINA**

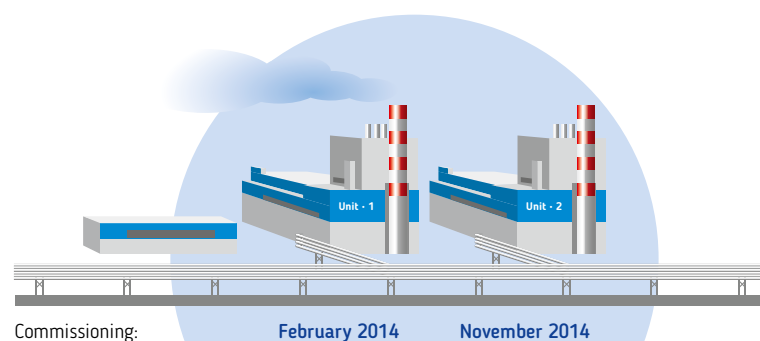
Within the B1, B2, B3 and B4 Projects at Ignalina NPP, construction and installation works and pre-commissioning works were carried out, including cold test within the B1 Project.

Contract was concluded with the Jiangsu Nuclear Power Corporation (JNPC) and works were commenced within the project.

**2.2.2.4. CONSTRUCTION OF COMPLEX ENGINEERING NON-NUCLEAR FACILITIES**

**THERMAL POWER MARKET**

**YUZHNOURALSKAYA HPP-2 PROJECT**



**Yuzhnouralskaya HPP-2 Project**

Project implementation under the terms and conditions of EPC: delivery of design and technical documentation, performance of construction and installation works and pre-commissioning, supply of equipment, and training of customer's personnel.

Primary fuel: **natural gas**  
Emergency fuel: **diesel fuel**

Unit power: **2x410 MW**

Equipment Suppliers (Power Unit 1): **SiemensAG, JSC Atomenergomash**  
Equipment Suppliers (Power Unit 2): **LLC Siemens Gas Turbines Technologies, JSC ZIO-Podolsk**

General Designer: **JSC Teploelektroproekt Institute**

Construction Project Management: **LLC Inter RAO Engineering**

**YHPP-2 percentage completion**

**Power Unit 1**  
Forecast facility completion as of the end of 2014: **100%**  
2014 contribution to facility completion: **3%**

**Power Unit 2**  
Forecast facility completion as of the end of 2014: **100%**  
2014 contribution to facility completion: **32,5%**

**CONSTRUCTION PROJECT OF MOLZHANINOVKA 220/10 KV SUBSTATION**

**Customer:** LLC Resad.  
**General Designer:** JSC ENEX Moscow Branch (former Moscow Branch of JSC South Center of Power Engineering).

Construction of Molzhaninovka 220/10kV Substation under investment contract concluded between the Moscow Government and LLC Resad is intended to ensure electric and heat power supply to utility services of prospective development area in Molzhaninovskiy District of Moscow, and Planernaya Industrial Zone including "Prom City Moscow – North" special industrial territory, and is the first stage of GTPP Molzhaninovka construction.

The EPC Contract was concluded in 2009. The Contract stipulates for delivery of design and technical documentation, performance of construction and installation works and pre-commissioning, supply of equipment and training of customer's personnel.

**Results of 2014**  
From January 2012 to August 2014 all works on construction Molzhaninovka 220/10kV Substation were suspended because of lack of funding from the Customer (LLC Resad). Active phase of project construction was resumed in August 2014.

**Plans for 2015**  
It is planned to complete main construction, installation, pre-commissioning works and ensure readiness for reliability run of the equipment.

**THE KEY REFERENCE PROJECT OF THE COMPANY IS THE PROJECT OF CONSTRUCTION OF YUZHNOURALSKAYA HPP-2 (RUSSIA); TWO POWER UNITS OF YUZHNOURALSKAYA HPP-2 WERE COMMISSIONED IN 2014**

Table 23. Percentage Completion of Molzhaninovka 220/10 kV Substation, %

Indicator	2012	2013	2014	2015 (target)
Facility percentage completion	79	80	81	100
Reporting year contribution to facility completion	0	0.81	0.7	19.22

**2.3. INTELLECTUAL CAPITAL**

**2.3.1. Intellectual Capital Management**

**2.3.1.1. INTELLECTUAL CAPITAL DESCRIPTION**

Intellectual capital of the ASE – NIAEP United Company includes such intangible assets as knowledge, information technologies, intellectual property, etc. This capital is of key importance for development of the Company's innovation activity and achieving its strategic goals in general.

Table 24. Share of JSC NIAEP Workers with Higher Education by Branches and Agencies, %

Subdivisions	2012	2013	2014
Central Office	87.2	92.9	91.1
Moscow Branch	87.1	88.7	89.3
Moscow Representative Office	97.7	97.8	93.9
St. Petersburg Representative Office	95.2	100.0	96.2
Volgodonsk Branch	60.6	62.9	65.2
Volgodonsk Representative Office	54.5	70.6	57.1
Udomlya Branch	53.8	0.0	60
Baltic Branch	79.1	58.0	61.4
Yuzhnouralsk Branch	71	64.2	83.9
Kursk Branch (the Branch was established in 2013)	-	54.2	68.5
Representative Office in the Republic of Belarus	72.9	67.1	71.6
Kharkov Representative Office	100	100.0	83.3

**2.3.1.2. KNOWLEDGE MANAGEMENT SYSTEM**

The major strategic goal of the ASE – NIAEP United Company consists in consolidation of leading positions in the global market of construction of engineering facilities, and first of all in the NPP construction market. The Knowledge Management System (KMS) is seamlessly integrated into the Company Management System. Knowledge management is viewed as a combination of single aspects of HR management, innovation and communication management, as well as use of new information technologies in management. KMS favors the development of the Company's intellectual potential including research and patenting activities, build-up of other intangible assets.

KMS structural diagram is shown in Fig. 35. In 2014 the Knowledge Management System was formed of three subsystems. KMS improvement is carried out in three directions:

- scientific and educational activity,

- scientific and technical information and patent activity,
- scientific and methodological support.

KMS of the ASE – NIAEP United Company correlates with the KMS concept of the State Corporation Rosatom (see 2013 Report of JSC NIAEP <http://niaep.interesty.info/en/intelliectualnyi-kapital>).

**TARGET BASIC DEPARTMENT "LIFE CYCLE MANAGEMENT SYSTEMS OF COMPLEX ENGINEERING FACILITIES"**

The main project of KMS is the Basic Department of the Nizhny Novgorod State Technical University n.a. R.E. Alekseev (NGTU) in JSC NIAEP – Lifecycle Management Systems of Complex Engineering Facilities. The Department began educating students of NGTU and the Nizhny Novgorod State University of Architecture and Civil Construction (NNGASU) on September 2012. The Department is one of the current projects run by the Nizhny Novgorod nuclear power cluster (learn more about the cluster at [http://www.niaep.ru/about/klaster\\_atom\\_energy/](http://www.niaep.ru/about/klaster_atom_energy/)).

Higher-education teaching personnel of NGTU and NNGASU and the Company's key specialists are engaged in education activity. In July 2014, students of the Basic Department undertook internship at contractor organizations working at construction sites of the Rostov NPP Units 3 and 4. In the reporting year, the third group of 30 students joined the Basic Department. In addition to the student education with the purpose of employment at JSC NIAEP and the Company's personnel development, the Department prepares scientific personnel, carries out research work, and elaborates recommended practices.

In 2014, 30 students, including holders of grants issued by the company of E.N. Pozdyshev, employer-sponsored students, and young specialists who had come to the Company that year, graduated from the Basic Department of the Federal State-Funded Educational Institution of Higher Professional Education "Nizhny Novgorod State Technical University n. a. R. E. Alekseev". See details on scientific personnel preparation and research activities in "Human Capital" Section.

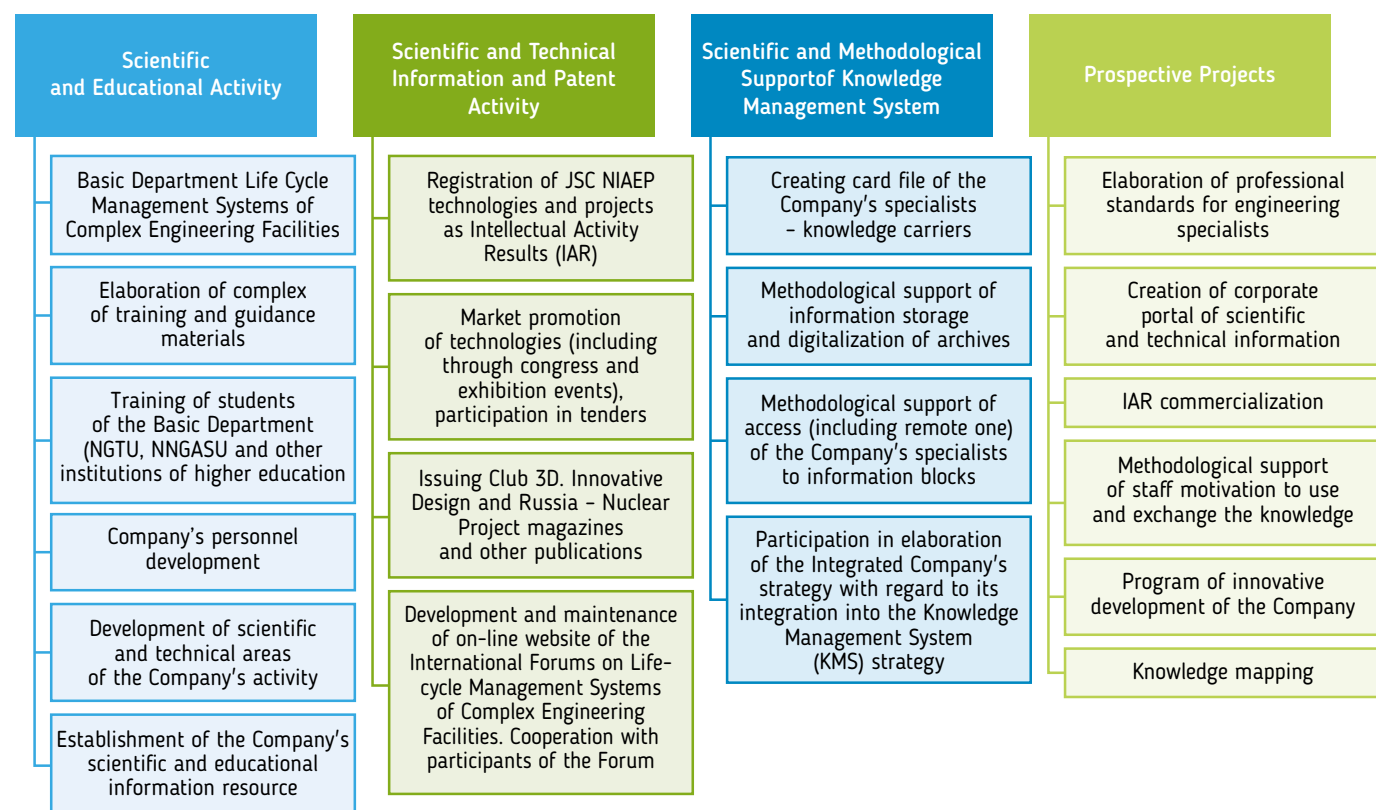


Fig. 35. Main Directions of Knowledge Management System Development

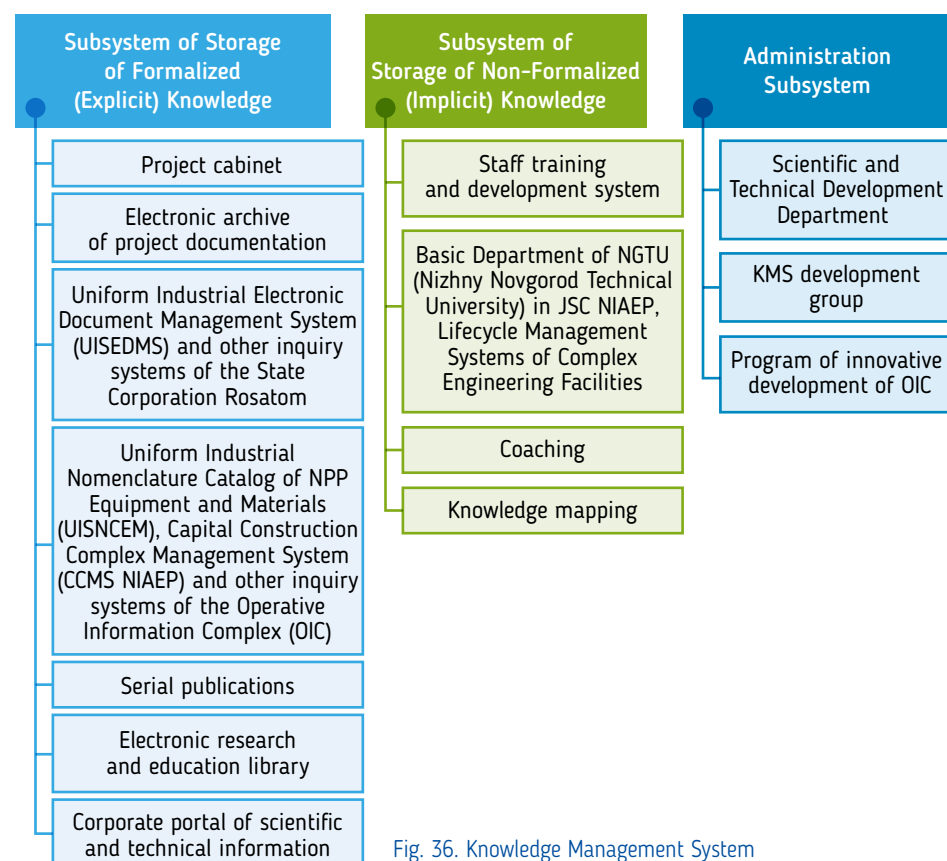


Fig. 36. Knowledge Management System

**INTELLECTUAL PROPERTY**

Company's capability to operate effectively in the free market to a great extent depends on its capability to produce competitive product sold at cost recovery price. Speaking of enterprises in highly innovative areas (including nuclear power industry), competitiveness of production depends principally on the rate of implementation of scientific developments and intellectual activity results (IAR). RIA may be formed either inside the organization or come from the outside. As a rule, companies interested in long-term business development work on their own innovations. To prove the thesis, we compared a number of leading engineering companies in the nuclear power industry (see Table 25).

As seen from the Table 25, expenditures of the Company for innovations do not yet correspond to figures of the leading companies. This is explained by the fact that JSC NIAEP actively uses scientific research results of the Russian nuclear industry in whole.

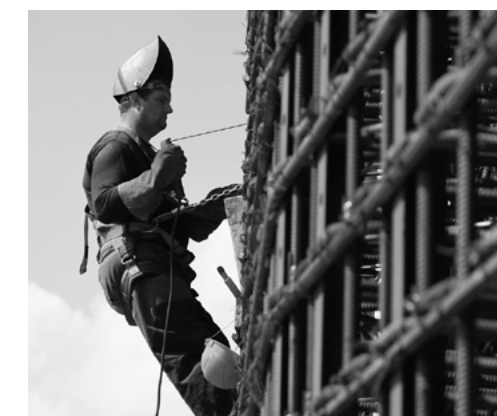
**Results of 2014**

An integral part of KMS is systemic registration of projects and technologies as results of intellectual activity, with possible subsequent registration of intellectual rights.

The first stage of development of the Program of Innovative Development of JSC NIAEP was completed in December 2014. It is to be finalized in Q2, 2015. The first session of the joint working group (JSC NIAEP – JSC ASE – JSC Atomenergoproekt) on introduction of KMS was held. A number of organizational decisions to improve efficiency of KMS in 2015 was adopted.

To improve efficiency of construction project management using the project manager support system (Project Manager Portal), 219 managers and lead professionals of JSC NIAEP in Volgodonsk were trained at the NPP construction sites.

The Memorandum of Strategic Partnership for cooperation in the field of development of management systems for projects, programs and project portfolios was signed with the National Project Management Association



SOVNET at the Atomexpo 2014 International Forum.

Scientific and Technical Development Department of JSC NIAEP in cooperation with the Basic Department Life Cycle Management Systems of Complex Engineering Facilities work on adaptation of the existing training course to IPMA International Standard so that students may attend the Basic Department and pass qualification exams for international certificate of project management specialist.

Table 25. Performance of Engineering Companies

Company	Proceeds, million USD	Productivity (TPIndex), thousand/person	Share of expenditures spent on innovations, %
Iberdrola	40,600	1,260	7.2
Bechtel	37,900	715	7.0
Fluor	27,352	684	1.2
Saipem	16,790	354	4.5
Samsung	9,300	1,092	4.6
JSC NIAEP	1,152	342	0.6

Table 26. Intellectual Activity Results

Indicator	Number, units.
Patent applications for inventions, useful models and designs filed	3
Applications filed for software and database state registration	0
Registered know-how	0
Obtained patents for inventions, useful models and designs	7
Obtained software and database state registration certificates	0
Applications filed for international patents to foreign states	1
Foreign states' patents obtained	0
TOTAL	0
including the ones validated in the territory of foreign states	0

16 specialists passed training under the program of Enhancement of Linguistic Competences of Nuclear Industry Specialists. 116 employees were tested for English language knowledge; based on the test results, the specialists were divided into groups for enhancement of linguistic competences in 2015.

**2015 and Mid-Term Plans**

In early 2015, we plan to adopt a program for short-term development of the Knowledge Management System. The Program includes:

- management and administration of KMS;
- training and development of knowledge management staff;
- management of scientific and technical communities:
  - introduction of critical knowledge system,
  - cooperation with higher education schools, scientific and research institutes, and other organizations,
  - development of scientific and technical competences of employees;

- management of scientific and technical content:
  - auditing of scientific and technical documentation management system,
  - auditing (inventory) of the Technical Library and Project Cabinet,
  - establishment of corporate electronic library of scientific and technical information,
  - issuing “Club 3D. Innovative Design” magazine and other scientific and technical and academic publications,
  - development of website of the International Forums on Life Cycle Management Systems of Complex Engineering Facilities,
  - organizing distributed access to electronic database of design and estimate documentation based on TDMS software;
- elaboration of measures on introduction of information systems, first of all, Multi-D technology;
- management of intellectual activity results. Company's personnel training under the Program will start in January 2015 in accordance



with the competence requirements for project management specialists set by the International Project Management Association (IPMA) and Russian member of IPMA – Project Management Association. After the training the specialists will receive international certificates of compliance in the field of project management professional competences.

**2.3.2. Innovation Activity Results**

**2.3.2.1. CONSTRUCTED NPP UNITS**

Innovative projects developed and constructed by JSC NIAEP include VVER.1200E and VVER.1300TOI projects. Table 27 shows comparison of the units in the projects with counterparts of foreign design.

Table 27. Some Characteristics of Russian and Foreign-Made Power Units

Indicator	Project			
	VVER-TOI (Russia)	AP-1000 (USA)	EPR (France)	APR-1400 (China)
Unit power, MW	1,255	1,170	1,600	1,400
Efficiency factor, %, gross	37.9	32.9-35.3	35.0-37.0	35.0-36.5
Availability ratio, %	93	90	90	90
Construction duration, months	48	36	54	48
Cost of electric power, USD /kW*h	0.0238	0.0230	0.0253	0.0259

VVER.1200E project was used to build Tianwan NPP (China), and is being applied at Kudankulam NPP (India), Novovoronezh NPP-2, Leningrad NPP-2, Belarusian NPP, and in the design of Baltic NPP.

VVER.1300TOI (V-510) project is a standard design of an optimized and information-supported two-unit NPP with VVER-1300 reactor (pressurized water reactor) constructed to meet modern nuclear and radiation safety requirements. So far VVER.1300TOI is the most advanced innovative product in the Russian nuclear industry.

**SO FAR VVER-TOI IS THE MOST ADVANCED INNOVATIVE PRODUCT IN THE RUSSIAN NUCLEAR INDUSTRY**

At the same time, the VVER.1300TOI project represents an evolutionary advancement of VVER.1200E being constructed at Novovoronezh NPP-2, hence the reference capability and continuity of technical solutions. VVER.1300TOI advantages are as follows: high safety level, high level of NPP autonomy under emergency, high design expected availability ratio, and low solid radioactive waste and emission.

The VVER.1300TOI project was first applied at Kursk NPP-2. The best of VVER.1300TOI solutions will be applied at Akkuyu NPP (Turkey) and other plants.

**2.3.2.2. INFORMATION TECHNOLOGIES**

One way to improve production performance is creating efficient project management and management decision support systems based upon up-to-date information technologies. The information segment of the project management system shall provide for:

- Monitoring of facility construction process,
- Procedure for decision making by management and head office at the construction stage,



*Advanced IT-technologies used by JSC NIAEP today, Multi-D being one of them, will be introduced into the work flow of all other companies in the Group, including JSC Atomenergoproekt which designs a number of foreign NPPs for the Integrated Company. This will improve labor efficiency and effectiveness of procurement and construction processes.*

- Operating management of the construction process.

There are several project management mechanisms: Project Office, Project Manager Portal, Project Management Center, Integrated Construction Schedule (see details in the 2013 Annual Report of JSC NIAEP <http://niaep.interity.info/en/miekhanizmy-upravleniia-proiektami>).

**MULTI-D TECHNOLOGY**

The key competitive advantage of the ASE – NIAEP United Company which keeps its leadership position in the core business and allows active developing in the areas of diversification is implementation of the Multi-D innovative technology which enhances competitiveness through quality, time and cost management

- in design, supply and facility management frameworks.

The Multi-D technology allows 3D-modeling for detailed simulation of construction and installation, optimizing NPP construction at the stage of production preparation, analyze different resource utilization scenarios, and amend and optimize 3D model as necessary. Multi-D model consists of spacial intelligent model including layouts and 3D visualization; works execution schedule based upon production standards; information about physical amounts. Depth of Multi-D model itemization is limited to the diary and network scheduling of the fourth level. CIW planning technology based upon the schedule is applied stepwise to reference points, rooms, and installation areas.

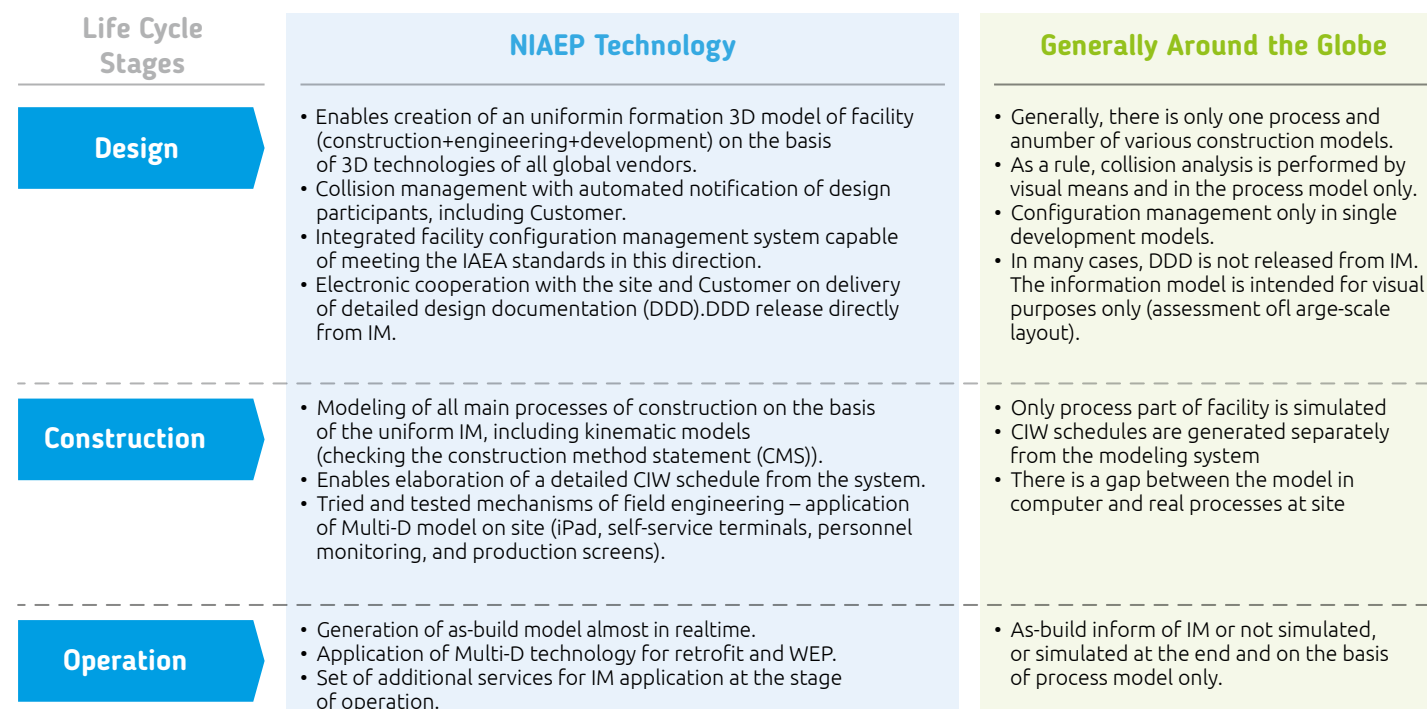


Fig. 37. Multi-D Technology Advantages

THE KEY COMPETITIVE ADVANTAGE OF THE ASE – NIAEP INTEGRATED COMPANY WHICH KEEPS ITS LEADERSHIP POSITION IN THE CORE BUSINESS AND ALLOWS ACTIVE DEVELOPING IN THE AREAS OF DIVERSIFICATION IS IMPLEMENTATION OF THE MULTI-D INNOVATIVE TECHNOLOGY WHICH ENHANCES COMPETITIVENESS THROUGH QUALITY, TIME AND COST MANAGEMENT IN DESIGN, SUPPLY AND FACILITY MANAGEMENT FRAME-WORKS



Software used for Multi-D design:

- SmartPlant Review, SmartPlant Construction produced by Intergraph Company;
- Delmia/DPE produced by Dassault Systèmes Company.

**DESIGN AND CONSTRUCTION MANAGEMENT**

Design and construction management is executed through:

- unified Nuclear Industry Catalogue of Equipment and Materials for NPP <http://www.eoncom.niaep.ru>;
- electronic technical document management system;
- complex Capital Construction Management System (IPMS NIAEP) (see the Annual Report of JSC NIAEP for 2013 <http://niaep.interity.info/en/upravlieniie-proiektirovaniem-i-sooruzhieniim>);
- basic accounting system (1C:USO8) (see the Annual Report of JSC NIAEP for 2013 <http://niaep.interity.info/en/upravlieniie-proiektirovaniem-i-sooruzhieniim>).

**UNIFIED NUCLEAR INDUSTRY CATALOGUE OF EQUIPMENT AND MATERIALS FOR NPP**

Unified Nuclear Industry Catalogue of Equipment and Materials (UNICEM) is a tool for design process optimization and following procurement of equipment in the nuclear industrial applications. See detailed catalog description in the Annual Report of JSC NIAEP for 2013 <http://niaep.interity.info/en/upravlieniie-proiektirovaniem-i-sooruzhieniim>.

**Results of 2014**

The Catalogue was further improved within the Plan of High-Priority Measures on Improving Efficiency of UNICEM Application in 2014. We continued to work on further integration of UNICEM with Intergraph Company's automated design systems. The year was marked by commencement of commercial operation of the data communication adapter for data transfer from UNICEM to SP P&ID, process scheme development system, and data communication adapter for data transfer from UNICEM to SP3D, 3D simulation system. Thus,

quality of designers' work was improved by introducing standard items of equipment and pipe valves from UNICEM into development of process schemes and 3D simulation.

In addition, in 2014 we developed adapters between UNICEM and SP Instrumentation (SPI), the system applied in design of instrumentation and automation equipment, and SP Electrical, applied in design of electric supply means.

**Plans for 2015**

- commissioning of UNICEM-SPI/SPEL adapters;
- development and introduction of adapter linking UNICEM with SP Foundation system for engineering data management;
- introduction of the Catalogue into the JSC NIAEP branches, including technical integration for data exchange with the information exchange system and Supplier Portal for acquisition of information about contracted items and drawing documents through the system directly without supplier's involvement;
- integration of the Catalogue with design information systems of JSC Atomproekt and JSC Atomenergoproekt at the points of data transfer to SP PID, SP 3D, including commissioning of technology and adoption of the Industry Catalog Application Standard;
- personnel training and certification to ISO 8000;
- enhancement of the data transfer adapters to SP P&ID, SP3D, SPEL, SPI;
- system audit to ensure sufficient efficiency with consideration of increasing number of users and interfaces;
- development of recommendations on improvements and action plan for implementation of the approved improvements to ensure high efficiency of the Catalogue;
- preparation of proposals on ENOVIA certification;
- improvement of technologies, procedures and guidelines for administration and maintenance of the Catalogue, as well as for technical support and information follow-up of various industry users.

**ELABORATION OF ELECTRONIC TECHNICAL DOCUMENT MANAGEMENT SYSTEM**



**Case 1. Belarusian NPP Project**

As part of work on establishment of the uniform information space between JSC NIAEP and JSC Atomenergoproekt the Electronic Technical Documentation Management System was created on the SP Foundation platform to ensure incoming control of detailed design documentation supplied for Belarusian NPP design

Advantages of incoming control in ETDMs:

- Direct Developer – Inspector communication which saves up to several days due to elimination of hierarchical letter processing procedure,
- Less time lost for comments removal compared to official document work flow,
- History of comments registered in one source,
- Automated event notifications to all parties involved

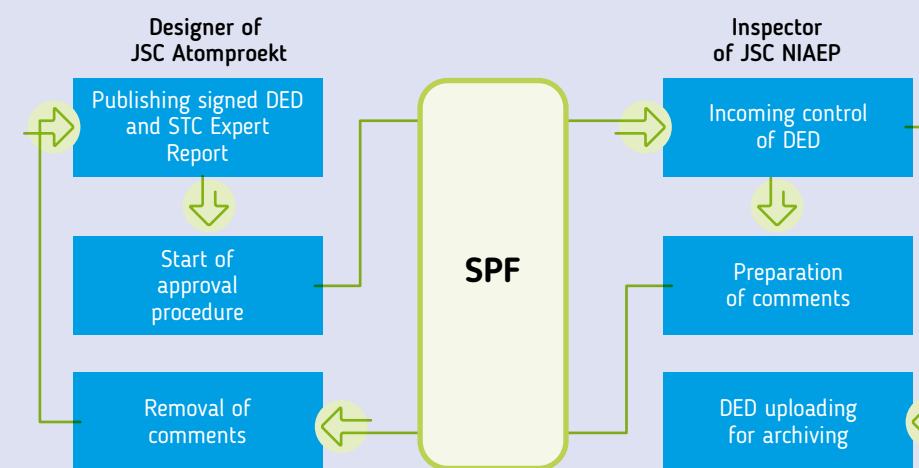


Fig. 38. ETDMs on SP Foundation Platform

**Case 2. Kursk NPP-2 Project**

As part of work on establishment of the uniform information space between JSC NIAEP, JSC Atomenergoproekt and construction site of Kursk NPP-2 the electronic technical documentation management system based upon the SP Foundation platform was tuned to pass detailed design documentation on design of Kursk NPP to the Customer.

**In 2014:**

- Communication channel between JSC NIAEP and Directorate of Kursk NPP-2 was established;
- Regulations for Cooperation of JSC NIAEP and Directorate of Kursk NPP-2 were adopted with detailed design documentation approval in electronic form in ETDMs based upon SP Foundation platform;
- User manuals were developed and users trained;
- SPF system was adjusted.

It is planned to solve the issue of interaction between the Customer's ETDMs and information model of Kursk NPP at the site of JSC Atomenergoproekt in 2015.

Works on elaboration of Electronic Technical Document Management System (ETDMS) using digital signature have been carried out since 2011. Creation of ETDMS is aimed at improvement of communications inside the Company and between the Company and customers in the process of elaboration, coordination and storage of technical documentation.

**Plans for Launching Innovative Projects in 2015**

- Industrial application of Tekla Software for preparation of civil construction design and detailed design documentation on Kursk NPP-2 and other NPPs based on VVER-TOI project;

- creation of the Uniform Project Catalogue based on the project catalogue management system by Intergraph's SmartPlant Enterprise Software;
- creation of integrated design, procurement, and construction schedule, and distribution

- of the Schedule to Tianwan NPP, Leningrad NPP, Kudankulam NPP, Bushehr NPP, Ruppur NPP, Paks NPP, Akkuyu NPP, Rostov NPP, Novovoronezh NPP and Kursk NPP;
- development of Analitika Module for the Capital Construction Monitoring and Man-

- agement System for construction sites of Kursk NPP;
- introduction of barcoding standards at JSC NIAEP facilities: Supplier Portal for communication with Customer;
- introduction of Exalead search system;

- introduction of innovation management system;
- creation of system of daily task scheduling (second stage).

**INNOVATIVE PROJECTS LAUNCHED IN 2014**

**Information System of PMC (Project Management Center)**

<p><b>Task:</b></p> <ul style="list-style-type: none"> <li>• real-time access to project information;</li> <li>• demonstration of Multi-D innovative management system;</li> <li>• saving time on working meetings.</li> </ul> <p><b>Problem:</b> inability to obtain Company's project information in real time.</p> <p><b>Solution:</b> development and establishment of the unique project management center on the basis of Multi-D technology.</p>	<p><b>Expenses:</b> 53 million rubles.</p> <p><b>Implementation Time:</b> 2013-2014</p> <p><b>Result:</b></p> <ul style="list-style-type: none"> <li>• saving time on working meetings by 3 times;</li> <li>• saving time on demonstration of Multi-D based management technology.</li> </ul>
<p><b>Process Effect:</b> single-point access to all information on any of the Company's projects with the aim of diminishing management decision risks.</p>	<p><b>Projects:</b> Akkuyu NPP, Kursk NPP-2, Belarusian NPP.</p>

**Joint Design, Procurement and Construction Schedule**

<p><b>Task:</b> integration of Design, Procurement and Construction Schedules.</p> <p><b>Problem:</b> existing collision and disarrangement between separate existing schedules.</p> <p><b>Solution:</b> creation of information system.</p>	<p><b>Expenses:</b> 24 million rubles.</p> <p><b>Implementation Time:</b> 2013-2014</p> <p><b>Result:</b></p> <ul style="list-style-type: none"> <li>• time saving on DED issuance;</li> <li>• time saving on equipment supplies;</li> <li>• diminishing risks of CIW lagging;</li> <li>• reducing time of interdisciplinary problem solving.</li> </ul>
<p><b>Process Effect:</b></p> <ul style="list-style-type: none"> <li>• timely detection of collision between disciplines;</li> <li>• means of identifying potential risks for the facility project implementation.</li> </ul>	

**Project: Analitika Information System**

<p><b>Task:</b></p> <ul style="list-style-type: none"> <li>• real-time collection, processing and representation of KPI of NPP construction project;</li> <li>• collection of construction experience;</li> <li>• support in decision making.</li> </ul> <p><b>Problem:</b> unavailability of automated performance indicator collection and representation system.</p> <p><b>Solution:</b></p> <ul style="list-style-type: none"> <li>• development of information system;</li> <li>• development of procedures for KPI generation and reporting.</li> </ul>	<p><b>Expenses:</b> 4 million rubles.</p> <p><b>Implementation Time:</b> 2013-2014</p> <p><b>Result:</b></p> <ul style="list-style-type: none"> <li>• quality enhancement of project decisions</li> <li>• acceleration of decision making by 200%</li> </ul>
<p><b>Process Effect:</b></p> <ul style="list-style-type: none"> <li>• improvement of work planning;</li> <li>• elimination of interdependent relations hampering clear reporting;</li> <li>• timely data reporting;</li> <li>• identification of persons in charge of source data.</li> </ul>	<p><b>Projects:</b> Belorussian NPP.</p>

**Project: Requirement Management System for NPP Design and Construction**

<p><b>Task:</b> to collect and study requirements from all parties involved.</p> <p><b>Problem:</b></p> <ul style="list-style-type: none"> <li>• absence of a structured requirement management system;</li> <li>• high cost of translation of foreign requirements for subsequent comparison with changes;</li> <li>• disagreements in requirement harmonization process.</li> </ul> <p><b>Solution:</b> creation of information system.</p>	<p><b>Expenses:</b> 36 million rubles.</p> <p><b>Implementation Time:</b> 2013-2014</p> <p><b>Result:</b></p> <ul style="list-style-type: none"> <li>• 10-time reduction of time spent for review and change of requirements;</li> <li>• reduction of delay in translation of requirements by 90 %;</li> <li>• elimination of recurrent investments for creation of the catalog of requirements.</li> </ul>
<p><b>Process Effect:</b></p> <ul style="list-style-type: none"> <li>• simplification of requirement alignment with Customer;</li> <li>• tracking history of requirement processing;</li> <li>• creation of knowledge database.</li> </ul>	

**Project: Help Chain Information System**

<p><b>Task:</b> timely settlement of problems at construction site.</p> <p><b>Problem:</b> routine issues at working meetings on the projects.</p> <p><b>Solution:</b> creation of information system and user guidelines.</p>	<p><b>Expenses:</b> 6,5 million rubles.</p> <p><b>Implementation Time:</b> 2013-2014</p> <p><b>Result:</b> acceleration of problem solving by 2-3 times.</p>
<p><b>Process Effect:</b></p> <ul style="list-style-type: none"> <li>• timely problem solving and identification of persons in charge;</li> <li>• timely discussion of identified problems;</li> <li>• accumulation of standard scenarios of problem solving.</li> </ul>	<p><b>Projects:</b> Kursk NPP-2, Yuzhnouralskaya HPP-2, Belorussian NPP, Rostov NPP</p>

**Project: Arrival Board and Supplier Portal Information Systems**

<p><b>Task:</b> real-time control of equipment and documentation delivery.</p> <p><b>Problem:</b></p> <ul style="list-style-type: none"> <li>• poor control over equipment and documentation delivery, especially in case of long-lead equipment</li> <li>• no interim milestones in equipment and documentation delivery procedure.</li> </ul> <p><b>Solution:</b> creation of policy governing work with supplier and development of associated information system.</p>	<p><b>Expenses:</b> 14 million rubles.</p> <p><b>Implementation Time:</b> 2013-2014</p> <p><b>Result:</b></p> <ul style="list-style-type: none"> <li>• reduction of risk of equipment and documentation delivery fail;</li> <li>• acceleration of equipment and documentation delivery by 3 %;</li> <li>• reduction of work efforts for stock-taking by 60 man-hours/year;</li> <li>• reduction of equipment and documentation acceptance and release for mounting by 741 man-hours/year;</li> <li>• incoming inspection of equipment and materials for 500 man-hours/year.</li> </ul>
<p><b>Process Effect:</b></p> <ul style="list-style-type: none"> <li>• improvement of supply chain transparency;</li> <li>• providing conditions for equipment and documentation barcoding;</li> <li>• acceleration of logistics;</li> <li>• prevention of mistakes of equipment registering in the warehouse management system.</li> </ul>	

## 2.4. HUMAN CAPITAL



**Nikolay Sheshokin,**  
Vice-President of HR Management  
of JSC NIAEP

### Which results have you managed to achieve due to implementation of the Rosatom Production System into labor protection system?

Activity of branch managers at the construction sites and specialists of occupational safety and health divisions is targeted first of all to prevention of injuries. We carry out a group of preventive activities including within the frame of the RPS implementation. Safety Lineups are held prior to start of work. Patrolling of the construction site by specialists of labor protection services is carried out every day. Meetings of staff headquarters devoted to interaction and safe works with participants of NPP construction are held every week. It is worth noting, that since 2013 Model Provision on OHS Management System was implemented at the construction site of Rostov NPP due to joint efforts of the

Customer, General Contractor and contracting companies. It sets up a unified procedure for monitoring and control of occupational safety for all participants of power units construction in accordance with the Russian laws and specific features of the industry. One of the most important principles is assignment of responsibilities for middle managers. In the course of construction of the Rostov NPP units from 2010 to 2014, 13, 7, 4, 2 and 0 occupational accidents occurred, respectively. It means that while increasing number of employees annually at the construction facilities and increasing scope of works to be performed we managed to reduce quantity of injuries to null. It is an evident success of system-level activities on occupational safety.

### 2.4.1. Human Capital Management

Policy of the human capital management is based on intention of the Company to create a competitive business which successfully implements projects on construction of sophisticated engineering facilities in the power engineering industry, and it is targeted to shareholder value maximization. Policy of the human capital management contributes to implementation of business strategy, in particular one of basic goals which is a considerable growth of scope and profitability of business due to human capital. Growth of human capital implies not only increase of number of employees, but also competency, professional, and career advancement (See also [“Intellectual Capital” Section](#)) and improvement of labor conditions.

Strategy of HR management of the ASE – NIAEP United Company corresponds to basic key HR-priorities of the State Corporation Rosatom.

#### PRIORITY AREAS OF ACTIVITY

1. Provision of human resources in accordance with strategic goals of the Company:

- staffing the Company with qualified personnel through involvement of “the best of the best”, efficient personnel training, selection and development system, introduction of integrated evaluation and career planning system,
- preservation and transfer of key knowledge and abilities through introduction of coaching system, relocation of key specialists from completed facilities to new facilities under construction,
- improvement of program of the HR reserves development, drawing up succession plans as for the most important positions.

2. Improvement of HR management, in particular, improvement of the HR management process automation, transfer of the HR management functions to industry-wide service center.

In the course of the reporting year, a unified Information Automated HR Management System (IAHRMS) based on SAP HCM was put into operation. The following was automated in JSC NIAEP:

- management of organizational structures and personnel charts,
- HR recordkeeping and time-board accounting,
- calculation of wages,



*Representative of employees in social partnership of JSC NIAEP is a trade union. Primary trade union organization of the nuclear power engineering industry employees is created in the Company.*



turing, reduction of time and labor costs. The service participates in five RPS-projects: hiring, transfer to another job, dismissal from work, time-board accounting and bonus payments for personnel. Expected result due to implementation of RPS-projects: more effective work of HR management service and improvement of service for the employees.

3. Development of corporate culture targeted to achieve results and focused on self-improvement and innovations:

- Assurance of uniform principles and approaches to HR management in all operation areas with consideration of local specifics,
- The following unified business values: “One Step Ahead”, “Accountability”, “Effectiveness”, “United Team”, “Respect” and “Safety” were stated in the State Corporation Rosatom in 2014. These values represent one of the criteria which will be used by JSC NIAEP to attract specialists and develop their career;
- Corporate Ethics Code for employees of JSC NIAEP came into effect in 2014. It specifies standards and regulations for business communication. The Code gives an idea of principles of ethical conduct for each employee. These principles determine mutual relations in the team and relations with business partners. The Code is a tool to prevent probable violations and conflicts. Each new employee agrees with the provisions of the Code by signing a certificate which is kept in the personal file.
- Since 2011, the Company participates in the research of a level of personnel involvement of the State Corporation Rosatom (see [“Personnel Involvement” Subsection](#)).

- personnel performance management (KPI and competency assessment).

Implementation of IAHRMS enabled JSC NIAEP to become a client of Common Service Center (CSC) for HR management since September 01, 2014. The most essential change: almost all technical (“paper”) matters are settled in the CSC. In future, all HR-related matters will be solved on-line and by means of self-servicing, and HR management service will focus its efforts on solution of strategic goals: selection, training and development of employees.

HR management service of JSC NIAEP launched a new project of the State Corporation Rosatom in 2014 which is known as the Rosatom Production System. Its aim is to improve efficiency of HR management processes due to implementation of tools of lean manufac-

**DOCUMENTS WHICH REGULATE PERSONNEL MANAGEMENT:**

- Labor Code of the Russian Federation;
- Industry agreement on nuclear energy, industry and science for 2012-2014;
- Charter of JSC NIAEP;
- Internal Labor Regulations of JSC NIAEP;
- Corporate Ethics Code of JSC NIAEP;
- Corporate Standard on Personnel Training;
- Corporate Standard on Recruitment, Employment and Personnel Adaptation;
- Regulations on Evaluation of Managers and Specialists in JSC NIAEP;
- Regulations on Annual Performance Efficiency Estimation of JSC NIAEP Employees;
- Collective Agreement for 2013-2014.

## 2.4.2. HR Policy Implementation Results

### 2.4.2.1. GENERAL DESCRIPTION OF HUMAN CAPITAL

The total headcount of employees of the ASE – NIAEP United Company including subsidiaries amounts to more than 8.5 thousand persons.

As of December 31, 2014, the total headcount of the JSC NIAEP employees amounts to 3,423 persons: 1,707 employees in the Central Office of

JSC NIAEP, 1,716 employees in other branches and representative offices. The headcount of subsidiaries amounts to 4,374 persons. Detailed information about staff number and turnover is presented in [Annex 9](#).

Table 28. JSC NIAEP Employees by Gender and Age as of December 31, 2014

Categories of Employees	Up to 30 years old				31-50 years old				Over 50 years old			
	M	W	total	average age	M	W	total	average age	M	W	total	average age
Managers	44	17	61	28.7	317	153	470	40.2	225	101	326	57.0
Specialists	349	404	753	27.2	460	615	1,075	37.5	161	237	398	57.0
Officers	-	15	15	26.2	1	21	22	38.9	1	12	13	55.8
Workers	29	15	44	26.1	95	46	141	40.4	75	30	105	55.6
<b>TOTAL:</b>	<b>422</b>	<b>451</b>	<b>873</b>	<b>27.2</b>	<b>873</b>	<b>835</b>	<b>1,708</b>	<b>38.5</b>	<b>462</b>	<b>380</b>	<b>842</b>	<b>56.8</b>

Table 29. JSC NIAEP Employees by Gender, Average Age of Employees by Categories as of December 31, 2014 (exclusive of subsidiaries)

Categories of Employees	Men	Women	Average Age
Managers	586	271	45.8
Specialists	970	1,256	37.5
Officers	2	48	39.5
Workers	199	91	43.7

Table 30. Headcount of the JSC NIAEP Subsidiaries

Subsidiaries	2012	2013	2014	2015 (target)
<b>Total for subsidiaries</b>	<b>1,752</b>	<b>4,219</b>	<b>4,288</b>	<b>4,026</b>
LLC Trest RosSEM	-	2,306	2,185	2,071
LLC SMU No.1	1,212	1,156	1,272	1,114
LLC VdMU	540	757	831	841

According to the Collective Agreement, if employee is dismissed due to staffing reduction, the employer provides assistance in further employment, including in the companies with in the State Corporation Rosatom.

For the last three years, the 43-45 % share of employees younger than 35 years has been kept in JSC NIAEP (see Fig. 41). The Company is interested in involvement and retention of

young professionals including recent graduates (see details in [Section 2.3. "Intellectual Capital"](#)).

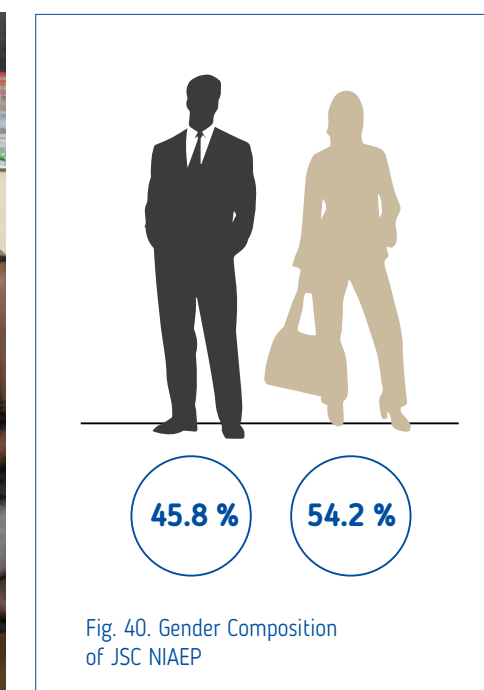
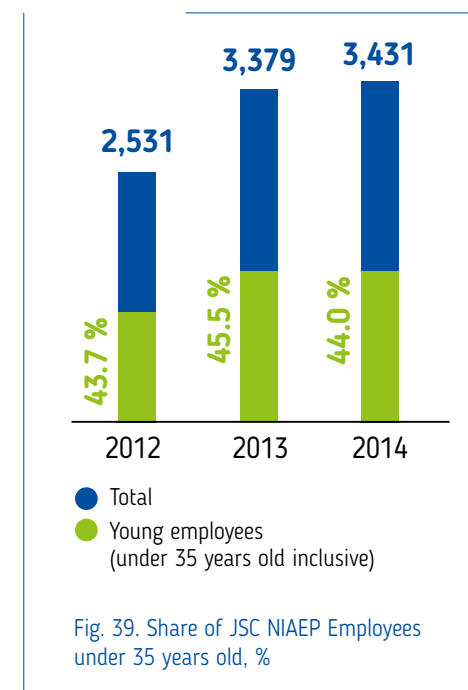


Table 31. Personnel Headcount by Gender

Categories of Employees	2012			2013			2014		
	M	W	total	M	W	total	M	W	total
JSC NIAEP	1,731	1,648	3,379	1,781	1,650	3,431	1,757	1,666	3,423
JSC ASE	415	262	677	653	362	1,015	597	287	884
<b>TOTAL:</b>	<b>2,146</b>	<b>1,910</b>	<b>4,056</b>	<b>2,434</b>	<b>2,012</b>	<b>4,446</b>	<b>2,333</b>	<b>1,974</b>	<b>4,307</b>



### 2.4.2.2. LABOR EFFICIENCY

From the point of view of the used resources, engineering as a business is, first of all, a HR, human capital. Key factor of efficiency improvement is increase in labor efficiency.

Table 32. Labor Efficiency depending on Business Profile, thousand rubles/pers.

Labor efficiency	2012	2013	2014 (target)	2014 (actual)	Change relative to 2013, %	2015 (target)
<b>Total, including:</b>	<b>12,580</b>	<b>11,143</b>	<b>12,523</b>	<b>13,105</b>	<b>17.6</b>	<b>13,303</b>
"Construction Management" Business	22,093	15,019	18,327	19,853	32.2	18,028
"Equipment" Business	39,214	18,942	19,079	23,261	22.8	30,512
"Design and Exploration Work" Business	5,624	6,263	6,295	7,165	14.4	7,195
Other types of business	2,698	1,872	3,495	3,598	92.2	3,746

Table 33. Labor Efficiency of the JSC NIAEP Subsidiaries (Average Monthly), thousand rubles/pers.

Labor efficiency	2012	2013	2014	2015 (target)
<b>Total for subsidiaries</b>	<b>82.6</b>	<b>76.9</b>	<b>95.0</b>	<b>101.5</b>
LLC Trest RosSEM	-	68.4	100.9	114.1
LLC SMU No.1	86.3	83.0	77.0	82.3
LLC VdMU	74.4	93.6	107.1	95.7

Dynamics of labor efficiency is directly related to the 2014 growth of facilities under designing and construction and increase in labor efficiency of design and exploration works.

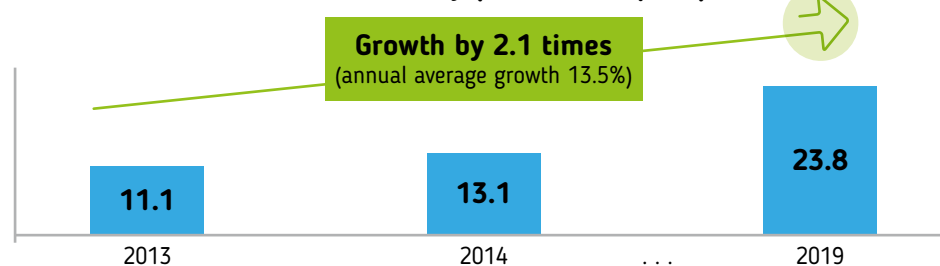
Increase of the indicator is conditioned by sale profit enhancement, as well as increase of share of added value in the proceeds from sales and increase of production program.

Minimal task is to provide labor efficiency of at least 5% per year in actual prices.

**!** The goal is to achieve level of foreign peer companies within 5 years: double growth of labor efficiency of JSC NIAEP and level of 23.8 mln. rubles/pers. by 2019.

Taking into account foreign projects of NPP construction under control of JSC NIAEP, 38.2 mln. rubles/pers. labor efficiency is planned in the engineering division by 2019 (level of foreign peer companies).

#### Labor Efficiency (mln. rubles/pers.)



#### Headcount (pers.)

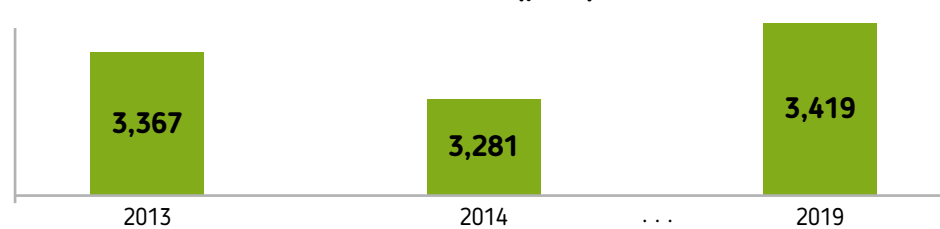
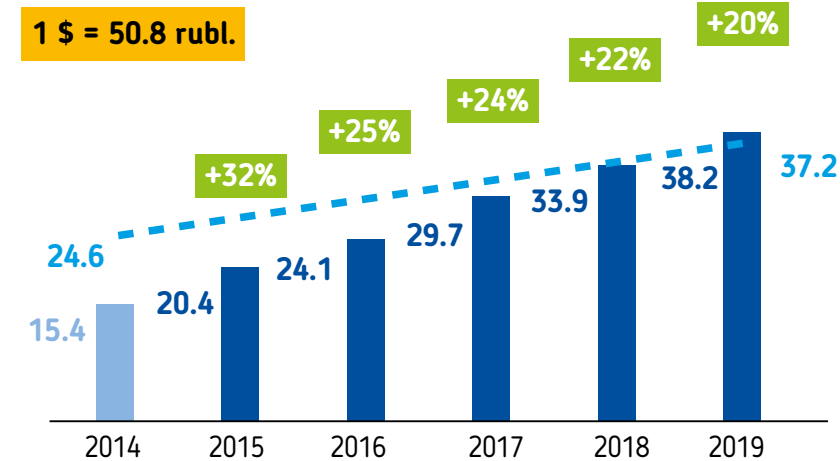


Fig. 41. Plans for Labor Efficiency Increase in JSC NIAEP

1 \$ = 50.8 rubl.



● Estimated level. Value of efficiency of Flour Company in 2013 is accepted as a base, and then, taking into account inflation of 5% per year and net increment 3%.

● Average annual rate of growth relative to 2014.

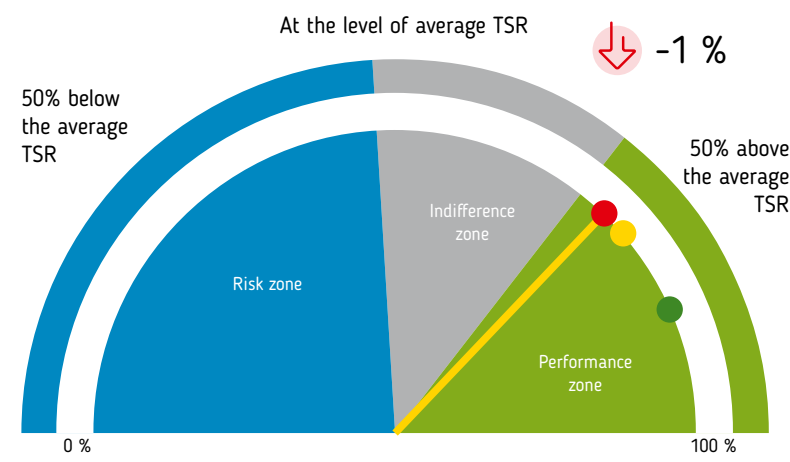
Fig. 42. Labor Efficiency in Engineering Division

### 2.4.2.3. PERSONNEL INVOLVEMENT

JSC NIAEP has participated in the personnel involvement level survey for four years. Involvement (personal interest of the employees in achievement of the Company's strategic goals) is directly connected with financial performance of the Company. According to the results of survey carried out in 2014 with participation of 958 employees of the Company, personnel involvement level in JSC NIAEP amounted to 74%, what is 1% less than in 2013 (result within the limits of statistical error).

Table 34. Personnel Involvement Level by Categories of Employees, %

Categories of employees	2012	2013	2014
Top managers	100	92	92
Middle managers	80	70	74
Specialists	78	74	73
Workers	89	93	59



● **Russia, the best employers**  
The Best Employers Benchmark (Russia) shows the average value among the organization entitled as Best Employers.

**TSR:** Total Shareholder Returnin percentage terms: amount of total shareholder return (share cost increase + paid out dividends) divided by the share cost in the previous year

- Average value among the organizations (74%)
- Industry 2014 (74%)
- Company 2013 (75%)
- Russia, the best employers of 2013 (82%)

Fig. 43. Personnel Involvement in JSC NIAEP.

Source: Aon Hewitt Employee Research Database



Results of the survey have shown that the main success factors of JSC NIAEP include satisfaction of the employees with the line managers and colleagues. They respect and support each other, appreciate help and support of their direct supervisors. The employees are also satisfied with their wages, resources to carry out their work, and in their opinion, the top managers exercise effective administration of the Company.

According to the involvement level, for five years JSC NIAEP has referred to the performance zone including the major world companies in terms of economics. It is a result of methodical efforts in the field of HR management, informing of employees about strategic

plans of the Company and implementation of new administrative mechanisms.

#### 2.4.2.4. LABOR REMUNERATION

JSC NIAEP seeks to provide for fair evaluation of labor of its employees. In all operation areas the Company offers competitive minimum and average wages.

In accordance with the clause 6.2.3 of the [Industry Agreement on Nuclear Energy, Industry and Science for 2012-2014](#) the Company undertakes to set the minimum wage of at least 1.4 of living wages (and at least 1.25 of living wages for employees of certain categories of

organizations). In 2014, minimal wage was established in the amount of 8,300 rubles (1.2 % above living wages).

#### PAYROLL CALCULATION PRINCIPLE. KPI SYSTEM

Regulations for Labor Remuneration of the JSC NIAEP employees introduced in accordance with the Single Uniform Labor Remuneration System of the State Corporation Rosatom (SULRS) assures encouragement of the employees for improvement of production and economic performance based on incentive mechanism.

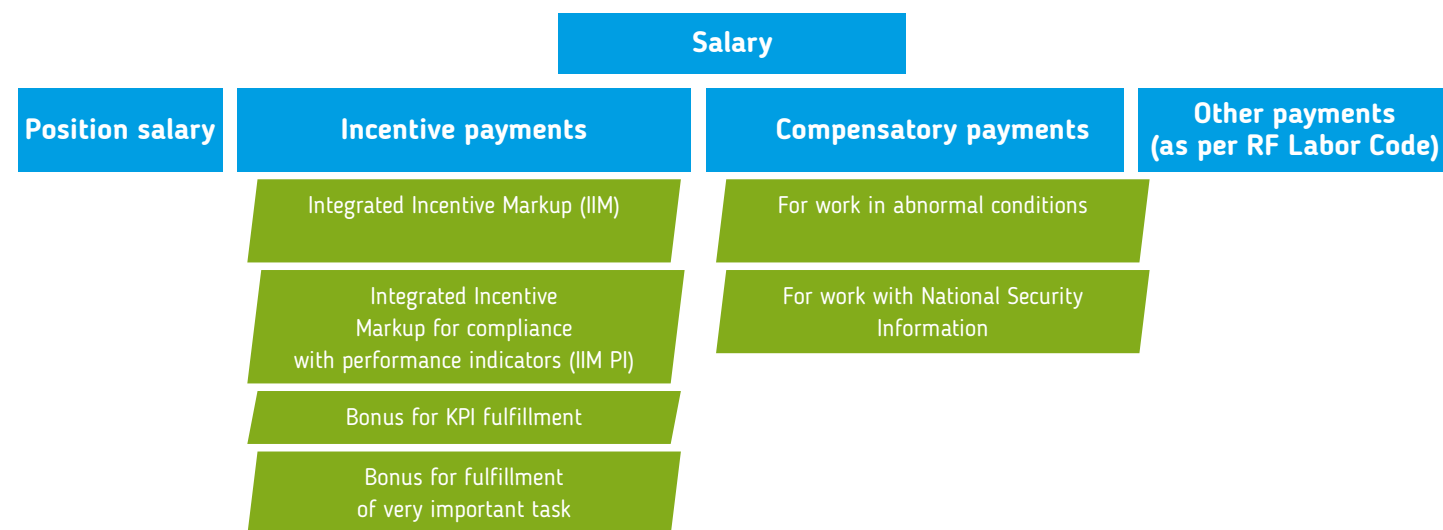


Fig. 44. Structure of Salary

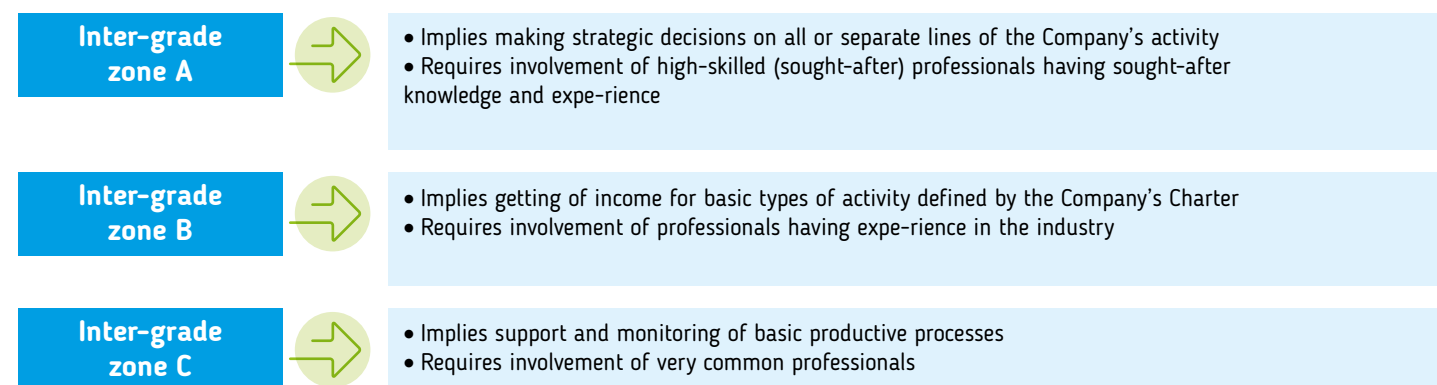


Fig. 45. Principles of Designation of Positions, Professions and Structural Divisions to Inter-Grade Zones

The amount of wage rate (basic salary), IIM and bonuses for KPI depend on the employee's position level, his or her professional competency and effectiveness.

A grade and an inter-grade zone are assigned to every position and profession of a certain qualification category in the corporate schedule of the Company.

The IIM is introduced as an instrument facilitating determination of the employee's money remuneration corresponding to his or her professional competence and effectiveness of labor (professional status). The IIM PI is generally paid to workers of large production subdivisions.

The employees are given bonuses pursuant to the results of KPI fulfillment once a year at the expense and within the wage pool with consideration of the Company's performance results for the year. The Company's KPIs are described in the JSC NIAEP CEO's Map of KPI and translated or decomposed for subordinated workers and structural subdivisions.

As per decision of the JSC NIAEP CEO some bonuses for implementation of very important tasks which should meet special requirements as for terms, quality and significance can be paid.

Amount of incentive payments to the employees when decorating by state and industry-level

awards for particular achievement in work and essential personal contribution to performance of industrial plans in the reporting year was 75 thousand rubles.

In accordance with scenario conditions of development, increase in labor efficiency should be provided at a level of minimum 5% per year in actual prices. Increase of average wage is kept at a level of 5% in actual prices provided that indicator of increase of labor efficiency is fulfilled.

Table 35. Average Monthly Wage by Regions<sup>20</sup>

Subdivisions	2014			(2014-2013)/2013, %
	Headcount, pers.	Wage Pool (thous. rubles)	Average Monthly Wage (thous. rubles)	
Nizhny Novgorod Region	1,781.3	2,645,388.2	123.8	15.0
Rostov Region	551.1	360,568.1	54.5	28.8
Kaliningrad Region	43.5	41,305.5	79.1	6.0
Kharkov Region, Ukraine	6.0	7,888.8	109.6	12.1
Moscow	428.5	631,432.0	122.8	8.5
Republic of Belarus	298.9	185,252.9	51.7	17.2
Chelyabinsk Region	118.9	112,763.2	79.1	54.5
Kursk Region	60.3	47,561.9	65.7	1.4
<b>TOTAL:</b>	<b>3,288.5</b>	<b>4,032,160.7</b>	<b>102.2</b>	<b>14.1</b>

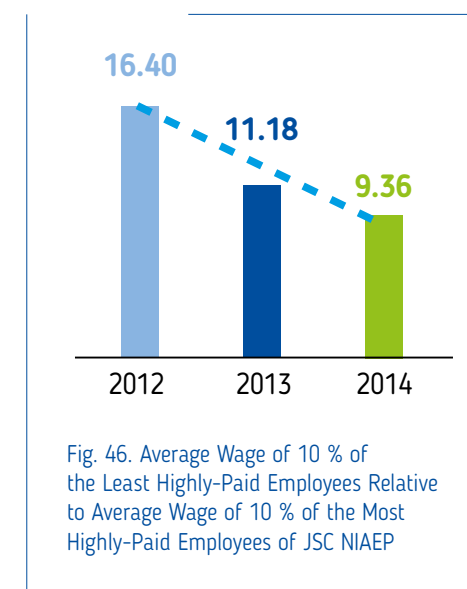


Fig. 46. Average Wage of 10 % of the Least Highly-Paid Employees Relative to Average Wage of 10 % of the Most Highly-Paid Employees of JSC NIAEP

Table 36. Level of Average Wage in the Company relative to Average Labor Market Level

Region	2013	2014
Central Office (Nizhny Novgorod Region)	5.3	4.9
Volgodonsk Branch (Rostov Region)	2.3	2.5
Kursk Branch (Kursk Region)	3.7	2.9
Baltic Branch (Kaliningrad Region)	3.3	3.0
Moscow Branch (Moscow)	2.2	2.0
JSC NIAEP Representative Office in the Republic of Belarus	2.4	2.5
Yuzhnouralsk Branch (Chelyabinsk Region)	2.3	3.4

20. Information for 2012 and 2013 is presented in the Annual Report of JSC NIAEP for 2013 <http://niaep.interity.info/en/chieloviechieskii-kapital>.

Table 37. Ratio of Basic Low-Level Wage to Minimum Wage in Significant Operation Areas<sup>21</sup> of JSC NIAEP

Region	Wage Ratio
Central Office (Nizhny Novgorod Region)	1.2
Volgodonsk Branch (Rostov Region)	1.3
JSC NIAEP Representative Office in the Republic of Belarus (Grodno Region)	1.3
Kursk Branch (Kursk Region)	2.1
Baltic Branch (Kaliningrad Region)	2.4
Moscow Branch (Moscow)	1.6
Yuzhnouralsk Branch (Chelyabinsk Region)	1.5

### 2.4.2.5. PERSONNEL DEVELOPMENT

The ASE – NIAEP United Company performs its activity at the high-technology market, and it results in high professional requirements to the level of competency of employees.

The personnel training and development system is elaborated and updated with consideration of tasks and strategic priorities of the Company. The system covers all levels of personnel and implies regular evaluation of performance results.

One of key factors for possibility to achieve key parameters of the ASE – NIAEP United Company's activity within mid-term period is a recruit-

ment of production personnel for the Company. Taking into account active business in foreign markets, an important requirement (in addition to professional competencies of employees) is availability of the following knowledge:

- knowledge of international standards (legal, financial, industrial-commercial depending on profile);
- knowledge of principles of project management/certification as per PMI/IPMA standards;
- availability of certificates/permits for construction works;
- knowledge of the English language;

- experience of design activities;
- working knowledge of negotiations/presentations.

The Company is provided with specialists of basic production divisions, that have a required qualification and knowledge for implementation of projects abroad, for more than 70%. It is planned to cover the rest of need in personnel due to development of the Company's personnel and hiring from the labor market (see Fig 47).

1,360 employees of the Company have improved skills in the training centers of the State Corporation Rosatom and other organizations in the reporting year.

Within the framework of integration of the ASE – NIAEP United Company and JSC Atomenergoproekt, workshop "Development of Knowledge Management System in the JSC NIAEP – JSC ASE – JSC AEP United Company" was held in November, 2014.

During 2014, 262 top managers and specialists of project department were trained in different training and development programs.

Specialists of JSC NIAEP participate in industry-specific programs of training and development:

- School of Leadership;
- Leaders and Globalization Participants Development Program;
- Program of Technological Innovations Management in the State Corporation Rosatom, etc.

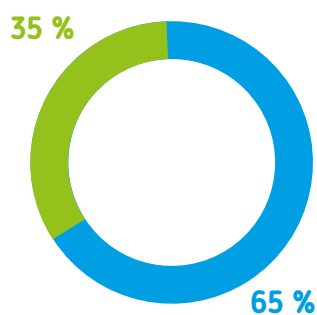


Fig. 47. Need in Additional Personnel to Achieve Key Indicators within Midterm Period

- Development of the Company's personnel
  1. Project management school in Volgodonsk.
  2. Intensive learning of English.
  3. Training in basic department "Life Cycle Management Systems of Complex Engineering Facilities".
  4. Transfer of personnel on completion of stages of the NPP facilities construction
- Hiring from labor market
  1. Hiring of employees in the RF labor market.
  2. Point hiring in local target labor markets of NPP construction.

21. Important operation areas of JSC NIAEP are regions of operation of the Company in Russia and abroad where JSC NIAEP has economic, environmental and social influence within the frames of production activity.

Table 38. Number of the Employees Completed Training

Region	2012	2013	2014
Central Office	951	1,029	919
Moscow Branch	149	49	172
Volgodonsk Branch	187	138	129
Baltic Branch	97	43	8
Yuzhnouralsk Branch	20	295	17
Representative Office in the Republic of Belarus	25	175	78
Kursk Branch	-	17	37
<b>TOTAL:</b>	<b>1,429</b>	<b>1,746</b>	<b>1,360</b>

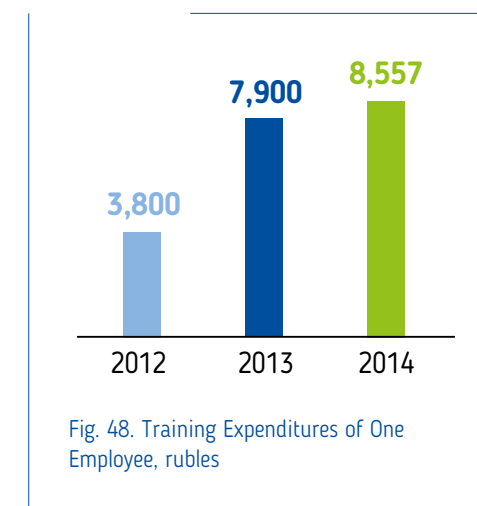


Fig. 48. Training Expenditures of One Employee, rubles

Table 39. Personnel Training Expenditures, thousand rubles

Training Expenditures	2012	2013	2014
JSC NIAEP	13,807	26,500	28,115
Share of training expenditures of total expenditures for personnel, %	0.3	0.58	0.69
JSC ASE	668	732	1,919
Share of training expenditures of total expenditures for personnel, %	0.12	0.09	0.69

**!** In 2014, eight employees of HR management services were trained and became certified training managers of the course "Business Performance Management". Internal training managers instructed 300 top managers.

Table 40. Average Number of Training Hours per One Employee

Categories of Employees	2012		2013		2014	
	NIAEP	ASE	NIAEP	ASE	NIAEP	ASE
Top and Senior Managers					66.9	54
Middle Managers	6.7	6.7	22.9	9.2	53.8	51.1
Initial Managers					53.1	-
Specialists	9.8	5.6	18.2	7.0	69.9	17.9
Workers	22.4	3.9	6.8	-	20.3	-

### WORK WITH STAFF POOL

During appointment of employees to managing positions in JSC NIAEP, priority is given to internal candidates selected normally from the staff pool.

**IN 2014 43% OF VACANCIES WERE FILLED BY MANAGERS FROM THE STAFF POOL**

Table 41. JSC NIAEP Staff Pool Structure

Staff Pool Structure	Number of Employees included in Staff Pool	Number of Vacancies for Managers filled in 2014	Number of Vacancies for Managers filled from Staff Pool in 2014	
			Persons	%
Top Managers	5	3	1	33.3
Middle Managers	218	60	31	51.6
Initial Managers	307	23	5	21.7
<b>Total:</b>	<b>530</b>	<b>86</b>	<b>37</b>	<b>43</b>

Pursuant to the results of assessment of the State Corporation Rosatom, three top-managers of JSC NIAEP were included in the Rosatom's Assets staff pool development programs in 2014. One employee was included in each of the Rosatom's Capital and Rosatom's Talents programs. In 2014, 53 employees were got for selection to industry-specific staff pools of the State Corporation Rosatom, including 10 top managers to staff pool "Rosatom's Assets". On the basis of results of selection procedures, 9 from 10 proposed candidates were recommended for staff pool "Rosatom's Assets", and it confirms high level of preparation and competencies development of top management of the Company.

Within the framework of the program on corporate competence development for the employees included in the staff pool, 40 members of staff pool for Moscow Branch and Representative Office in the Republic of Belarus were trained in 2014.

In the end of 2014, the State Corporation Rosatom approved Common Industry-Specific Recommended Practices for Creation and Development of Managerial Staff Pool which cover all companies of the industry. As per recommended practices, industry-specific staff pools of three management level: top level, middle level and initial level are in force in all the companies. Previous algorithm of work with staff pool approved in JSC NIAEP is transformed into Career and Continuity Management Project. Goals of the Project:

- to minimize personnel risks due to planning of continuity for key leading positions in the industry,
- to provide current valuation of human resources of the State Corporation Rosatom and its divisions for substitution of key managing positions,
- to provide inter-division and inter-region rotation of employees of top and middle level,
- to increase personnel involvement due to transparency of requirements to job positions and procedure to make HR decisions,
- to optimize process of internal search and selection of candidates.

In 2014, TOP-1000 Project was implemented. Management of the Company performed self-estimation and presented career preferences (as per requirements catalogue of the State Corporation Rosatom) in the ETWEB System portal. Information for 150 top managers of the Company was integrated to ETWEB. In 2015, cascading of the project will be performed.

### PERSONNEL ASSESSMENT

The Employee's Performance Management (EPM) system has been applied in JSC NIAEP since 2010. This system is based on evaluation of fulfillment of set goals (KPI) by the employees and assessment of compliance with the required level of corporate competence.

The EPM system permits the employee to understand which results are expected from him or her by JSC NIAEP, by which criteria his or her performance will be assessed, how his or her career expectations may be embodied, what is required for improvement of performance results. According to the employee's performance evaluation results, the system of individual material incentives may be reviewed and a decision may be made on transfer to a higher position or inclusion in the staff pool.

In 2014, managers and specialists of the ASE – NIAEP United Company took part in various assessment procedures:

- 43 employees were assessed for level of management competencies in the course of selection to "Rosatom's Capital" and "Rosatom's Talents" industry-specific staff pools,
- 10 top and middle managers participated in the procedure of assessment using Assessment Center method in the course of selection to "Rosatom's Assets" staff pool;
- 883 managers of all management levels (103% from plan number) passed annual assessment procedure RECORD (72 % of men and 28 % of women).

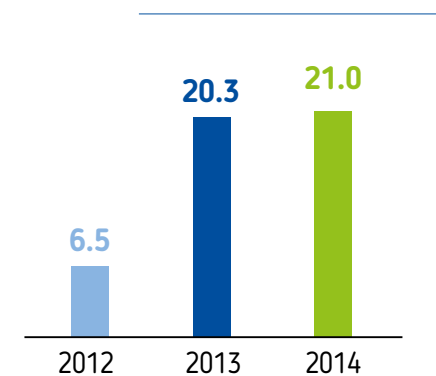


Fig. 49. Share of Employees subject to Assessment of Performance and Career Development, %

### Plans for personnel assessment for 2015:

- RECORD assessment of operating efficiency (950 employees);
- assessment of top managers prior to appointment to positions of TOP-1000 level;
- assessment of employees when creating industry-specific staff pools.

### INVOLVEMENT OF GRADUATES AND WORK WITH HIGHER EDUCATION INSTITUTIONS

Work with graduates is one of priorities of HR policy of the Company. The goals of youth policy are as follows:

- to create external staff pool of the Company from number of the best school graduates motivated to get high-quality professional education and job in JSC NIAEP;
- to provide required inflow of promising graduates of adequate level to the Company;
- to arrange effective work of graduates by accelerating their adaptation, development of management and professional skills, involvement into innovation, scientific and research, as well as designing activities;
- to support state policy in the field of professional education.

### Main trends of work with graduates:

- adaptation of graduates in the Company,
- coaching;
- involvement of graduates into scientific-technical creative work;
- revealing of graduates with leading capacities;
- training of graduates.

### Cooperation with HEIs in the following way:

- special career activities in HEIs (career days, vacancy fairs, meeting with top managers of the Company, contests, selective activities, etc.),
- arrangement of practical training and training on probation,
- work of employees of JSC NIAEP (45 persons) as teachers in educational institutions.

Since 2010 a [scholarship named after E.N. Pozdyshev](#) in the amount of 5,000 rubles per month was established in JSC NIAEP. In 2010–2014 75 scholarships were paid. Scholarship holders get a preference for practical training and subsequent work in JSC NIAEP

In the reporting year the Company went on cooperating with "Consortium of supporting HEIs of the State Corporation Rosatom" incorporating 14 dedicated institutions of higher professional education which prepare specialists for nuclear power industry<sup>22</sup>.



On the basis of dedicated educational institutions, system of continuous education is implemented. It is designed for selection and development of employees taking into account higher requirements to production and labor quality, implementation of new technologies and expansion of operation areas of the Company.

Within the framework of industry order for companies of military-industrial complex, 50 students from the Company pass target preparation, including 15 state financed students in six HEIs. Since 2014, scholarship in the amount of 3,000 rubles per month is paid to students of target preparation. Amount of own funds invested by the Company to target preparation of students (payment of scholarship) was equal to 180 thousand rubles in 2014

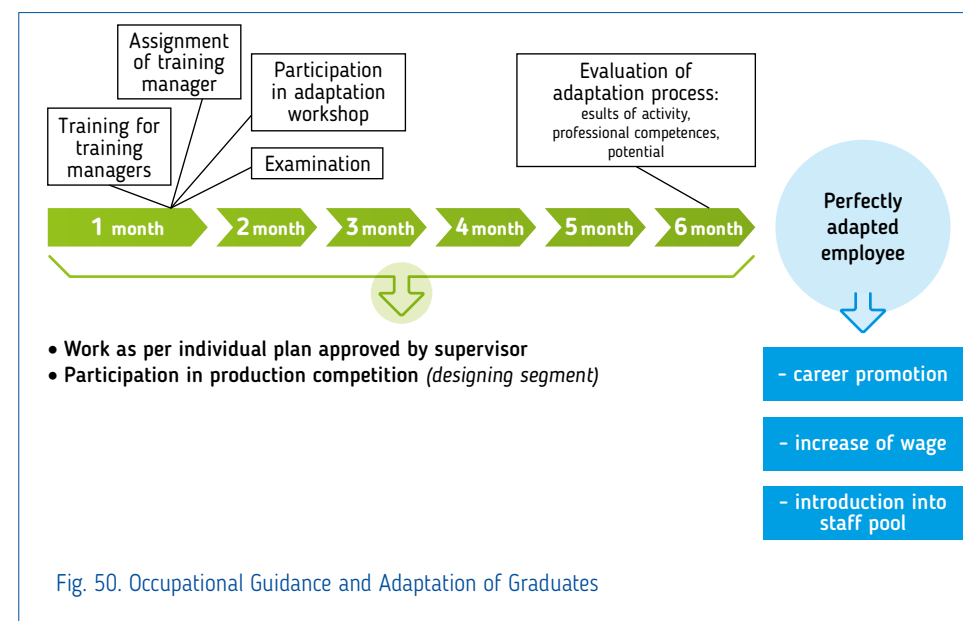


Fig. 50. Occupational Guidance and Adaptation of Graduates

22. HEIs of Nizhny Novgorod included into the Consortium: Nizhny Novgorod State Technical University named after R.E. Alekseev, Nizhny Novgorod State University of Architecture and Construction, Lobachevsky State University of Nizhny Novgorod.

Table 42. Work with Students

	2012	2013	2014
Number of students who completed practical training	85	130	109
Number of students employed according to the results of practical training	18	15	17
Number of students studying in higher education institutions within target preparation programs	42	37	50
Number of graduates employed after graduation from higher education institutions, including industry-specific ones	89	47	45

### TARGET BASIC DEPARTMENT "LIFE CYCLE MANAGEMENT SYSTEMS OF COMPLEX ENGINEERING FACILITIES"

The students of the Nizhny Novgorod State Technical University n.a. R.E. Alekseev (NGTU) and Nizhny Novgorod State University of Architecture and Civil Construction (NNGASU) receive specialized education in the Basic Department of JSC NIAEP "Life Cycle Management Systems of Complex Engineering Facilities" for subsequent work in the ASE – NIAEP United Company (See details in [Section 2.3. "Intellectual Capital"](#)).

Since September, 2014, 15 students of NGTU and NNGASU, the winners of contest for scholarship named after E.N. Pozdyshev and 15 young professionals of JSC NIAEP are trained in the Basic Department.

### 2.4.2.6. OCCUPATIONAL SAFETY ASSURANCE

The priority goal of the Company consists in assurance of occupational safety and health of its employees, what is stated in the Quality, Ecology, Occupational Safety and Health Policy of JSC NIAEP.

To achieve this goal, the Company improves Occupational Health and Safety Management System, implements measures on prevention of occupational injuries and diseases, improvement of labor conditions of the employees, and conducts training of managers and specialists for competence development in the field of occupational safety. This activity of the employer is stipulated by the current Collective Agreement (Occupational Safety Agreement) and is of special social significance.

The main principles of the Occupational Health and Safety Management System, as well as procedures required for its introduction, efficient functioning and development, are defined by the Occupational Health and Safety Management System of the State Corporation Rosatom. The Integrated Management System (IMS) was introduced. It permits to build the system of management and monitoring of works in the field of occupational safety management



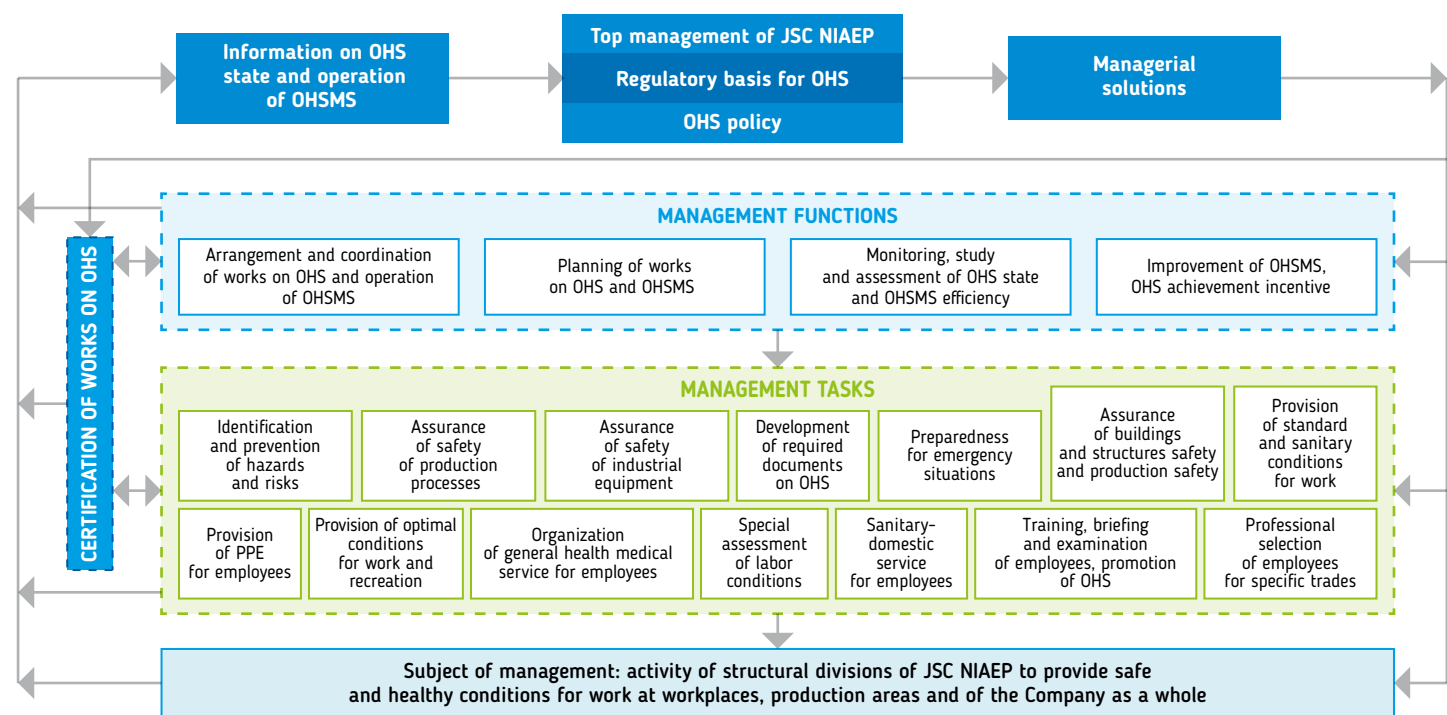


Fig. 51. Occupational Health and Safety Management System

The Company has performed identification of possible hazards and risks and set strategic goals in the field of OHS, elaborated programs for achievement of goals, and assured complete involvement of the personnel in development of the current Occupational Health and Safety Management System.

Basic documents which regulate activity on OHS are presented in the Annual Report of JSC NIAEP for 2013 <http://niaep.interity.info/en/chieloviechieskii-kapital>.

To control the state of labor conditions and OHS at workplaces, JSC NIAEP has arranged a 3-level administrative public control system. Control is executed by managers of various

levels with participation of OHS inspectors and OHS professionals.

An important part of the Occupational Health and Safety Management System is training in the field of OHS. The employees participate in introductory briefing, primary briefing at workplace, refresh briefing, unscheduled and target briefing on occupational health and safety, as well as fire safety briefing and training on first-aid to persons injured in accidents at workplaces.

Specialized training centers are used to carry out annual training and examinations on labor protection for managers and specialists and training on first-aid treatment for workers. In 2014, 268 top managers and specialists of the Company were trained.

The JSC NIAEP top management implements a package of works on maintenance of occupational labor conditions in compliance with the requirements of national standards and sanitary and health norms. Interiors and layout of workspace correspond to requirements of up-to-date design and sanitary standards.

One of the effective tools to ensure safety at workplaces consists in certification of workplaces, on the basis of which some activities

to improve labor conditions are developed. In 2014, special assessment of labor conditions in the Central Office was performed for 129 workplaces, and in Moscow Branch, for 120 workplaces. More than 5 mln. rubles were invested to personal protection equipment for employees during reporting period.

The Company pays special attention to periodical medical inspections of its employees working in conditions of exposure to various workplace factors. Medical services to such employees are rendered by regional field-specific medical centers of the Federal Medical and Biological Agency of the Russian Federation. More than 400 employees of JSC NIAEP were medically examined during the reporting year.

The volume of financing for execution of measures on labor safety is increased year-to-year (see Fig. 54). List of works for which these assets are spent is presented in the Annual Report of JSC NIAEP for 2013 <http://niaep.interity.info/en/chieloviechieskii-kapital>.

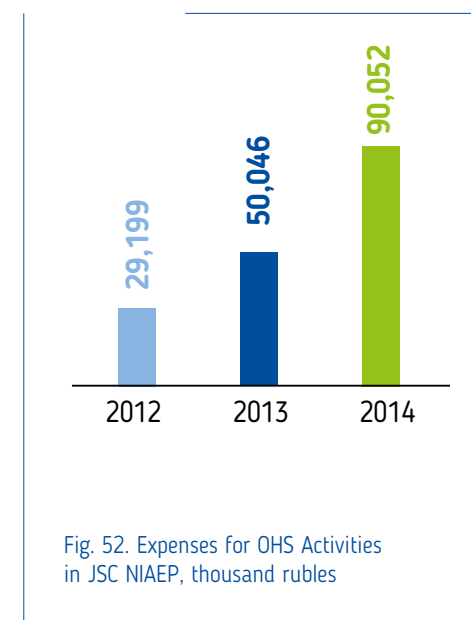


Fig. 52. Expenses for OHS Activities in JSC NIAEP, thousand rubles

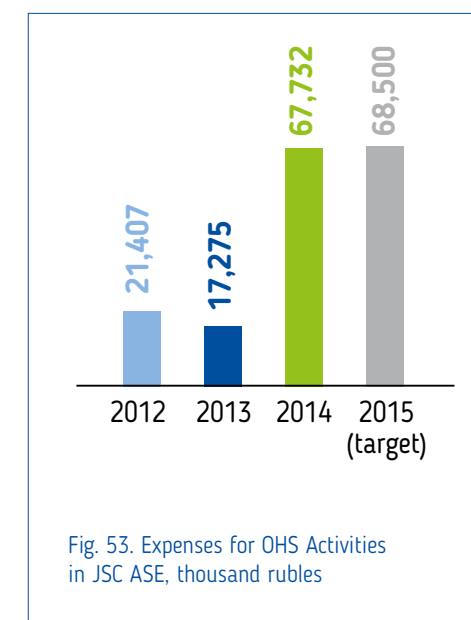


Fig. 53. Expenses for OHS Activities in JSC ASE, thousand rubles

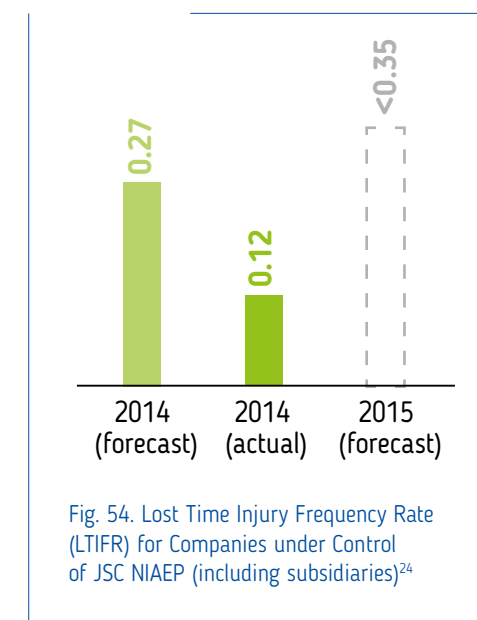


Fig. 54. Lost Time Injury Frequency Rate (LTIFR) for Companies under Control of JSC NIAEP (including subsidiaries)<sup>24</sup>

The Company implements a number of OHS activities: daily monitoring of construction site – inspection of construction facilities by professionals of OHS departments of customer, general contractor and contracting organizations; daily meetings on occupational health and safety – professionals of the OHS departments render regular assistance in implementation of positive OHS practices, causes of revealed violations are subject to detailed consideration; the Occupational Safety Days are held on a monthly basis with demonstration of video and photographic materials and summing up the occupational health and safety activities. Monthly target inspections of contractors are also carried out, in order to assess their performance in the field of OHS.

Integrated Action Plan to ensure safety of professional activity and to prevent injuries of employees was accepted in 2014. It includes activities on checks for compliance with safety requirements by contracting organizations, OHS training, methods of first-aid treatment, enhancement of the OHS service role taking into account supervision of safety in the course of works performed by contracting organizations and subsidiaries at the construction site of power units.

In the ASE – NIAEP United Company the interests of the labor collective regarding arrangement of health and safe labor conditions are repre-

**!** *Agreements with subcontracting organizations include Sections about interaction and mutual responsibility for compliance with OHS rules and regulations including following the requirements: on compliance with OHS rules and regulations; on possibility to terminate an agreement because of major and systematic violations of the labor legislation requirements and OHS regulations, on notification of the Company's top management about any emergency situation.*

Table 43. Types and Level of Occupational Injury Rate

Rate	JSC NIAEP	JSC ASE
Occupational Injury Rate (OIR)	0	0,00061
Occupational Diseases Rate (ODR)	0	0
Lost Days Factor (LDF)	0	0,125
Workplace Absence Factor (WAF)	0	0
Total amount of occupational deaths	0	0

sent by the OHS inspectors appointed at the general meetings of independent structural subdivisions for the period of two years. The share of the employees represented in joint OHS committees amounts to maximum 25%<sup>23</sup>.

Basic indicator of occupational safety state and total incidents rate is LTIFR. Due to preventive work of JSC NIAEP on occupational safety in 2014, no industrial injuries were recorded.

23. Health and safety inspectors in the Central Office of JSC NIAEP, JSC ASE, Moscow Branch of JSC NIAEP, Moscow Agency of JSC NIAEP, Volgogradsk Branch of JSC NIAEP, Kursk Branch of JSC NIAEP and Labor Protection Commission of JSC NIAEP.

24. Increase of target value of LTIFR indicator in 2015 occurred because of expansion of JSC NIAEP (JSC AEP with branches and subsidiaries).

No industrial injuries of employees of JSC NIAEP and branches were recorded in 2014. One incident occurred with an employee (control of JSC NIAEP, female of the Company in the JSC ASE branch, in Ozersk. No industrial injuries were recorded in Kursk, Baltic, Volgodonsk Branches. 4 incidents occurred in Yuzhnouralsk Branch with employees (male) of contracting organizations (3 severe cases, 1 mild case): 1 – falling on surfaces of one level, impacts by falling object; 2 – falling from heights, 1 – falling in case of difference in levels.

There are no employees engaged in professional activity connected with high occupational injury rate or high risk of certain diseases in the Company. Official agreements (of global and local level) with the employee associations cover issues on health and safety in full scope and apply to 100 % of the employees of the ASE – NIAEP United Company.

Positive image of the Company among the industry players and partners has been formed due to constant attention of management to the issues of labor protection and high evaluation of the OHS department activity by the state supervision and regulatory agencies. This is confirmed by:

- Certificate of Compliance No.21 of December 19, 2013 (Reg. No. 002043) confirming that organization of occupational health and safety activities in JSC NIAEP complies with the established state normative OHS requirements (issued by the Non-Profit Organization of OHS Centers of the Privolzhsky Federal District, Reg. No. ROSS RU.V516.04LG00.11 of March 31, 2011);
- Certificate of Compliance with the requirements of international standard BS OHSAS 18001:2007 (Reg. No. 508399 BSOH), issued on July 31, 2013 by the international certification body DQS, confirming that JSC NIAEP has introduced and maintains the Occupational Health and Safety Management System.

According to the results of external and internal audits, the share of employees, controlled workers (except for independent contractors), acting in compliance with the Occupational Health and Safety Management System OHSAS 18001:2007 amounts to 100%.

**Plans for 2015:**

- implementation of Occupational Safety and Health Management System in all companies and branches under control of JSC NIAEP;
- implementation of Integrated Action Plan to ensure safety and to prevent injuries;
- provision of target value of LTIFR indicator at level of 0.35 in all companies under control of JSC NIAEP.

**2.4.2.7. SOCIAL POLICY**

**REGULATION OF SOCIAL AND LABOR RELATIONS**

The JSC NIAEP activity in the field of social and labor relations is based on the norms of the Labor Code of the Russian Federation, industry regulating document "Industry Agreement on Nuclear Energy, Industry and Science for 2012-2014", and documents regulating the JSC NIAEP activity – Charter of JSC NIAEP, Internal Labor Regulations, Corporate Ethics Code and Collective Agreement of JSC NIAEP.



*Collective Agreement of JSC NIAEP has been accepted at the conference of labor collective of the Company and approved by the Board of Directors. In the course of consideration of the draft Collective Agreement provisions of the document are discussed in all divisions of the Company with participation of representatives of employee association and administration.*

All social benefits and guarantees to the Company's employees are implemented in accordance with the Uniform Social Policy of the State Corporation Rosatom within the existing corporate social programs.

Obligations of JSC NIAEP in the capacity of employer in the field of social guarantees and benefits to the employees with indication of certain payment amounts and mechanisms are established by the Collective Agreement and Annexes to it. The Agreement applies to all employees of the Company, regardless of their membership in the employee association. Thus, the share of employees covered by social programs is equal to 100%.

During the reporting period, implementation of social programs was carried out in accordance with Collective Agreement of JSC NIAEP for 2013-2014. Since 2013, List of Social Guarantees and Benefits includes new types of one-time



social payments: monthly payments to employees on maternity leaves (2 thousand rubles per month); assistance to employees in case of serious illness of child (up to 300 thousand rubles), increase in payments to veterans (twice – from 1 to 2 thousand rubles per month).

In accordance with the Collective Agreement, the contents of the Agreement and all amendments and additions to it shall be brought to the notice of the employees within a month from the date of signing. Informing shall be made through publication of the document text in the corporate electronic network. In addition, local regulatory acts of the Company reflecting all considerable changes in the Company's activity shall be published in the corporate electronic network on the day of signing.

In the course of joint meeting of the social partnership parties in December, 2014, liabilities of the Company as per Collective Agreement are recognized as fulfilled ones, and the Agreement was extended till December 31, 2015. All types of social payments were kept in the document except for those which had to be stopped in 2015 as per decisions taken previously (payments in connection with Nuclear Industry Employee Day and one-time payments upon retirement).

The volume of money allocated for social activities within the reporting period exceeded appropriate values of 2013 by 12 %, and amount of social payments per one employee, by 16 % (see Fig. 55).

All payments and benefits are paid to the Company's payroll employees having their main job in the Company (regardless of type of employment).

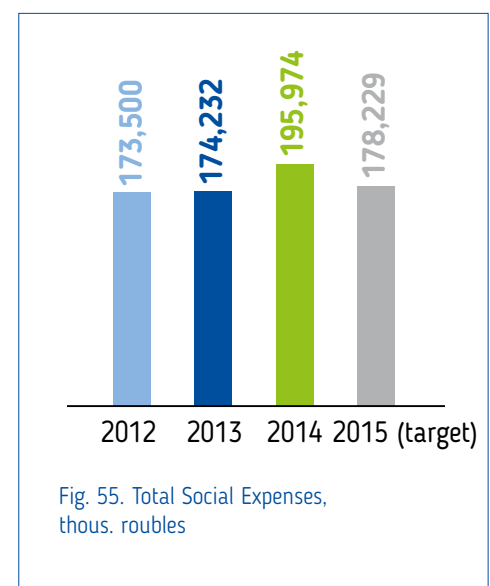


Fig. 55. Total Social Expenses, thous. rubles

**NON-STATE PENSION BENEFITS**

All Company's employees are entitled to receive state work pension in accordance with the legislation. Implementation of the program on Non-State Pension Benefits to the employees (launched in 2013) continued in 2014. 169 persons participate in the Program on Non-State Pension Benefits. The minimum amount of personal and corporate contributions depends on the age and length of service in the Company (ref. to the Annual Report of JSC NIAEP as of 2013 <http://niaep.interity.info/en/chieloviechieskii-kapital>). Expenses of the Company for implementation of the program in the reporting period amounted to ~ 12 million rubles.



*Condition of mandatory retirement immediately after reaching pension age was cancelled in 2014.*

In accordance with the Regulations on Non-State Pension Benefits for the Employees of JSC NIAEP, the Company acts in the capacity of a guarantor of non-state pension benefits with regard to funding the non-state pensions till allocation thereof, and the Non-State Pension Fund Atomgarant – with regard to payments of the allocated non-state pensions.

25. С учетом филиалов и Представительства в Республике Беларусь.

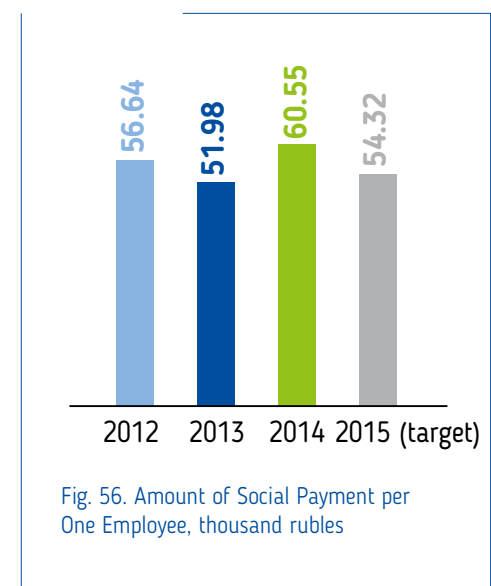


Fig. 56. Amount of Social Payment per One Employee, thousand rubles

**HEALTH INSURANCE AND HEALTH CARE**

For a number of years JSC NIAEP and JSC ASE have concluded contracts with health insurance companies on arrangement of and payment for medical care to the employees. The employees of the Central Office, branches and representative offices are insured according to uniform programs. The employees may insure members of their families at corporate rates.

All employees are insured by the employer against accidents and occupational diseases. All employees sent on business trips abroad are obligatorily provided with certificates of insurance at the expense of the employer.

The employees including members of their families receive partial reimbursement of expenses for:

- children's holiday camps;
- recreation centers, touristic camps and recreation houses;
- health resort treatment.

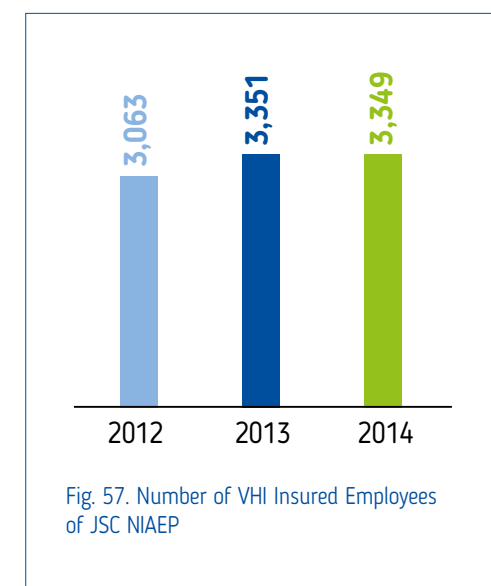


Fig. 57. Number of VHI Insured Employees of JSC NIAEP

Special attention is paid to the issues of preventive treatment and early detection of serious diseases, including coronary heart diseases and cancerous diseases. The employer shall inform the employees on normative requirements for occupational working conditions, required and obligatory personal and collective protection equipment for prevention of diseases. All employees of the Company may pass medical examination for timely detection and treatment of diseases. Vaccination of the employees against influenza is performed annually. The Collective Agreement guarantees financial assistance to the employees and their children for paid treatment in case of serious diseases.



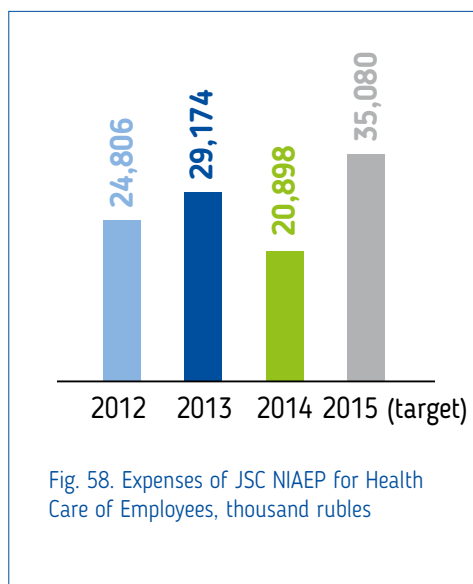


Fig. 58. Expenses of JSC NIAEP for Health Care of Employees, thousand rubles

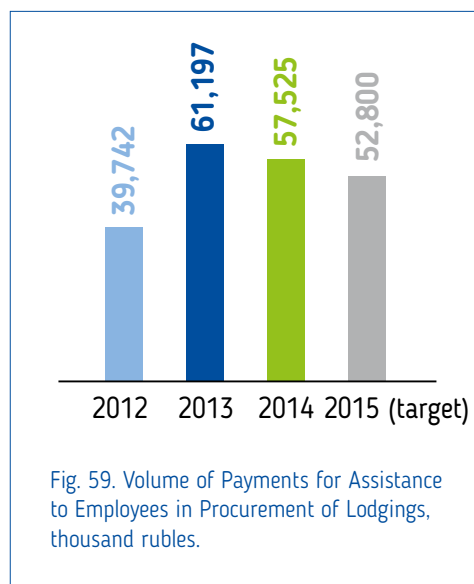


Fig. 59. Volume of Payments for Assistance to Employees in Procurement of Lodgings, thousand rubles.



More than 1,100 persons (in 2013, 580 persons) participated in health-improving sessions in the “Lesnoy Uyt” recreation camp.

Over 2.5 thousand financial assistance payments were made to the JSC NIAEP employees in the reporting period for the total amount exceeding 22 million rubles. Similar payments were made in JSC ASE and LLC NIAEP-Service. All payments were made in accordance with the Regulations on Financial Assistance.

A program on rendering help to the employees in procurement of lodgings is implemented in the Company. The program is implemented through reimbursement of expenses for payment of interests on residential loans within the amounts allocated for these purposes in the Company’s budget, as well as through provision of interest-free loans for initial payments on credit agreements. Within the reporting period payments were received by 80 participants of the program. 50 employees participated in the application campaign in December, 2014.

In addition, the Company renders assistance to transferred employees and workers having no own lodgings by provision them with temporary accommodation. Procedure for the reimbursement for expenses of the Company’s employees to rent premises developed in accordance with new industry-specific requirements was approved in the reporting year.

If employees are dismissed due to personnel or staff reduction, the employer renders assistance in their re-qualification and employment. In accordance with the Collective Agreement, when the employees retire on pension, one-time payments are made in the amount of up to two basic salaries. Pensioners and long-service employees of the Company receive monthly social assistance of up to 2,300 rubles per month (see details on assistance to veterans in the “Veterans Assistance” Section).

The employees receive 25 thousand rubles on marriage and 55 thousand rubles on childbirth. In the reporting period the allowance to families with three and more children under 18 years old amounted to 36 thousand rubles per year for each child.



For the purpose of health maintenance and promotion, preventive and sporting events are arranged. A considerable scope of work on health improvement and rest of the employees and members of their families is performed by the Company’s administration jointly with the Employee Association.

Over 800 employees of the Company actively go in for sports. All persons interested are welcome in sport groups, rented swimming pools, and training halls for five-a-side, volleyball and other sports. In 2014, the JSC NIAEP team took the first place in the Friendship Festival held by the RF Ministry of Sports among the companies of the State Corporation ROSATOM and in the 3rd All-Russian Competition “Rosatom Cup 2014” and eighth Spartak Games among the companies of Nizhny Novgorod Region.

**FINACIAL ASSISTANCE**

A considerable part of social payments refers to financial assistance to the employees. The amount of payments for health protection of the employees increases yearly, including voluntarily health insurance of the employees, health resort treatment, rest and health improvement in recreation camps.

## 2.5. SOCIAL AND RELATIONSHIP CAPITAL

### 2.5.1 Social and Relationship Capital Management

Integration of competencies of the ASE – NIAEP Company and JSC Atomenergoproekt Engineering Company took place in October, 2014. Thus Engineering Division was formed, and a brand of the United Company was strengthened due to joining with JSC Atomenergoproekt.

Today brand of the United Company includes three engineering brands known in Russia and abroad: JSC NIAEP, JSC ASE (ASE, Atomstroyexport) and JSC Atomenergoproekt.

Process of rebranding started in December, 2014 in the United Company in order to create common brand of Engineering Division.

In 2014, information operational field of the Company was extended, work with mass media on illustration of all types of activities including industrial, social and innovation fields was intensified. Some activities to consolidate positive public attitude to development of nuclear power engineering industry due to improvement of transparency and open cooperation with all stakeholders are carried out.

JSC NIAEP TOOK THE 1<sup>ST</sup> PLACE IN THE RATING ON THE BASIS OF RESULTS OF “RESEARCH ON CORPORATE TRANSPARENCY OF MAJOR RUSSIAN COMPANIES-2014” CARRIED OUT BY THE RUSSIAN REGIONAL NETWORK ON INTEGRATED REPORTING (RRN) ([www.ir.org.ru](http://www.ir.org.ru))



### 2.5.2 Social and Economic Results

#### 2.5.2.1 INFLUENCE ON LOCAL POPULATION IN OPERATION AREAS

Activity of the ASE – NIAEP United Company facilitates establishment of new jobs both in the operation areas and within the frames of business activity of suppliers and manufacturers of equipment and materials.

Priority of employment is placed on the local population, provided that qualified labor is available in the area of operation. Over half of the JSC NIAEP top managers in significant operation areas are hired from among the local population.

Table 44. Creation of Jobs in Significant Operation Areas

Branch	Number of created jobs <sup>26</sup>	
	2013	2014
Central Office (Nizhny Novgorod Region)	86.6	208.7
Volgodonsk Branch (Rostov Region)	22.5	0
Representative office of JSC NIAEP in the Republic of Belarus (Grodno Region)	182	0
Kursk Branch (Kursk Region)	49	17
Kharkov Branch (Ukraine)	2	0
Moscow Branch (Moscow Region)	55	0
Yuzhnouralsk Branch (Chelyabinsk Branch)	32	0

26. With regard to some branches the amount of jobs is expressed by a non-integral number, as far as some employees (due to low scope of work in certain directions) are employed on a part-time basis (0.3; 0.5) or as secondary job employees.

Table 45. Share of Employees Hired from Local Population in Significant Regions of the Company Operation, %

Subdivisions	Share of local population
Central Office, Nizhny Novgorod	95.5
Central Office, Moscow	87.5
Central Office, Volgograd	53.3
Baltic Branch, Sovetsk	61.4
Volgograd Branch, Volgograd	96.8
Moscow Branch, Moscow	80.6
Yuzhnouralsk Branch, Uvelsky settlement	77.4
Representative Office in the Republic of Belarus, Astravets	70.4
Volgograd Representative Office, Volgograd	90.5
Moscow Representative Office, Moscow	73.5
St.-Petersburg Representative Office, St.-Petersburg	73.1
Kharkov Representative Office, Kharkov	100
Kursk Branch, Kurchatov	38.6

Community liaison offices are established to facilitate staffing (with engineering, construction and installation personnel) of the JSC NIAEP subsidiaries, contracting and subcontracting organizations engaged on construction sites.

Community liaison office in Ozersk of Chelyabinsk Region was opened in 2014 through which personnel for FSUE PA Mayak was hired.

Almost 5,000 skilled workers were selected and got a job within the whole period of work of Community Liaison Offices at the construction sites of Udomlya of Tver Region, Sovetsk of Kaliningrad Region, Volgograd of Rostov Region, Visaginas of Lithuanian Republic.

Consolidated data base of regular labor force including more than 29,000 recruitment checklists of persons interested to get a job in the NPP construction was generated.

Table 46. Employment Assistance of Community Liaison Offices (for Facilities under Construction), pers.

	Rostov NPP		Baltic NPP		Ignalina NPP		FSUE PA Mayak		TOTAL	
	Applied	Employed	Applied	Employed	Applied	Employed	Applied	Employed	Applied	Employed
2012	1,063	224	1,136	191	800	54	-	-	2,999	469
2013	1,687	427	-	-	-	-	-	-	1,687	427
2014	2,339	362	-	-	-	-	554	150	2,893	512
<b>TOTAL:</b>	<b>5,089</b>	<b>1,013</b>	<b>1,136</b>	<b>191</b>	<b>800</b>	<b>54</b>	<b>554</b>	<b>150</b>	<b>7,579</b>	<b>1,408</b>

Table 47. Investment Projects implemented in the Area of Nizhny Novgorod, mln. rubles.

Investment project	Project launch	Total	Before 2013	2013	2014	2015	2016	2017	2018
Development of infrastructure of the Central Office	2012	160.03	11.11	19.28	34.27	17.32	26.84	23.41	27.8
Equipment for engineering surveys	2009	242.05	89.29	20.26	34.28	30.48	24.61	23.05	20.08
IT-projects	2009	1,740.65	372.342	334.63	217.416	167.019	241.945	225.547	181.75
<b>TOTAL:</b>		<b>2,142.73</b>	<b>472.742</b>	<b>374.17</b>	<b>285.966</b>	<b>214.819</b>	<b>293.395</b>	<b>272.007</b>	<b>229.63</b>

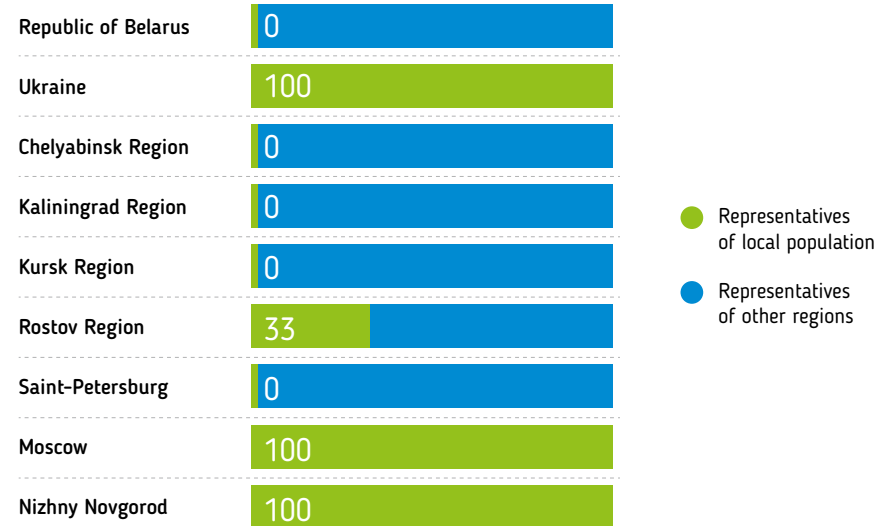


Fig. 60. Share of Top Managers<sup>27</sup>, hired from Local Population, %<sup>28</sup>

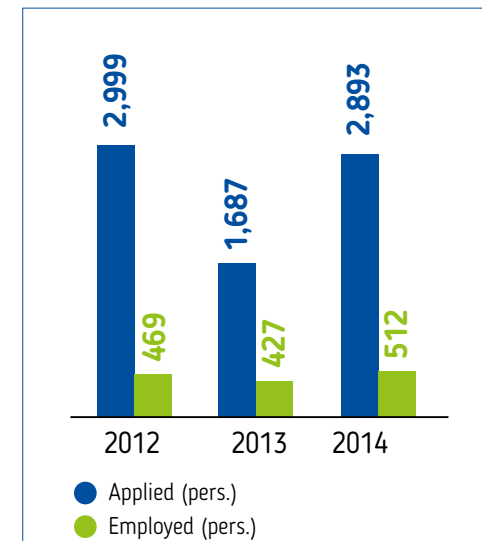


Fig. 61. Activity of Community Liaison Offices

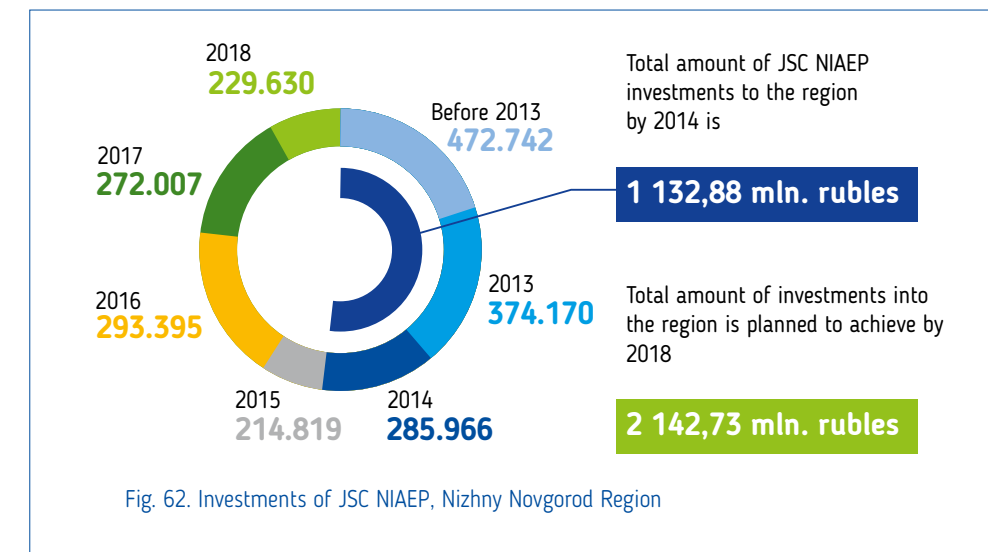


Fig. 62. Investments of JSC NIAEP, Nizhny Novgorod Region

All professionals hired through the Community Liaison Offices<sup>29</sup>, are citizens of the Russian Federation. 95 % of them live in towns and settlements located within 100 km from NPP construction sites on a permanent basis. 100 % of employees of the subsidiaries and contracting organizations receive wages exceeding average salary rate established in the respective operation areas.

JSC NIAEP is a major business entity in the area of Nizhny Novgorod. In the course of several years some projects financed by the Company

are implemented, and they can be considered as investments into region (see Table 47).

### 2.5.2.2. ECONOMIC INFLUENCE ON SUPPLIERS AND CONTRACTORS

JSC NIAEP closely cooperates with Russian companies and companies of countries-customers involving them into delivery of equipment, services and materials when constructing NPPs abroad. When implementing international

projects JSC NIAEP attracts maximal number of local companies for work in these projects. For example in the course of construction of Belarusian NPP, major part of works and deliveries is carried out with maximal involvement of Belarusian contracting companies. Now ~20 Belarusian companies are engaged as suppliers. The same approach is used when constructing other foreign NPPs especially in those countries where sufficient industrial potential and possibilities of construction industry, as well as of attraction of qualified personnel and workers are available.

For wide and open involvement of maximal number of suppliers for construction of NPP, the Unified Nuclear Industry Catalogue of Equipment and Materials (UNICEM) is developed. It is an innovation program product for collection and accumulation of actual information about market of the manufactured production for NPP and involvement of suppliers of this production for implementation of NPP projects. All manufacturers having a right to produce equipment and materials for NPP and suppliers having an experience of supplies for NPPs in Russia and abroad are invited to fill the UNICEM. Russian and foreign manufacturers and suppliers are filling the UNICEM independently (see details in [Section 2.3.2. Innovation Activity Results](#)).

27. Top managers are managers of the 1st, 2nd and 3rd management level of JSC NIAEP (see Annex 10).

28. For the purpose of this Report the term "local population" shall mean population permanently registered at the address in the Company's operation area, for instance, local population of Rostov Region resides in Rostov Region. Significant operation areas of JSC NIAEP are regions of presence of the Company in Russia and abroad, where JSC NIAEP performs its production activity.

29. There are no Community Liaison Offices in the Republic of Belarus. Minimum 70 % of employees in the JSC NIAEP representative office of the Republic of Belarus are citizens of the Republic of Belarus.

**ANTI-CORRUPTION POLICY, MANDATORY FOR ALL EMPLOYEES OF THE COMPANY, WAS APPROVED IN OCTOBER, 2014**

JSC NIAEP is open to establish partnership in the markets of the countries where the company constructs the NPPs, with constructing companies and organizations of the third countries. Such partnerships are established on the basis of a contract within the framework of inter-governmental and interdepartmental agreements or contracts where all conditions to involve construction companies and organizations of the third countries are detailed.

One of the principles underlying the influence of JSC NIAEP in the capacity of general contractor on the contractors consists in the possibility to impose sanctions for non-fulfillment of obligations stipulated by the contract and withdraw deferred payment till fulfillment of contractual obligations in full scope. The sanctions are established by the contract being an integral part of procurement documentation and are equal for all participants (see details in [“Procurement Management” Section](#)).

**2.5.2.3. ANTI-CORRUPTION ENFORCEMENT**

Anti-corruption enforcement in JSC NIAEP is regulated by the following regulatory documents:

- Federal Law No. 208 “On Anti-Corruption” of December 25, 2008;
- National Anti-Corruption Strategy for 2014–2015 approved by the President of the Russian Federation on April 11, 2014;
- Anti-Corruption Enforcement Plan of the State Corporation Rosatom for 2014–2015 as of July 16, 2014.

Special Safety and Assets Security Department of JSC NIAEP (hereinafter – SSASD) is responsible for anti-corruption enforcement. Activity of SSASD is based on interaction with law-enforcement authorities (public prosecutions department, Ministry of Internal Affairs, Federal Security Service, the RF Customs Service), inspection and supervisory bodies.

Local regulatory legal acts regulating procedures of anti-corruption activities are developed in the JSC NIAEP in order to carry out anti-corruption activities.

Code of Ethics and Business Conduct of the JSC NIAEP employees and Ethics Committee of JSC NIAEP were approved on April 29, 2014.

The Committee includes heads of divisions which are responsible for prevention of corruption. One of basic matters for consideration by Ethics Committee is regulation of competitive interests, when personal interest of the JSC NIAEP employee impacts or may impact on proper management of his/her employment duties and when any contradiction between personal interest of the JSC NIAEP employee and rights and legal interests of JSC NIAEP arises or may arise, and it can result in damage to property and/or business reputation of JSC NIAEP.

Anti-Corruption Policy, mandatory for all employees of the Company, was approved in 2014. It is intended to involve all employees of the Company into implementation of activities related to impatience and condemnation of all corrupt practices. This Policy includes a complex of interrelated principles, procedures and specific activities for prevention and suppression of corruptive delinquencies in the activity of the United Company.

Adoption of the Policy shows commitment of the Company to the law and high ethical standards for business relations. Reputation of the ASE – NIAEP United Company can somewhat serve as protection from corruption attacks from the side of unscrupulous representatives of other companies and governmental authorities.

Anti-corruption measures essentially decrease risks of imposition of sanctions for Bribery of Public Officials (including foreign ones) to the Company. Corruption preventive measures when selecting organizations-counterparties and building relations with them reduce probability of imposition of sanctions to the Company for undue actions of dealers and partners. Study of the performed corruptive illegal actions shows that the most of the revealed violations is related to organization and performing of procurement activities. That is why one of the principal directions on the field of corruption prevention is monitoring of procurement activities of the Company by SSASD. Employees of subdivision assess loyalty and business reputation of participants of procurement procedures.

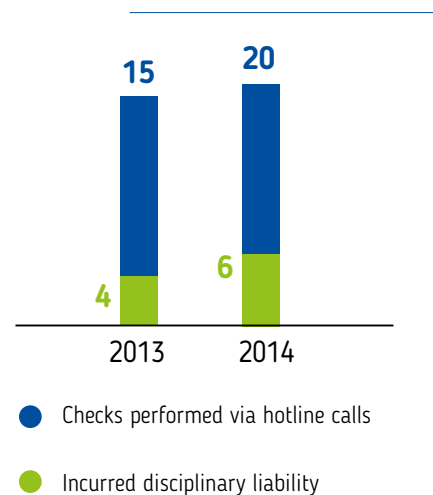


Fig. 63. Results of Checks of Information received via Hotline of the State Corporation Rosatom

**Results of 2014**

The most important line of activity to prevent and reveal illegal corruptive actions is to check information received via dedicated communication channels of hotline of the State Corporation Rosatom (see Fig. 65) <http://www.niaep.ru/about/peculation/>.

The SSASD carried out 20 initiative checks of procurement, contractual and financial activity of representative offices, branches and subsidiaries in 2014. On the basis of the results, 9 files were sent to law-enforcement authorities, 20 employees incurred disciplinary liability (8 – were given reproof, 7 – received a reprimand, 5 – were fired).

Checks based on facts of the adulterated product delivery and accounts receivable from the side of contractor of JSC NIAEP were also carried out in order to prevent corruption. No corruption algorithms were revealed in the course of checks. SSASD was not confronted with any conflict of interests of the persons engaged in procurement of goods and services in JSC NIAEP. No cases of legal actions in respect of the Company because of competitive barriers and violation of antimonopoly legislation occurred in 2014. In the reporting period the Company was not subject to large penalties and nonfinancial sanctions for non-compliance with legislation and normative requirements.



**2.5.2.4. VETERANS ASSISTANCE**

The Collective Agreement provides for social guarantees not only to working employees, but also to retired long-service employees. The Company implements the program on social assistance to pensioners.

More than 7.5 million rubles were allocated for monthly payments to pensioners in the reporting year. 296 persons received payments. In cooperation with the Council of Long-Service Employees the Company arranged leisure and entertainment activities for pensioners and involved them to participate in significant events of the Company. Pensioners are welcome on corporate festive events and attend fitness center of the Company. In June 2014 traditional motorboat Volga tour was arranged for veterans. Payments on account of the Victory Day amount to 50 thousand rubles to every veteran.

**2.5.2.5. YOUTH POLICY**

The Company's youth policy is focused on creation of conditions for involvement, encouragement of initiative, improvement of professional skills and assistance in self-realization of recent graduates. The professional orientation and adaptation program for graduates was elaborated in the Company.

To increase efficiency of work with graduates and create conditions for displaying youth initiatives, in 2011 Youth Board was established in JSC NIAEP <http://www.niaep.ru/wps/wcm/connect/niaep/site.eng/career/youngspecialists/>.



**2.5.2.6. INVESTMENTS IN SOCIAL INFRASTRUCTURE AND CHARITY**

- the Second Scientific Youth Forum of JSC NIAEP “Generation ATOMNEXT: Future in Our Hands” was held;
- youth team of the Company took the third place in the Friendship Festival held among the companies of the State Corporation Rosatom and Nizhny Novgorod State Technical University n.a. R.E. Alekseev (NGTU);
- recent graduates employed in the ASE – NIAEP United Company took part in the Innovations Forum of Young Energy Workers “Forsazh-2014”.

**2.5.2.6. INVESTMENTS IN SOCIAL INFRASTRUCTURE AND CHARITY**

Since 2008 JSC NIAEP has been engaged in charitable activity within its operation areas in accordance with the Concept on Charitable Activity and Cooperation with Local Communities.

The JSC NIAEP priorities in the field of charity are as follows:

- human life and health preservation;
- assurance of public acceptance of nuclear technologies and production plants based on application of such technologies, including:
  - maintenance of active dialog with professional communities on burning issues of monitoring and improvement of the environment and subsoil state and finding solutions by application of knowledge, technologies and resources available in the nuclear industry,

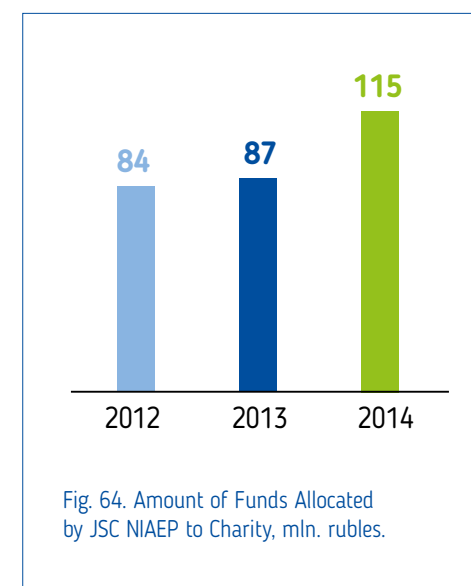


Fig. 64. Amount of Funds Allocated by JSC NIAEP to Charity, mln. rubles.

- implementation of local initiatives on life quality improvement and maintenance of favorable environment for operation of the Company;
- supporting educational initiatives;
- supporting high social and cultural standards in the areas of location of nuclear industry facilities;
- contribution to establishment of professional management traditions in the field of social and economic development in the areas of location of nuclear industry facilities.

JSC NIAEP makes no contributions for political goals and does not participate in state policy elaboration and lobbying.

**Plans for 2015**

The Charity Committee of the State Corporation Rosatom and the Board of Directors of JSC NIAEP approved the List of Charity Initiatives of JSC NIAEP for 2015 with a budget of 60 million rubles.

In 2015 JSC NIAEP will hold the fourth annual Charity Projects Competition in the operation areas ([http://www.niaep.ru/social/socialresponsibility/konkurs\\_blag\\_proektov\\_2015/](http://www.niaep.ru/social/socialresponsibility/konkurs_blag_proektov_2015/)). Non-commercial organizations from Nizhny Novgorod, Rostov, Kursk, Chelyabinsk Regions and the Republic of Belarus will be invited for participation in the Competition. In 2015 the total grant funding of the Competition will amount to 7 million rubles.



## 2.6. NATURAL CAPITAL



**Sergey Streltsov,**  
Director of Quality Control of JSC NIAEP

**Which process engineering solutions are used by the Company to reduce impact on the environment?**

In order to minimize impact on the environment we use the best technologies for newly designed and reconstructed nuclear power plants. For example, for development of computer aided engineering systems up-to-date types of cables of low smoke and gas release are used. These cables are fire-resistant ones, and do not propagate burning in case of bunched wiring. Moreover, they do not evolve any corrosive gaseous products in case of probable burning and smoldering.

Of course we timely inform our employees about changes of statutory requirements as for environment, if any. Moreover, and it is more important, we arrange continuous training for ecological safety and for specific works performed by individual subdivisions including environmental matters

**How do you arrange interaction with ecological supervision authorities?**

Activity of JSC NIAEP in 2014 as in previous years meet all safety standards and requirements of the Russian Federation and IAEA, and ecological and radiation impact of the implemented projects on the environment is a minimal one.

No checks were carried out by state supervision authorities in the reporting year. Draft code provisions for waste generation and limits for their disposal are developed in the Company. Registration Certificates and Certificates for all types of waste are approved. Agreements for production and consumption waste handling with contractors are also concluded. Calculation of waste of all types is arranged and carried out as per established procedure.

### 2.6.1. Natural Capital Management

#### 2.6.1.1. COMPANY'S ENVIRONMENTAL POLICY

The Company has responsible approach to design and construction of nuclear and thermal power facilities and understands that the Company's activity may lead to adverse changes in the environment. One can get information about Environmental Policy of the Company in official web-site of JSC NIAEP <http://www.niaep.ru/wps/wcm/connect/niaep/site.eng/partners/environment/>.

In terms of environmental impact the JSC NIAEP activity may be assessed from two points of view:

- environmental safety of the Company's activity in the capacity of business entity;
- environmental safety of NPP units at all life-cycle stages (detailed information is given in the "Nuclear and Radiation Safety of Nuclear Energy Facilities" Subsection).

Climate changes scarcely have any influence on the Company's activity. Maximum impact on the environment is exerted in the process of construction of power units.

#### 2.6.1.2. ENVIRONMENTAL MANAGEMENT SYSTEM

Since 2013 the Environmental Policy together with industrial environmental monitoring system and annual environmental works is implemented within the frame of environmental management as per Plan-Do-Check-Act (PDCA) model (see Fig. 65).

Environmental Management System (hereinafter – EMS) is a part of the Integrated Management System: Quality Management, Environmental Management and Occupational Health and Safety Management System based on the requirements of ISO 9001:2008, ISO 14001:2004 and OHSAS-18001:2007 standards with consideration of provisions of the Russian legislation and IAEA.

##### Results of 2014

Environmental tasks and environmental works planned for 2014 are fulfilled.

DQS Certification Body performed inspection audit in summer of 2014, and validity of certificate on compliance of Environmental Management System of the Company with requirements of ISO 14001:2004 international standard was confirmed.

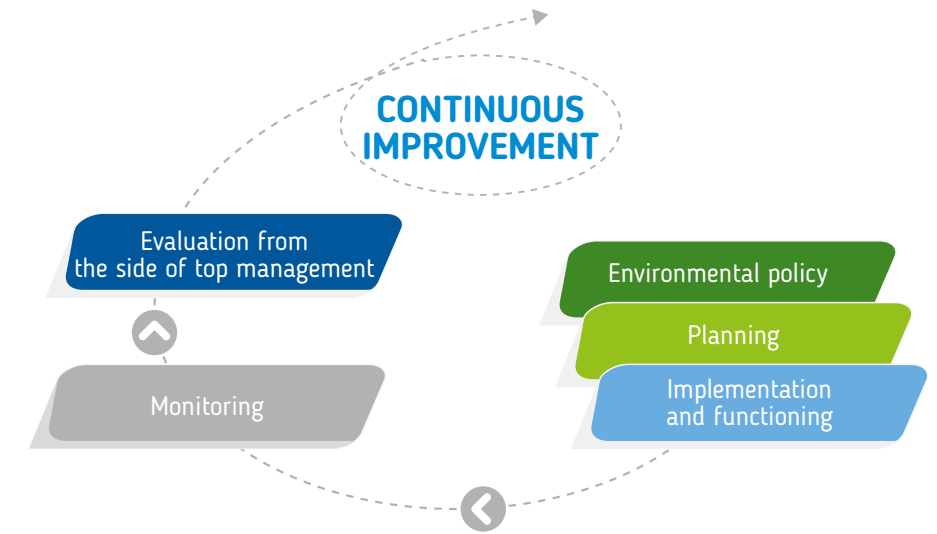


Fig. 65. Environmental Management System

Central Office of the Company issued the whole package of required permission environmental documents in the reporting year. As a result, activity of the Company's subdivisions in the field of waste, emissions and discharges handling became normal. Since 2014, annual above-limit payments for waste disposal ended, and it is an

essential change in the state of environmental activity of the Company.

For the first time over the years of the Company existence, the whole package of statistical reports on environmental matters is drawn up and submitted to ecological and statistical bodies.

#### PRIORITIES OF THE COMPANY'S ENVIRONMENTAL POLICY INCLUDE:

- mitigation of adverse impact on the environment;
- personnel and population health protection;
- provision of environmental safety.



permissible emissions, charges for adverse environmental impact and certificates of compliance with general contractor's directives).

Monitoring of environmental impact of the subcontracting organizations, including requirements for environmental documentation, shall be performed by inspectors of federal environmental agencies, as well as employees of the Central Office and branches responsible for production environmental monitoring.

**Plans for 2015:**

- improvement of the Environmental Management System;
- provision of all branches of the Company with employees specially trained to handle the production and consumption waste;
- provision of branches of the Company with required permission environmental documents and reduction of above-limit payments for environment pollution;
- issue of document "Assessment Procedure for Ecological Aspects and Planning in the Environmental Management System";
- training of quality representatives in methods of identification of ecological aspects in JSC NIAEP;
- internal audits of the Environmental Management System and check of organization of work on production ecological monitoring in separated structural subdivisions of JSC NIAEP;
- performance of the second compliance audit of the Environmental Management System of JSC NIAEP from the side of DQS Certification Body for correspondence to international standard ISO 14001:2004 "Environmental Management System. Requirements and Application Manual".

**2.6.1.3. SUBCONTRACTING ORGANIZATIONS OPERATION MONITORING**

The main production activity connected with generation of hazardous waste and emissions is carried out by subcontracting organizations performing construction and installation and setup works under the contracts with the Company.

The mandatory requirement for contract conclusion with such organizations consists in availability of the required environmental permits (hazardous waste management licenses, waste disposal limits agreed with local environmental agencies, waste certificates, draft maximum

**2.6.1.4. ENVIRONMENTAL EXPENDITURES**

Considerable reduction of payments for above-limit impact on environment occurred due to getting of all required environmental permits in 2014.

No penalties for non-compliance with environmental laws were imposed on the Central Office of JSC NIAEP and its branches in the reporting year

Table 48. Environmental Expenditures and Charges with Regard to the Central Office, thousand rubles

	2012	2013	2014
Total expenditures, including:	713.4	679.1	255.0
- water resources protection	62.45	120.0	44.0
- atmospheric air protection	-	-	1.0
- waste treatment	650.97	559.1	210.0
Pollution charge	1,830.5	1,603.0	2.0
<b>TOTAL:</b>	<b>2,543.9</b>	<b>2,282.1</b>	<b>257.0</b>

Table 49. Environmental Expenditures and Charges with Regard to Volgodonsk Branch, thousand rubles

	2012	2013	2014
Total expenditures, including:	363	407	282
- water resources protection	-	-	-
- atmospheric air protection	2	-	3
- waste treatment	363	407	279
Pollution charge	1,044	1,279	380
<b>TOTAL:</b>	<b>1,407</b>	<b>1,786</b>	<b>662</b>

Table 50. Environmental Expenditures and Charges with Regard to Baltic Branch, thousand rubles

	2012	2013	2014
Current expenditures including:	271	1852	255.2
- water resources protection	-	-	43.6
- atmospheric air protection	0.318	-	1.523
- waste treatment	1271	1852	210.1
Pollution charge	197.7	246	2.324
<b>TOTAL:</b>	<b>1,469</b>	<b>2,098</b>	<b>257.5</b>

**2.6.1.5. ENERGY EFFICIENCY IMPROVEMENT**

Environmental Policy of JSC NIAEP is based on efficient use of natural resources. The initiatives on improvement of energy efficiency of the JSC NIAEP activity are implemented in two focus areas:

- designing more energy efficient capital facilities;
- reducing energy consumption in the Company's activity through implementation of programs on efficient use of resources.

The design solutions introduced within the first focus area assure increase in gross performance factor of the elaborated VVER.1300TOI NPP project compared to the VVER.1200E project from 37 % to 38 %.

Since 2010 the program on energy saving and energy efficiency improvement in the Central Office for 2010-2014 has been implemented in the Company and by 2015 a reduction in consumption of energy resources by 17 % is expected.

In 2014 energy saving in the Central Office amounted to 4.8 %. Economic benefit due to implementation of measures on energy saving in the Central Office amounted to 708.7 thousand rubles in 2014. Such programs are also implemented in the Company's branches.

Energy saving is achieved through the following measures:

- introduction of automated electric energy monitoring and accounting system,
- installation of new energy efficient equipment,
- reconstruction of the internal and external illumination systems.

**!** *In order to keep comfort temperature in administration and amenity buildings Baltic Branch changed over electric heating in 2014.*

In the process of production activity of the Company and its branches such types of energy resources as nuclear energy, flue gas, coal, oil shale and peat were not used.

Table 51. Electric Energy Consumption, kW/hour

Consumer	2012	2013	2014
Central Office	2,484,000	2,673,000	3,100,000
Volgodonsk Branch	20,100,213	22,860,163	24,198,799
Baltic Branch	3,041,982	4,385,607	1,932,168

Table 52. Average Annual Intensity of Electric Energy Consumption in Working Hours, kW

Consumer	2012	2013	2014
Central Office	1,213.2	1,329.1	1,542.1
Volgodonsk Branch	3,082.4	3,254.1	3,444.7
Baltic Branch	698.2	1,007.2	443.7

Table 53. Heat/Water Consumption, Gcal

Consumer	2012	2013	2014
Central Office	2,931	3,466	3,648.6
Volgodonsk Branch	9,304.1	10,547.1	7,244.6
Baltic Branch	204.1	216.03	0.0

Table 54. Petrol Consumption, t

Consumer	2012	2013	2014
Central Office	229	200	248.3
Volgodonsk Branch	924.3	883.8	1,111.8
Baltic Branch	72.1	70.1	19.44

Table 55. Diesel Fuel Consumption, t

Consumer	2012	2013	2014
Central Office	40.0	54.0	64.3
Volgodonsk Branch	1,968.9	2,240.9	3,067.6
Baltic Branch	6.3	5.6	1.012

Table 56. Consumption of Energy Resources by the Central Office in 2014 in Monetary Terms, mln. rubles.

Energy resource	2014
Electric power	17.05
Heat/water	2.79
Petrol	8.56
Diesel fuel	2.24

## 2.6.2. Results of Environmental Safety Activities

Activity of the ASE – NIAEP United Company influences on all components of environment: ground surface and subsoil, water, air and human health.

Pursuant to the results of 2014, the total impact of JSC NIAEP on biosphere components does not exceed the permissible values agreed upon with regulating environmental authorities.

Environmental impact of the Company is caused by production of industrial and household waste, atmospheric pollutant emissions and wastewater discharges to water bodies.

### 2.6.2.1. WASTE PRODUCTION

Production waste generated during construction of nuclear energy facilities is similar to waste produced during construction of heat power plants (SDPP and HPP) of comparable capacity. However, fuel facilities typical of coal and residual plants are not needed in the process of subsequent operation of nuclear power plants, and, therefore, no environmental protection from toxic products of coal and fuel oil burning is required.

Waste transfer is performed under the contracts by organizations holding waste management licenses. In the process of construction of NPP units waste is not subject to processing and recycling.

#### BALTIC BRANCH

Since July, 2013, works related to a decision on additional arrangement of low and middle power units at the construction site of Baltic NPP.

In 2014, values of Waste Generation Standards and Waste Disposal Limits were exceeded because of waste generated by contracting organizations which should be removed from the construction site.

Baltic Branch of JSC NIAEP undertook to remove and dispose waste at dedicated solid domestic waste landfill within the framework of the concluded agreement. Baltic Branch paid for above-limit waste disposal because values of the Waste Generation Standards and Waste Disposal Limits were exceeded.

Due to changes in organizational processes and probable generation of waste which types were not recorded previously, Baltic

Table 57. Waste Production in the Central Office

Waste Name	Weight of Waste, t	
	2013	2014
Class 1 – extremely hazardous waste	0.32	0.227
Class 2 – highly hazardous waste	-	-
Class 3 – moderately hazardous waste	-	-
Class 4 – low hazardous waste	299.8	255.0
Class 5 – virtually non-hazardous waste	2.6	49.2 <sup>30</sup>

Table 58. Waste Production in Volgodonsk Branch

Waste Name	Weight of Waste, t		
	2012	2013	2014
Class 1 – extremely hazardous waste	0.158	0.11	0.194
Class 2 – highly hazardous waste	0.649	0.19	0.33
Class 3 – moderately hazardous waste	7.553	-	-
Class 4 – low hazardous waste	649.795	270.1	351.0
Class 5 – virtually non-hazardous waste	713.457	103.9	111.8

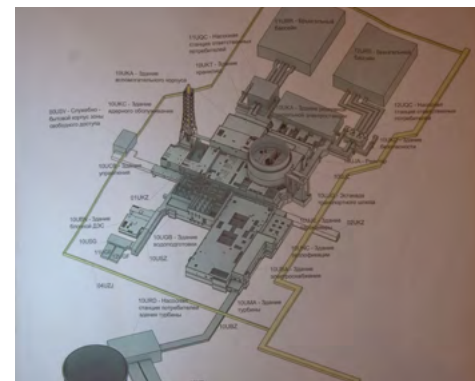
Considerable increase in the amount of waste in 2012 is connected with increase in volume of work at the Rostov NPP Unit 4.

Table 59. Waste Production in Baltic Branch

Waste Name	Weight of Waste, t		
	2012	2013	2014
Class 1 – extremely hazardous waste	-	-	0.015
Class 2 – highly hazardous waste	-	-	-
Class 3 – moderately hazardous waste	0.18	0.660	-
Class 4 – low hazardous waste	496	792.2	1,101.4
Class 5 – virtually non-hazardous waste	0.002	-	-

Branch of JSC NIAEP concluded an agreement with a dedicated company for physical inventory of the enterprise as a source of waste generation, development of Draft Waste Generation Standards and Waste Disposal Limits, development of waste registration certificates and getting of project documentation approvals in government bodies.

Mercury waste (Hg-lamps, fluorescent mercuric tubes both used and rejected ones) generated in 2013-2014 in Baltic Branch were delivered for detoxification in a dedicated organization



30. In 2014, waste of the 5th hazard class were put from the 4th class.

### 2.6.2.2. WASTEWATER DISCHARGE

Wastewater discharge on production sites of JSC NIAEP is within norms set by the legislation of the Russian Federation.

Business and service-utility activity of the Central Office is related directly to SE Nizhny Novgorod Enterprise of Water Supply and Waste Water Treatment (Vodokanal), which provides required water supply and water discharge of object of water use.

Considerable differences in values for 2012–2014 (Fig. 65) are connected with specifics of activity: environmental impact differs at various stages of power unit construction.

Significant increase in water consumption and wastewater discharge at Volgodonsk NPP in 2012 is conditioned by intensification of activities. This multiple increase in environmental impact is admissible, it is stipulated by the respective norms and limits agreed upon with environmental agencies.

No measures on reduction in water consumption were taken on the construction site and in the Central Office of the Company in 2014, as far as operating procedures were carried out within the frames of established regulations.

### 2.6.2.3. ATMOSPHERIC POLLUTANT EMISSIONS

Information on the volume of atmospheric pollutant emissions on NPP construction sites in 2014 are represented on the basis of averaged data on the subcontracting organizations and branches. The data were based on draft maximum permissible atmospheric emissions, results of instrumental gauging performed by specialized organizations in real-time mode, calculations of fuel balance of companies and environmental payments made by companies.

There are stationary and fugitive emission sources at the NPP construction sites. Stationary emission sources are exhaust ventilation pipes, outlet nozzles of cyclones, deflectors and roof fans. Fugitive emission sources are open storehouses for inert materials (sand and crushed stone), areas of their reloading, welding units which operate at open sites, and vehicles.

There are no stationary sources of atmospheric pollutant emissions in Baltic Branch.

31. In the rest of branches of JSC NIAEP wastewater is moved out.

#### Rostov NPP

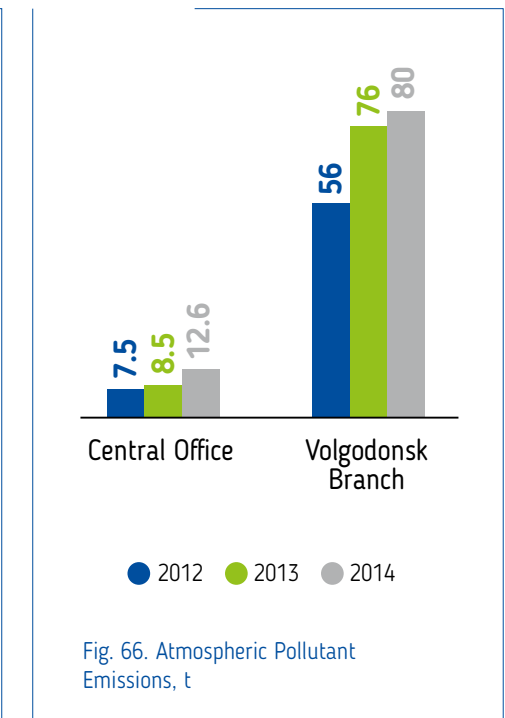
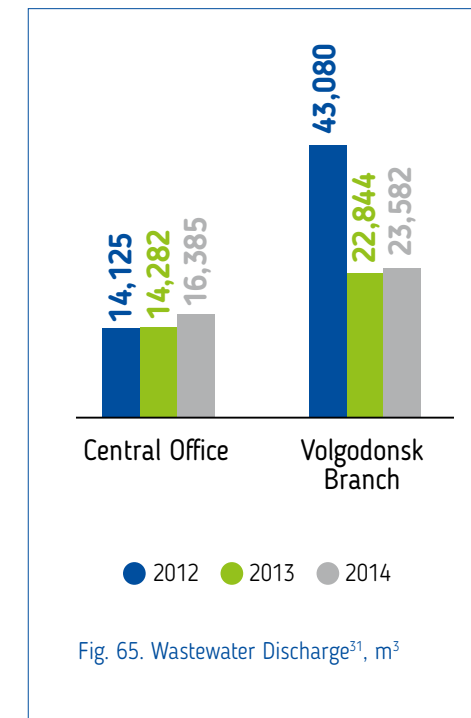
Wastewater produced on the construction site of the Rostov NPP Units 3 and 4 is transferred from the household and production buildings of the Branch and subcontracting organizations to the NPP sewerage networks and further to treatment facilities.

Storm and drainage water produced on the construction site comes by the storm water system equipped with local treatment facilities to the water cooling system separated by a dam from the Tsimlyansk Reservoir. Wastewater composition is controlled by the Rostov NPP laboratory being land and water user within the Production Environmental Monitoring Program.

#### Baltic NPP

Water treatment facilities at the construction site of Baltic NPP were not put into operation in 2014. Pre-commissioning works of utility runoff's treatment facilities and activities to get permits for water use and water discharge.

Utility runoff's produced on the Baltic NPP construction site are removed by means of motor vehicles on the basis of contracts concluded with contracting organizations.



As for the Central Office, emissions occur in the “Lesnoy UYUT” recreation camp (more than 90% of total emissions) and at the welding station of engineering surveys department.

Increase in atmospheric pollutant emissions in 2013–2014 (Fig.66) is connected with considerable growth of production volumes at the construction site of Rostov NPP and increase of number of vacationers in the recreation camp of the Central Office.

The Company’s branches and subcontracting organizations did not apply ozone-destroying substances in the process of construction and no emissions took place.

**GREENHOUSE GAS EMISSIONS**

**Direct Emissions**

There are no own boiler rooms and other systems producing greenhouse gases in the Central Office and branches of the Company, therefore the sources of direct greenhouse gas emissions of the Central Office, representative offices and branches of the Company include motor vehicles and construction machines.

Motor vehicles emissions were calculated by single gas components on the basis of annual fuel consumption.

The initiatives on abatement of direct emissions are mainly reduced to regular technical monitoring of emissions from motor vehicles and construction machines and adjustment of values for their maintenance within the admissible limits. In order to reduce direct emissions, new vehicles and construction machines with better environmental parameters are procured.

**Indirect Emissions**

Indirect greenhouse gas emissions in the Company’s activity are primarily conditioned by fossil fuel burning for power supply of the Central Office, branches and contracting organizations.

Table 60. Greenhouse Gas Emissions from Motor Vehicles, t of CO<sub>2</sub> – Equivalent

Producer	Fuel Type and Amount in 2014		Greenhouse Gas Amount		
	Petrol	Diesel Fuel	2012	2013	2014
Central Office	248.3	64.3	874.4	821.2	1,016.9
Volgodonsk Branch	1,111.8	3,067.6	9,113.6	9,938.5	13,299.0
Baltic Branch	19.4	1.01	254.8	247.7	66.1

Table 61. Indirect Greenhouse Gas Emissions, t of CO<sub>2</sub> – Equivalent

Producer	Fuel Type and Amount in 2014	Greenhouse Gas Amount		
		2012	2013	2014
Central Office	3,648.0	1,033.2	1,099.9	1,285.4
Volgodonsk Branch	7,244.6	3,286.2	3,404.1	2,324.3
Baltic Branch	0.0	72.08	76.38	0.9

Table 62. Intensity of Greenhouse Gas Emissions, t of CO<sub>2</sub> – Equivalent per Day

Producer	Greenhouse Gas Amount		
	2012	2013	2014
Central Office	4.15	4.41	5.15
Volgodonsk Branch	13.2	13.4	9.052
Baltic Branch	0.3	0.32	0.0



Electric energy in the process of power unit construction is supplied from a single power system applying electric energy of nuclear biopower plants and wind farms and due to this it is difficult to determine the volume of produced greenhouse gases in this case. It is possible to calculate indirect greenhouse gas emissions generated in the process of fossil fuel burning by the amount of heat coming to the Company’s production and household facilities during a year, with consideration of gas calorific capability (8.12x10<sup>-3</sup> Gcal/m<sup>3</sup>), potential of global warming of methane (25) and ratio of conversion of natural fuel in initial one (1.15/1,000 m<sup>3</sup>).

As part of the initiative on abatement of indirect greenhouse gas emissions, modern equipment is procured which employs state-of-the-art fuel injection technologies, catalytic after-oxidants of combustion products, etc.

**2.6.2.4. IMPACT ON SOILS**

In the course of NPP construction numerous construction works are carried out (removal of fertile layer, planning of area, excavation, water drawdown, revegetation of undeveloped areas, etc.), which have significant impact on soil. This impact does not contradict any requirements of construction standards and regulations and other regulatory permission documentation.

NPP facilities designed and constructed by the Company are not arranged in specially protected natural reservations and areas of high biological diversity (and do not adjoin such areas). Results of systematic monitoring over the last years confirm no essential impacts of the Company’s activity and its products and services on biological diversity on the protected nature areas and areas of high biological diversity outside their boundaries.

*In order to check welded joints, parent metal and build-up welding of equipment and pipelines an x-ray inspection using radioisotope fault detectors with sealed radioactive source is applied in JSC NIAEP in the course of NPP construction. Operation of radiation sources is arranged in strict compliance with requirements of regulatory legal documents in the field of usage of nuclear power facilities. Monitoring of effectiveness of radiation protection of storage and its adjacent premises twice a year enables to determine integrity of protective structures: walls and covers of hatches. Average individual dose for personnel of group A in JSC NIAEP in 2011 was equal to 0.327 mSv/year, in 2012 – 0.488 mSv/year, and in 2013 – 0.369 mSv/year, in 2014 – 0.455 mSv/year. Permissible radiation doses (19 mSv/year) were not exceeded. Training of personnel to work safely with gamma-ray flaw detectors and check of knowledge of instructions on radiation safety is carried out on a regular basis. Professional advancement is carried out as needed, at least once in 5 years in the companies having a license for learning activity.*

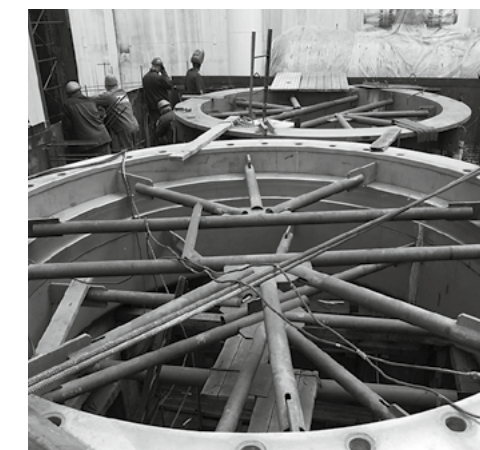
Revegetation of areas was not performed in 2014, as there are no soils which should be recovered and which are planned to be used for current and future needs in accordance with target designation.

**2.6.2.5. NUCLEAR AND RADIATION SAFETY OF NUCLEAR ENERGY FACILITIES**

Nuclear and radiation safety in the nuclear industry is assured under compliance with regulatory and legal requirements. Regulatory requirements are complied with both during elaboration of design documentation and at subsequent stages: NPP construction, operation and decommissioning. List of regulatory documents for construction and operation of NPP, as well as detailed information about engineering solutions to ensure safety at NPP is presented in the Annual Report of JSC NIAEP for 2013 <http://niaep.integrity.info/en/prirodnyi-kapital>.

Radioactive substances are not discharged to water sources during operation of NPP. Radioactivity level of water supplied from the surface water sources for cooling down the turbine condensers remains almost unchanged, even in case of hypothetical beyond-design basis accident. The calculated values do not reach the admissible norms and are from 4 to 14 % of the exposure dose limit for a very short period with quick restoration of initial water quality.

The Company has no own production plants connected with use of radioactive substances and requiring assurance of nuclear and radiation safety. After required endorsements the elaborated design documentation for NPP unit is subject to obligatory external expert assessment.



In addition, at every stage of NPP lifecycle it is required to procure licenses of the Federal Service for Environmental, Process and Nuclear Supervision (four licenses for every power unit). License justification materials (based on environmental impact assessment) are prepared for procurement of every license and pass state environmental expert assessment after public consultations.

**!** In 2014, Rosenergoatom Concern got positive conclusion (there were no negative conclusions in recent years) of the State Environmental Expertise for justification of license on arrangement of the Kursk NPP-2 Units 1 and 2 prepared with participation of JSC NIAEP. The next stage is to get positive conclusion of the STC NRS after which the Federal Service for Environmental, Technological and Nuclear Supervision gives licenses for certain stage of the NPP life cycle: location, construction, operation and decommissioning.

**CONSUMER HEALTH AND SAFETY**

NPP complies with the safety requirements, if its radiation impact on personnel, population and environment in normal and abnormal operation conditions including design-basis accidents does not lead to violation of established personnel and public exposure doses, standards on emissions and discharges, admissible concentrations of radioactive substances in the environment, and is limited in case of beyond-design basis accidents.

This is also achieved through compliance with the requirements of federal rules and regulations in the field of nuclear energy use and IAEA standards.

In 2014 the Federal Service for Environmental, Process and Nuclear Supervision has carried out 24 on-site examinations in JSC NIAEP to check validity of licenses for construction of nuclear power plants, and three inspections in the Central Office of JSC NIAEP.

In the reporting period the Company was not subject to material penalties and nonfinancial sanctions for non-compliance with legislation and regulatory requirements relating to provision and use of products and services.



**PUBLIC RELATIONS**

The obligatory requirement for license justification materials consists in their openness and access of all interested persons, public and scientific organizations to them. After prior acquaintance, public consultations are held with regard to materials on assessment of environmental impact of the designed facility (power unit or several power units to be constructed) in the region of planned construction.

After a positive conclusion is issued by the state environmental expert commission, the license justification materials are subject to additional expert review carried out by Scientific and Technical Center for Nuclear and Radiation Safety (STC NRS). This expert review is aimed at identification of nuclear and radiation safety level; other factors are also taken into account, including environmental safety, fire safety, etc.



No public consultations were held at the facilities of JSC NIAEP in 2014.

No negative conclusions of ecological experts for materials prepared with participation of the Company were got in 2013–2014.

As in the previous year, in 2014 the activity of JSC NIAEP has complied with all safety standards and requirements of the Russian Federation and IAEA, and environmental and radiation impact of the implemented projects has been at the minimum level.

In 2015 Rosenergoatom Concern with participation of the Company is planning to get:

- the license for arrangement of the Kursk NPP-2 Units 1 and 2;
- positive conclusion of Glavgosexpertiza for design documentation of construction of the Kursk NPP-2 Units 1 and 2;
- positive conclusion of public and state environmental expertise for materials of license justification for construction of the Kursk NPP-2 Units 1 and 2.

Table 63. Percent of Significant Categories of Products and Services assessed in Terms of Impact on Health and Safety for Identification of Improvement Opportunities, %

Categories of Products	2012	2013	2014 (target)	2014 (actual)	2015 (target)
Design products	100	100	100	100	100
Construction facilities	100	100	100	100	100

Table 64. Number of Cases of Non-Compliance with Requirements of Legislation and Voluntary Codes with Regard to Impact of Products and Services on Health and Safety

Inspection Subject	2012	2013	2014
Cases of non-compliance with regulatory requirements leading to penalties or charges	Central Office - 1 Volgodonsk Branch - 7	Volgodonsk Branch- 5	Volgodonsk Branch- 2
Cases of non-compliance with regulatory requirements leading to warning	0	0	0
Cases of non-compliance with voluntary codes	0	0	0
<b>TOTAL:</b>	<b>8</b>	<b>5</b>	<b>2</b>



TRUST SYNERGIES

# Stakeholder Engagement

3

- 3.1. Stakeholder Engagement
- 3.2. Public Reporting System of JSC NIAEP
- 3.3. Stakeholder Engagement during Preparation of the Report



### 3.1. STAKEHOLDER ENGAGEMENT



Vladimir Kats, Executive Director of JSC NIAEP, Chairman of the Public Reporting Committee of JSC NIAEP and JSC ASE

#### What are the tasks for 2015 and subsequent years as for reporting of the Company?

In the end of 2014, "Engineering and Construction" Division was created in the State Corporation Rosatom. Key companies of the Division are three major engineering companies: JSC NIAEP, JSC ASE and JSC Atomenergoproekt. JSC NIAEP is a managing company of the Division. That is why we have a goal to prepare the Integrated Report with consolidated information for all three companies and their subsidiaries in 2015. We already presented a part of indicators in the extended format in the Report for 2014, and we plan to expand consolidation for the whole Division in the reports of subsequent years, and it will further increase openness and transparency of the Company.

The second goal is related to study of possible promotion of the Report in the operation areas. It is required as while expanding the Company, number of the stakeholders increases. In addition to Russian regions of operation, the Company is interested in Asian areas. Priority countries of this region are Indonesia, Malaysia and Sri Lanka. We are also interested in Latin America, particularly Brazil and Argentina, as they have their own nuclear power generation industry. We pay special attention to the Republic of South Africa, Nigeria and Egypt. Such wide geography sets certain requirements to quality of the Report preparation for all stakeholders and current methods of its distribution.

We still draw our attention to constant improvement of compliance of the Report with International Integrated Reporting Framework. In particular, we paid special attention to implementation of principles of connectivity, understandability and accessibility of information in the reporting year. Besides, we have prepared this Report on the basis of strict compliance with GRI G4 Guidelines. I believe that our Company is one of the first Russian companies taking this step.

The set goals and tasks require effective work and development of the Public Reporting System of the Company. JSC NIAEP has a sufficient experience: for seven years we have been developing integrated reports, participating and winning in Russian and international contests. We plan to transfer our system of preparation of integrated reporting to JSC Atomenergoproekt and our subsidiaries, to expand composition and competencies of the Public Reporting Committee, composition of Stakeholder Panel and unify procedures of collection and processing of information.

#### JSC NIAEP is one of the first Russian companies which started to issue integrated reports. What advantages does that particular format of public reporting have?

The Integrated Report itself is a means of communication between the Company and its main stakeholders, and proper level of disclosure and assurance of information reliability results in reduction of reputational risks. Corporate reporting of this type enables to achieve several goals at the same time: rise of investment prospects of the Company, achievement of proper level of transparency and accountability, provision of public acceptance of activity in the operation markets and future markets.

The ASE – NIAEP United Company tends to establish mutually beneficial partnership with stakeholders.

Principles of Cooperation with Stakeholders:

- principle of inclusivity: JSC NIAEP takes into account demands and needs of the main stakeholders at all stages of management process including interests of those who has no possibility to express their opinion (For example, future generations);
- principle of materiality: JSC NIAEP and stakeholders hold joint assessment of materiality of the reporting information disclosure as-

**PARTICIPATION OF INTERESTED PARTIES (STAKEHOLDERS) IN SOLVING OF COMMON TASKS IS A FUNDAMENTAL CONDITION OF SUCCESSFUL ACTIVITY OF JSC NIAEP.**

- pects (see details in "About this Report" Section);
- principle of responsiveness: JSC NIAEP timely responses to requests and proposals of the stakeholders.

The Company uses various mechanisms and tools for such cooperation (See Table). Cooperation with all groups of stakeholders is carried out at the level of organization.

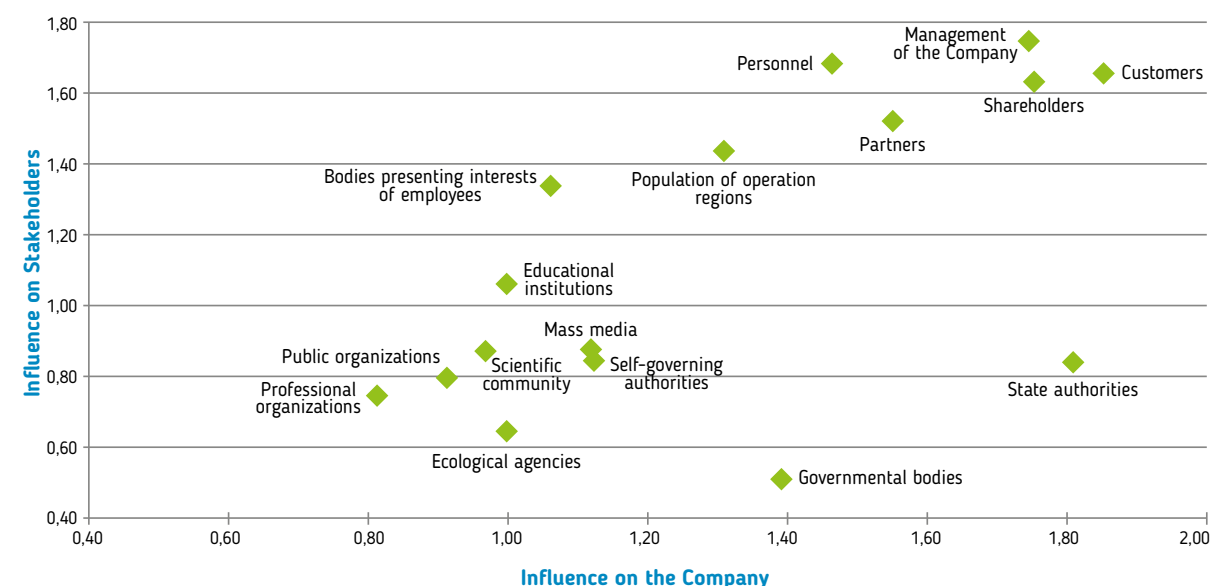


Fig. 70. Map of Stakeholders<sup>32</sup>

Table 65. Key Stakeholders

Key Stakeholders	Major Interests	Basic Ways of Cooperation
Shareholder: State Corporation Rosatom, JSC Atomenergoprom, JSC Atomstroyexport	Carrying out activities in compliance with the Shareholder's Strategy following corporate procedures	Involvement into fulfillment of strategic tasks of a shareholder. Upgrading of the Corporate Management System
Customers: JSC Rosenergoatom Concern, NPPD Company of Iran, Slovenské elektrárne, a.s., NPCIL, Akkuyu NPP, Jiangsu Nuclear Power Corporation (JNPC), China Nuclear Power Engineering Company (CNPE), China Nuclear Energy Industry Corporation (CNEIC), DSAE GU, NNEGCE Energoatom, EVN, FSNPC	Fulfillment of plans and observance of construction terms. Reduction of construction value. Improvement of work quality.	Participation in activities of emergency centers. Adoption of modern engineering technologies

32. Grade map of stakeholders is drawn up on the basis of annual polling of top managers of JSC NIAEP and members of the Public Reporting Committee. Each respondent evaluated degree of influence of the Company's activity on different groups of stakeholders and degree of influence of different groups of stakeholders on the Corporation's activity using per three-point scale. After estimation of average values influence indicators displayed on the map were calculated.

Table 65. Key Stakeholders (end)

Key Stakeholders	Major Interests	Basic Ways of Cooperation
Partners: suppliers, subcontractors	Getting new orders on the basis of Supplier Selection Procedures. Financial condition of the Company. Prospects for cooperation.	Holding of open tenders. Conclusion of long-term agreements with transparent pricing rules. Participation in trade fairs and forums. Bilateral visits. Formation of strategic partnership.
Bodies presenting interests of the Company's employees: Employees of the Company, Employee Association, Young Professionals Board, Board of Veterans	HR and social policy. Development of the Company. Prospects of personnel development	Social Partnership. Social and charity programs. Generation of staff pool. Training and professional advancement programs
Local authorities: Representatives of municipal authorities, Duma of municipal units, etc.	Ecological and radiation safety. Development of infrastructure. Taxes. Employment. Implementation of social programs.	Agreements on cooperation. Social and charitable programs. Public hearings. Public reporting
State authorities (supervision): Federal Service for Environmental, Technological and Nuclear Supervision	Ecological and radiation safety.	Getting of licenses, inspection audits
International organizations, including of nuclear sector: IAEA, WANO, WNA, Atomic Energy Agency OECD	Development of nuclear power engineering industry. Ecological and radiation safety. Prospects for cooperation	International conferences/fairs/forums. Joint programs
Professional associations: Chamber of Commerce and Industry, Russian Union of Industrialists and Entrepreneurs, etc.	Prospects for cooperation	Forums/conferences/fairs
State authorities: RF Government, RF Duma, RF Federal Council, etc.	Development of nuclear power engineering industry. Ecological and radiation safety. Development of infrastructure. Tax deductions. Employment. Implementation of social programs	Implementation of strategy. Public reporting
Insurance companies: JSC SOGAZ	Civil liability for damage because of defects in the works in the field of construction, designing and engineering surveys which influence on safety of capital facilities	Insurance against risks of civil liability
Financial institution: JSC AKB SAROV BUSINESS BANK, Volgo-Vyatskiy Bank, OJSC Sberbank of Russia	Financing, credit financing	Financing, credit financing
Academia: Research Institutes, Academy of Sciences, etc.	Prospects for cooperation	Scientific conferences. Joint programs
Management of the Company	Implementation of the Company's strategy	Improvement of Management System
Population of the Company's operation areas: dwellers, potential employees	Availability of job vacancies. Investments to development of the operation areas	Community liaison offices. Social and charity programs. Public hearings.
Mass media: Industry-specific and others	Prospects for development. Nuclear safety. Key events	Press conferences. Media tours. Actual informing. Public reporting
Educational institutions: Moscow Engineering and Physics Institute, Nizhny Novgorod State Technical University n.a. R.E. Alekseev (NGTU), Nizhny Novgorod State University of Architecture and Civil Engineering (NNGASU), Lobachevsky State University of Nizhny Novgorod, Ivanovo Power Engineering Institute, etc.	Joint educational programs. Practical training for students. Target training of specialists.	Joint educational programs. Arrangement of training for students. Target training of specialists.
Public organizations: interregional environmental movement "Oka", etc.	Social and charity programs. Social partnership. Environmental safety.	Social and charity programs. Social partnership. Ecological expeditions. Public hearings. Public reporting

## 3.2. PUBLIC REPORTING SYSTEM OF JSC NIAEP

Public Reporting System of JSC NIAEP is presented in details in the Report for 2013 <http://niaep.interity.info/en/sistema-publichnoi-otchietnosti-oao-niaep>.



Report for 2013 was included into the IIRC database as one of the best international practices of information disclosure in the field of strategy (<http://examples.integratedreporting.org>)

### IMPROVEMENT OF THE PUBLIC REPORTING SYSTEM AND QUALITY OF REPORTS

In the reporting year, JSC NIAEP participated in activities of Pilot Program of International Integrated Reporting Council (IIRC) ([www.integratedreporting.org](http://www.integratedreporting.org)) (webinars, conference in Madrid, Spain) and Russian Regional Network on Integrated Reporting (RRN) ([www.ir.org.ru](http://www.ir.org.ru)). Four meetings of the Public Reporting Committee were held.

Annual Report of JSC NIAEP is previously approved by the Board of Directors. Power for final approval of the Annual Report are attributed to competency of the General Shareholder Meeting of the Company.

Table 66. Results of 2014 and Plans for 2015 on Improvement of the Public Reporting System

Line	Results of 2014	Plans for 2015
Improvement of regulatory and methodological reporting system	<ul style="list-style-type: none"> <li>Provision on the Public Reporting Committee of JSC NIAEP and JSC ASE was issued.</li> <li>Provision on Stakeholder Panel was issued (Membership of the Panel was updated and increased, members of the Panel participated in dialogues, determination of essential aspects for disclosure in the Report and selection of priority subject, in the public assurance of the Report. Interactive platform of cooperation with stakeholders was used in the work of the Panel).</li> <li>Corporate Standard 10.01-14 "Procedure of Preparation of Public Annual Report for the Reporting Period" is updated. Conditioning of indicators and standard elements in accordance with expanded standard GRI G4 was completed. Responsibility accountability matrix of structural divisions for preparation of reporting information was updated.</li> <li>Responsibility for design and promotion of the Report is indicated in KPI and job description of employees of operating divisions.</li> <li>Earlier start for the Report campaign of 2014 was implemented (September - October) in order to shift time of the Report's issue.</li> </ul>	<ul style="list-style-type: none"> <li>Increase in the membership of the Public Reporting Committee and its competencies</li> <li>Increase in the membership of the Stakeholder Panel</li> <li>Unification of processes of collection and processing of the reporting information in JSC NIAEP, JSC ASE, JSC Atomenergoproekt and subsidiaries</li> </ul>
Professional advancement of personnel	Qualification of professionals of JSC NIAEP responsible for preparation of reports was refreshed and updated due to participation in workshops of the State Corporation Rosatom, RRN meetings, study of the best practices in the field of corporate reporting.	Participation in workshops of the State Corporation Rosatom, RRN meetings, study of the best practices in the field of corporate reporting.
Increase in number of the stakeholders involved in preparation of the Report	On-line platform usage when interacting with the stakeholders was actively applied ( <a href="http://niaep.stakeholderpanel.ru">http://niaep.stakeholderpanel.ru</a> ), including for exchange of information materials (materials for dialogues, draft report, news, polls).	Usage of interactive platform when cooperating with the stakeholders.
Investigations and polls	<ul style="list-style-type: none"> <li>Polling of top managers of the Company on determination of essential aspects of activity to disclose it in the Report, mutual influence of the Company and its stakeholders, selection of priority subjects of the Report was carried out.</li> <li>Polling of the stakeholders on determination of material aspects of activity to disclose it in the Report, mutual influence of the Company and its stakeholders, selection of priority subjects of the Report were carried out.</li> <li>Study of increase of utility value of the Annual Report (pooling of 200 employees) was carried out.</li> </ul>	<ul style="list-style-type: none"> <li>Polling of the stakeholders on materiality and mutual influence.</li> <li>Polling of the Stakeholder Panel on draft report/interview of the Panel members (new).</li> <li>Polling of the stakeholders in the regions of operation in order to reveal their interests and expectations (new).</li> <li>Study of increase of utility value of the Annual Report.</li> </ul>



Table 66. Results of 2014 and Plans for 2015 on Improvement of the Public Reporting System (end)

Line	Results of 2014	Plans for 2015
Promotion	<ul style="list-style-type: none"> <li>As per results of on-line poll of middle managers and top managers of the Company, "readability indicator" of Report increased from 53 to 76 % in comparison with the previous year.</li> <li>The Report was distributed among basic groups of stakeholders (addressed mailing, distribution in forums, fairs, meetings with business partners, etc.). Presentation of video about Report was broadcasted during Russian and international forums, workshops and conferences.</li> <li>Annual Report of JSC NIAEP for 2013 got a platinum award in the International Contest MarCom Awards 2014 <a href="https://enter.marcomawards.com/winners/#/winners/platinum/2014">https://enter.marcomawards.com/winners/#/winners/platinum/2014</a>.</li> <li>Annual Report of JSC NIAEP for 2013 is included into base of examples of International Integrated Reporting Council as the best practice of disclosure of information about strategy of the Company <a href="http://examples.integratedreporting.org/organisation/112">http://examples.integratedreporting.org/organisation/112</a>.</li> <li>JSC NIAEP got the first place in the rating of corporate transparency among the major Russian companies on the basis of results of annual study performed by the Russian Regional Integrated Reporting Network <a href="http://transparency2014.downstream.ru/#/ru">http://transparency2014.downstream.ru/#/ru</a>.</li> <li>JSC NIAEP became a leader of industry-specific rating of annual reports for the fifth time (winner in five categories).</li> </ul>	<ul style="list-style-type: none"> <li>Participation in the International and Russian corporate reporting contests:</li> <li>Promotion of the Report in social networks.</li> <li>Preparation of video-presentation of the Report</li> <li>Promotion of the Report (hard copy, flash-card, video presentation) in regions of operation</li> <li>Promotion of the Report in the Russian and international forums and fairs</li> <li>Presentation of materials about the Report in mass media</li> </ul>

### 3.3. STAKEHOLDER ENGAGEMENT DURING PREPARATION OF THE REPORT

During the reporting year the ASE – NIAEP United Company proceeded actively its cooperation with the stakeholders in the course of the reporting. Mostly the cooperation was constructed via interactive platform of cooperation with stakeholders, joint investigation and holding of dialogues. Three dialogues with representatives of the key stakeholders (in accordance with Stakeholder Engagement Standard AA1000SES) were held in the course of preparation of the present Report.

#### DIALOGUE NO. 1. CONCEPT OF ANNUAL REPORT FOR 2014

The dialogue took place on November 18, 2014 in Moscow Branch of JSC NIAEP. Representatives of the Central Office of JSC NIAEP and stakeholders from Nizhny Novgorod took part in the dialogue held in the form of a video conference. Draft concept of the Report was presented for discussion.

External and internal stakeholders were polled, and, pursuant to the results of the polling, aspects of reporting information were prioritized in terms of their importance for the stakeholders. The results of the polling were used for generation of significance matrix.

#### DIALOGUE NO.2. DISCLOSURE OF THE JSC NIAEP OPERATIONAL EXCELLENCE IN THE PUBLIC ANNUAL REPORT FOR 2014

The dialogue took place on February 10, 2014 in Moscow Branch of JSC NIAEP. Representatives of the Central Office of JSC NIAEP and stakeholders from Nizhny Novgorod, as well as representatives of Novovoronezh Branch of JSC Atomenergoproekt and of the stakeholders from Novovoronezh took part in the dialogue held in the form of a video conference.

Information on contribution of the year to achievement of strategic goals, improvement of economic results and their relationship with operational excellence was presented in the course of the activity. The stakeholders expressed requests and wishes on disclosure of priority topic in the Report.

#### DIALOGUE NO. 3. PUBLIC CONSULTATIONS ON THE DRAFT ANNUAL REPORT OF JSC NIAEP

The dialogue took place on April 14, 2014 in Moscow Branch of JSC NIAEP. Representatives of the Central Office of JSC NIAEP and of the

stakeholders from Nizhny Novgorod participated in the dialogue via video communication. 93 proposals and recommendations were presented in the course of dialogues for preparation of the Report. 78.5 % proposals related to requests for publication of certain information in the Report, and the rest of proposals were about development of the Public Reporting System or matters concerning cooperation with stakeholders. Proposals related to activity of the Company were submitted to appropriate subdivisions.

The Company arranged special work related to the recommendations for Draft Report (as for structure, contents, format of presentation of the reporting information) and improvement of the Public Reporting System. As a result, 59.1 % of proposals are included or partly included; 21.5 % of proposals are not included; 19.4 % of proposals will be included or considered when preparing reports of subsequent reporting periods.

Table 67. Consideration of Important Proposals to disclose Information in the Report expressed by Stakeholders in Course of Dialogues

Organization which expressed the proposal	Proposals of the stakeholders	Consideration of proposals by the Company
JSC Atomenergoproekt	Disclose information on procurement and delivery processes	Included, <a href="#">Section 2.2.1.4. Procurement Management</a>
JSC Afrikantov Experimental Design Bureau for Mechanical Engineering	Generate brief presentation version of the Report containing only interviews of the Company leaders and key results of activity	Not included, the Company took a decision to prepare unified full version of the Report for 2014
JSC Rosenergoatom Concern	Disclose information on availability of human resources for business rate of growth	Included, <a href="#">Section 2.4.2.5. Personnel Development</a>
Nizhny Novgorod Association of Industrialists and Entrepreneurs	Disclose dynamics of share of purchases from domestic manufacturers	Included, <a href="#">Section 2.2.1.4. Procurement Management</a>
JSC NP Consult	Disclose basic indicators on major subsidiaries	Included, <a href="#">Sections 2.1.2. Financial Results, 2.4.2.1. General Description of Human Capital</a>
Moscow center of the World Association of Nuclear Operators	Disclose information on plans for import substitution	Included, <a href="#">Section 2.2.1.4. Procurement Management</a>
NRC Kurchatov Institute	Present profitability for Russian and foreign projects separately	Included, <a href="#">Section 2.1.2 Financial Results</a>
JSC Rosenergoatom Concern	Present advantages of Multi-D and other innovation technologies in comparison with traditional ones	Included, <a href="#">Section 2.3.2.2. Information Technologies</a>
Chamber of Commerce and Industry of Nizhny Novgorod Region	Disclose information on investments in Nizhny Novgorod Region.	Included, <a href="#">Section 2.5.2.1. Influence on Local Population in Operation Areas</a>

Table 68. Obligations to Consider Proposals in the Reports of Further Periods

Company which expressed the proposal	Proposals of the stakeholders, which should be considered by the Company when preparing the Report for 2014	Fulfilment of obligations
State Corporation Rosatom	Present financial indicators in comparison with indicators of competitors and similar companies in the industry	Information will be presented in the reports of subsequent periods
JSC ATOMPROEKT	Involve foreign stakeholders for preparation of the Report	Will be considered when preparing concept of the report for 2015
Interregional Environmental Movement "Oka"	Make "Global Advantages of Nuclear Generation" a priority topic	Will be considered when preparing concept of the report for 2015

Table 69. Compliance with Obligations incurred by the Company when Preparing the Report for 2013

Proposals of the stakeholders	Compliance with obligations
Present performance indicators of investments in the Report.	Will be included when preparing reports of subsequent periods
Prepare text of the Report taking into account new business lines, carry out their SWOT-analysis or any other similar analysis.	Partly included. PEST-analysis is presented in the Report ( <a href="#">see Chapter 1. Company Management</a> ).
Present information on work of JSC NIAEP on medium power reactor and low power reactors.	Will be included when preparing concept of the Report for 2015
Present works on Requirements Management System on VVER-TOI project for Kursk NPP-2 and Nizhny Novgorod NPP.	Partly included. General information about works on Requirements Management System is presented in <a href="#">Section 2.3.2.2. Information Technologies</a>



# STAKEHOLDER ASSURANCE OF THE PUBLIC ANNUAL REPORT OF JSC NIAEP

## INTRODUCTION

Joint Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT (hereinafter referred to as JSC NIAEP or the Company) provided us with a possibility to evaluate the Annual Report for 2014 (hereinafter – the Report), including completeness and importance of the disclosed information and response of the Company to requests of the stakeholders. For this purpose we and our representatives were given a possibility to participate in public consultations on Draft Report which took place on April 14, 2015, as well as in two dialogues with the stakeholders:

- Dialogue No. 1 – Concept of Annual Report for 2014 on November 18, 2014;
- Dialogue No. 2 – Disclosure of the JSC NIAEP Operational Excellence in the Public Annual Report for 2014 on February 10, 2015).

## REPORT ASSESSMENT PROCEDURE

Our conclusion is based on comparative analysis of two versions of the Report (Draft Report for public consultations and final version of the Report) and provided materials on the results of carried out dialogues and consultations (records of events, summary tables on commentaries of the stakeholders), as well as commentaries

given by JSC NIAEP managers and employees in the course of the public acknowledgement of the Report.

In the process of the public acknowledgement of the Report we did not set a task to check the data collection and analysis system of the Company. Reliability of actual data presented in the Report is not a part of the public acknowledgement. All participants of the public consultations could freely express their opinion. We have not received any remuneration from the Company for participation in the public acknowledgement procedure.

## ASSESSMENTS, COMMENTARIES AND RECOMMENDATIONS

We agree in positive assessment of the Report – its format and scope of disclosed information. It is extremely important that the Integrated Report is prepared on a voluntary basis, and it is a good example of improvement of transparency and openness on the part of the Company. In the process of preparation of the Report the Company demonstrated high level of aspiration for assurance of public and environmental acceptability of nuclear energy industry development, as well as readiness for open dialog with the stakeholders in various directions of its activity. It is seen that the Com-

pany's management is aware of constructiveness and prospects for cooperation with the stakeholders.

The absolute merit of the Report consists in application of international standards during its preparation: Sustainable Reporting Guidelines Global Reporting Initiative (GRI, version G4), series of standards AA1000 Institute of Social and Ethical Accountability, International Integrated Reporting Framework. It is worth noting positive fact that JSC NIAEP is one of the first companies which has prepared comprehensive option of the Report in accordance with GRI G4 Guidelines. Integrated nature of the Report facilitated integrated disclosure of information on basic activity of the Company, its efficiency in the field of sustainable development, strategy and plans for the future.

We assess disclosure of information in the Report as sufficient both speaking of international public reporting standards and in terms of response to stakeholders' commentaries stated in the process of the Report preparation. To our opinion, it is the Integrated Report which must present the official position of the Company's management on all key socially important issues and activity areas of the Company.

## MATERIALITY OF INFORMATION

We consider that JSC NIAEP has taken into account the requirements of international standards on determination of importance. At the very beginning of work on the Report the Company questioned its top managers and members of the Stakeholder Panel of JSC NIAEP in order to reveal essential aspects of activity. Information on these aspects is disclosed in the report sufficiently completely. This means that the information disclosed in the Report is important both for the Company and for the stakeholders.

The priority subject of the JSC NIAEP Report is Operational Excellence of JSC NIAEP. All important information on priority topic is disclosed.

## COMPLETENESS OF INFORMATION

We also consider that reduction in the volume of the Report when disclosing all essential information complies with the best international reporting practices and enables to present full



description about activity of the Company, including creation of value. Availability of references to other information sources in the Report enables to get all required information. At the same time, the Report is not overloaded with information presented in the web-site of the Company and in its previous annual reports. Besides, the Company presented part of the reporting information in the form of graphics, tables and diagrams, and it makes the Report more comfortable for readers.

We recommend for the Company to pay attention to a necessity to disclose the following information in further reports: detailed description of markets where the Company has its business (basic competitors, trends, prospects, etc.); Engineering Division creation process.

## RESPONSE OF THE COMPANY TO SUGGESTIONS AND RECOMMENDATIONS OF THE STAKEHOLDERS

We consider that the Company has demonstrated a significant progress in development of cooperation with the stakeholders and introduction of public reporting practice in its activity. In the course of the Report preparation three activities with the stakeholders and poll on determination of important topics were carried out.

It must be also stressed that cooperation started prior to preparation of the Report itself at the stage of concept generation. The stakeholders were given an opportunity to express their opinion and recommendations on disclosure of information in the Report and development of the Public Reporting System as a whole.

The Company responded to the stakeholders' commentaries by introducing updates and additional information in the final version of the Report. In particular, the following Sections

were redeveloped and supplemented with the requested information: "Manufactured Capital", "Intellectual Capital" and "Human Capital". For the first time part of financial-economic and other indicators in the Report is presented not only for JSC NIAEP but also for its subsidiaries. Although merging with JSC Atomenergoproekt occurred only in the end of 2014, part of the information related to this merging is already presented in the Report. The Company undertook to disclose information in subsequent reports on some matters or explained with reason why this requested information could not be disclosed.

In addition, the Company undertook to further improve the Public Reporting System. Thus, when preparing the Report, the Company has demonstrated its readiness to respond to suggestions and recommendations of the stakeholders and brought up issues in a constructive way. We hope that the Company will go on with consistent introduction of the principles of responsible corporate behavior in its activity through development of the Public Reporting System and cooperation with the stakeholders.



I.A. Alushkina		President of JSC AKB SarovBusinessBank
S.M. Dmitriyev		President of the Nizhny Novgorod State Technical University n.a. R.E. Alekseev (NGTU)
I.O. Ermachenkov		Special correspondent of International News Agency "Russia Today"
D.L. Zverev		Director – General Designer of JSC Experimental Design Bureau for Mechanical Engineering n.a. I.I. Afrikantov
K.B. Komarov		Deputy Director General on Development and International Business of the State Corporation Rosatom
E.V. Kochergina		Chairman of the Trade Union Committee of JSC NIAEP
V.P. Melnikov		Head of Administration of Volgodonsk District of Rostov Region
V.V. Nefedov		Minister of Industry and Innovations of the Government of Nizhny Novgorod Region
S.V. Onufrienko		Director General of JSCAtomproekt
G.S. Sakharov		Director of Capital Investments of the State Corporation Rostatom
A.V. Khasiev		Chairman of Interregional Environmental Movement "Oka"
V.N. Tsybanev		Director General of Nizhny Novgorod Association of Industrialists and Entrepreneurs

### LIST OF ABBREVIATIONS

- GRI** – Global Reporting Initiative
- DC NRHF** – Decommissioning of Nuclear and Radiation Hazardous Facilities
- SC** – Subsidiary Company
- SULRS** – Single Uniform Labor Remuneration System
- LRW** – Liquid Radioactive Waste
- RR** – Research Reactor
- KPI** – Key Performance Indicators
- LCE** – Local Cost Estimate
- IIRC** – International Integrated Reporting Council
- EPM** – Environment Protection Measures
- IFRS** – International Financial Reporting Standards
- NCP** – Non-Commercial Partnership
- JOI** – Justification of Investments
- EIA** – Environmental Impact Assessment
- LLC** – Limited Liability Company
- EP** – Environmental Protection
- SNF** – Spent Nuclear Fuel
- RPS** – Rosatom Production System
- DED** – Design Estimate Documentation
- RW** – Radioactive Waste
- DDD** – Detailed Design Documentation
- RAS** – Russian Accounting Standards
- CIW** – Construction and Installation Works
- CS** – Corporate Standard
- M&R** – Maintenance and Repair
- PU** – Power Unit

### GLOSSARY

- CAPEX** – (Capital Expenditure) – capital used by companies for purchase or modernization of physical assets (residential and industrial immovable property, equipment, technologies).
- EPC Companies** – (EPC – Engineering, Procurement, Construction) – companies implementing the project on a turnkey basis. The EPC Company's functions include engineering, procurement and construction.
- EPCM Companies** – (EPCM – Engineering, Procurement, Construction, Management) – companies applying the methods and means of turnkey project portfolio management. The EPCM Company's functions include engineering, procurement, construction and project management.
- ERP System** (Enterprise Resource Planning System) is the Company's resource planning system.
- ISO** is a series of international standards on company management administration system intended for assurance of predictable and stable quality level of services.
- VVER.1000** is safe NPP project elaborated with consideration of native experience in construction and operation of the previous reactor plant (V-320) at Zaporizhia, Balakovo, Yuzhounorsk and Kalinin NPP and the lat-

est world achievements in the field of NPP design and operation. According to the international classification, VVER.1000 refers to nuclear power plants of the III-rd generation. When designing the nuclear power plant, the designers focused on maximum reduction in the human factor effort. Such concept was implemented in two directions. Firstly, the design included passive safety systems. This term refers to systems operating almost without any external power supply and requiring no human intervention. Secondly, the concept of double-purpose active safety systems was adopted, what considerably reduced the possibility of undetected failures. To avoid uncontrolled chain reaction in the reactor, special control rods made of neutron-absorbing materials are used which immediately suppress nuclear reaction when inserted in the core.

**VVER.1200E** is so far the most advanced typical project of the Russian nuclear power plant of the generation 3+ with improved technical and economic indices. This project is aimed at achievement of modern safety and reliability indicators with optimized capital investments in power plant construction. VVER reactor with a minimum electric power of 1,150 MW (and possible boost up to 1,200 MW) is supposed to be used. According to the approved technical assignment, designs of two nuclear power plants were elaborated, namely Novovoronezh NPP-2 (General Contractor – JSC Atomenergoproekt, Moscow) and Leningrad NPP-2 (General Contractor – JSC St. Petersburg Scientific and Research Engineering Institute Atomenergoproekt).

**BN-800** is a fast-fission reactor with primary sodium for finishing operation of the fast-fission reactor technology using uranium-plutonium MOX-fuel. Electrical power amounts to 880 MW.

**Back-End** means final lifecycle stage of nuclear energy facilities and materials.

**VVER.1300TOI** is a typical optimized and informative-advanced design of two-unit NPP with VVER.1300 reactor (water pressurized reactor). The VVER-TOI design is elaborated on the basis of the VVER.1200E design materials with maximum consideration of experience obtained by industry organizations designing NPP based on the VVER technologies (Novovoronezh NPP-2). Design solutions are optimized to minimize failures having adverse effect on economic performance of the power unit.

**General Contractor** is a turnkey contract party which assigns performance of certain types and packages of work under the contract to specialized contracting organizations – subcontractors. The General Contractor is completely responsible to the customer for performance of the contractual work package and proper quality thereof, timely removal of defects and faults, etc.

**Capacity Delivery Agreement** means generating company's obligation to the market representatives on commissioning and introduction of new generation into the wholesale market in future.

**Customer (Developer)** is a person or entity intending to carry out construction, reconstruction or other type of construction work which requires a building permit.

**Engineering** means engineering and consulting services of research, design and engineering, calculation and analytical nature, preparation of feasibility studies of designs, elaboration of recommendations in the field of production and management administration, i.e. a package of commercial services on preparation and support of the production and product distribution process, maintenance and operation of industrial, infrastructure and other facilities.



**Cash Pooling** means centralization of dividend flow from commercial operations and subsequent distribution of investment resources between subsidiaries.

**Design Documentation** is documentation containing materials in written form and in form of maps (diagrams) and defining architectural, functional and process, structural and engineering solutions, to support construction and reconstruction of capital facilities and their parts, and overhaul, if structural and other reliability and safety parameters of the capital facilities are affected.

**Design and Exploration Works** is a package of works on engineering surveys, elaboration of feasibility studies of construction, preparation of designs, design documentation and estimate documentation for performance of construction (new construction, extension, reconstruction, technical re-equipment) of facilities, buildings and structures.

**Design Documentation** is documentation elaborated on the basis of the approved detailed design and intended for performance of construction work.

**Radioactive Substances** are substances containing radioactive nuclides.

**Construction** is the whole process of NPP erection from design and exploration to delivery to the customer and commissioning.

**Power Unit** is a power plant generator producing electric power.

**Nuclear Energy** – internal energy of atomic nuclei released at nuclear fission or nuclear reactions.



# Annexes



## Annex 1. Report of the Board of Directors on Performance Results of JSC NIAEP on Priority Lines of its Activity

23 sessions of the Board of Directors were held in 2014, decisions were made on 30 agenda items. List of the held sessions of the Board of Directors and items of agenda are in the Table below.

Seq. No.	Session Date	Minutes Number	Agenda
1	14.01.2014	1	1. Concerning the approval of amendments No. 1 to Collective Agreement of JSC NIAEP for 2013-2014.
2	15.01.2014	2	1. Concerning the decision making on approval of Provisions on Audit Commissions of Subsidiaries of JSC NIAEP: LLC VdMU, LLC SMU No. 1, LLC NIAEP-Service.
3	03.02.2014	3	1. Concerning the decision making on conclusion of additional agreement No.1 to Labor Agreement No. 39/12 as of June 16, 2012 with Director General of subsidiary company of JSC NIAEP – LLC VdMU.
4	19.03.2014	4	1. On defining the position of JSC NIAEP on matter of election of the Subsidiary Company's Audit Commission – LLC TrestRosSEM.
5	20.03.2014	5	1. Concerning the approval of the List of Charitable Initiatives of JSC NIAEP for 2014.
6	03.04.2014	6	1. Proposal to sole shareholder of JSC NIAEP – Joint Stock Company "Nuclear Power Generation Complex" to make a decision on amendments No. 3 to the Charter of JSC NIAEP. 2. Concerning the approval of amendments No. 1 to Provision on Representative Office of JSC NIAEP in the Republic of Belarus.
7	17.04.2014	7	1. On defining the position of JSC NIAEP on matter of approval of new revision No. 1 of the Charter for subsidiary company – LLC Trest RosSEM.
8	18.04.2014	8	1. On decision-making on questions of competence of annual General Shareholder Meetings of subsidiary companies of JSC NIAEP – LLC VdMU, LLC SMU No.1, LLC NIAEP-Service. 2. On defining the position of JSC NIAEP on matters of competence of annual General Shareholder Meeting of subsidiary companies of JSC NIAEP – LLC Trest RosSEM.
9	28.04.2014	9	1. Concerning the approval of unilateral transaction related to donation of JSC NIAEP to religious association "Ascension Day Orthodox Parish of Nizhny Novgorod" in the form of a car.
10	05.05.2014	10	1. Concerning the approval of transaction related to rendering of consulting services by JSC NIAEP in amount of more than 10 million rubles.
11	30.04.2014	11	1. On payment of remuneration to the CEO of JSC NIAEP as per results of fulfillment of key performance indicators for 2013. 1. Preliminary approval of the Annual Report of JSC NIAEP for 2013. 2. Preliminary approval of the Annual Accounting (Financial) Reporting of JSC NIAEP on results of 2013.
12	27.05.2014	12	3. Recommendations to the sole shareholder on distribution of profit of JSC NIAEP pursuant to the results of the 2013 financial year, as well as on amount of dividends for shares of JSC NIAEP, form and procedure of their payment, proposal to sole shareholder to set a date for persons having a right to get dividends. 4. Concerning the appeal to the sole shareholder of JSC NIAEP with a proposal to make decision on the issues relating to the competence of the annual General Shareholder Meeting of JSC NIAEP.
13	15.07.2014	13	1. Concerning the election of the Chairman of the Board of Directors of JSC NIAEP. 2. Concerning the election of the Secretary of the Board of Directors of JSC NIAEP. 3. Proposal to the sole shareholder of JSC NIAEP – Joint Stock Company "Nuclear Power Generation Complex" to make a decision on amendments No. 4 to the Charter of JSC NIAEP.
14	17.07.2014	14	1. Determination of the amount of payment for the auditor services rendered to JSC NIAEP on audit of the statements and reports for 2014.
15	29.07.2014	15	1. Concerning the approval of unilateral transaction related to donation of JSC NIAEP to Non-Commercial Partnership Sarov Hockey Club in the form of money means.
16	01.09.2014	16	1. Concerning the approval of new revision of Provision on Moscow Branch of JSC NIAEP.
17	16.09.2014	17	1. Proposal to the sole shareholder of JSC NIAEP – Joint Stock Company "Nuclear Power Generation Complex" to make a decision on new revision No. 1 of the Charter of JSC NIAEP.
18	05.11.2014	18	1. Concerning the approval of new revision of Provision on Volgodonsk Representative Office of JSC NIAEP.
19	11.11.2014	19	1. Concerning the approval of the Provision on Representative Office of Joint Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT (Russian Federation) in the Republic of Belarus (new revision).
20	13.11.2014	20	1. Concerning the approval of new revision of the Provision on Kharkov Representative Office of JSC NIAEP.
21	14.11.2014	21	1. Concerning the approval of new revision of the Provision on Kursk Branch of JSC NIAEP.
22	28.11.2014	22	1. On determination of additional terms and conditions for employment agreement of the JSC NIAEP CEO.
23	04.12.2014	23	1. Concerning the approval of new revision of the Provision on Baltic Branch of JSC NIAEP.

## Annex 2. Report on Compliance with Principles and Recommendations of the Corporate Governance Code

As a result of the performed analysis, it is stated that existing activity practice of administrative bodies mostly complies with the Corporate Governance Code. Some provisions of the Code cannot be applied because of availability of sole shareholder. More detailed information is specified in the Table below. Since December 26, 2014 a number of the Company's shareholders was changed and that is why an improvement of the Corporate Governance System is planned for 2015 beginning with approval of new revision No. 2 of the Company Charter, and it will be presented in the next Annual Report..

Item No.	Principle (Principles) of Corporate Governance or Key Criterion (Recommendation)	Brief Description of the Part where Principle or Key Criterion is not complied	Explanation of Key Reasons, Factors and Circumstances by Virtue of which a Principle or Key Criterion are not complied or complied in part. Description of the used Alternate Algorithms and Tools of Corporate Management
<b>I. Rights of shareholders and equitable treatment of shareholders when they exercise their rights</b>			
1.1	The Company should ensure equal and fair attitude to all shareholders when they exercise their rights to manage the Company. Corporate Management System and Practice must ensure equitable treatment of all shareholders, owners of shares of one category (type) including minority shareholders and foreign shareholders and equal attitude to them from the side of the Company		
1.1.1	Internal document which determines basic procedures for preparation, convocation and holding of the General Shareholder Meeting in compliance with recommendations of the Corporate Management Code including the Company's liability is approved in the Company: · to inform the shareholders about holding of the General Shareholder Meeting and provide an access for materials including placement of messages and information in the web-site of the Company not less than 30 days before the date of its holding (unless more days are specified by the legislation of the Russian Federation); · to disclose information on the date of drawing up the list of people having a right to participate in the General Shareholder Meeting, not less than 7 days before the date of its holding; · to present additional information and materials as per agenda for the General Shareholder Meeting in accordance with recommendations of the Corporate Management Code.	Not applicable	Availability of a sole shareholder results in specific decision-making
1.1.2	The Company undertook to provide a way for the shareholders to ask questions about activity of the Company to representatives of management and supervision bodies, members of Audit Committee, Chief Accountant, Company auditors, as well as to candidates for management and supervision bodies in the course of preparation and holding of the General Shareholder Meeting. The above obligations are specified in the Charter or in the internal documents of the Company.	Not applicable	Availability of a sole shareholder results in specific decision-making
1.1.3	The Company undertook to follow the principle of inadmissibility to carry out any actions which result in artificial reassignment of corporate control (for example, voting by "quasi-treasury" shares, decision-making on dividends payment on privileged shares in the conditions of limited financial possibilities, decision-making on non-payment of dividends on privileged shares specified in the Company Charter in case of availability of sufficient sources for their payment). The above obligations are specified in the Charter or in the internal documents of the Company	Not applicable	100 % of the Company's shares belong to a sole shareholder
1.2	Equal and fair possibility to participate in profits of the Company by getting dividends should be provided for the shareholders.		
1.2.1	Internal document is approved in the Company specifying the Company's Dividend Policy. It corresponds to recommendations of the Corporate Management Code and includes as follows: · the method for determining share of net profit (for companies drawing up consolidated financial reporting – minimal part (share) of Consolidated Net Income) directed to pay dividends, conditions for dividends declaration; · minimal dividend amount for the Company's shares of different categories (types); · the obligation to disclose a document which specifies Dividend Policy of the Company at the web-site of the Company.	Not applicable	The Company has no approved Provision on Dividend Policy
<b>II. Board of Directors of the Company</b>			
2.1	The Board of Directors specifies basic strategic goals of the Company's activity for long-term period, key indicators of the Company's activity, performs strategic management of the Company, specifies basic principles and approaches to arrange Risk Management and Internal Control System, monitors activity of executive bodies of the Company, as well as implements other key functions		

Item No.	Principle (Principles) of Corporate Governance or Key Criterion (Recommendation)	Brief Description of the Part where Principle or Key Criterion is not complied	Explanation of Key Reasons, Factors and Circumstances by Virtue of which a Principle or Key Criterion are not complied or complied in part. Description of the used Alternate Algorithms and Tools of Corporate Management
2.1.1	The Board of Directors is formed in the Company and fulfills the following functions: • specifies basic strategic goals of the Company's activity for long-term period, key indicators of the Company's activity; • monitors activity of executive bodies of the Company; • specifies basic principles and approaches to arrange Risk Management and Internal Control System in the Company; • specifies the Company's Policy on Remuneration of Members of the Board of Directors, executive bodies and other key top managers of the Company; • plays a critical role to provide transparency of the Company, timeliness and completeness of the Company's information disclosure, easy access of shareholders to the Company documents; • monitors corporate management in the Company and plays a critical role in essential corporate events of the Company.	Complied	
2.2	The Board of Directors should be effective and professional management body of the Company capable to express independent judgements and take decisions complying with the interests of the Company and its shareholders. Chairman of the Board of Directors must contribute to the most effective implementation of functions of the Board of Directors. Meetings of the Board of Directors, preparation for them and participation of members of the Board of Directors should ensure effective activity of the Board of Directors.		
2.2.1	Chairman of the Board of Directors is an independent director, or a senior independent director should be determined among selected independent directors who coordinates the work of independent directors and cooperates with the Chairman of the Board of Directors	Not complied	Membership of the Board of Directors is determined on the basis of decision of the Company's sole shareholder
2.2.2	Internal documents of the Company specify procedure of preparation and holding of the Board of Directors, and it enables to prepare properly to the Meeting for its members. It stipulates in particular: • time periods for notification of members of the Board of Directors about the forthcoming meeting; • time periods for sending the documents (bulletins) for voting and getting the filled documents (bulletins) in case of meeting by correspondence; • possibility to send and take into account opinion in writing on matters of agenda for members of the Board of Directors who are absent during in-person meeting; • possibility to discuss and vote by means of conference communication and video conference communication.	Complied	Art. 13, clauses 13.4, 13.5 of the Company's Charter; Section 7 "Provisions on the Company's Board of Directors"
2.2.3	The most important matters are solved during in-person meetings of the Board of Directors. List of such matters corresponds to recommendations of the Corporate Management Code. <sup>33</sup>	Complied	
2.3	The Board of Directors should include sufficient number of independent directors		
2.3.1	Independent directors constitute at least one third of the selected membership of the Board of Directors	Not complied	Membership of the Board of Directors is determined upon decision of the sole shareholder of the Company
2.3.2	Independent directors correspond to criteria of independence recommended in the Corporate Management Code to the fullest extent	Not complied	Membership of the Board of Directors is determined upon decision of the sole shareholder of the Company
2.3.3	The Board of Directors (Committee on Nominations (HR, appointments)) evaluates candidates to members of the Board of Directors for correspondence to independence criteria	Not complied	Membership of the Board of Directors is determined upon decision of the sole shareholder of the Company
2.4	The Board of Directors should form Committees for preliminary consideration of the most important matters of the Company's activity		
2.4.1	The Board of Directors has established an Audit Committee which consists of independent directors. Its functions are specified in the internal documents and they correspond to recommendations of Corporate Management Code <sup>34</sup>	Not complied	Board of Directors did not take any decisions on establishment of committees
2.4.2	The Board of Directors has established Remuneration Committee (it can be joined with Committee on Nominations (HR, appointments)), which consists of independent directors. Its functions are specified in the internal documents and they correspond to recommendations of the Corporate Management Code <sup>35</sup>	Not complied	Board of Directors did not take any decisions on establishment of committees
2.4.3	The Board of Directors has established Committee on Nominations (HR, appointments) (it can be joined with Remuneration Committee). Majority of its members are independent directors. Its functions correspond to recommendations of the Corporate Management Code. <sup>36</sup>	Not complied	Board of Directors did not take any decisions on establishment of committees
2.5	The Board of Directors should assess the quality of work of the Board of Directors, its committees and members of the Board of Directors		

33. Indicated in item 168 of Part B of the Corporate Management Code.  
 34. Indicated in item 172 of Part B of the Corporate Management Code.  
 35. Indicated in item 180 of Part B of the Corporate Management Code.  
 36. Indicated in item 186 of Part B of the Corporate Management Code.

Item No.	Principle (Principles) of Corporate Governance or Key Criterion (Recommendation)	Brief Description of the Part where Principle or Key Criterion is not complied	Explanation of Key Reasons, Factors and Circumstances by Virtue of which a Principle or Key Criterion are not complied or complied in part. Description of the used Alternate Algorithms and Tools of Corporate Management
2.5.1	Quality of work of the Board of Directors is assessed on a regular basis at least once a year. Upon that, such assessment is performed with involvement of external company (consultant) at least once in three years	Not complied	
2.6	Members of the Board of Directors should act reasonably and in good faith in the interests of the Company and its shareholders on the basis of sufficient information awareness, at a proper level of care and diligence.		
2.6.1	Rational and fair actions of the Members of the Board of Directors imply decision-making taking into account all available information provided that there is no conflict of interests in view of equal attitude to the Company's shareholders within the limits of ordinary business risk.	Complied	
2.6.2	Rights and obligations of the Members of the Board of Directors are clearly worded and specified in the Company's internal documents: • Members of the Board of Directors should have enough time to take their duties. • All members of the Board of Directors should have equal access to documents and information of the Company. Newly elected members of the Board of Directors should be provided with sufficient information about the Company and about the work of the Board of Directors as soon as possible. • Meetings of the Board of Directors, preparation for them and participation of members of the Board of Directors in the meetings should provide effective activity of the Board of Directors. • It is recommended to hold meetings of the Board of Directors as may be necessary taking into account range of activity and current tasks of the Company. • It is recommended to develop and specify in the internal documents procedure of preparation and holding of the meetings of the Board of Directors which would ensure a possibility to prepare properly for the meeting.	Соблюдается	
<b>III. Corporate Secretary of the Company</b>			
3.1	Effective current cooperation with shareholders, coordination of the Company's actions on protection of rights and interests of shareholders, support of effective work of the Board of Directors are provided by the Corporate Secretary (special division headed by the Corporate Secretary)		
3.1.1	The Corporate Secretary is subordinated to the Board of Directors, appointed and removed from position as per decision or with the consent of the Board of Directors	Complied	Clause 4.2 of Provision on the Board of Directors of the Company
3.1.2	An internal document is approved in the Company, and it specifies rights and obligations of the Corporate Secretary (Provision on Corporate Secretary). Its contents correspond to recommendations of the Corporate Management Code <sup>37</sup>	Not complied	Rights and obligations of the Corporate Secretary are approved in the Provision on the Board of Directors of the Company
3.1.3	The Corporate Secretary has a job position which can not be combined with any other functions in the Company. The Corporate Secretary is charged with functions in accordance with recommendations of the Corporate Management Code. <sup>38</sup> The Corporate Secretary has sufficient resources to perform his functions.	Not complied	The Corporate Secretary is an employee of the Company
<b>IV. System of remuneration for Members of the Board of Directors, executive bodies and other key top managers of the Company</b>			
4.1	Level of remuneration paid by the Company should be sufficient for attraction, motivation and retention of employees of competence and qualification required by the Company. Payment of remuneration to the Members of the Board of Directors, executive bodies and other key top managers of the Company should be carried out in accordance with the Remuneration Policy accepted in the Company.		
4.1.1	All payments, exemptions and concessions for the Members of the Board of Directors, executive bodies and other key top managers of the Company are brought under regulation	Complied partly	The sole shareholder did not take a decision on payment of remuneration to the Members of the Board of Directors
4.2	System of remuneration for the Members of the Board of Directors should bring together financial interests of Directors with long-term financial interests of shareholders		
4.2.1	The Company does not use other forms of remuneration to the Members of the Board of Directors except for fixed annual compensation	Not applicable	The sole shareholder did not take a decision on payment of remuneration to the Members of the Board of Directors
4.2.2	The Members of the Board of Directors are not provided with a way to participate in stock options plans, and right to sell their own shares does not arise from achievements of the certain performance indicators.	Not applicable	Members of the Board of Directors are not the shareholders of the Company, 100 % of the Company shares belong to the sole shareholder.

37. Indicated in item 217, Part B of the Corporate Management Code  
 38. Indicated in item 218, Part B of the Corporate Management Code

Item No.	Principle (Principles) of Corporate Governance or Key Criterion (Recommendation)	Brief Description of the Part where Principle or Key Criterion is not complied	Explanation of Key Reasons, Factors and Circumstances by Virtue of which a Principle or Key Criterion are not complied or complied in part. Description of the used Alternate Algorithms and Tools of Corporate Management
4.3	System of remuneration of executive bodies and other key top managers should imply dependence of remuneration on results of the Company work and their personal contribution to achievement of this result		
4.3.1	Program of long-term motivation of the members of executive bodies and other key top managers is implemented in the Company.	Complied	
<b>V. Risk Management and Internal Control System</b>			
5.1	Effective Risk Management and Internal Control System to provide reasonable assurance in achievement of the set tasks should be created in the Company		
5.1.1	The Board of Directors defined principles and approaches to arrangement of the Risk Management and Internal Control System in the Company	Complied	
5.1.2	A separate structural division of Risk Management and Internal Control is created in the Company	Complied	
5.1.3	Anti-Corruption Policy is developed and introduced in the Company. It defines measures to form elements of corporate culture, organizational structure, regulations and procedures to avoid any corruption	Complied	
5.2	The Company should arrange internal audit to ensure systematic independent assessment of reliability and effectiveness of the Risk Management and Internal Control System and Corporate Management Practice		
5.2.1	A separate structural division of internal audit subordinated to the Board of Directors is formed in the Company. Functions of the above division correspond to recommendations of the Corporate Management Code. In particular, such function include as follows: • assessment of efficiency of Internal Control System; • assessment of efficiency of Risk Management System; • assessment of the Corporate Management (in case of no Corporate Management Committee).	Complied	
5.2.2	Head of Internal Audit Divisions is subordinated to the Board of Directors, appointed and removed from position as per decision of the Board of Directors	Not complied	All HR decisions are taken in the Company by the CEO at his sole discretion
5.2.3	Internal Audit Policy is approved in the Company (Provision on Internal Audit) which defines tasks, goals and functions of internal audit.	Complied	
<b>VI. Disclosure of information on the Company, the Company's Information Policy</b>			
6.1	The Company and its activity should be transparent for shareholders, investors and any other stakeholders		
6.1.1	An internal document defining Information Policy corresponding to recommendations of the Corporate Management Code is approved in the Company. Information Policy of the Company includes the following methods of cooperation with investors and other stakeholders: • Arrangement of special page in the web-site of the Company where responses to typical questions of shareholders and investors are placed, a calendar of corporate events updated on a regular basis, as well as other useful information for shareholders and investors is available; • Regular holding of meetings of the members of executive bodies and other key top managers of the Company with analysts; • Regular holding of presentations (including in the form of TV conferences, web-casts) and meetings with participation of members of regulatory bodies and other key top managers including associated with publication of accounting statements (financial reporting) or related to main investment projects and plans of the Company strategic development.	Complied partly	The Company discloses information in accordance with acting law on Joint Stock Companies, requirements of Provisions of the Bank of Russia d/d December 30, 2014 No. 454-P. Standard of enterprise "Procedure of preparation of Public Annual Report for the reporting period" is approved in the Company (STP 10.01-14) Page link in the Internet. <a href="http://www.e-disclosure.ru/portal/company.aspx?id=19054">http://www.e-disclosure.ru/portal/company.aspx?id=19054</a> . Web-site of JSC NIAEP <a href="http://www.niaep.ru">http://www.niaep.ru</a> .
6.1.2	Information Policy of the Company is implemented by its executive bodies. Proper disclosure of information and compliance with Information Policy is monitored by the Board of Directors of the Company	Complied partly	
6.1.3	Procedures for coordination of all services and structural divisions involved in information disclosure or which activity may result in a need to disclose information are established in the Company.	Complied	
6.2	The Company should timely disclose complete, actual and reliable information on the Company to provide a possibility for the shareholders and investors to take reasoned decision		
6.2.1	In case of considerable share of foreign investors in the capital simultaneously with disclosure of information in the Russian language it is performed in the foreign language commonly used in the financial market (the most important information about the Company (including messages on holding of General Shareholder Meeting, Annual Report of the Company)	Not applicable	
6.2.2	Information about the Company is disclosed together with the information about legal bodies under its control which are important for the Company	Not complied	

Item No.	Principle (Principles) of Corporate Governance or Key Criterion (Recommendation)	Brief Description of the Part where Principle or Key Criterion is not complied	Explanation of Key Reasons, Factors and Circumstances by Virtue of which a Principle or Key Criterion are not complied or complied in part. Description of the used Alternate Algorithms and Tools of Corporate Management
6.2.3	The Company discloses annual and intermediate (semiannual) consolidated financial reporting drawn up in accordance with International Financial Reporting Standards (IFRS). Annual consolidated or individual financial reporting is disclosed together with the Audit conclusion, and intermediate (semiannual) consolidated or individual financial reporting, together with the Report on results of review audit check or audit conclusion	Complied partly.	The Company discloses information on annual reporting drawn up in accordance with RAS. Annual Financial Reporting is disclosed together with audit conclusion.
6.2.4	The Company disclosed special memorandum containing plans of a person controlling the Company. The above memorandum is drawn up in accordance with recommendations of the Corporate Management Code <sup>39</sup>	Not complied	
6.2.5	The Company discloses detailed information on biographical data of members of the Board of Directors including information on the fact if they are independent directors or not, as well as prompt disclosure of information about their loss of independent director status.	Complied	The given information is specified in the Annual Report of the Company
6.2.6	The Company discloses information on structure of the capital in accordance with recommendations of the Corporate Management Code	Complied	
6.2.7	Annual Report of the Company includes additional information recommended by the Corporate Management Code: • Summary of the most important transactions including inter-related transactions of the Company and legal bodies under its control for the last year; • Report on work of the Board of Directors (including Committees of the Board of Directors) for the year which includes information on number of meetings in presentia (absent meetings), on participation of each member of the Board of Directors in the meetings, description of the most important matters and the most complicated problems considered in the course of the meetings of the Board of Directors and Committees of the Board of Directors, principal recommendations of the Committees to the Board of Directors; • Information on direct or indirect ownership of the Company's shareholders by Members of the Board of Directors and executive bodies; • Information on availability of conflict of interests of members of the Board of Directors and executive bodies (including a conflict related to participation of the above persons in managerial bodies of the Company competitors); • Description of remuneration system for members of the Board of Directors including amount of individual remuneration on the basis of the year results for each member (with break-down to basic, additional remuneration for chairmanship in the Board of Directors, for chairmanship (membership) in the Committees of the Board of Directors, scope of participation in the long-term motivation program, scope of participation of each member of the Board of Directors in the stock options plan, if any), compensation of expenses related to membership in the Board of Directors, as well as expenses of the Company for insurance of responsibility of directors as members of managerial bodies; Information on annual cumulative remuneration: a) for group of at least five the most highly paid members of executive bodies or any other key top managers with break-down for each type of remuneration; b) for all members of executive bodies or any other key top managers, for which Remuneration Policy of the Company apply with break-down for each type of remuneration; • Information on annual remuneration of sole executive body which is received or will be received from the Company (legal body from group of agencies where the Company is included to) with break-down for each type of remuneration, both for discharge of duty of sole executive body and for other reasons.	Complied	
6.2.8	The Company discloses information in accordance with principles of regularity, consistency, and promptitude, as well as availability, reliability, completeness and comparability of the information to be disclosed.	Complied	
6.3	The Company should provide information and documents by request of shareholders in accordance with principles of equal and unhindered access		
6.3.1	In accordance with Information Policy of the Company equal access to information and documents of the Company is provided for shareholders having the same number of voting shares	Not applicable	100 % of the Company's shares belong to the sole shareholder

39. Indicated in item 279, Part B of the Corporate Management Code

Item No.	Principle (Principles) of Corporate Governance or Key Criterion (Recommendation)	Brief Description of the Part where Principle or Key Criterion is not complied	Explanation of Key Reasons, Factors and Circumstances by Virtue of which a Principle or Key Criterion are not complied or complied in part. Description of the used Alternate Algorithms and Tools of Corporate Management
<b>VII. Essential Corporate Actions</b>			
7.1	Actions which considerably influence or may influence on structure of equity capital and financial conditions of the Company and respectively on position of shareholders (Essential Corporate Action) must be performed on a basis of fair conditions providing compliance with the rights and interests of shareholders, as well as of other stakeholders		
7.1.1	The Company's Charter has defined a list of transactions or any other actions which are essential corporate actions which consideration belongs to competency of the Board of Directors including: <ul style="list-style-type: none"> <li>• Company reorganisation, acquisition of 30 and more percents of voting shares, increase or reduction of the Company's equity capital, listing and delisting of the Company's shares;</li> <li>• Transactions on selling of shares of legal bodies important for the Company, as a result of which the Company loses control on such legal bodies;</li> <li>• Transactions, including interrelated transactions with property of the Company or of the legal bodies under its control amount of which exceeds the amount specified in the Company's Charter or which is important for business activity of the Company;</li> <li>• Establishment of a legal body under control of the Company important for the Company's activity;</li> <li>• Carve-out of treasury and quazi-treasury shares by the Company.</li> </ul>	Complied	Art. 12 clause 12.1 sub-clause 15, Art.13 clause 13.2 sub-clause 15 of the Company's Charter
7.2	The Company should ensure such procedure for essential corporate actions which allows for the shareholders to get timely full information on such actions and provides a possibility of influence on implementation of such actions. It guarantees compliance with and adequate level of protection of their rights when implementing such actions		
7.2.1	Principle of equal conditions for all Company shareholders when implementing essential corporate actions affecting the rights and legal interests of shareholders is specified in internal documents of the Company. Besides, additional measures to protect rights and legal interests of the Company's shareholders stipulated in the Corporate Management Code are specified including: <ul style="list-style-type: none"> <li>• Involvement of independent assessor having a spotless reputation recognized in the market, and experience of assessment in the appropriate field or provision of reasons of non-involvement of independent assessor for determination of the property cost which is alienated or purchased as per major transaction or stakeholder transaction;</li> <li>• Price determination of the Company's shares when purchasing them or repurchasing by an independent assessor having a spotless reputation recognized in the market, and experience of assessment in the appropriate field taking into account weighted average price of the shares for reasonable time period without taking into consideration an effect related to implementation of appropriate transaction (including without considering change of share prices because of distribution of information on implementation of relevant transaction), neither without taking into account discount for carve-out of shares of minority stake;</li> <li>• Increase of the list of reasons for which members of the Board of Directors or any other persons as required by the Law are recognized as interested in the Company's transactions in order to evaluate actual coherence of respective persons.</li> </ul>	Not applicable	100 % of the Company shares belong to the sole shareholder

### Annex 3. Accounting Statements as of 2014<sup>40</sup>

<b>Balance Sheet as of December 31, 2014</b>					
		Codes			
		0710001			
		Date (day, month, year) 31 12 2014			
		RNNBO 08841271			
		TIN 5260214123			
		Acc. to OKVED 74.20.1			
		OKOPF/Russian National Classifier of Ownership Patterns 12247 12			
		All-Russia Classifier of Measurement Units 384			
Organization: "ATOMENERGOPROEKT" NIZHNY NOVGOROD ENGINEERING COMPANY, JSC Individual Taxpayer Number: _____ Business profile: <b>Architecture, industrial design, and engineering and construction</b> Legal form of organization/Form of ownership: <b>Joint-Stock Company / Federal ownership</b> Unit of measurement: <b>RUB thous.</b> Location (address): <b>603006, Nizhny Novgorod Region, Nizhny Novgorod, Svobody sq., 3</b>					
Clarifications	Index Name	Code	As of December 31, 2014	As of December 31, 2013	As of December 31, 2012
<b>ASSET</b>					
<b>I. FIXED ASSETS</b>					
7.1	Intangible assets	1110	18,245	17,087	1,929
	Results of explorations and developments	1120	-	-	-
	Non-financial development assets	1130	-	-	-
	Financial development assets	1140	-	-	-
7.3	PP&E (property, plant and equipment)	1150	985,147	945,050	876,774
7.3	Buildings, machines, equipment and other PP&E	1151	805,490	859,942	839,455
7.3	Unaccomplished capital investments into PP&E	1152	81,854	85,108	31,212
7.10	Advance payments which are paid to capital construction suppliers and contractors and suppliers of permanent facilities	1153	97,803	-	6,107
7.3	Income-bearing investments in tangible assets	1160	389,196	466,756	447,585
7.7	Financial investments	1170	149,689	8,617	8,702
7.19	Deferred tax assets	1180	223,884	217,742	244,460
7.5	Other fixed assets	1190	11,663,456	20,956,577	33,760,432
	including: payments as per agency agreements	1191	5,789,365	15,421,080	25,225,143
	VAT for advance and preliminary payments	1192	5,237,732	4,262,037	6,476,352
	Expenses of future periods	1193	502,237	713,066	563,214
	Total for Section I	1100	13,429,617	22,611,829	35,339,882
<b>II. CURRENT ASSETS</b>					
7.6	Inventory	1210	3,858,802	2,885,717	2,335,285
7.6	Raw materials, materials, and other similar values	1211	825,174	1,262,868	1,191,361
7.6	Expenditures for work in progress	1212	182,838	62,621	9,078
7.6	Finished-products and goods for resale	1213	2,850,790	1,560,228	1,134,846
	Goods delivered	1214	-	-	-
	Other inventories and expenditures	1219	-	-	-
	Input value added tax	1220	151,599	152,782	153,456
7.10	Accounts receivable	1230	45,169,860	31,708,687	17,092,329
7.10	Settlements with purchasers and clients	1231	16,084,188	9,299,242	5,382,143
7.10	Advances paid	1232	4,203,915	5,933,406	7,675,840
7.10	Other receivables	1233	24,668,549	15,930,463	3,927,034
7.10	including advances for amounts of principals	1234	23,656,056	14,715,632	3,251,985
7.21	Accrued revenue not called for payment	1235	213,208	545,576	107,312
7.7	Financial investments (except for money equivalent)	1240	10,018,495	21,023,277	18,200,000
7.9	Cash and money equivalents	1250	1,602,392	1,245,381	2,202,662
	Other current assets	1260	3,698,931	6,270,532	3,024,722
	including VAT for advance and preliminary payments	1261	3,598,517	6,251,547	2,999,427
	Total for Section II	1200	64,500,079	63,286,376	43,008,454
	<b>STATEMENT</b>	<b>1600</b>	<b>77,929,696</b>	<b>85,898,205</b>	<b>78,348,336</b>

40. Data of accounting statements are presented for JSC NIAEP without consolidation with subsidiary companies. Such assumption can be considered as a justified one on the basis of the fact that taking into account intra-company balance, finance indicators of subsidiary companies do not cause any essential changes of final results of finance indicators of JSC NIAEP.



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Clarifications	Index Name	Code	As of December 31, 2014	As of December 31, 2013	As of December 31, 2012
<b>LIABILITIES</b>					
<b>III. EQUITY AND RESERVES</b>					
	Equity capital (joint-stock capital, legal capital, contributions of partners)	1310	500,002	500,002	500,002
	Shares repurchased	1320	-	-	-
	Reappraisal of fixed assets	1340	-	-	-
	Restitutable shares reserve (without reappraisal)	1350	( 102 )	( 101 )	286
	Surplus	1360	25,000	25,000	25,000
	Surplus funds formed in accordance with the law	1361	-	-	-
	Surplus funds formed in accordance with constitutive documents	1362	25,000	25,000	25,000
	Retained Profit (uncovered loss)	1370	4,050,121	3,763,239	3,098,309
	Total for Section III	1300	4,575,021	4,288,140	3,623,597
<b>IV. LONG-TERM LIABILITIES</b>					
	Loan proceeds	1410	-	-	-
	Deferred tax liabilities	1420	-	-	-
	Estimated liabilities	1430	-	-	-
7.13	Other liabilities	1450	34,534,944	28,638,079	44,267,316
7.13	including advances received	1451	34,336,245	27,940,021	42,456,087
	Total for Section IV	1400	34,534,944	28,638,079	44,267,316
<b>V. CURRENT LIABILITIES</b>					
	Loan proceeds	1510	-	-	-
7.13	Accounts payable	1520	37,732,794	52,080,217	29,349,369
7.13	Suppliers and contractors	1521	10,517,392	8,173,269	8,690,178
7.13	Advances received	1522	23,590,352	40,982,442	19,662,985
7.13	Payables to employees	1523	25,490	122,574	94,822
	Payables to State non-budgetary funds	1524	43,178	39,556	29,529
7.15	Tax liabilities	1525	34,143	132,402	235,601
7.13	Other payables	1526	3,522,239	2,629,974	636,254
	including:				
7.13	VAT for advance and preliminary payments	1527	1,050,401	926,756	81,954
7.13	payments for amounts of principals and attorneys	1528	1,886,333	1,260,933	401,922
	Income of future periods	1530	36	-	-
7.18	Estimated liabilities	1540	1,086,901	891,769	1,010,054
	Settlements with founders as for equity payments (legal capital)	1545	-	-	-
	Targeted financing	1546	-	-	-
	Payables to the customers	1547	-	-	98,000
	Other liabilities	1550	-	-	-
	Total for Section V	1500	38,819,731	52,971,986	30,457,423
	<b>STATEMENT</b>	<b>1700</b>	<b>77,929,696</b>	<b>85,898,205</b>	<b>78,348,336</b>

Director  
 (signature) Yu.A. Ivanov  
 (Print full name)  
 February 24, 2015

Chief Accountant  
 (signature) Samogorodskaya E.V.  
 (Print full name)

### Cash Flow Statement for January – December, 2014

Organization "ATOMENERGOPROEKT" NIZHNY NOVGOROD ENGINEERING COMPANY, JSC  
 Individual Taxpayer Number  
 Type of Economic Activity **Architecture, industrial design, and engineering and construction**  
 Legal form of organization/Form of ownership **Joint-Stock Company / Federal ownership**  
 Unit of measurement: **RUB thous.**

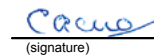
Form of OKUD	0710001		
Date (day, month, year)	31	12	2014
RNNBO	08841271		
TIN	5260214123		
Acc. to OKVED	74.20.1		
OKOPF/Russian National Classifier of Ownership Patterns	12247	12	
All-Russia Classifier of Measurement Units	384		

Index Name	Code	As of January – December, 2014	As of January – December, 2013
<b>Cash Flow From Operating Activities</b>			
Income - total	4110	29,658,826	40,371,354
including:			
From sale of products, goods, work and services	4111	28,545,732	39,277,171
Lease payments, licence payments, royalty, fees and other similar payments	4112	83,351	46,828
From resale of financial investments	4113	-	-
Other income	4119	1,029,743	1,047,355
Payments - total	4120	( 39,160,442 )	( 37,814,714 )
including:			
To suppliers (contractors) for stock, materials, works and services	4121	( 32,560,050 )	( 31,912,290 )
In connection with payment for labor of employees	4122	( 4,270,083 )	( 3,753,028 )
Interests on liability	4123	-	-
Corporate income tax	4124	( 268,039 )	( 654,235 )
Other payments	4129	( 2,062,270 )	( 1,495,161 )
Balance of cash flows from operating activities	4100	( 9,501,616 )	2,556,640
<b>Cash Flow From Investment Activities</b>			
Income - total	4210	28,903,916	28,481,893
including:			
From sale of fixed assets (except for financial investments)	4211	799	3,411
From sale of shares of other companies (ownership interests)	4212	-	-
From repayment of loans, sale of debt securities (rights of claim on financial assets to other persons)	4213	28,000,000	27,700,000
Dividends, interests on debt financial investments and similar income from shares in capital of other companies	4214	903,117	778,482
Other income	4219	-	-
Payments - total	4220	( 17,289,690 )	( 30,948,277 )
including:			
In connection with purchase, establishment, modernization, reconstruction and preparation for usage of fixed assets	4221	( 289,448 )	( 376,607 )
In connection with purchase of shares of other companies (ownership interests)	4222	( 242 )	( 71,670 )
In connection with purchase of debt securities (rights of claim on financial assets), loaning to other persons	4223	( 17,000,000 )	( 30,500,000 )
Interests on liabilities included in investment asset value	4224	-	-
Other payments	4229	-	-
Balance of cash flows from investment activities	4200	11,614,226	( 2,466,384 )

Form 0710004 p.2

Index Name	Code	As of January – December, 2014	As of January – December, 2013
<b>Cash Flow From Financial Activities</b>	4310	–	–
Income - total		–	–
including:			
Borrowing	4311	–	–
Cash deposits of owners (members)	4312	–	–
Share issue, membership interest increase	4313	–	–
Issue of obligations, promissory notes, and other debt securities, etc.	4314	–	–
Budgetary appropriations and other targeted financing	4315	–	–
Other income	4319	–	–
Payments - total	4320	( 1,764,386 )	( 1,047,587 )
including:			
To owners (members) in connection with repurchase of shares (membership interests) of the Company or cessation of membership	4321	–	–
For payout of dividends and other payments within appropriation of profit to owners (members)	4322	( 1,343,403 )	( 785,794 )
In connection with discharge (repurchase) of bills and other debt securities, repayment of loans	4323	( )	( )
other payments	4329	( 420,983 )	( 261,793 )
Balance of cash flow from financial activity	4300	( 1,764,386 )	( 1,047,587 )
<b>Balance of cash flow for the reporting period</b>	<b>4400</b>	<b>348,224</b>	<b>( 957,331 )</b>
<b>Opening Cash Balance</b>	<b>4450</b>	<b>1,245,381</b>	<b>2,202,662</b>
<b>Closing Cash Balance</b>	<b>4500</b>	<b>1,602,392</b>	<b>1,245,381</b>
Effect of exchange rate changes	4490	8,787	50

Director  Yu. A. Ivanov  
(Print full name)

Chief Accountant  Samogorodskaya E.V.  
(Print full name)

February 24, 2016



### Statement of Changes in Capital for 2014

Organization: "ATOMENERGOPROEKT" NIZHNY NOVGOROD ENGINEERING COMPANY, JSC  
 Individual Taxpayer Number: ENGINEERING COMPANY, JSC  
 Type of Economic Activity: **Architecture, industrial design, and engineering and construction**  
 Legal form of organization/Form of ownership: **Joint-Stock Company / Federal ownership**  
 Unit of measurement: **RUB thous.**

Codes		
Form of OKUD	0710001	
Date (day, month, year)	31	12 2014
RNNBO	08841271	
TIN	5260214123	
Acc. to OKVED	74.20.1	
OKOPF/Russian National Classifier of Ownership Patterns	12247	12
All-Russia Classifier of Measurement Units	384	

#### 1. Movement of Capital

Index Name	Code	Charter Capital	Treasury Shares	Added Capital	Surplus	Retained profit (unrecovered loss)	Total
Capital value as of December 31, 2012	3100	500,002	–	286	25,000	3,098,309	3,623,597
<b>For 2013</b>							
Capital increase - total:	3210	–	–	–	–	1,450,723	1,450,723
including:							
Net profit	3211	–	–	–	–	1,450,723	1,450,723
Revaluation of assets	3212	–	–	–	–	–	–
Income assigned directly to Capital increase	3213	–	–	–	–	–	–
Additional share issue	3214	–	–	–	–	–	–
Share denomination increase	3215	–	–	–	–	–	–
Legal entity reorganization	3216	–	–	–	–	–	–
Use of field reserves for investments	3217	–	–	–	–	–	–

Form 0710023 p. 2

Index Name	Code	Charter Capital	Treasury Shares	Added Capital	Surplus	Retained Profit (unrecovered loss)	Total
Capital decrease - total:	3220	—	—	( 387 )	—	( 785,793 )	( 786,180 )
including:							
Loss	3221	—	—	—	—	—	—
Revaluation of assets	3222	—	—	—	—	—	—
Expenses assigned directly to Capital decrease	3223	—	—	( 387 )	—	—	( 387 )
Share denomination decrease	3224	—	—	—	—	—	—
Share number decrease	3225	—	—	—	—	—	—
Legal entity reorganization	3226	—	—	—	—	—	—
Dividends	3227	—	—	—	—	( 785,793 )	( 785,793 )
Change in added Capital	3230	—	—	—	—	—	—
Change in surplus	3240	—	—	—	—	—	—
Capital value as of December 31, 2013	3200	500,002	—	( 101 )	25,000	3,763,239	4,288,140
<b>For 2014</b>							
Capital increase - total:	3310	—	—	—	—	1,630,285	1,630,285
including:							
Net profit	3311	—	—	—	—	1,630,285	1,630,285
Revaluation of assets	3312	—	—	—	—	—	—
Income assigned directly to Capital increase	3313	—	—	—	—	—	—
Additional share issue	3314	—	—	—	—	—	—
Share denomination increase	3315	—	—	—	—	—	—
Legal entity reorganization	3316	—	—	—	—	—	—
Use of field reserves for investments	3317	—	—	—	—	—	—
Capital decrease - total	3320	—	—	( 1 )	—	( 1,343,403 )	( 1,343,404 )
including:							
Loss	3321	—	—	—	—	—	—
Revaluation of assets	3322	—	—	—	—	—	—
Expenses assigned directly to Capital decrease	3323	—	—	( 1 )	—	—	( 1 )
Share denomination decrease	3324	—	—	—	—	—	—
Share number decrease	3325	—	—	—	—	—	—
Legal entity reorganization	3326	—	—	—	—	—	—
Dividends	3327	—	—	—	—	( 1,343,403 )	( 1,343,404 )
Change in added Capital	3330	—	—	—	—	—	—
Change in surplus	3340	—	—	—	—	—	—
Capital value as of December 31, 2014	3300	500,002	—	( 102 )	25,000	4,050,121	4,575,021

Form 0710023 p. 3

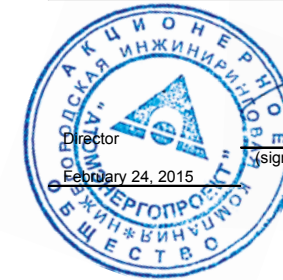
2. Adjustments in Connection with Changes in Accounting Principle and Correction of Errors

Index Name	Code	As of December 31, 2012	Changes in Capital for 2013		As of December 31, 2013
			due to net profit (loss)	due to other factors	
<b>Capital - total</b>					
Prior to adjustments	3400	—	—	—	—
Adjustment due to:					
Change in accounting principle	3410	—	—	—	—
Correction of errors	3420	—	—	—	—
After adjustments	3500	—	—	—	—
including:					
Retained surplus (uncovered loss):					
Prior to adjustments	3401	—	—	—	—
Adjustment due to:					
Change in accounting principle	3411	—	—	—	—
Correction of errors	3421	—	—	—	—
After adjustments	3501	—	—	—	—
Other adjusted items of the Capital (by Items)					
Prior to adjustments	3402	—	—	—	—
Adjustment due to:					
Change in accounting principle	3412	—	—	—	—
Correction of errors	3422	—	—	—	—
After adjustments	3502	—	—	—	—

Form 0710023 p. 4

3. Net Assets

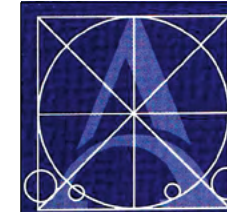
Index Name	Code	As of December 31, 2014	As of December 31, 2013	As of December 31, 2012
Net Assets	3600	4,575,021	4,288,140	3,623,597



Director Yu. A. Ivanov  
(signature) (Print full name)

Chief Accountant Samogrodskaya E.V.  
(signature) (Print full name)

**Annex 4. Auditor's Report Confirming Authenticity of Annual Statements**



**AUDIT REPORT**  
**on Accounting (Financial) Statements**

**to Shareholders of**

**Joint Stock Company**  
**Nizhny Novgorod Engineering Company**  
**ATOMENERGOPROEKT**

**as of March 02, 2015**

**Statement on Financial Results  
for January – December of 2014**

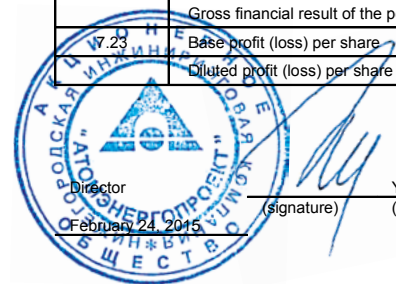
Organization **"ATOMENERGOPROEKT" NIZHNY NOVGOROD  
ENGINEERING COMPANY, JSC**  
Individual Taxpayer Number  
Type of Economic Activity **Architecture, industrial design, and engineering  
and construction**  
Legal form of organization/Form of ownership  
**Joint-Stock Company / Federal ownership**  
Unit of measurement: **RUB thous.**

Form of OKUD	Codes		
Date (day, month, year)	31	12	2014
RNNBO	08841271		
TIN	5260214123		
Acc. to OKVED	74.20.1		
OKOPF/Russian National Classifier of Ownership Patterns	12247	12	
All-Russia Classifier of Measurement Units	384		

Clarification	Index Name	Code	As of Jan-Dec, 2014	As of Jan-Dec, 2013
7.20	Revenue	2110	43,000,321	37,518,429
7.20	Cost of sales	2120	( 38,911,509 )	( 33,854,638 )
	Gross profit (losses)	2100	4,088,812	3,663,791
	Selling expenses	2210	( 544,612 )	( 518,388 )
	Administrative expenses	2220	( 2,152,373 )	( 1,714,449 )
	Profit (loss) from sales	2200	1,391,827	1,430,954
	Participation capital	2310	175	7,985
7.22	Interest receivable	2320	1,065,583	895,252
	Interest payable	2330	-	-
7.22	Miscellaneous income	2340	705,647	501,802
7.22	Miscellaneous expenses	2350	( 1,058,628 )	( 897,728 )
	Profit (loss) before taxes	2300	2,104,604	1,938,265
7.19	Current income tax	2410	( 558,430 )	( 426,729 )
	Including permanent tax liabilities ( assets)	2421	( 134,945 )	( 67,883 )
7.19	Changing of deferred tax liabilities	2430	20,608	( 87,577 )
7.19	Changing of deferred tax assets	2450	( 3,070 )	58,770
7.19	Miscellaneous	2460	( 4,483 )	( 72,051 )
	Reallocation of profits tax within tax consolidated group	2465	71,056	40,046
	<b>Net profit (loss)</b>	<b>2400</b>	<b>1,630,285</b>	<b>1,450,724</b>

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Clarification	Index Name	Code	As of Jan-Dec, 2014	As of Jan-Dec, 2013
	<b>FOR REFERENCE</b>	2510		
	Result on revaluation of fixed assets not included into net profit (loss) of the period		-	-
	Result of other operations not included into net profit (loss) of the period	2520	( 1 )	( 387 )
	Gross financial result of the period <sup>a</sup>	2500	1,630,284	1,450,337
7.23	Base profit (loss) per share	2900	3.26	2.90
	Diluted profit (loss) per share	2910	-	-



Director Yu.A. Ivanov  
(signature) (Print full name)

Chief Accountant Самородская Е.В.  
(signature) (Print full name)

LLC Nexia Pacioli  
Audit Report on Accounting (Financial) Statements of JSC NIAEP for 2014

#### Information about the Auditee

<b>Full name</b>	<b>Joint Stock Company NIZHNY NOVGOROD ENGINEERING COMPANY ATOMENERGOPROEKT</b>
<b>Abbreviated name</b>	<b>JSC NIAEP</b>
<b>State registration</b>	Registered by Nizhny Novgorod Inspection of Federal Tax Service of Russia (Nizhny Novgorod, December 18, 2007), Registration Certificate: series 52 No.003505627. Included into the Unified State Register of Legal Entities under the Principal State Registration Number 1075260029240
<b>Place of location</b>	603006, Nizhny Novgorod, Svobody sq., 3
<b>Postal address</b>	603006, Nizhny Novgorod, Svobody sq., 3

#### Information about the Auditor

<b>Full name</b>	<b>Limited Liability Company Nexia Pacioli</b>
<b>Abbreviated name</b>	<b>LLC Nexia Pacioli</b>
<b>State registration</b>	State Registration Certificate No. 856.235 dated June 23, 1995, issued by the Moscow Registration Chamber; State Registration Certificate, series 77 No.005390060 dated October 22, 2002 issued by Interdistrict Tax Inspectorate of the Ministry for Taxes and Levies of Russia No.39 for Moscow; Included into the Unified State Register of Legal Entities under the Principal State Registration Number 1027739428716
<b>Place of location</b>	119180, Moscow, Malaya Polyanka str., 2
<b>Postal address</b>	119180, Moscow, Malaya Polyanka str., 2
<b>Membership in the self-regulatory organization of auditors</b>	It is a member of self-regulatory organization of auditors Non-Commercial Partnership Institute of Professional Auditors; Included into the Register of Auditors and Audit Organizations of the above self-regulatory organization of auditors on October 30, 2009 under the Principal Registration Number 10202000073

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LLC Nexia Pacioli  
Audit Report on Accounting (Financial) Statements of JSC NIAEP for 2014

We audited the attached accounting statements of JSC NIAEP consisting of:

1. Balance Sheet as of December 31, 2014;
2. Statement on Financial Results for January – December of 2014;
3. Statement of Changes in Capital for 2014;
4. Cash Flow Statement for January – December of 2014;
5. Explanatory Notes to Accounting (Financial) Statements.

#### Responsibility of the Auditee for Accounting Statements

Management of the Auditee is responsible for execution and accuracy of the above Accounting Statements in accordance with the accounting principles of the Russian Federation and for internal control system required for preparation of Accounting Statements without any material misstatements due to frauds and mistakes.

#### Responsibility of the Auditor

Our responsibility is related to expression of opinion about accounting statements accuracy based on audit performed by our company. We audited in accordance with federal standards of audit activities of the Russian Federation. These standards require compliance with the applied bona mores, as well as planning and auditing in such a manner as to be sure that there are no material misstatements in the Accounting Statements.

The audit included the holding of audit procedures directed to obtain audit evidences confirming the Accounting Statements indexes and information disclosure. The audit procedures are selected according to our opinion based on estimation of material misstatements risk occurred as a result of frauds or mistakes. In the course of assessment of this risk we considered internal quality system providing execution and accuracy of the Accounting Statements in order to select proper audit procedures but not to express an opinion about efficiency of internal control system.

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## Annex 5. Assurance of Internal Control and Audit Department

The audit also included an assessment of the applied accounting policy and soundness of estimated figures received by the Auditee's management, as well as estimation of the Accounting Statements representation as a whole.

We suppose that the audit evidences obtained in the course of the audit ensure good reason for expression of opinion about the Accounting Statements accuracy.

### Opinion

According to our opinion the Accounting Statement represents (in all material respects) true financial position of JSC NIAEP as of December 31, 2014, results of its financial and economic activity and cash flow within 2014 in accordance with the Russian Rules of Accounting Statements Preparation.

### Other Information

Audit of the Accounting Statements for the previous period of 2013 was performed by auditor of LLC FBK. On the basis of results of the audit, an intact opinion on reliability of Accounting (Financial) Statements for 2013 was presented in the audit conclusion of March 03, 2014.

Deputy Director General for Audit of  
LLC Nexia Pacioli  
(Auditor's Qualification Certificate  
No.02-000361, no expiration date)  
Included into the Register of Auditors and Audit  
Organizations NP "Institute of Professional Auditors"  
under Principal Registration Number 29502000246)



O.V. Danilova



### ASSURANCE

of Internal Control and Audit Department on results of internal audit of  
public accounting of JSC NIAEP for 2014

Internal audit of preparation of the Public Annual Report of JSC NIAEP for 2014 has been held in accordance with Provision on Internal Audit of the Public Annual Accounting approved by the Order No. 40/868-P/356 dated September 27, 2012 taking into account requirements of the State Corporation Rosatom policy on public reporting, Standard of the Company "Preparation procedure for public annual report for accounting period" (STP 10.01-14), basic provisions of Sustainability Reporting Guidance GRI (version G4.0), International Standard of Integrated Reporting, series of international standards of cooperation with stakeholders AA1000, recommendations of RUIE (Russian Union of Industrialists and Entrepreneurs) for usage for usage in the course of management and corporate nonfinancial Reporting.

Subject to the requirements of the standard of enterprise STP 10.01-14 the Company has developed local regulatory documents governing activity in Public Annual Reporting.

Collegial body for management of Public Annual Reporting System of the Company is the Public Reporting Committee of JSC NIAEP approved by joint Order No.40/438-P/007/158-P dated May 06, 2014 "On approval and enforcement of Provision for the Public Reporting Committee of JSC NIAEP and JSC ASE". The Chairman of the Committee is Kats V.L., Executive Director.

Investments Department of JSC NIAEP is responsible for preparation and promotion of public reporting.

Participation of structural subdivisions in the preparation of reporting is regulated by new version of Provision on Interaction of Structural Subdivisions in the course of public

disclosure of information in JSC NIAEP, approved by Order No.40/59-P dated January 31, 2013, as well as by STP 10.01-14.

STP 10.01-14 includes Matrix of Responsibility and Competences Distribution defining basic internal checks in the course of drawing up the public reporting.

Key points for preparation of the Annual Report:

- Preparation of concept of the Annual Report,
- Approval of concept of the Annual Report by the JSC NIAEP CEO,
- Collection of information for preparation of the Report text,
- Preparation of the Draft Annual Report,
- Examination of the Draft Annual Report by the Public Reporting Committee of the State Corporation Rosatom,
- Performance of topic-based dialogues with the stakeholders,
- Improvement of the Draft Annual Report,
- Conclusion of Standing Technical Commission,
- Signing of the Annual Report,
- Preliminary approval of the Annual Report of Joint Stock Company by the Board of Directors,
- Approval of the Annual Report of Joint Stock Company by the General Shareholder Meeting.

Concept of the Public Annual Report of JSC NIAEP for 2014 developed in accordance with Standard of the enterprise “Preparation procedure for Public Annual Report for accounting period” (STP 10.01-14) is approved by the Order of the JSC NIAEP CEO and agreed with the Public Reporting Committee of the State Corporation Rosatom (Protocol

No.4 as of December 11, 2014). The Concept includes a Schedule for preparation of the Report, list of disclosed indicators and performance indicators, planned activities on cooperation with stakeholders, including 3 dialogues, including public hearings on the Draft Report.

Plan of activities on preparation of the Public Annual Report of JSC NIAEP for 2014 is also approved by the Order of the Company’s CEO. Performance of the given activities and plans is checked in the course of audit.

Development of the first version of the Report was completed as per plan on March 25, 2015. On April 14, 2015 public hearings on the Draft Report of JSC NIAEP for 2014 were held (Dialogue No.3).

Essential differences of Public Report for 2014 and report for the previous year are conditioned by the improved promotion of the Report among the stakeholders, increase of involvement level of the stakeholders into the dialogues with JSC NIAEP, as well as by selection of priority topics. The priority topic in the Report for 2014 is the Production Efficiency of the ASE-NIAEP United Company.

New sections containing large amount of information on production system of the State Corporation Rosatom, on study of risks and achievement of key events, determined directions of cooperation with stakeholders, as well as the requirements to internal audit of the Report as for assessment of completeness, reliability and effectiveness of internal control procedures in the course of drawing up the Report.

All activities specified in the Schedule are carried out as of time of presentation of the Draft Report for approvals.

Performance indicators of the ASE-NIAEP United Company are presented in the Report. Information of Accounting Statements and Financial Results of activity are given for JSC NIAEP. As for subsidiaries and affiliates (S&A), HR activity is presented.



Results of audit show that in the course of preparation of the Public Report for 2014, a proper cooperation with stakeholders has been provided. Order No.40/33-P/007/6-P as of January 15, 2015 approved provision on the Stakeholder Panel of JSC NIAEP and JSC ASE, which basic tasks and functions are assessment of materiality and completeness of the information to be disclosed in the Report, monitoring of execution of duties against stakeholders by the Company etc.

Three dialogues and final public hearings on the Draft Report were held in the course of the Report preparation. Prior to holding of dialogues, order on time and place of their holding, participants, and program of activity was issued. Auditors of Internal Control Department participated in all the dialogues.

All the dialogues were held on the joint site of ASE-NIAEP via video-communication.

In the course of the audit

- An assessment of compliance of public reports preparation with the existing law and internal regulatory requirements that govern business process of public reports preparation was performed;

- An assessment of availability and effectiveness of Internal Control System for Public Reporting (including analysis of regulation and formalization of key processes relative to preparation of public reports and analysis of effectiveness of key control procedures implementation providing accurate public reports) was carried out;

- Essential differences between the audited Report and similar Report for the previous year were noted. Such development lines as possibilities and risks of the Company's activity in new conditions, as well as results in management of Financial, Production, Intellectual, Human, Social-Reputational and Natural Capitals being mostly the basis of the ASE-NIAEP Company's strategy are disclosed for the first time in the Report for 2014.

- Taking into account great interest of the stakeholders to production efficiency of the Company, in the course of audit a selective testing was carried out to minimize risks of distortion of the reporting information.

By opinion of auditors, Content of the Report, completeness and accuracy of the information to be disclosed ensures reliable and balanced awareness of the stakeholders about essential aspects of the Company's activity for the reporting period. They confirm that the Company has an effective management system of different aspects of sustainability performance and reaction to requests of the stakeholders.

Results of the conducted audit allow to make a conclusion on compliance of Public Report preparation of JSC NIAEP for 2014 with the acting law, Sustainability Reporting Guidance GRI G4, International Standard of Integrated Reporting, International Standards of Cooperation with Stakeholders AA1000, Policy of the State Corporation Rosatom and internal regulatory requirements of JSC NIAEP that govern a business-process of the public reports preparation.

System of internal control of preparation of the Company public reporting ensures completeness and accuracy of non-financial information presented in the Report.

Head of department

V.S. Petrovsky



## Annex 6. Independent Assurance of Non-Financial Reporting



### INDEPENDENT ASSURANCE STATEMENT

#### *Addressed to Joint Stock Company Nizhny Novgorod Engineering Company Atomenergoproekt and its stakeholders*

##### Introduction

The present audit assurance relates to non-financial part of the Integrated Public Annual Report of Joint Stock Company Nizhny Novgorod Engineering Company Atomenergoproekt (hereinafter referred to as the Report) on the basis of results of 2014. The Report is prepared by Joint Stock Company Nizhny Novgorod Engineering Company Atomenergoproekt (hereinafter referred to as the Company, JSC NIAEP) which is responsible for collection, systematization, processing and presentation of all information in the Report. CJSC Bureau Veritas Certification Russia is responsible for the results of work on limited assurance of the Report only against JSC NIAEP, and it does not undertake a responsibility against any party for decisions which are taken, postponed or withdrawn on the basis of the present assurance.

##### Scope of Assurance

Assurance of the Report is carried out on the basis of formalized methodology of Assurance Standard AA1000 (AS) 2008 and audit of non-financial reporting (International Standard on Assurance Engagements ISAE 3000).

In the course of development of the Report the following tasks were assigned and solved:

1. Assess degree of implementation by the Company of principles to define contents and ensure quality of the Report, Global Reporting Initiative Sustainability Reporting Guidelines (GRI), version G4, "Comprehensive", as well as Annex to the Construction and Real Estate Sector Disclosures document.
2. Carry out sample estimation of disclosure completeness and reliability of performance indicators for correspondence of GRI requirements.
3. Assess cooperation with the stakeholders in the course of development of the Report for correspondence of requirements of AA1000 Stakeholder Engagement Standard (SES) 2011 of the Institute of Social and Ethical Accountability.
4. Give recommendations for further improvement of Public Reporting of the Company.

##### Type and Level of Assurance

Assurance of the Report is based on following provisions of AA1000AS (2008) Standard:

- Type of Assurance - 2 ("Type 2 – Accountability Principles and Performance Information"), which implies assessment of degree of compliance with the reporting principles together with assessment of reliability of performance indicators (of data, affirmations) included into the Report;
- Level of Assurance - moderate.

##### Methodology and Performed Scope of Work on Assurance

- Interview with representatives of the Company top management and its employees in order to clarify how the Company takes into account key aspects of corporative social responsibility when forming long-term

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strategy of business development and how these aspects are integrated into the system of business-processes of the Company.

- Verification of achievement of tasks in the field of corporative social responsibility for 2014 which are set by the Company in the Reports of previous years.
- Verification of internal regulatory documents (corporative procedures, standards, provisions, guidelines, etc.) and data arrays (with traceability to primary information sources) which characterize results of responsible business practice of the Company in the field of corporative social responsibility.
- Assessment of effectiveness of approaches to management of economic, ecological and social aspects used in the Company.
- Verification of cooperation of the Company with stakeholders in the reporting period in order to evaluate criteria and procedures for selection of essential economic, ecological and social aspects to include them into the Report. Study of documents for dialogues of the Company with stakeholders (informational materials, lists of present persons, proposals and recommendations, amendments introduced into the Report on the basis of results of these activities).
- Consideration of preliminary revision of the Report in order to reveal possible inaccuracies, contradictions, and baseless statements.
- Analysis of sampling of mass media data and internet-resources with references to activity of the Company in the field of assurance, as well as published declarations of the third parties characterizing dedication of the Company to values in the field of corporative social responsibility as an evidentiary base to check relevancy of declarations in the Report.
- Sample estimation and revaluation of individual indicators disclosing identified essential aspects in order to confirm sources, reliability and completeness of the reporting information including: indicators of economical efficiency EC1-EC4; indicators of operation in the markets EC5, EC6; indicator of procurement practice EC9; indicators of occupational health and safety LA5-LA8; indicators of training and education LA9-LA11.
- Verification of information published in corporate web-site of the Company and other resources of Internet for compliance with AA1000SES (2011) standard and GRI recommendations.
- Assessment of the Report accessibility for all stakeholders and effectiveness of feedback.

Verification of adequacy of several affirmations, declarations and data presented in the Report was performed with the use of procedures and guidelines of Bureau Veritas Certification Russia on assurance of social reporting and included a visit of assurance provider in May, 2015 to head office of JSC NIAEP, interview with management and specialists on essential economical, social and ecological aspects and indicators included into the Report.

In the course of the assurance preparation, information published in the corporate web-site of the Company <http://www.niaep.ru/>, materials of periodicals (newspapers "Country Rosatom", Rossiyskaya Gazeta (Russian Newspaper), research and information magazine "Vestnik Atomproma" (Bulletin of Nuclear Power Engineering Industry)), information of official portal of Nizhny Novgorod administration <http://www.admgor.nnov.ru/>, as well as of the State Atomic Energy Corporation Rosatom <http://www.rosatom.ru/> was taken into consideration apart from the Report.

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Work on assurance began prior to time of official publication of full version of the Report in corporate web-site of the Company.

**Limitations for Assurance**

- The assurance was not performed for performance indicators beyond time period of current cycle of the reporting of 2014.
- The assurance was not performed for financial indicators verified by other independent audit companies.
- The assurance did not apply to opinion, assumptions, wishes or intentions of the Company to take any actions in future.

**Reasons for Formation of our Opinion**

Work on assurance of the Report was based on examination of primary and summary information on matters of corporate social responsibility and other information from available sources (with the use of analytic methods of acknowledgement) presented by the Company management and its structural subdivisions. In the assurance industry-specific features of the Company activity and real confidential limitations are taken into consideration. Sample verification of information in the Report implemented at a level of “moderate” assurance provides lower level of assurance guaranties than the full check of all data (“higher” level). As for quantitative indicators included into the Report, the performed work can not be considered as comprehensive to reveal all possible inaccurate data. At the same time data collected by the assurance provider in the course of work are sufficient basis to make our conclusions with the accepted “moderate” assurance level in respect of degree of implementation of principles to determine contents and ensure quality of the Report, as well as quality of performance indicators of sustainable development in accordance with AA1000AS(2008) standard and recommendations of Global Reporting Initiative (GRI).

**Compliance of the Report with Principles for Defining Report Content and Report Quality of the Global Reporting Initiative Sustainability Reporting Guidelines GRI G4**

**STAKEHOLDER INCLUSIVENESS**

- Information presented in the Report and our obtained direct and indirect proofs enable to conclude that all interests of key stakeholders are taken into account in the course of the information preparation.
- The Company identified 17 groups of stakeholders, drew up the Grade Map and determined optimal methods of systematic interaction with them. JSC NIAEP actively involves stakeholders into the process of development and implementation of criteria for determination of timeliness and importance of essential matters. Comprehensive, consistent and agreed approach to consideration of all important aspects and problems revealed in the course of cooperation with stakeholders, as well as to determination of ways to solve them is provided.
- Selection of topics which are recognized by the Company as important enough for consideration on the basis of results of cooperation with stakeholders is well founded.
- The Report shows that the required resources are allocated to fulfill the undertaken obligations and to react to essential interests (problems) of the stakeholders.



- Methods of cooperation with stakeholders and their informing are specified and documented in the Report. They include: reports including the present Report, information messages, press releases, interviews, talks, participation in fairs and forums, bilateral visits, meetings, community liaison offices, corporate newspaper and web-site of the Company, audits and verifications, as well as other mechanisms of open access. The Company supports on-line interactive platform for cooperation with stakeholders <http://stakeholderpanel.ru/ru/>.
- JSC NIAEP has a long-term experience of preparation of corporate social reporting with participation of stakeholders, and it provides succession and transparency of the reports preparation.
- Processes of cooperation with stakeholders used to take decisions in the course of the report preparation correspond to scope and boundaries of the Report. Structured cooperation with stakeholders is disclosed in the Report by means of information on three dialogues in order to get requests and proposals on disclosure of priority topics of sustainable development and discussion of the Draft Annual Report. Informational openness of the Company is demonstrated by informative presentations on key topics of the dialogues and Draft Report for the stakeholders in order to get their responses and comments.
- Now we are not aware of fields which could be disclosed but are not disclosed in the Report and where the Company would not be able to react to reasoned requests of the stakeholders.

**SUSTAINABILITY CONTEXT**

The Company shows understanding of concept of corporate social responsibility and sustainable development, uses objective information when disclosing different economical, ecological and social topics in the Report. The Report sufficiently shows how basic topics of sustainable development including those related to delivery chains, as well as associated targets and report indicators influence on long-term development of the Company, its risks and possibilities, and taking of strategic and operating decisions.

**MATERIALITY**

- JSC NIAEP goes on supporting methods and systematic procedures for determination of essential aspects of sustainable development related to its activity, services to be rendered, areas of operation and subsidiary companies. In the course of reporting period process of updating of essential aspects was implemented on a continuing basis.
- The Report is a well-balanced and well-founded presentation of information on economical, ecological and social aspects of the Company’s activity important for the stakeholders.
- The Company highlights 24 essential aspects of activity including 9 aspects specified in GRI G4 Guidelines. The aspects are united into diagram of importance. When grading the aspects, basic external and internal conditions for activity, risks, key factors of success, interests of the stakeholders, as well as legal and other regulatory acts having strategic importance for the Company and its stakeholders are taken into consideration.
- Production Efficiency as the most important factor for implementation of long-term development strategy of JSC NIAEP is selected as a priority topic of the Report.



- Attentiveness for different topics in the report depends on their relative importance (materiality). The Report reflects key events of 2014 which are able to influence on making-decision and conduct of the stakeholders relative to the Company, as well as essential effects on economics, environment and society.
- On the basis of study of the Report data and the performed interviews, there are no aspects of corporative social responsibility which was omitted or excluded without any reason from the Report.

#### COMPLETENESS

The Report discloses important information of the reporting period on the basis of application of principles of importance, concept of sustainable development, as well as involvement of the stakeholders. The Report covers all organizational unit which meet the criteria of supervision or essential influence of the Company. Information which can influence on assessments and making-decision by the stakeholders is included into the Report. Annex to GRI G4 Guidelines for construction industry (The Construction and Real Estate Sector Disclosures document) was used by the Company in the course of preparation of the Report to present specific features of business activity of the Company.

#### BALANCE

Apart from positive results of the Company's activity in the reporting period, the Report presents non-solved matters, and it ensures reasoned and comprehensive assessment of its activity in the field of sustainable development.

#### COMPARABILITY

Data and indicators included into the Report are prepared with the use of multipurpose methodology of GRI. Important changes (boundaries of aspects, scope) are indicated. Structure of the Report has a succession. It enables the stakeholders to assess the Company's performance efficiency in the field of sustainable development in the dynamics of reporting periods, as well as in comparison with relevant indicators of domestic and foreign companies of nuclear industry.

#### ACCURACY

The Report includes data which have been calculated or are monitored. As a whole, methods used by the Company for collection, synthesis and analysis of information ensure the required accuracy of indicators. High-quality information is presented clearly and with required details. Abbreviations and technical terms are clarified. Errors of initial data accepted for preparation of the Report are within admissible limits.

#### TIMELINESS

The Report is prepared in accordance with corporate plans for development of the Annual Reports within a reasonable time period on completion of the reporting period, and it ensures taking of justified decisions by the stakeholders. The Report includes accurate information on the reporting period and times of issue of the previous report on sustainable development.



#### CLARITY

The Report contains information in the scope which is sufficient for stakeholders, and at the same time there are no excess details in it. It is presented clearly, and it is accurate with required degree, intrinsic, informative and well-balanced. The text part is accompanied with graphics and diagrams, and it contributes to better perception of the report information. Format of presentation of information and data in the Report provides a way for stakeholders to identify tendencies of changing the performance indicators of the Company's activity, its achievements and unsolved problems in the field of economical, ecological and social components of sustainable development.

#### RELIABILITY

Processes of collection, consolidation, processing, analysis and documenting of information accepted in the Company and used for preparation of the Report provide proper quality of disclosure of essential aspects and performance indicators of the Company in the field of sustainable development. Materials presented in the Report have sufficient traceability up to primary information sources and internal documents of JSC NIAEP. We are not aware of any information on performance which are not confirmed in the Report by evidences, neither on facts which are able to affect much on reliability of data and indicators included into the Report.

#### Assessment of Disclosure Completeness and Reliability of Indicators for Compliance with GRI Requirements.

- The Report contains information on the standard reporting elements (general and specific ones) including information on approaches in the field of management and performance indicators of GRI in accordance with accepted version for preparation of the Report ("Comprehensive").
- The Company determined 20 GRI performance indicators related to essential aspects. Performance indicators were disclosed mostly with the use of instructions presented in GRI G4 Guidelines, Part 2 "Implementation Manual".
- Requirements and recommendations of Annex to GRI G4 Guidelines for construction industry (The Construction and Real Estate Sector Disclosures document) as for disclosure of specific industry standard reporting elements are mostly implemented.
- Table of indicators of GRI Guidelines presented in the Report reflects actual level of information disclosure in an intrinsic manner.

#### Assessment of Cooperation with Stakeholders as per the Requirements of AA1000 Stakeholder Engagement Standard 2011

Public reporting process corresponds to recommendations of AA1000SES(2011) standard. The Company continues supporting methodology of identification of the stakeholders on the basis of multi-criteria approach with the use of criteria of dependence, responsibility, degree of influence, etc. Involvement of the stakeholders into preparation of corporate reporting is planned in advance. Responsibility and powers of management and employees of the Company in matters of cooperation with stakeholders are defined, and required resources are allocated. Periodical monitoring and updating of key interests, needs and expectations of the stakeholders is



carried out, and on its basis priorities and optimal methods of cooperation with them are defined. Effectiveness of cooperation with the stakeholders is assessed.

**General Opinion on the Report**

On the basis of the accepted assurance methodology and taking into account the performed scope of work, following conclusions can be made for the Report as a whole:

- The Report is drawn up on the basis of unification of requirements presented in the International Integrated Reporting Standard, as well as recommendations of Manual of reporting of the fourth generation in the field of sustainable development of Global Reporting Initiative GRI G4. As a whole, it corresponds to “Comprehensive” version of information disclosure.
- The Report presents intrinsically the key events and performance indicators of the Company in the reporting period, as well as tendencies of its development as for corporate social responsibility.
- The Report presents interrelation between strategy of the Company, corporate management, achieved results of activity, as well as social, ecological and economical spheres where the Company operates.
- The Company continues improving informational transparency of its activity in the field of corporate social responsibility. Qualitative affirmations correspond to quantitative information of the Report and with other data from available information sources.
- The Company continued to improve and consolidate corporate strategy of social responsibility in the reporting period. Corporate social responsibility is considered by the Company as a tool of the sustainable development strategy implementation intended to minimize non-financial risks.
- Efficient management systems are implemented in the Company, and they enable to identify essential economical, social and ecological aspects of sustainable development, to plan, manage and improve its related processes, to define expectations of the stakeholders in respect of essential aspects and timely react to them in the course of operation activity.
- Systems of organization, management and monitoring of preparation of corporate social reporting from the side of the Company are fully supported by policies and procedures, as well as by allocated resources.
- Top management of the Company shows adherence to principles of corporate social responsibility and participates directly in the process of the Report preparation.
- Some inaccuracies and discrepancies in quantities revealed on a sample basis when examining preliminary revision of the Report are not critical ones. As a whole they do not distort information presented in the Report and do not influence much on ability of the stakeholders to make relevant conclusions as for results of the Company’s activity, and they are removed in the course work with final revision of the Report.
- The English version of the Report is adequate to the Russian one. No significant information has been lost or added additionally during the translation of the Report into English.

**Recommendations on Preparation of Corporate Public Non-Financial Reporting of Future Periods in view of the Best World Practices**

- Conservation of the accepted procedure of the information disclosure in the Reports as per principle “fulfilled tasks – plans for the next year – prospects for some years”.



- Further implementation of information graphics when disclosing essential aspects of the Company’s activity.
- Development of practices of public dialogues with representatives of the stakeholders on the most essential matters of sustainable development of the Company, including in the areas of its operation.
- Adjustment of procedure of disclosure of some performance indicators with the use of instructions of GRI G4 Guidelines, Part 2, “Implementation Manual”, as well as Annex to Guidelines for construction industry.

**Declaration of Bureau Veritas Certification Russia on Independency, Impartiality and Competency**

- Bureau Veritas is an independent professional international company which is engaged in rendering services in the field of accredited certification of different systems of management for more than 180 years (in particular, systems of quality management, occupational health and safety, environmental activities, social responsibility, etc.).
- CJSC Bureau Veritas Certification Russia declares formally that the present Assurance is an independent assessment of auditor of the third party. CJSC Bureau Veritas Certification Russia did not participate in the preparation of the Report, and it has no commercial interests in activity of the Company except for rendered services on assurance.
- Auditors of CJSC Bureau Veritas Certification Russia involved in works on assurance has a required level of competence, long-term experience in assurance of public non-financial reports. They have a knowledge of economical, ecological and social aspects of activities of companies of different industries. They apply our internal procedures and the best world practices.

**Assurance Provider**

CJSC Bureau Veritas Certification Russia

Lead Auditor, Ph.D. in Economics  
IRCA No.01191213

V.G. Mityashin

May 12, 2015  
Moscow



Move Forward with Confidence



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## Annex 7. GRI Content Index

Table. General Standard Disclosures

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G4-2	33-39		Assured, p.158-165
<b>Organizational Profile</b>			
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G4-14	28-32		Assured, p.158-165
G4-15	16,40		Assured, p.158-165
G4-16	10		Assured, p.158-165
<b>Identified Material Aspects and Boundaries</b>			
G4-17	141		Assured, p.158-165
G4-18	16		Assured, p.158-165
G4-19	17		Assured, p.158-165
G4-20	168-170		Assured, p.158-165
G4-21	168-170		Assured, p.158-165
G4-22	16		Assured, p.158-165
G4-23	16		Assured, p.158-165
<b>Stakeholder Engagement</b>			
G4-24	123		Assured, p.158-165
G4-25	123		Assured, p.158-165
G4-26	123-124		Assured, p.158-165
G4-27	127		Assured, p.158-165
<b>Report Profile</b>			
G4-28	16		Assured, p.158-165
G4-29	16		Assured, p.158-165
G4-30	16		Assured, p.158-165
G4-31	4		Assured, p.158-165
G4-32	16, 158-165, 166-167		Assured, p.158-165
G4-33	125		Assured, p.158-165
<b>Governance</b>			
G4-34	40-43		Assured, p.158-165
G4-35	41		Assured, p.158-165
G4-36	41		Assured, p.158-165
G4-37	102, 126-127		Assured, p.158-165
G4-38	41-44		Assured, p.158-165
G4-39	41		Assured, p.158-165
G4-40	41-43		Assured, p.158-165
G4-41	45		Assured, p.158-165
G4-42	41		Assured, p.158-165
G4-43	41		Assured, p.158-165
G4-44	41		Assured, p.158-165

General Standard Disclosures	Page	Omissions	External Assurance
G4-45	41		Assured, p. 179-186
G4-46	41		Assured, p.158-165
G4-47	34, 41		Assured, p.158-165
G4-48	125		Assured, p.158-165
G4-49	41		Assured, p.158-165
G4-50	-		Assured, p.158-165
G4-51	44	Information is currently unavailable. The planned date for receiving the data is 2016 reporting period.	Assured, p.158-165
G4-52	44		Assured, p.158-165
G4-53	44		Assured, p.158-165
G4-54	-		Assured, p.158-165
G4-55	-	Information is confidential.	Assured, p.158-165
G4-55	-	Information is confidential.	Assured, p.158-165
<b>Ethics and Integrity</b>			
G4-56	8, 89, 108		Assured, p.158-165
G4-57	108-109		Assured, p.158-165
G4-58	108-109		Assured, p.158-165

Table. Specific Standard Disclosures

Material Aspects	DMA and Indicators	Omissions	External Assurance
Economic Performance	DMA - p. 168-170		Assured, p.158-165
	EC1 - p. 54		Assured, p.158-165
	EC2 - p. 111		Assured, p.158-165
	EC3 - p. 103		Assured, p.158-165
Market Presence	EC4 - p. 54		Assured, p.158-165
	DMA - p. 168-170		Assured, p.158-165
	EC5 - p. 96		Assured, p.158-165
Procurement Practices	EC6 - p. 106	Information about contractors was excluded since Company doesn't have any preferences depending on their area of operations.	Assured, p.158-165
	DMA - p. 168-170		Assured, p.158-165
Compliance (Environmental) Customer Health and Safety	EC9 - p. 63-64		Assured, p.158-165
	EN29 - p. 112		Assured, p.158-165
Occupational Health and Safety	DMA - p. 168-170		Assured, p.158-165
	PR1 - p. 118		Assured, p.158-165
	PR2 - p. 118		Assured, p.158-165
Training and Education	DMA - p. 168-170		Assured, p.158-165
	LA5 - p. 101		Assured, p.158-165
	LA6 - p. 101-102		Assured, p.158-165
	LA7 - p. 102		Assured, p.158-165
	LA8 - p. 102		Assured, p.158-165
	CRE6 - p. 102		Assured, p.158-165
Обучение и образование	DMA - p. 168-170		Assured, p.158-165
	LA9 - p. 97	Information about employee by gender, and by employee category was excluded since information is currently unavailable. The planned date for receiving the data is 2015 reporting period.	Assured, p.158-165
	LA10 - p. 96-98		Assured, p.158-165
	LA11 - p. 98		Assured, p.158-165
Compliance (Society)	DMA - p. 168-170		Assured, p.158-165
Compliance (Product Responsibility)	S08 - p. 109		Assured, p.158-165
	DMA - p. 168-170		Assured, p.158-165
	PR9 - p. 118		Assured, p.158-165

### Annex 8. Management Approach to Material Aspects

Material Aspects <sup>41</sup>		Page, notes
Market Presence	Materiality rationale	P. 120-122
	Boundaries <sup>42</sup>	NIAEP, ASE
	Policies	P. 120-122
	Commitments	P. 120-122
	Goals and targets	P. 120-122
	Responsibilities	HR Department
	Resources	P. 120-122
	Actions	P. 120-122
	Mechanisms for monitoring the effectiveness of the management approach	P. 120-122
	Results	P. 120-122
	Changes to the management approach	-
	Materiality rationale	P. 55
	Boundaries	NIAEP
	Policies	P.52
Commitments	P.52	
Goals and targets	P. 52	
Responsibilities	Planning and Economic Department, Financial Department	
Resources	P. 23	
Actions	P.52	
Mechanisms for monitoring the effectiveness of the management approach	P. 52-53	
Results	P. 53-57	
Changes to the management approach	-	
Specific DMA	P. 34-39	
Procurement Practices	Materiality rationale	P. 67-68
	Boundaries	NIAEP
	Policies	P. 67-68
	Commitments	P. 67-68
	Goals and targets	P. 67-68
	Responsibilities	Procurement Department
	Resources	P. 67-68
	Actions	P. 67-68
	Mechanisms for monitoring the effectiveness of the management approach	P. 67-68
	Results	P. 67-68
	Changes to the management approach	-
	Specific DMA	P. 67-68

Material Aspects		Page, notes	
Customer Health and Safety	Materiality rationale	P. 136-137	
	Boundaries	NIAEP, ASE	
	Policies	P. 136-137	
	Commitments	P. 136-137	
	Goals and targets	P. 136-137	
	Responsibilities	Technical Department	
	Resources	P. 136-137	
	Actions	P. 136-137	
	Mechanisms for monitoring the effectiveness of the management approach	P. 136-137	
	Results	P. 136-137	
	Changes to the management approach	-	
	Specific DMA	P. 115, 136-137	
	Occupational Health and Safety	Materiality rationale	P. 111
		Boundaries	NIAEP, ASE, NIAEP subsidiaries
Policies		P. 111	
Commitments		P. 111-112	
Goals and targets		P. 111-112	
Responsibilities		Safety Department	
Resources		P. 111-113	
Actions		P. 111-115	
Mechanisms for monitoring the effectiveness of the management approach		P. 111-115	
Results		P. 113-115	
Changes to the management approach		-	
Specific DMA		P. 111-115, 131-132	
Training and Education		Materiality rationale	P. 106-111
		Boundaries	NIAEP, ASE
	Policies	P. 106-111	
	Commitments	P. 106-111	
	Goals and targets	P. 106-111	
	Responsibilities	HR Management and Personnel Development Department	
	Resources	P. 88-89, 106-111	
	Actions	P. 88-89, 106-111	
	Mechanisms for monitoring the effectiveness of the management approach	P. 106-111	
	Results	P. 88-89, 106-111	
	Changes to the management approach	-	

41. Considered material aspects was not recognized as material outside the organization.

42. Each material aspect boundaries was defined by the persons responsible for this aspect management. Report boundaries were defined in accordance with the list of organizations included in the NIAEP control circuit as in the Order Nos. 40/535-P dated 30.05.2014 "Amending the regulations on cooperation between NIAEP and Rosatom".



Material Aspects	Page, notes
Materiality rationale	p. 51
Boundaries	NIAEP
Policies	p. 51
Commitments	p. 51
Goals and targets	p. 51
Responsibilities	Internal Control and Audit Department, Special Safety and Assets Security Department
Resources	p. 26
Actions	p. 51
Mechanisms for monitoring the effectiveness of the management approach	p. 51
Results	p. 52-55
Changes to the management approach	-
Specific DMA	p. 35-39
Materiality rationale	p. 105-109
Boundaries	NIAEP, ASE
Policies	p. 105-109
Commitments	p. 105-109
Goals and targets	p. 105-109
Responsibilities	Internal Control and Audit Department
Resources	p. 105-109
Actions	p. 105-109
Mechanisms for monitoring the effectiveness of the management approach	p. 105-109
Results	p. 105-109
Changes to the management approach	-
Materiality rationale	p. 63-65
Boundaries	NIAEP
Policies	p. 63-65
Commitments	p. 63-65
Goals and targets	p. 63-65
Responsibilities	HR Department
Resources	p. 63-65
Actions	p. 63-65
Mechanisms for monitoring the effectiveness of the management approach	p. 63-65
Results	p. 63-65
Changes to the management approach	-
Specific DMA	p. 63-65

### Annex 9. Number of Employees of the Company

Table. Number of Employees of JSC NIAEP and Subsidiary Companies of JSC NIAEP with Breakdown by Employment Pattern, Employment Contract, Region and Gender as of December 31, 2014

Region of operation	Type of contract						TOTAL
	continuous			fixed-term			
	men	women	total	men	women	total	
<b>Total number</b>	<b>3,697</b>	<b>1,951</b>	<b>5,648</b>	<b>1,712</b>	<b>437</b>	<b>2,149</b>	<b>7,797</b>
JSC NIAEP:	1,452	1,397	2,849	305	269	574	3,423
Nizhny Novgorod	784	812	1,595	42	59	101	1,707
Central Office	784	812	1,595	42	59	101	1,707
Moscow	270	287	557	9	13	22	579
Central Office	60	51	111	0	1	1	112
Moscow Branch	179	221	400	7	11	18	418
Moscow Representative Office	31	15	46	2	1	3	49
St. Petersburg	21	5	26	0	0	0	26
St. Petersburg Representative Office	21	5	26	0	0	0	26
Novovoronezh, Voronezh Region	3	0	3	0	0	0	3
Central Office	3	0	3	0	0	0	3
Volgodonsk, Rostov Region	272	209	543	82	64	146	689
Central Office	27	14	41	2	2	4	45
Volgodonsk Branch	233	189	484	77	62	139	561
Volgodonsk Representative Office	12	6	18	3	0	3	21
Sovetsk, Kaliningrad Region	21	19	40	4	0	4	44
Baltic Branch	21	19	40	4	0	4	44
Udomlya, Tver Region	5	14	19	1	0	1	20
Central Office	4	10	14	0	0	0	14
Udomlya Branch	1	4	5	1	0	1	6
Kurchatov, Kursk Region	27	22	49	15	9	24	73
Central Office	2	0	2	1	0	1	3
Kursk Branch	25	22	47	14	9	23	70
Uvelsky settl., Chelyabinsk Region	14	8	21	15	19	36	57
Central Office	3	0	3	0	0	0	3
Yuzhnouralsk Branch	11	8	19	15	19	36	53
Astravets, Republic of Belarus	29	21	48	127	105	232	280
Central Office	2	0	2	0	0	0	2
Representative Office in the Republic of Belarus	27	21	48	127	105	232	280
Kharkov, Ukraine	6	0	6	0	0	0	6
Kharkov Representative Office	6	0	6	0	0	0	6
Subsidiary Company of JSC NIAEP	2,245	554	2,799	1,407	168	1,575	4,374
Volgodonsk, Rostov Region	2,169	469	2,638	241	72	313	2,951
LLC SMU No.1	691	194	885	241	72	313	1,198
LLC VDMU	741	117	858	0	0	0	858
LLC TrestRosSEM	737	158	895	0	0	0	895
Nizhny Novgorod	75	85	160	0	3	3	163
LLC NIAEP-Service	75	85	160	0	3	3	163
Visaginas, Lithuania	1	0	1	73	25	98	99
Lithuania Branch, LLC SMU No.1	1	0	1	73	25	98	99
Astravets, Republic of Belarus	0	0	0	1,093	68	1,161	1,161
LLC TrestRosSEM, Representative Office in the Republic of Belarus	0	0	0	1,093	68	1,161	1,161



Table. Number of Employees of JSC ASE with Breakdown by Region and Gender

Total number as of 31.12.2014	Moscow			Other regions of RF			Abroad		
	Total	M	W	Total	M	W	Total	M	W
884	212	107	105	442	311	131	230	179	51

Table. Number of Employees of JSC ASE with Breakdown by Employment Contract and Employment Pattern

Total number	Employment pattern				Employment	
	Secondary job employees	Occasional, local hiring	Occasional	Permanent	Full employment	Part-time employment
884	33	8	270	573	851	33

Table. Turn-over of the JSC NIAEP Employees in 2014 with Breakdown by Region and Gender

Subdivisions	Headcount in 2014, pers.	Number of dismissed pers.	Turn-over rate in 2014, %	Man		Woman		Share of new employees, %
				Dismissed pers.	Turn-over rate, %	Dismissed pers.	Turn-over rate, %	
Total number	3,288.46	441	13.4	235	7.1	206	6.3	11.4
Central Office, Nizhny Novgorod	1,692.79	92	5.4	39	2.3	53	3.1	8.2
Baltic Branch, Sovetsk	43.52	12	27.6	3	6.9	9	20.7	9.1
Volgodonsk Branch, Volgodonsk	551.09	74	13.4	25	4.5	49	8.9	15.3
Moscow Branch, Moscow	428.5	86	20.1	50	11.7	36	8.4	12.2
Yuzhnouralsk Branch, Uvelsky setl.	118.78	99	83.3	67	56.4	32	26.9	7.6
Representative Office in the Republic of Belarus, Astravets	298.9	57	19.1	43	14.4	14	4.7	2.8
Volgodonsk Representative Office, Volgodonsk	18.43	1	5.4	0	0	1	5.4	15.3
Moscow Representative Office, Moscow	45.08	4	8.8	2	4.4	2	4.4	14.2
St. Petersburg Representative Office, St. Petersburg	25.02	6	24	0	0	6	24	11.5
Kharkov Representative Office, Kharkov	6	1	16.6	1	16.6	0	0	0
Kursk Branch, Kurchatov	60.35	9	14.9	5	8.3	4	6.6	35.7

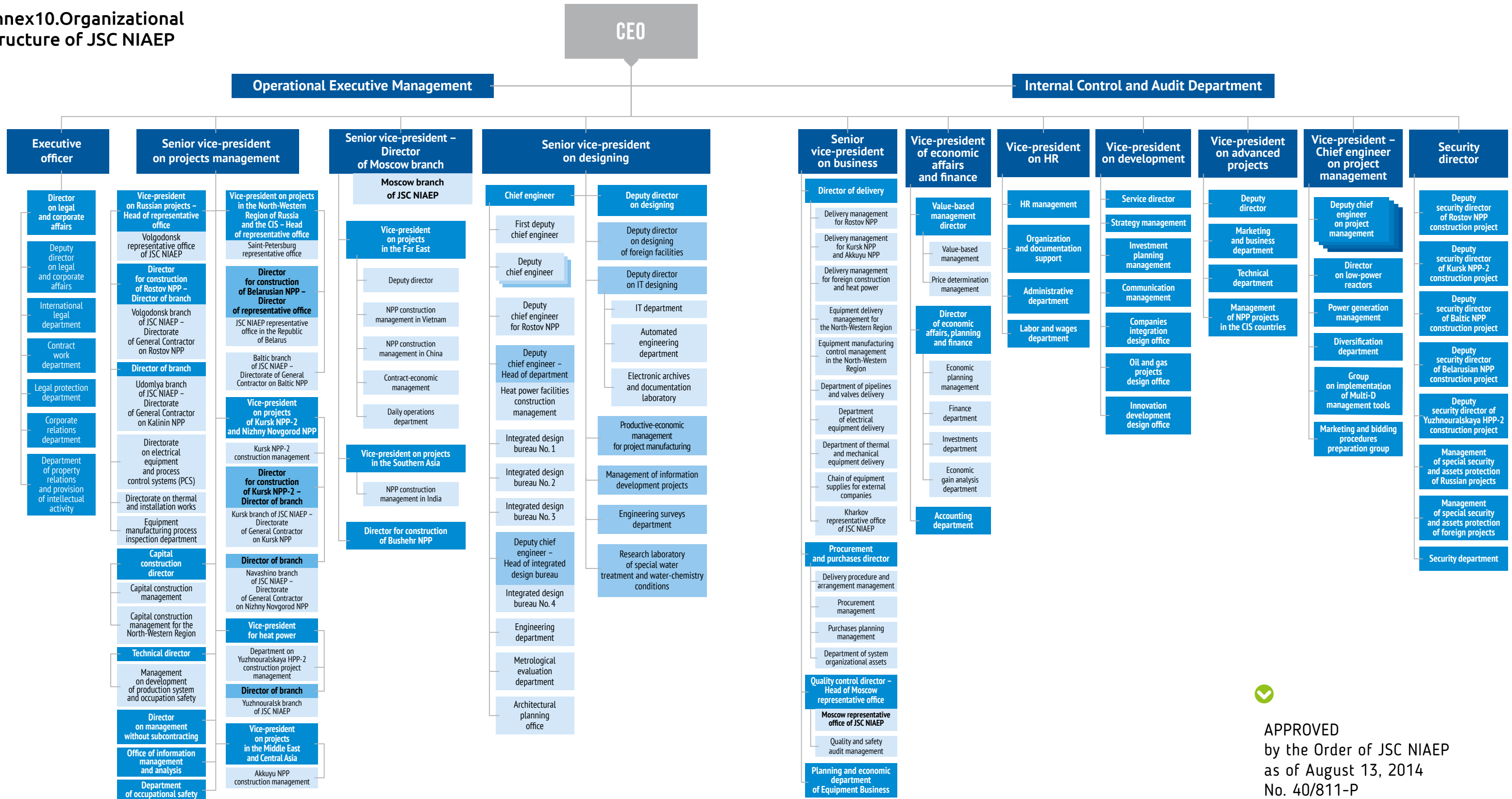
Table. Percentage of Newly Hired Employees of JSC NIAEP with Breakdown by Region, Age and Gender

Age groups	2012			2013			2014		
	M. %	W. %	Total	M. %	W. %	Total	M. %	W. %	Total
<b>Central Office, Nizhny Novgorod</b>									
Total	7.8	6.3	14.1	7.5	5.5	13	4.4	3.8	8.2
Under 30	4.5	3.4	7.9	3.9	2.9	6.8	1.9	1.8	3.7
31 - 50	2.5	2.5	5	2.8	2.4	5.2	2.0	1.7	3.7
Over 50	0.8	0.4	1.2	0.8	0.2	1	0.5	0.4	0.9
<b>Moscow Branch</b>									
Total	48.9	48	96.9	8.1	11.9	20	4.1	8.1	12.2
Under 30	8.1	13.5	21.6	1.8	6.1	7.9	1.2	2.4	3.6
31 - 50	20.6	20.8	41.4	4.4	4.8	9.3	2.4	4.8	7.2
Over 50	20.2	13.7	33.9	1.8	1	2.8	0.5	1.0	1.5

Age groups	2012			2013			2014		
	M. %	W. %	Total	M. %	W. %	Total	M. %	W. %	Total
<b>Moscow Representative Office</b>									
Total	56.8	22.7	79.5	4.3	4.4	8.7	10.1	4.1	14.2
Under 30	13.6	9.1	22.7	-	2.2	2.2	6.1	-	6.1
31 - 50	27.3	11.3	38.6	4.3	2.2	6.5	2	4.1	6.1
Over 50	15.9	2.3	18.2	-	-	-	2	-	2
<b>St.-Petersburg Representative Office</b>									
Total	42.9	21.4	64.3	13.5	10.8	24.3	3.8	7.7	11.5
Under 30	7.2	7.1	14.3	10.8	2.7	13.5	-	7.7	7.7
31 - 50	19	14.3	33.3	-	5.4	5.4	3.8	-	3.8
Over 50	16.7	-	16.7	2.7	2.7	5.4	-	-	-
<b>Volgodonsk Branch</b>									
Total	11.4	8.1	19.5	10.3	7.6	17.9	6.5	8.8	15.3
Under 30	5.4	3	8.4	5.2	2.7	7.9	3.2	6.9	10.1
31 - 50	4.7	4.1	8.8	4	4.2	8.2	2.6	1.6	4.2
Over 50	1.3	1	2.3	1.1	0.7	1.8	0.7	0.4	1.1
<b>Volgodonsk Representative Office</b>									
Total	-	9.1	9.1	17.6	-	17.6	9.6	9.5	19.1
Under 30	-	-	-	-	-	-	-	-	-
31 - 50	-	9.1	9.1	11.8	-	11.8	4.8	9.5	14.3
Over 50	-	-	-	5.8	-	5.8	4.8	-	4.8
<b>Udomlya Branch</b>									
Total	-	3.8	3.8	8.3	16.7	25	5	-	5
Under 30	-	1.9	1.9	-	-	-	-	-	-
31 - 50	-	-	-	-	8.3	8.3	-	-	-
Over 50	-	1.9	1.9	8.3	8.4	16.7	5	-	-
<b>Baltic Branch</b>									
Total	28.9	24.3	53.2	12	6	18	6.8	2.3	9.1
Under 30	6.9	5.2	12.1	-	4	4	-	-	-
31 - 50	16.8	14.5	31.3	8	2	10	4.5	2.3	6.8
Over 50	5.2	4.6	9.8	4	-	4	2.3	-	2.3
<b>Yuzhnouralsk Branch</b>									
Total	53.1	39.1	92.2	20.6	11.9	32.5	3.8	3.8	7.6
Under 30	7	9.5	16.5	6	7.3	13.3	-	1.9	1.9
31 - 50	26.1	26.1	52.2	8.6	3.3	11.9	1.9	1.9	3.8
Over 50	20	3.5	23.5	6	1.3	7.3	1.9	-	1.9
<b>Kursk Branch</b>									
Total	-	-	-	20.8	14.6	35.4	21.4	14.3	35.7
Under 30	-	-	-	2.1	-	2.1	2.9	-	2.9
31 - 50	-	-	-	10.4	12.5	22.9	14.3	8.6	22.9
Over 50	-	-	-	8.3	2.1	10.4	4.3	5.7	10.0
<b>Representative Office in the Republic of Belarus</b>									
Total	59.4	35.3	94.7	31.5	23.1	54.6	1.4	1.4	1.4
Under 30	18	16.5	34.5	10.5	11.2	21.7	0.5	0.4	0.9
31 - 50	25.6	14.3	39.9	14	9.8	23.8	0.6	0.7	1.3
Over 50	15.8	4.5	20.3	7	2.1	9.1	0.4	0.3	0.7
<b>Kharkov Representative Office</b>									
Total	16.7	-	16.7	25	-	25	-	-	-
Under 30	-	-	-	-	-	-	-	-	-
31 - 50	-	-	-	12.5	-	12.5	-	-	-
Over 50	16.7	-	16.7	12.5	-	12.5	-	-	-



### Annex10.Organizational Structure of JSC NIAEP



✓  
 APPROVED  
 by the Order of JSC NIAEP  
 as of August 13, 2014  
 No. 40/811-P