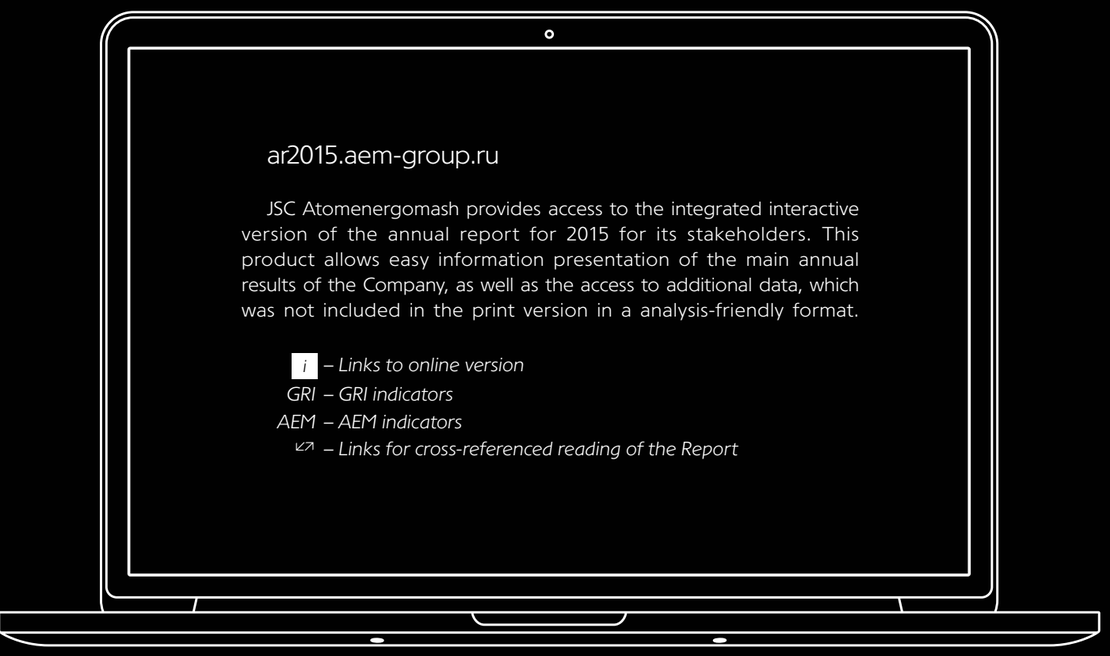
JSC Atomenergomash 2015 Integrated Annual Report

Integrated Annual Report

2015

atomenergomash
COMPANY OF ROSATOM



CONTACT INFORMATION

GRI 4-31

Inna Vavulina
—
Press Secretary
IPVavulina@aem-group.ru
+7 (495) 668-20-93 (ext. 1040)

GRI 4-3
GRI 4-5
GRI 4-7

Joint-Stock Company Nuclear and Power Engineering JSC Atomenergomash

Principal State Registration Number (OGRN code): 1067746426439, registered on March 29, 2006 by the Interdistrict Inspectorate No. 46 of the Federal Tax Service in the city of Moscow

Legal address: 119017, Moscow, ul. Bolshaya Ordynka, 24.

Mailing address: 115184, Moscow, Ozerkovskaya nab., 28, bldg. 3.

Phone: *+7 (495) 668-20-93*
Fax: *+7 (495) 668-20-95*

E-mail: *aem@aem-group.ru*

Website: *www.aem-group.ru*

Created by
Downstream Technologies

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atomenergomash
COMPANY OF ROSATOM

INTEGRATED ANNUAL REPORT JSC ATOMENERGOMASH

2015

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The Company in brief

JSC Atomenergomash (the Company, AEM) is a Mechanical Engineering Division of the Rosatom State Corporation (the Division) and **is one of the largest power engineering holdings in Russia,** that offers a full range of solutions in the areas of design, manufacture, and supply of equipment for nuclear and thermal energy, gas and petrochemical, shipbuilding industries, and the market of special steels.

The Division is comprised of largest power-engineering businesses, including research, engineering, manufacturing, construction and installation companies. Production capacities are located in the Russian Federation, Ukraine, the Czech Republic, and Hungary.

The Company has full control over the production chain of key equipment for the nuclear island and the power island – from Research & Development and development of technical documentation to the design of industrial processes and the manufacture of equipment. In addition, the Division is developing new lines of business, the key of which are thermal energy, gas and petrochemical industry, shipbuilding industry, and special steel.

Equipment manufactured by the Division has been installed in more than 20 countries; 14% of the nuclear power plants in operation worldwide and 40% of the thermal power plants in the Russian Federation and FSU countries use the Company's equipment.

2015 Performance Highlights

ECONOMIC PERFORMANCE

Combined revenue **56.2** *bln rubles*

AEM 1.3 EBITDA *1.98 bln rubles*

OPERATING PERFORMANCE

Products shipped *to* *11* nuclear power plants under construction

Fulfillment of contractual obligations *97%*

The share of production for existing nuclear power plants that has passed incoming inspection from the moment of first presentation *99%*

COMMERCIAL ACTIVITIES

Market share in the Russian power engineering industry *23%*

Total value of concluded contracts *172* **bln rubles**

Order book at the year-end ***392.7*** ***bln rubles***

Share of orders in the portfolio of new products *33%*

EFFICIENCY IMPROVEMENT

Effect of the RPS introduction *691 mln rubles*

Energy savings *1 mln GJ*

Transferred to outsourcing *>500 persons*

Labor productivity growth *23%*

STAFF CAPACITY

Share of specialists under 35 years old *33%*

Engagement level *75%*

Share of employees with seniority of more than 5 years *57%*

SCIENTIFIC ACTIVITIES

77 patents and intellectual property certificates

256 scientific publications

SOCIAL RESPONSIBILITY

Paid to the budget *6.5 bln rubles*

Charity expenses *13.6 mln rubles*

ENVIRONMENTAL RESPONSIBILITY

Reduction of greenhouse gas emissions *12%*

Environmental impact mitigation costs *93 mln rubles*

Key Events in 2015

Commercial Activities

- The first reactor vessel manufactured at the production site of the Atommash plant (branch of AEM-Technology JSC) was supplied to the Belarusian Nuclear Power Plant after a thirty-years' interruption. In addition, this is the first WWER reactor vessel manufactured by Rosatom State Corporation[1].

- PJSC ZiO-Podolsk successfully completed contracts for the supply of steam generators to the Leningrad NPP-2 and to the second stage of the Tianwan Nuclear Power Plant (power units No. 3 and No. 4).

- The stage of power start-up and development of the power unit No. 4 with a BN-800 reactor at Beloyarsk NPP, which was developed and delivered by the chief designer of fast-neutron reactor units JSC Afrinkantov OKBM, was started.

- The enterprises of JSC Atomenergomash have assembled the vessels of two reactors of the RITM-200 power plant for the Arctic, the world's largest Russian new-generation nuclear icebreaker, which is currently under construction.

Scientific Activities

- Commissioning of unique equipment for the industrial production of MOX fuel for fast-neutron reactors, which has been largely developed and delivered by JSC SverdNIIkhimmash and JSC TsKBM.

- JSC TsKBM has successfully completed the resource testing of a new design of the GTsNA-1753 main circulation pump featuring a single-shaft arrangement with a water-cooled motor and water-cooled bearing units, which will increase the safety of nuclear power plants.

- Employees of JSC NPO TsNIITMASH received science and technology awards from the Russian Government for their developments in 2015.

1 – Earlier, Rosatom State Corporation acquired these products from an external supplier.

Staff capacity

- JSC Atomenergomash graduated succession candidate as part of a project for the development of engineering and scientific personnel at the enterprises of the Division called "I AM AN AEM ENGINEER."

- The team of JSC TsKBM won the branch Event Young Professionals «Temp-2015» - a large-scale project of the Rosatom State Corporation and the Rosatom Corporate Academy for attraction of young professionals to work in the nuclear industry.

- Atommash (a branch of AEM-Technology JSC) held a ceremony of award of diplomas to the first graduates of the Production Foreman School project, the concept of which was to create a comprehensive system of training managers under a program for industrial engineers.

Efficiency improvement

- A project of restoration of the Atommash production complex (branch of AEM-Technology JSC), which was accompanied by the renewal of equipment, the training of members of the personnel, and the introduction of new processing technologies, was implemented. The project featured participation from the following enterprises: JSC NPO TsNIITMASH, JSC OKB GIDROPRESS, and PJSC ZiO-Podolsk; Rosatom State Corporation acted as a curator.

- The industry RPS project of JSC Afrinkantov OKBM named «Assembly, Testing, and Manufacturing of NSO 250/15 and NSO 250/30 Pump Components on the Critical Path» allowed reducing the time of manufacture of the products in comparison with the previous year by 32%.

- JSC SNIIP successfully passed the first supervisory audit of the energy management system based on ISO 9001:2008, which was conducted by the official representative of the Certification Body for Management Systems and Personnel of TÜV Thüringen.

- JSC NPO TsNIITMASH developed and implemented a new technology for sectional forging of bottoms of steam generators that will save up to 40% of the metal and reduce the complexity and power consumption.

Message from the Company Management

Lyakhova
Ekaterina

—

Chairwoman of the Board of Directors
of JSC Atomenergomash
Director of Investment Management
and Operational Efficiency
at Rosatom State Corporation

«Labor productivity growth has been provided for, and the overall economic effect of the introduction of the Rosatom Production System is almost twice the figures of 2014 and amounts to approximately 700 mln rubles.»

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Dear colleagues and partners,

I am pleased to present to you the Integrated Annual Report of JSC Atomenergomash for 2015. The report focuses particularly on production, financial, social and environmental issues related to the activities of the Mechanical Engineering Division of Rosatom State Corporation.

In 2015, the Division continued its dynamic development. Despite macroeconomic difficulties, the Company demonstrates stable growth of financial and economic performance indicators while remaining one of the leaders of the Russian power engineering industry.

An important step towards sustainable development was the final positioning of the Division as a complete supplier of equipment for the nuclear industry. A significant milestone and a bright page in 2015 was the shipment of a reactor for the Belarusian NPP, which was the first reactor manufactured by entities of the Rosatom State Corporation circuit. Thanks to the restoration of the work of the engineering giant, the Atommash, the Division is currently able to produce up to four sets of the reactor island equipment per year. This is fundamentally important for the unconditional implementation of the portfolio of orders of the Rosatom State Corporation, which includes contracts for the construction of 30 nuclear power units in 12 countries.

One of the priorities of the Rosatom State Corporation is the diversification of its business activities, the development of manufacture of new products, including products that do not fall into the framework of nuclear energy. I am sure that JSC Atomenergomash should be a reference division when addressing these issues due to the numerous competences of its enterprises and the developed business development logic. At the end of 2015, one may note a significant growth in the volume of orders of thermal power, gas and oil industry, and general engineering. The Division has also intensified its efforts to increase export earnings and consolidates the necessary resources for more active operation on foreign markets.

In the context of strategic objectives posed before Rosatom State Corporation, it is necessary to pay attention to the systematic work of the management team of the Division, which is aimed at reducing the costs and improving the efficiency. Labor productivity growth has been provided for, and the overall economic effect of the introduction of the Rosatom Production System is almost twice the figures of 2014 and amounts to approximately 700 mln rubles. Another priority of development is the focus of the Company on innovation. Enterprises of the Division successfully develop advanced technological solutions, are key players in the industry projects aimed at creating new types of equipment, and form an image of the future of nuclear energy today.

The achievement of such high production and financial results resulted from the Company's management commitment and responsibility as well as from the high professionalism and conscientious work of all its employees. On behalf of the Rosatom State Corporation, I would like to thank you for your work and to wish you continued success in the development of our Company.

«One of the major industrial developments in 2015 was the shipment of the reactor for the Belarusian Nuclear Power Plant from the Atommash production site.»

Nikipelov
Andrey

—

Chief Executive Officer of JSC Atomenergomash

Dear colleagues and partners,

I present to you the 2015 Annual Report of the Mechanical Engineering Division of Rosatom State Corporation – JSC Atomenergomash.

Previous year was full of significant achievements and bright events that will not only consolidate the Company's leading role in the market and nuclear power engineering but also achieve significant success in other industries that are not related to energy.

Despite the difficult macroeconomic conditions, the combined revenues of the Division increased by 15% for the year and amounted to more than 56 bln rubles. The order book of the Company for the ten-year period amounted to approximately 400 bln rubles, which is 73% higher than the corresponding value for 2014. In particular, contracts for the supply of reactor island equipment to the Kudankulam Nuclear Power Plant as well as auxiliary equipment for the turbine island for Kudankulam and Bushehr Nuclear Power Plants have been signed.

Systematic work on the implementation of the Company's strategy in terms of business diversification has resulted in a significant portfolio growth in related business areas. The volume of contracts concluded in the market of equipment for gas and oil industry more than tripled while the volume of contracts concluded in the power industry more than doubled; the current volume of contracts concluded in the shipbuilding industry was practically preserved.

For example, PJSC ZiO-Podolsk started the manufacture of boiler equipment for a number of thermal power plants in Russia as well as implements projects on modernization of thermal power plants in Kazakhstan. AEM-Technology JSC signed contracts for the supply of column and reactor equipment for three refineries of PJSC Gazprom Neft. JSC SverdNIIkhimmash won an order for the design and the supply of vacuum-evaporator installations for the receipt of «Extra» grade table salt in Kaliningrad region. In addition to the production of power reactor plants, contracts for the supply of propellers and other equipment for the new generation of icebreakers produced by Baltic Plant were signed.

One of the major industrial developments in 2015 was the shipment of the reactor for the Belarusian Nuclear Power Plant from the Atommash production site. This is the first reactor manufactured by the plant in the post-Soviet period, and the first reactor manufactured by Rosatom State Corporation. Since 2012, when Atommash became a part of the Division, the Company has implemented a large-scale program to restore the production of equipment for the nuclear industry. This included the modernization of machinery equipment, the installation of new welding equipment, and other operations. At the same time, staff training and introduction of new technologies were implemented. Assistance was provided by specialists of several companies of the Division: JSC NPO TsNIITMASH, JSC OKB GIDROPRESS, PJSC ZiO-Podolsk. Successful shipment of a reactor for Belarusian Nuclear Power Plant and steam generators for Rostov Nuclear Power Plant has confirmed that the plant has completely regained its competence in the nuclear field and is able today to produce up to four sets of reactor island equipment per year. Currently, the Company is manufacturing equipment for a number of Russian and foreign nuclear power plants. Also, the production for Kursk Nuclear Power Plant, "Kudankulam" Nuclear Power Plant, and Hanhikivi Nuclear Power Plant will be launched soon.

In the reporting year, the power start of a new unit at Beloyarsk Nuclear Power Plant with a BN-800 fast-neutron reactor was implemented. This is a major event for the entire industry and, above all, for JSC Afrinkantov OKBM, which is the chief designer of this type of reactors. PJSC ZiO-Podolsk, JSC OKB GIDROPRESS, JSC SverdNIIkhimmash and other enterprises of the Division were involved in the production of equipment for the power unit. Earlier, the launch of of MOX fuel production at Gas Chemical Complex FSUE had been implemented. A significant part of the unique equipment was developed by JSC TsKBM and JSC SverdNIIkhimmash. During this project, we have also acquired a huge scientific and technological experience, which will be in great demand in the future.

Last year, the amount of work of JSC OKB GIDROPRESS, which is the chief design office for new power plants of Russian design in Finland, Vietnam, Egypt, and other countries, significantly increased. JSC SNIIP received a record revenue based on year results, which was also contributed to by the implemented revamping program, which has led to a significant increase in terms of efficiency. In the course of the year, PJSC Energomashspetsstal confirmed its reputation as a reliable partner by ensuring timely execution of orders for such metallurgical and energy giants like ArcelorMittal and General Electric. The Company has consistently strengthened its presence in Europe, India, South Korea, and Iran and expanded the reference of supply. Moreover, all of the enterprises of the Division that are involved in the performance of the State Defense Order fulfill their obligations in full and on time.

In 2015, JSC Atomenergomash expanded its comprehensive technological cooperation with the world's largest engineering companies. During the year, it signed a Memorandum of Understanding on joint implementation of projects in the field of production of boiler equipment for the SCSP with Mitsubishi-Hitachi Power Systems. Two Memoranda of Understanding in the field of manufacture of equipment for a new generation of incinerators were also signed: with Mitsubishi Heavy Industries Environmental & Chemical Engineering and with Hitachi Zosen Inova AG and LLC RT-Invest. Issues of implementation of joint projects in other areas are discussed with such companies as Siemens, General Electric, and AREVA.

Enhancing production efficiency, including through further implementation of the Rosatom Production System, fulfilling all contractual obligations in a timely manner, increasing the revenue across all business lines, and participating actively in import substitution programs will remain our strategic priorities in 2016.

In conclusion, I would like to express my sincere gratitude to our customers and partners for their trust and constructive cooperation and to all the employees of JSC Atomenergomash for their successful and efficient work and commitment to the values of Rosatom State Corporation. I am confident that the results of the reporting year will be a solid basis for subsequent sustainable development of JSC Atomenergomash as a global Company that provides its customers with the most reliable and efficient solutions.

1 THE COMPANY'S BUSINESS MODEL AND DEVELOPMENT STRATEGY

1.1. Business Model

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A value chain — from the used resources to the finished product and its key sales channels — lies at the core of the business model of JSC Atomenergomash. The business model also reflects the assessment of the added value (fixed capital gains) in the reporting year both for the Company in terms of its strategic objectives and for the stakeholders in terms of their basic needs. The Sustainable Development Strategy of the Company provides an efficient use of its capital while taking into account the long-term risks and opportunities[2] which are caused by the global agenda, priorities of Rosatom State Corporation, and interests of key stakeholders. Detailed information on the capitals is disclosed in the relevant sections of the Report.

2 – Key risks for permanent capital assets are provided in Annex No. 14.

Production hall at the Volgodonsk branch of JSC AEM Technologies - Atommash

Public Business Model of the Mechanical Engineering Division of the Rosatom State Corporation

Mission

Creation and development of internationally competitive technological solutions for the power industry in order to maintain a high standard of living and boost the Company's performance.

AEM resources

Personnel composition
Human capital → Over 19,000 qualified employees

Infrastructure
Manufacturing capital → Exclusive manufacturing capacities and modern equipment

Financial and economic performance
Financial and economic capital → Revenue growth driven by an expansion of the order portfolio and an enhancement of operational efficiency

Technologies
Innovation capital → A balanced portfolio of actively developing traditional and potentially innovative power technologies

Core activities

Products by business area

Nuclear power
Reactor compartment, turbine plant and auxiliary NPP equipment

RU MCS
Reactor plant monitoring and control system for VVER designs

RAW/SNF
RAW/SNF storage, transportation and processing equipment

Special steels
Castings and forgings from special steel

Shipbuilding
Various types of equipment for shipbuilding

Transport and marine energy solutions
Reactors for icebreaker and marine fleets, floating nuclear plants and the Russian Navy fleet

Thermal power
Reactor plant monitoring and control system for VVER designs

Gas and petrochemical industry
Oil and gas processing equipment for oil refineries and marine and ship-based plants

General equipment
Special equipment and heavy machinery components for the military–industrial complex

Wind power
Wind power facilities equipment

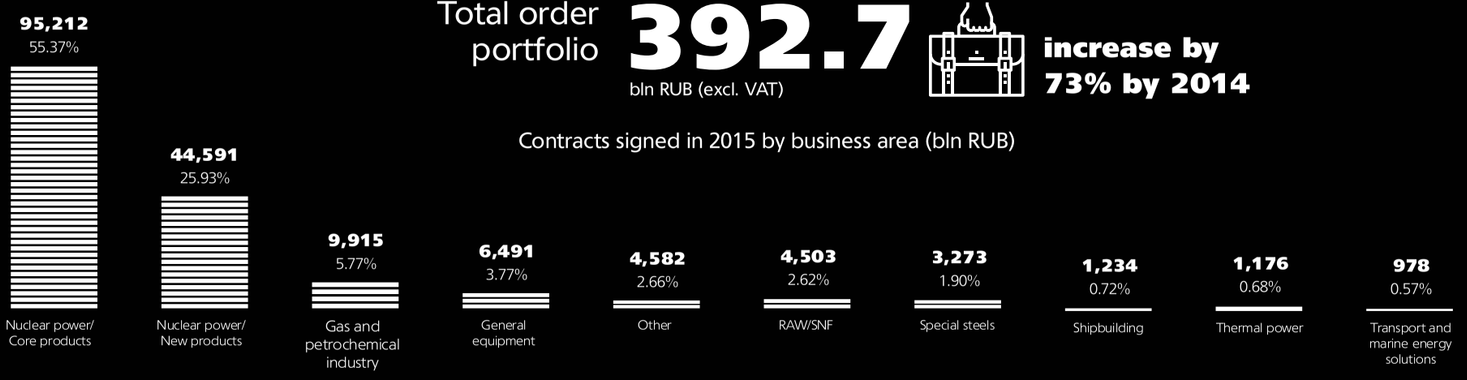
Equipment design → **Equipment production** → **Equipment supply** → **Equipment installation and commissioning** → **Maintenance and modernization**

Sales

Total order portfolio **392.7** bln RUB (excl. VAT)

increase by 73% by 2014

Contracts signed in 2015 by business area (bln RUB)



Creation of value for the Company

	Strategic objective	2015 results
Personnel composition	Enhancement of employee efficiency and development of employee potential	Staff turnover reduction 13% Increase in productivity 23% Growth of personnel share with higher education 1.1%
Infrastructure	Enhancement of efficiency and flexibility of manufacturing capacities	Volume of realized investment 3.7 bln RUB Increase in the percentage of products to existing nuclear power plants that passed input control from the first time
Financial and economic performance	Economic efficiency and sustainability	Increase in combined revenue 15% Revenue from secondary assets 909 mln rubles
Technologies	Product competitiveness and technological leadership	Patents and intellectual activity results certificates granted 77 Research papers and works published 256

Creation of value for stakeholders

Natural capital
Decrease in waste volume 12.7%
Reduction in CO_2 emissions, 19,9%

Social capital
Deductions for budget 6.5 bln RUB
Spending on charity 13.6 mln rubles

Specialization of the Division's Enterprises

In order to expand the activity of the Company in main markets and to improve efficiency of cross-functional interaction within the Division, the Division's companies have been grouped into business areas based on key product segments and business area directors have been appointed. This approach to business organization ensures an optimal use of resources with due consideration of the available scientific and technical competence and production possibilities.

Division's enterprises	Nuclear power	WWER RUMCS*	RAW/SNF**	TMES***	Shipbuilding	Special steels	Thermal power	Gas and petro-chemical industry	General equipment	Wind Power
AEM-Technology JSC	◉		◉		◉			◉		◉
PJSC ZiO-Podolsk	◉			◉	◉		◉	◉	◉	
JSC ZIOMAR EC	◉						◉	◉		
JSC TSKBM	◉		◉							
JSC OKB GIDROPRESS	◉									
JSC Afrikantov OKBM	◉		◉	◉	◉					
ARAKO spol. s.r.o.	◉				◉		◉	◉		
JSC SverdNIIkhimmash			◉							
JSC GSPI			◉							
JSC SNIIP		◉		◉	◉					
LLC AAEM	◉									
PJSC EMSS						◉				

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** WWER RUMCS - Water-water energetic reactor assembly monitoring and control system*
*** RAW/SNF - Radioactive waste/spent nuclear fuel*
**** TMES - Transport and marine energy solutions*

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Business Georgraphy

GRI 4-8

Key Market Projects

Unique production capabilities allow us to offer our customers the key equipment for nuclear power plants in accordance with the highest standards. The quality and the timing of manufacture of equipment are ensured through a well-functioning production chain and a close cooperation among the enterprises of the Division. The high degree of vertical integration allows JSC Atomenergomash to participate in the projects of Rosatom State Corporation in the field of implementation of a full production cycle at nuclear power plants from scientific research and design to post-sales service work and revamping of equipment.

Moscow
Russia
—
Moscow Refinery

Reftinskiy
Russia
—
Reftinskaya TPP

Zarechny[3]
Russia
—
Beloyarsk

Udomlya
Russia
—
Kalinin NPP

Yaroslavl
Russia
—
Yaroslavl CHPP

Taraz
Kazakhstan
—
Zhambylskaya TPP

Polyarniye Zori
Russia
—
Kola NPP

Arkhangelsk,
Russia
—
Arkhangelsk CHPP

Omsk
Russia
—
Omsk Refinery

Sosnovy Bor
Russia
—
Leningrad NPP
Leningrad NPP-2

Balakovo
Russia
—
Balakovo NPP

Izluchinsk
Russia
—
Nizhnevartovsk TPP

Pyhajoki
Finland
—
Hanhikivi NPP

St Petersburg
Russia
—
Tsentralnaya CHPP

Nazarovo
Russia
—
Nazarovskaya TPP

Ostrovets
Belarus
—
Belarus (Ostrovets) NPP

Novomoskovsk
Russia
—
Novomoskovskaya TPP

Trnava
Slovakia
—
Bogunice NPP

Levice
Slovakia
—
Mohovce NPP

Temelin
Czech Republic
—
Temelin NPP

Paks
Hungary
—
Paks NPP

Kozloduy
Bulgaria
—
Kozloduy NPP

Orsk
Russia
—
Orsk Refinery

Verkhniy Tagil
Russia
—
Verkhnetagilskaya TPP

Aksu
Kazakhstan
—
Aksu TPP

Tianwan
China
—
Tianwan NPP

Nizhnekamsk
Russia
—
Nizhnekamsk Refinery

Bushehr
Iran
—
Bushehr NPP

Belene
Bulgaria
—
Belene NPP

Desnogorsk
Russia
—
Smolensk NPP

Kudankulam
India
—
Kudankulam NPP

Kurchatov
Russia
—
Kursk NPP
Kursk NPP-2

Astrakhan
Russia
—
Field named after Filanovsky

Novovoronezh
Russia
—
Novovoronezh NPP
Novovoronezh NPP-2

Volgodonsk
Russia
—
Rostov NPP

El Oro
Ecuador
—
Termogas Machala TPP

Explanations:

Nuclear power

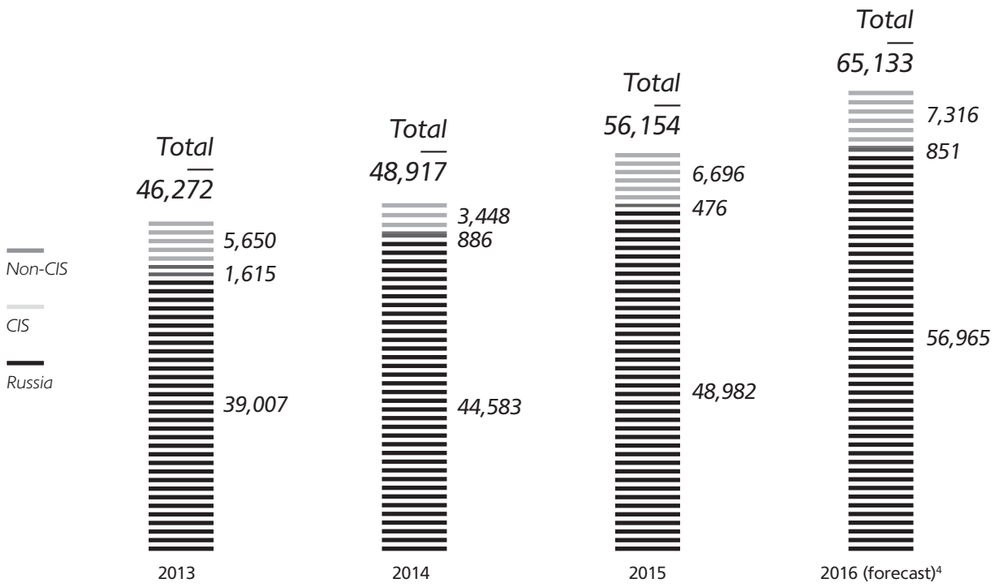
Thermal power

Gas and petrochemical industry

Russia	10	8	5
CIS	1	2	-
Non-CIS	10	1	-

3 – Sverdlovsk region

AEM 1.1 Combined revenue by geographical area/country (mln rubles)



1.2. Strategic Vision and Objectives

In 2015, the Strategic Council of Rosatom State Corporation approved an amended development strategy of the Division until 2030, which involves the transformation of the Company into a high-tech diversified holding that will be competitive in the global market and sustainable in the long term. The strategic objectives of the Company are developed on the basis of three key long-term objectives of Rosatom State Corporation, namely:

- *increasing the share of the Company in international markets;*
- *development of new products for the Russian and international markets;*
- *reduction of production costs and timing of processes.*

Strategic Objectives of JSC Atomenergomash

Become a supplier of key equipment for nuclear power plants (nuclear and turbine islands)

Long-Term Objectives (horizon: 2030)

Become one of the major players in adjacent non-nuclear markets	At least, 50% of revenues from adjacent markets
Become one of the major players in the global market for power engineering	At least, 30% of revenue from overseas operations
Increase profitability (EBITDA) and performance	Not less than the average values for the world power engineering industry

Medium-term objectives (horizon: 2019)

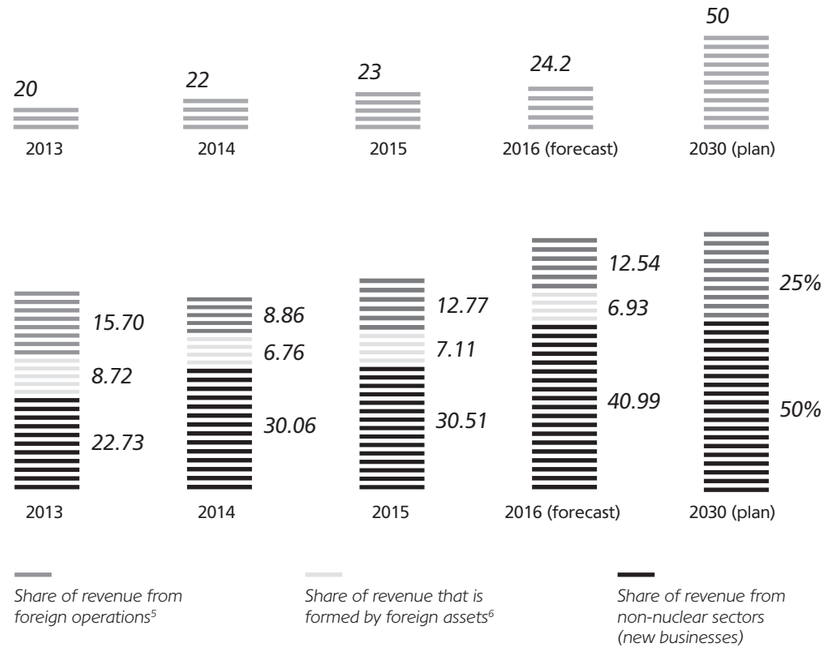
Reduce fixed costs	By 30%
Reduce the length of the production cycle	By 30%

4 – Revenue forecast for 2016 is presented on the basis of JSC Atomenergomash Business Plan for 2016-2018.

i 002 The strategy of JSC Atomenergomash identifies long-term targets that outline the implementation of the aforementioned strategic objectives:

Share of the Russian power engineering industry

AEM 2.1
AEM 2.2
AEM 2.3
AEM 2.4



1.3. Target Markets and Position of the Company[7]

The global power engineering market is currently estimated at about USD 110 bln a year, with thermal power equipment accounting for 60%, gas and petrochemical equipment for 25%, and nuclear power equipment for 15% of this amount. By 2030, the market capacity could be over USD 150 bln a year.

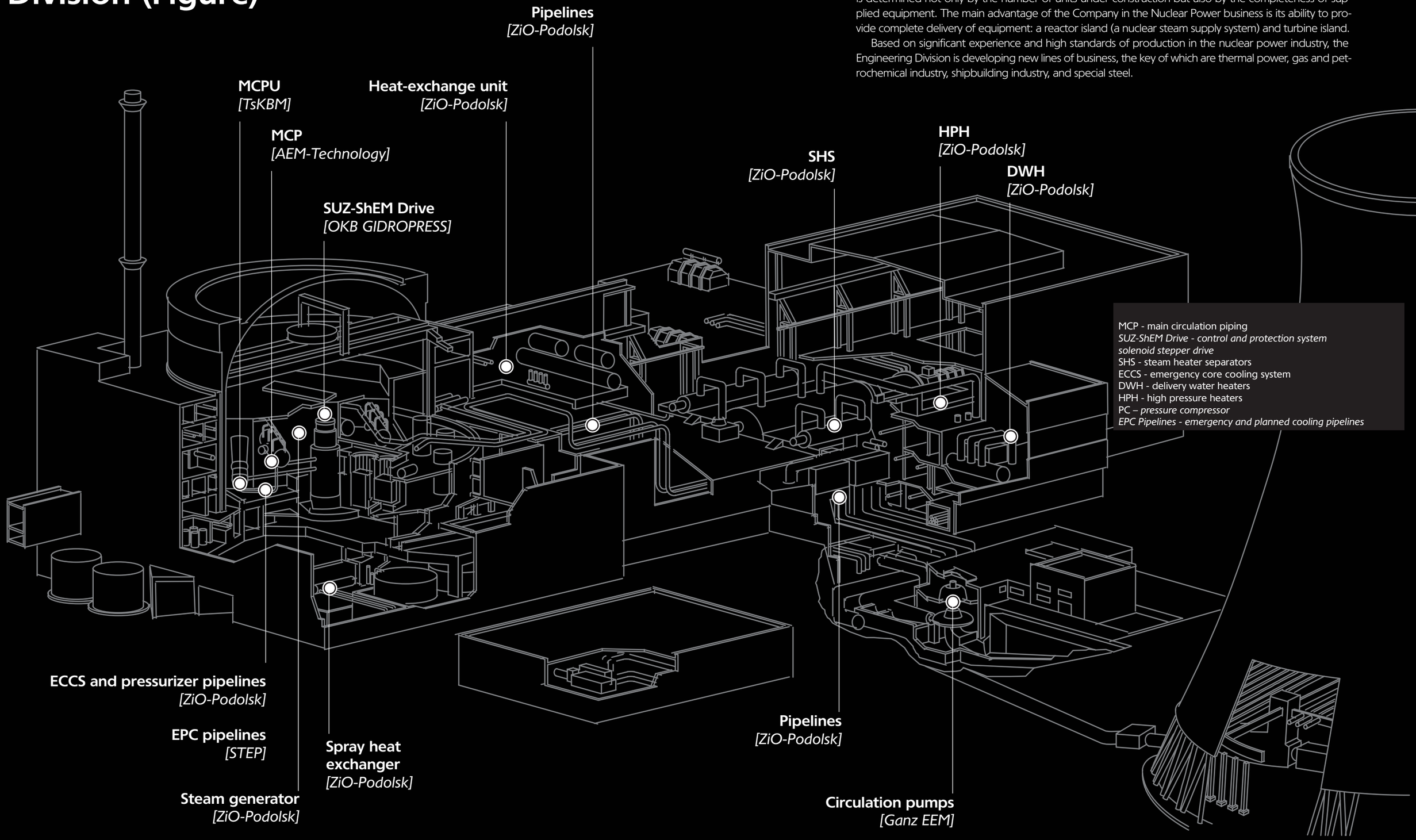
In the reporting year, most of investments in equipment for new power plants were made in thermal power. In the future (until 2030), the alignment of the investment balance in terms of equipment for nuclear and thermal power is projected.

The Russian power engineering market is expected to follow general global trends for the next few years; however, the growth rate may increase by 2030. The Russian power engineering market is currently estimated at about USD 350 bln a year, of which 60% is thermal power equipment, 29% is gas and petrochemical equipment, and 11% is nuclear power equipment. By 2030, the market could grow to USD 500 bln a year according to the preliminary evaluation.

By 2023, the total capacity of the world's power plants is expected to increase to 8,100 GWh. The main areas of the power engineering market in Russia involve plans to introduce new generating capacity in accordance with the General Scheme of Deployment of Electricity Generation Facilities up to 2020 and further to 2030 and the Road Map for the Construction of Nuclear Power Plants, which is being developed by Rosatom State Corporation.

5 – Information on 2015 is provided without regard to projects carried out for RAOS Project Oy at Hanhikivi Nuclear Power Plant (according to the methodology of Rosatom State Corporation for calculating foreign revenue of the Mechanical Engineering Division).
6 – ARAKO spol. s.r.o. and PJSC Energomashspetsstal.
7 – All forecasts are based on the expert assessment of JSC Atomenergomash.

Nuclear Power Plant Equipment Supplied by Enterprises of the Division (Figure)

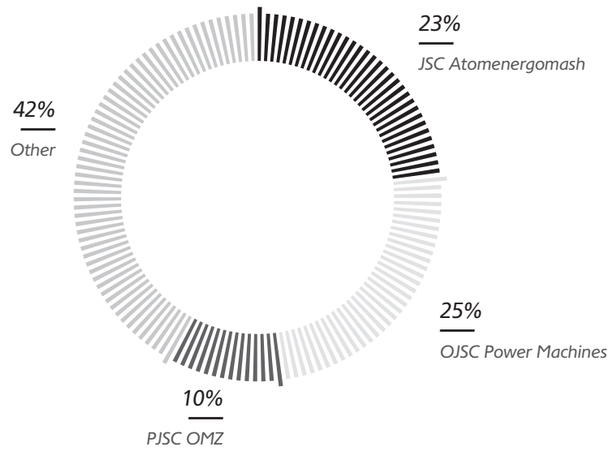


Nuclear Power

The volume and geography of traditional nuclear power markets for JSC Atomenergomash in the Nuclear Power business are defined by the Road Map of Rosatom State Corporation for the construction of new nuclear power units in Russia and abroad, which has shown significant growth in recent years as regards foreign projects. The Company's participation in the projects of Rosatom State Corporation is determined not only by the number of units under construction but also by the completeness of supplied equipment. The main advantage of the Company in the Nuclear Power business is its ability to provide complete delivery of equipment: a reactor island (a nuclear steam supply system) and turbine island.

Based on significant experience and high standards of production in the nuclear power industry, the Engineering Division is developing new lines of business, the key of which are thermal power, gas and petrochemical industry, shipbuilding industry, and special steel.

AEM 2.1 Share of the Russian power engineering industry in 2015[8]



Thermal Power

The target market of JSC Atomenergomash for thermal power equipment is the market in Russia formed by new thermal capacity additions. Competence of enterprises of JSC Atomenergomash allow participating in the projects of construction of thermal power plants at all the stages of the value chain. A key asset in terms of production of equipment in this business area is PJSC ZiO-Podolsk.

The market volume is defined both by the General Layout of Electric Power Industry Facilities in the Russian Federation until 2020 and by the need of generating companies in revamping and servicing of thermal power plants. At the same time, the Division is stepping up cooperation in the field of revamping of power equipment in Russia and in the markets of CIS countries, which are historically close to Russia, primarily in Kazakhstan.

The Company's strategy in the Thermal Power business aims to enhance its competence in the current markets and to gain a foothold in new markets by providing a comprehensive offer for the supply of boiler equipment, establishing technology partnerships with global industry leaders as well as through active participation in projects for the reconstruction and modernization of power facilities both in Russia and abroad.

A significant portion of the revenue in this area is generated by boiler equipment at PJSC ZiO-Podolsk - steam boilers for power units with capacities ranging from 50 MW to 800 MW and downstream heat recovery steam generators for modern combined-cycle plants with a power unit capacity of up to 800 MW.

The events in the Thermal Power business in 2015, which were key for JSC Atomenergomash, are:

- *detail design of the boiler plant for combined cycle units with enlarged deliverable high prefabrication was developed;*
- *a Memorandum on the implementation of SCSP projects was signed with Mitsubishi-Hitachi Power Systems;*
- *a contract for the supply of fuel cell equipment to the territory of the Republic of Kazakhstan was concluded;*
- *a contract for the supply of waste heat boilers for 4 CCGT-235 blocks was concluded;*
- *a contract for the supply of a pulverized coal boiler system for the Arkhangelsk Pulp and Paper Mill was concluded;*
- *a contract for the provision of services for the overhaul of 10 boilers in the Republic of Kazakhstan was concluded;*
- *a Memorandum of Understanding was signed with Mitsubishi Heavy Industries Environmental & Chemical Engineering Co., Ltd. as regards the implementation of projects for the incineration of municipal solid waste;*
- *a Memorandum of Understanding was signed with Hitachi Zosen Inova AG and LLC RT-Invest as regards cooperation in the implementation of projects for the construction of incinerators.*

The main challenge for the development of the Thermal Power business in 2015 was a decline in demand and increased price competition in the local market. As compensatory measures, JSC Atomenergomash has intensified efforts to develop its international business and is consolidating resources to advance to the global market with a competitive offer for the thermal power industry. One of the priorities is to intensify the activities of the Division in Kazakhstan as a one of its key foreign markets.

In 2016, Division plans to continue to develop the existing production capacity and technology. Work to establish new technology partnerships and long-term business relationships with customers in strategic markets continues. In particular, an expansion of mutually beneficial relations with NEM Energy in terms of expanding the line-recovery boilers and gas turbines with a capacity in the range between 9 MW and 50 MW is planned. In particular, the Company plans to further develop cooperation with key Russian general contractors engaged in thermal power projects in foreign markets.

8 – The rating is made on the basis of an expert assessment of JSC Atomenergomash

Gas and Petrochemical Industry

In 2015, the Russian market of equipment for gas and oil industry facilities slowed its growth on the background of the sanctions imposed against the Russian Federation and the revision of investment plans of the customers of the petrochemical complex. Therefore, the Company is actively considering opportunities to supply various ranges of its equipment under the import substitution programs. In particular, AEM-Technology JSC mastered the manufacture of axisymmetric valves, which are included in the sectoral registries of PJSC Gazprom, and first contracts were concluded.

One of the key strategic goals of JSC Atomenergomash is to increase the share of revenue from non-nuclear sectors to 50%, in particular, by expanding sales in the Gas and Petrochemical business area. The strategy of JSC Atomenergomash in this area involves the strengthening of its position on the market, increasing the supply volume of reactor, heat-exchange and capacitive equipment as well as pumps and valves.

In 2015, AEM-Technology JSC signed contracts for the supply of column and reactor equipment for Orsk Refinery, JSC Gazpromneft - Moscow Refinery, and JSC Gazpromneft - Omsk Refinery.

As part of the expansion proposal for the gas and petrochemical industry market, JSC SverdNIIkhimmash signed a contract for the design and supply of vacuum-evaporator installations for the receipt of "Extra" grade table salt in the Kaliningrad Region. This contract has become one of the largest orders for the Company in this area.

Special Steels

The business direction is formed on the basis of PJSC Energomashspetsstal, which is a manufacturer of special cast and forged products for energy (wind, steam, hydro, nuclear), shipbuilding, metallurgy and general engineering. Its aim is to increase the Company's presence in international and Russian markets for special steels as well as to increase the revenue from non-nuclear sectors. In the reporting year, about 48% of all contracts in this area were foreign orders. At the end of the reporting period, more than 12,000 tons of ingots for further metallurgical processing were produced for the markets in Europe, India, and South Korea.

Despite the challenging macroeconomic situation, PJSC Energomashspetsstal fully complied with all of its contractual obligations:

- *blanks for RITM-200 reactor vessels (developed by JSC Afrinkantov OKBM) for two atomic icebreaker LK-60Ya were shipped, and blanks for hull castings for project 22220 nuclear icebreakers were manufactured and supplied;*
- *the delivery of rolls for the steel plants of ArcelorMittal (Luxembourg) was implemented on a permanent basis;*
- *over 1,000 tons of wind turbine rotors were manufactured for General Electric (the USA);*
- *over 500 tons of steel castings for grinding mills were delivered for JSC Tyazhmash.*

The objectives for 2016 in the field of Special steels include the execution of new orders from major Russian and international companies (such as LLC Baltic Shipyard - Ship building, ArcelorMittal, BHEL (India)) as well as participation in the creation of a research Multi-Purpose Fast-Neutron Reactor.

Shipbuilding

Shipbuilding is one of the most dynamic business areas of JSC Atomenergomash, which contributes to achieving the strategic objective of the Division to increase the Company's revenue in non-nuclear sectors and enhance its position in the international market. The strong positions of JSC Afrikantov OKBM in marine nuclear reactor engineering, as well as the aggregate capacity of the Division's enterprises will allow JSC Atomenergomash to become one of the leading suppliers of equipment for icebreaker and Navy fleets, including reactors, shell equipment, monitoring and control systems, castings and forgings and components in the future.

In shipbuilding, JSC Atomenergomash considers the Russian market for large-capacity and high-tech ships as its target market, the volume of which determined by the "Strategy of Development of the Shipbuilding

Industry of the Russian Federation up to 2030" and the relevant federal target programs "Development of Civil Marine Shipbuilding in 2009–2016" and "Development of the Defense Industry Complex", which envisage the construction of over 100 vessels up to 2030.

In 2015, the Company significantly strengthened its presence in the market of equipment of the shipbuilding industry of the Russian Federation primarily due to the supply of a range of non-power plant marine equipment supplied, including for the Russian Navy. The order book in this business area grew by almost 19 bln rubles in 2015 and amounted 57 bln rubles.

In 2016, the strategic priorities for this business area will continue to be: implementation of import substitution programs, development of a new type of equipment, expansion of the range of equipment supplied for the Navy, and increase of the share of orders manufactured at the facilities of the Division's enterprises.

International Cooperation

As part of new projects, the Division expands its position not only in the domestic market but also abroad. The growth of the prestige of the Division in the world market contributes to the development of cooperation with foreign leaders.

Mitsubishi Hitachi Power Systems, Ltd. (MHPS)

In January 2015, JSC Atomenergomash and Mitsubishi Hitachi Power systems, Ltd. (MHPS) signed a Memorandum of Understanding.

The document provides for cooperation between the parties in the field of thermal energy, including design and manufacture of coal-fired boilers of the capacity class of 660 MW, supply of ultra-supercritical pressure steam turbines, and a large supercritical capacity with generators.

The terms of cooperation include further work on the basis of the License Agreement for Technology (LAT).

Mitsubishi Heavy Industries Environmental & Chemical Engineering Co., Ltd. (MHIEC)

In September 2015, JSC Atomenergomash and its enterprises PJSC ZiO-Podolsk and JSC ZIOMAR EC signed a Memorandum of Understanding with Mitsubishi Heavy Industries Environmental & Chemical Engineering Co., Ltd. (MHIEC).

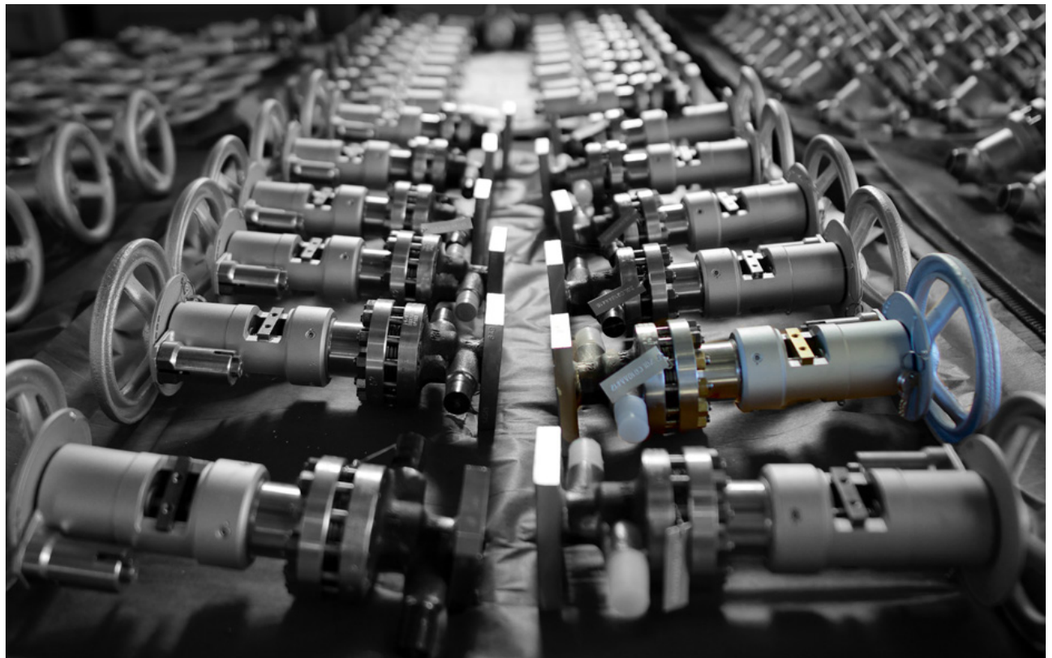
The document provides for the cooperation of these companies in creating productions for the disposal of solid municipal waste in the territory of Russia and CIS countries.

1.4. Sustainable Development of the Company

The Company recognizes that following the concept of sustainable development is one of the most important success factors in the medium and long-term perspective. The principles of sustainable development are deeply integrated into the Company's operations and are reflected in the mission of JSC Atomenergomash laid down in its corporate strategy: to establish and develop globally competitive technological solutions for the power industry in order to maintain a comfortable life for people and to achieve growth in the Company's business performance. Thus, the Company aims to keep the balance between its strategic objectives and the interests of all stakeholders in economic, social, and environmental areas.

The Company has developed an agenda that takes into account both current and potential initiatives and projects. The agenda for sustainable development of JSC Atomenergomash is based on the results of the UN Conference on Sustainable Development "Rio +20" and a similar agenda of Rosatom State Corporation.

Rio +20	Rosatom State Corporation	JSC Atomenergomash	
Health and population	Ensuring nuclear radiation safety and security of nuclear facilities	Ensuring industrial safety	1
Disaster risk reduction			
Energy	Ensuring energy security	Executing orders to provide the country with electricity	2
Sustainable consumption	Minimizing the environmental impact	Consuming resources and energy in a responsible manner	3
Poverty eradication	Providing positive economic and social impacts on a regional, national and international scale	Implementing charitable and social projects in the regions of presence	4
Food security			
Human rights and equality			
Sustainable development financing		Making payments to the budgets of all levels	5
Promoting employment and social protection		Providing stable jobs for the population in the regions of presence	6
Human development	Improving the capital utilization efficiency	Staff capacity building	7
Education			
Technologies		Innovation and R&D	8
Transparency	Ensuring public acceptance of development for nuclear energy	Company's communications and public reporting	9



A10 bellows-operated valves for nuclear power plants (ARAKO spol, s.r.o.)

Operationalization of the agenda in the field of sustainable development of JSC Atomenergomash

1
Ensuring industrial safety

0.42 LTIFR for the Division in 2015. Planned value for 2015: 0.63

↗ p. 78

2
Executing orders to provide the country with electricity

Fulfillment of contractual obligations in 96.9%

↗ p. 50

3
Consuming resources and energy in a responsible manner

Total energy savings in 2015 – over 1 mln GJ

↗ p. 70

4
Implementing charitable and social projects in the regions of presence

Charity expenses in 2015 13.6 mln rubles

↗ p. 91

5
Making payments to the budgets of all levels

Paid to the budget in 2015 6.5 bln RUB

↗ p. 90

6
Providing stable jobs for the population in the regions of presence

Social expenses (employee benefits) per employee in 2015 22.4 thousand RUB

↗ p. 76

7
Staff capacity building

Number of employees in the skill pool in 2015 163 persons

↗ p. 82

8
Innovation and R&D

R&D expenses in 2015 11.3 bln RUB

↗ p. 62

9
Company's communications and public reporting

Number of mentions in mass media in 2015:
Positive – 16.3%
Negative – 1.4%
Neutral – 82.3%

↗ p. 96

Dye penetrant weld inspection (the Atommash branch of AEM-Technology JSC in Volgodonsk)

2 CORPORATE GOVERNANCE

2.1. Corporate Governance System

JSC Atomenergomash pays special attention to the quality of its corporate governance. The alignment of the corporate governance system is based on applicable provisions of the current legislation of the Russian Federation and applicable recommendations of the Corporate Governance Code.

Basic principles of corporate governance

GRI 4-56
i 003

Within the scope of the strategy of JSC Atomenergomash, which is primarily focused on the development of a global competitive power-engineering holding, the formation of an effective system of corporate governance is one of the priority directions of development.

In its day-to-day activities, the Company complies with the corporate governance principles relating to delineation of the functions of the Company's governing bodies, increasing the degree of interaction, preventing conflicts of interest, and specifically defining responsibilities of the parties to each other. Corporate governance principles are recorded in the Charter of the Company as well as in other regulatory documents of the Company that are open to public access.

i 004

Certain provisions of the Corporate Governance Code recommended by the Bank of Russia in its letter No. 06-52/2463 dated April 10, 2014 are applied by the Company in practice by taking into account the specifics of the legal status of Rosatom State Corporation, which ensures the unity of management of organizations in the nuclear industry, as set forth in applicable laws and regulations of the Russian Federation and in a number of local regulations.

GRI 4-34

Governing bodies

The governing bodies of the Company under its Charter are:

- *the General Meeting of Shareholders of the Company, which is the supreme governing body of the Company;*
- *the Board of Directors of the Company, which implements general management of business activities of the Company with the exception of the issues referred to the exclusive competence of the General Meeting of Shareholders of the Company;*
- *the Chief Executive Officer of the Company, who is the sole executive body of the Company and who implements the management of current (operational) activities of the Company; the competence of the Chief Executive Officer includes all the issues related to the management of current (operational) activities of the Company with the exception of the issues referred to the exclusive competence of the General Meeting of Shareholders and the Board of Directors of the Company.*

GRI 4-13

Pursuant to applicable provisions of its Charter, the Company has no Audit Commission (Auditor); internal control of performed facts of economic life of the Company is implemented in accordance with internal documents and local regulations of the Company.

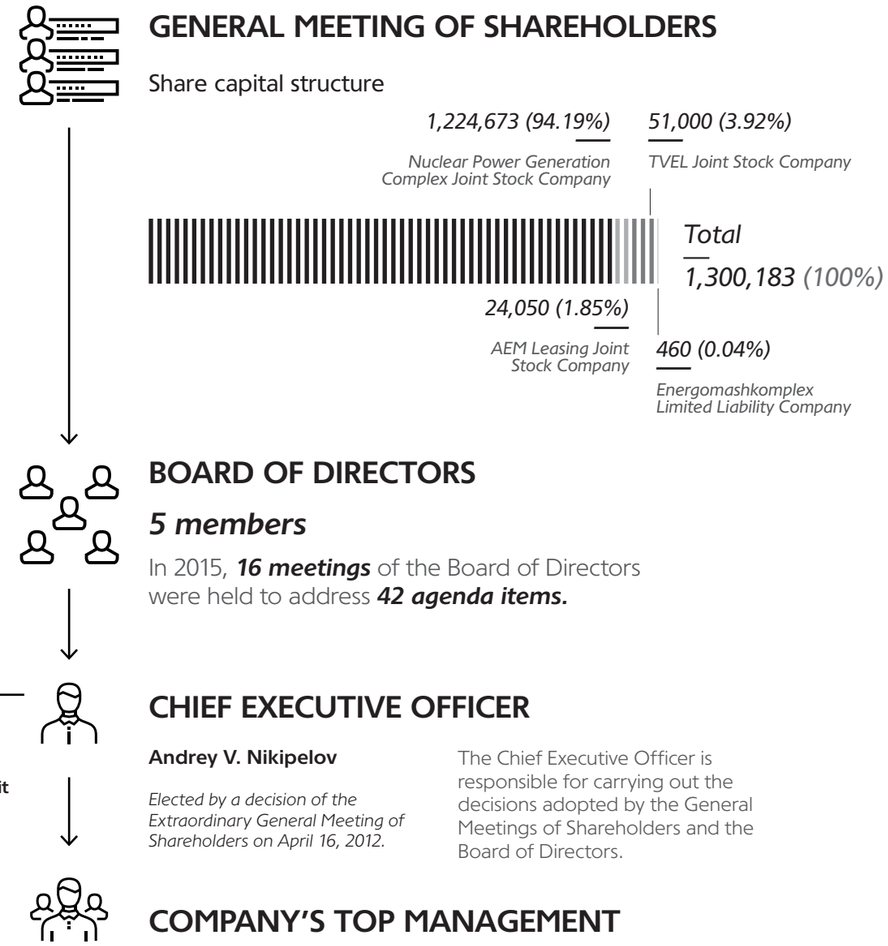
Structure of authorized capital

The authorized capital of the Company consists of the nominal value of the Company's shares purchased by shareholders. In compliance with the Charter of JSC Atomenergomash, the authorized capital of the Company amounts to RUB 1,015,926 (one million fifteen thousand nine hundred and twenty-six rubles) and is divided into 1,015,926 (one million and fifteen thousand and nine hundred and twenty-six) ordinary registered shares with a par value of 1 ruble each. Each ordinary share of the Company confers equal rights to the shareholder who owns it.

As of December 31, 2015[9], the outstanding shares were distributed as follows:

9 – At present, shares of JSC Atomenergomash of an additional issue (state registration number: 01-01-11322-A-005D) registered by the Main Office of the Central Bank of the Russian Federation on December 24, 2014 are offered. The placement expires on December 20, 2016. As of December 31, 2015, 284,257 (two hundred and eighty-four thousand and two hundred and fifty-seven) ordinary registered uncertified shares of an additional issue had been placed.

Corporate governance scheme of JSC Atomenergomash



General Meeting of Shareholders

AEM 24.1
i 005

According to the Charter, the Company's highest governing body is the General Meeting of Shareholders. The competence of and the procedure for convening and holding the General Meeting of Shareholders are defined in the Company's Charter as well as in the Federal Law "On Joint Stock Companies."

AEM 24.2

In 2015, seven General Meetings of Shareholders of were held (one annual and six extraordinary meetings).

No dividends were paid in 2015 as no decisions to declare and to pay dividends were made by the General Meeting of Shareholders of the Company.

Board of Directors

GRI 4-38
GRI 4-39
i 006

The Board carries out the strategic management of the Company's activities and effective control over the activities of its executive body.

The Board of Directors was elected by resolution of the Annual General Meeting of Shareholders held on June 30, 2015.

The Company does not have independent members of the Board of Directors within the meaning defined in the Corporate Governance Code.

i 007

Information about the Members of the Board of Directors

CHAIRWOMAN OF THE BOARD OF DIRECTORS

EKATERINA LYAKHOVA

Date of birth: June 7, 1975

Has been in office since June 29, 2012 until the present

BORIS SILIN

Date of birth: October 26, 1954

The term of office: November 27, 2014 until the present

NIKOLAY DROZDOV

Date of birth: June 23, 1972

The term of office: October 4, 2013 until the present

VLADISLAV KOROGODIN

Date of birth: October 25, 1969

Term in office: from June 30, 2015 until the present

ANDREY NIKIPELOV

Date of birth: March 7, 1968

Term in office: from June 29, 2012 until the present

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i 009
GRI 4-49
GRI 4-50
i 010
AEM 24.3
i 011
i 012
AEM 24.4

In 2015 **16** *meetings of the Board of Directors were held to address* **42** *agenda items*

In 2015, no decisions on the payment of remuneration and/or compensation of expenses to members of the JSC Atomenergomash Board of Directors were adopted, no remuneration was paid, and no compensation of expenses was provided.

Members of the Board of Directors do not own any shares of the Company.

Chief Executive Officer

GRI 4-35

In accordance with the requirements of Article 69 of the Federal Law "On Joint Stock Companies" and Article 9 of the Company's Charter, the Chief Executive Officer is responsible for carrying out the decisions adopted by the General Meetings of Shareholders and the Board of Directors.

The Chief Executive Officer of the Company, Andrey Nikipelov, was elected by a decision of the Extraordinary General Meeting of Shareholders on April 16, 2012.

The Chief Executive Officer does not own any shares of the Company.

i 013

AEM 24.5

KPIs set for the Chief Executive Officer of JSC Atomenergomash in 2015

Indicator	Target value	Actual value	Performance Status
AEM's adjusted free cash flow (AFCF), bln rubles	-5.4	2.0	Maximum
Labor productivity, bln rubles/person	3.31	2.947	Minimum
Index of implementation of the REA Concern Investment Program as it pertains to AEM, %	100	100	Target
Integral indicator for new products, %	100	120	Maximum
Integral indicator of investment performance[10], %	100	93	Minimum
Revenue from new products outside the contour and inside the contour on a competitive basis, mln rubles	22,695	17,134	Not performed
Semi-fixed costs, mln rubles	23.84	23.45	Target
Overseas revenue, mln USD	128	122	Minimum
LTIFR, %	0.63	0.42	Target
Fulfillment of the State Defense Order (SDO), %	100	100	Target
Book of orders of the State Corporation for 10 years for new products, mln rubles	70,748	116,304	Maximum
Book of foreign orders for 10 years, mln USD	99	129	Maximum
IRR of the portfolio of projects for new businesses, %	12	34	Maximum

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page 78

page 50

Failure to comply with key indicators at the target level is due to the postponement of a number of non-nuclear and foreign projects for long-cycle equipment and to the overall macroeconomic situation.

In 2016, the KPI Chart of the Chief Executive Officer of the Company will include the following indicators: "The timeliness of deliveries of equipment under concluded contracts" and "The absence of violations on the scale of INES Level 2 and above."

AEM 24.6

The criteria for and the amount of remuneration for the Chief Executive Officer is determined by the employment contract in accordance with applicable provisions of the current labor legislation of the Russian Federation and by the wage system in place at the organizations of Rosatom State Corporation. The amount of the bonus takes into account the fulfillment of key performance indicators set for the Chief Executive Officer on an annual basis.

In accordance with the legislation, information about the declared income, property and liabilities is presented on the official website of Rosatom State Corporation in the Anti-Corruption section.

10 – Detailed information is contained in the relevant section.

GRI 4-36
i 014

Company's Top Management

ANDREY NIKIPELOV

Chief Executive Officer

In office since 2012

SERGEY FILATOV

Deputy Chief Executive Officer
Director for Economics and Finance

In office since 2014

VLADIMIR ANGELOV

Director for Nuclear Power

In office since 2014

VLADIMIR SMIRNOV

Director for Gas and Petrochemical Industry

In office since November 2015

SERGEY SHATOKHIN

Director of Thermal Energy

In office since October 2015

VLADIMIR RAZIN

First Deputy Chief Executive Officer,
Director of Operations

In office since 2012

SERGEY KULESHOV

Deputy Chief Executive Officer
Corporate Governance Director

In office since 2006

KSENIA SUKHOTINA

First Deputy Chief Executive Officer for Strategy
and Organizational Development

In office since 2010

ALEXANDER LEVENSHTEIN

Internal Audit Director

In office since 2007

NATALIA SHIROKOVSKIKH

Chief Accountant

In office since 2012

2.2. Ethics and Anti-Corruption Practices

Regulations on the Security Department of JSC Atomenergomash and its EMPs:
- *protecting the economic interests of the Russian Federation and Rosatom State Corporation in the course of cooperation with foreign partners;*
- *protecting state secrets and information;*
- *protecting intellectual property.*
- *participating in the implementation of the State policy of the Russian Federation in the field of economic security and combating corruption;*
- *identifying and analyzing factors and conditions that contribute to the emergence of threats to economic security and assets;*
- *drafting regulations on the prevention of threats to economic security and assets of the Division's enterprises in top-priority areas;*
- *providing information to the Company's management on matters related to economic security, asset protection, and combating corruption;*
- *carrying out organizational, methodological and functional management of the enterprise asset protection units;*
- *preparing and following up measures designed to prevent the following from occurring in the Corporation and its entities: corruption and corrupt practices; external and internal threats to financial security; external and internal threats to personnel security; external and internal threats to intellectual property; shadow economic activities; illegal activities in the field of management of federal property and property complexes; illegal activities in the field of procurement, performance of work, and provision of services for the needs of Rosatom State Corporation and its organizations.*

i 015

In this area, the following key activities are implemented that serve as the basis of the KPI:

i 016

1. Quality of monitoring the sale of unclaimed movable property of the Company and its EMPs
2. Development and implementation of anti-corruption programs at the enterprises of the Division
3. Protection of the Company's interests in court and enforcement proceedings as well as administrative and criminal proceedings in which the Company acts as the plaintiff/claimant
4. Quality of expert work related to contracts and screening of counterparties
5. Timely consideration of reports of corruption and fraud received via the Hotline.

AEM 30.4

In order to prevent theft and fraud and to reduce the risk of economic damage, enterprises of JSC Atomenergomash in collaboration with state authorities, local authorities, public associations, collectives of workers and citizens as well as structural units of the Federal Security Service of Russia, the Ministry of Internal Affairs of the Russian Federation and the tax authorities are implementing the Anti-Corruption Plan of Rosatom State Corporation for 2014-2015.

In addition, a package of measures to prevent risks and eliminate consequences of violations has been developed. Control over the risk identification process and preventing fraud by counterparties is carried out jointly with the Internal Audit Department in accordance with the Regulations on the Security Directorate and the Regulations on the Asset Protection Department.

As a result of the activities of the Security Department, attempts to cause economic damage to the companies of the Division in the amount of 422.5 mln rubles were thwarted in 2015, and 12 criminal cases were initiated[11].

11 – Including 0 corruption-related cases.

GRI-SO5
AEM 22.3

Enterprise	Number of criminal cases
JSC OKB GIDROPRESS	2
PJSC ZiO-Podolsk	1
PJSC Energomashspetsstal	2
OJSC Venta	2
AEM-Technology JSC	4
JSC TsKBM	1
Total:	12

In 2015, 69 «hot line» notifications that contained information about the signs of corruption and other offenses were checked, and 18 of them were confirmed. The share of anonymous reports decreased by 14% as compared to 2014. Based on the results of verification of «hot line» messages, 11 employees were held disciplinarily liable, and labor contracts with two employees were terminated by mutual agreement.

GRI 4-58

In addition, the following were implemented in 2015:
- 4,122 inspections of activities of the Company and EMPs. Based on the results of inspections, 22 cases were sent to the law enforcement authorities, on the basis of which 12 criminal proceedings were initiated, and disciplinary charges were brought against 130 employees (including disciplinary liability based on the results of verification of «hot line» notifications);
- 2,799 preventive conversations and activities aimed at the prevention of theft and corruption and violations of labor discipline were held;
- 11,416 contracts were examined, and 548 contracts were rejected.

Within the scope of verification of anti-corruption measures in Rosatom State Corporation, the Commission of the Administration of the President of the Russian Federation carried out on-site inspection of JSC Atomenergomash in April 2015, during which the members of the Commission examined the documents and the practices aimed at corruption prevention. No concerns were raised on the basis of verification results.

According to the nuclear safety requirements, engineered safeguards and special monitoring tools have been installed at a number of enterprises.

In order to improve the corporate culture and to create an atmosphere of integrity and a zero tolerance to theft, an "Anti-Corruption" section was set up on the Company's official website at the following URL: http://www.aem-group.ru/protivodejstvie-korrupczii/.

2.3. Internal Control, Audit and Risk Management

AEM 25.1
AEM 25.2

The "Internal Control and Audit" function in the Company is implemented by the Internal Audit Directorate, which reports directly to the Chief Executive Officer of the Company. The Directorate implements its activities in compliance with international professional standards of internal audit that is guided by the principles of independence, impartiality, competence, and professional attitude to work.

It is foreseen that ongoing supervisory activities in the Internal Control and Audit function of the company structure will be divided into the following areas: audit, control and audit activities, and compliance with the Unified Industry Standard for Procurement.

i 017

In order to enable the performance of activities, a six-month Monitoring Plan is prepared, which includes information on the inspection period and the number of hours allocated for the implementation of each control activity. In accordance with the approved procedures, when preparing the Monitoring Plan, the Chief Executive Officer and all the employees of the Company have the right to make a proposal to implement a follow-up measure.

The key performance indicator for the Internal Control and Audit function is the absence of actual incidents or significant adverse findings during inspections by state authorities related to the processes that were previously inspected by the internal auditor.

In the reporting year, the Internal Audit Directorate performed 20 audits (at 14 scheduled audits, which brings the implementation of this indicator to the rate of 143%) of structural units and EMPs in order to identify risks and to evaluate the effectiveness of activities and business processes that are significant for JSC Atomenergomash. Based on the results of the audits, proposals and recommendations were prepared for the relevant departments of the Company. No facts of availability of concerns raised by state bodies according to the results of inspections of processes were identified.

In 2015, the KPIs for the following business line were completed.

i 018 JSC Atomenergomash has formed a Risk Management Group, which acts on the basis of the Regulation on Risk Management Group of JSC Atomenergomash. Its activities are aimed at creating a corporate risk management system and at coordinating risk management and insurance activities. The tasks of the Group include regular audits of risks and ascertaining whether they are within the set risk limits, organizing interaction in making risk-related decisions between all participants in the risk management process from the CMP level to the level of Rosatom State Corporation.

As of the end of 2015, the integration of the corporate risk management system into strategic, investment, and budget planning processes was completely implemented. Within the scope of unification of risk management and insurance processes, JSC Atomenergomash started an analysis of property risks of the basic manufacture of EMPs (including the implementation of pre-insurance surveys) with the formation of a property risk management program. In 2015, the Risk Management Group was included into the profile of mandatory preliminary approval of agreements planned for conclusion by JSC Atomenergomash, which greatly enhanced risk monitoring and control at the stage of preparation of contracts.

i 019

AEM 25.3

Property risk surveys of main production EMPs that have completed their transition to the control of JSC Atomenergomash (JSC Afrinkantov OKBM and JSC OKB GIDROPRESS) was scheduled for 2016. The implementation of the introduction of quantitative risk assessment techniques in 2016 is planned in integration with the created project management system of JSC Atomenergomash. The area of responsibility of the Risk Management Group of JSC Atomenergomash in 2016 also includes the creation of a risk management plan for the "Hanhikivi" Nuclear Power Plant project in order to reduce risks, to optimize costs, and to ensure compliance with applicable requirements of the regulator from the Customer.

Operation within the risk appetite boundaries established by the order of Rosatom State Corporation in 2015 as a maximum negative deviation of the adjusted free cash flow of JSC Atomenergomash from the planned value of 5 percent has been set as a key performance indicator in this area. In 2015, a positive deviation of 193.4% was registered, which confirms the preparedness of the Company for risks.

GRI 4-14

i 020

Compliance of Risk Management of JSC Atomenergomash with ISO 31000:2009 "Risk Management: Principles and Guidelines"

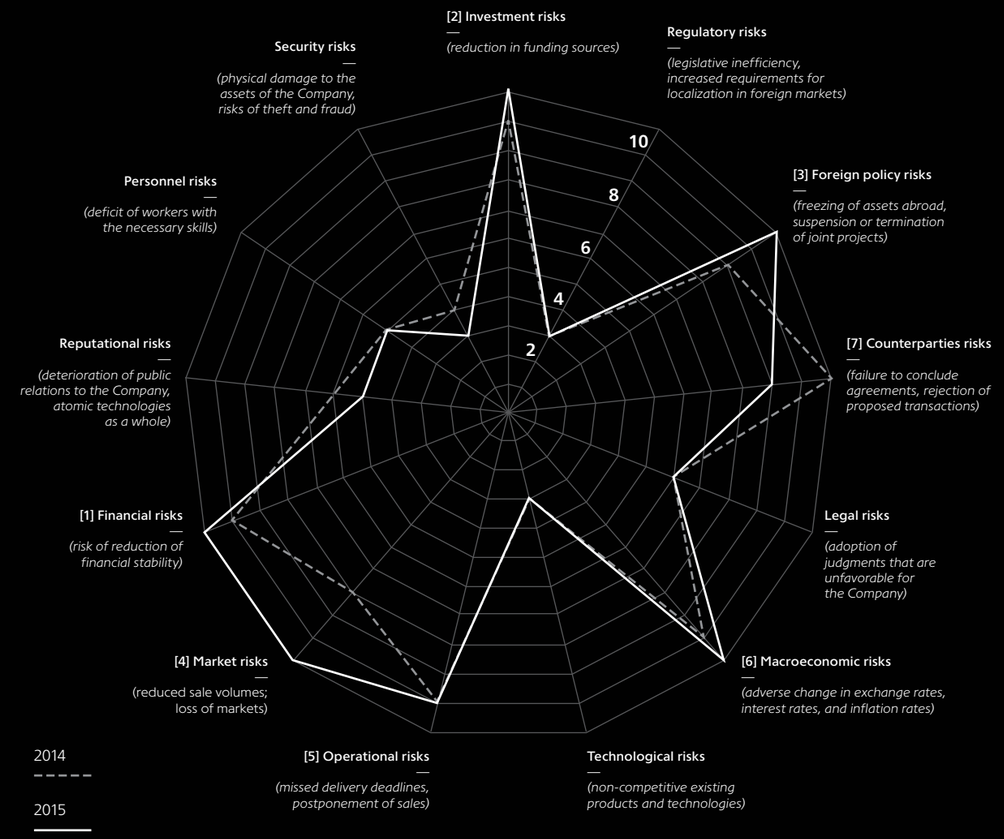
ISO 31000:2009. ANNEX A. PROPERTIES OF THE IMPROVED RISK MANAGEMENT	PRACTICE OF RISK MANAGEMENT AT JSC ATOMENERGOMASH
Risks of the organization comply with its risk criteria	Implementation of regular checks of conformity of the indicators of the organization to established risk limits
Continuous improvement	Implementation of constant analysis and improvement of the regulatory and methodical documentation on risks together with Rosatom State Corporation; planning to introduce a quantitative risk assessment model for the organization; implementation of surveying assessment of property risks
Full responsibility for the risks	Determination of owners of main risks, who are responsible for and empowered to implementation of risk management, identification of the persons responsible for development, implementation, and maintenance of risk management concepts
Introduction of risk management into the decision-making process	All the components of risk management are presented in accordance with the key decision-making processes in the organization
Permanent communications	Establishment of permanent communication with external and internal stakeholders, including all-inclusive and frequent reporting on the effectiveness of risk management as part of proper governance
Full integration into the structure of management of the organization	Effective risk management is considered to be the natural means of achieving the objectives of the organization by the management. The process of risk management is integrated into the processes of formation of strategic plans of the organization

Dynamics of the Key Risks of the Company

[1] Risk management:
Reservation, transfer to the GN level, asset optimization, investment program, the holding structure, cost reduction, and the use of scheme escalation mechanism in long-term contracts

[2] Risk management:
Selection of top-priority projects for financing, cash pooling, and reservation

[3] Risk management:
Organization of legal settlements, establishment of partnerships with local and foreign companies, search for alternative partners, elaboration of alternative supply options for equipment that has been and is currently manufactured



[4] Risk management:
Development of direct export sales in the target regions through partner sales channels, identification and use of points of growth in the market, sale of integrated services

[5] Risk management:
Working with the customer and the supplier, coordination of leading deadlines with the customer, intensification of own production, control over logistics and production

[6] Risk management:
Natural hedging, conclusion of long-term contracts with suppliers, increase in the volumes of advanced payments from customers, controlling purchases in foreign currency, inserting currency clauses into contracts, and promoting import substitution.

[7] Risk management:
Organization of pre-contractual work with the customer, pricing taking into account the market situation, search for new customers, attraction of national and regional structures to address issues of strategic cooperation with the customer.

GRI 4-2 The risk radar shows the dynamics of assessment of key risks of the Company as compared to the previous year (the information in parentheses indicates the main areas of influence of risk and risk exposure by types). For the most significant risks, risk management measures are listed (for more information about the measures, please refer to Interactive version of the Report, Annex "Key risk factors by the type of capital").

Industrial Asset Insurance

During the second and third quarters of 2015, the Risk Management Group of JSC Atomenergomash developed an organization chart of preparation and implementation of insurance of basic production EMPs of JSC Atomenergomash (Atommash and Petrozavodskmash branches of AEM-Technology JSC, JSC TsKBM, PJSC ZiO-Podolsk, JSC SverdNIIkhimmash) and agreed it with all the participants as well as conducted a pre-insurance survey and analysis of property risks, which resulted in the following:

- development of plans for the implementation of recommendations on risk reduction;
- preparation of tender documentation for insurance of EMPs of JSC Atomenergomash.

Based on the implemented survey, competitive procedures were held in the fourth quarter of 2015 and insurance contracts for 2016 were concluded.

The volume of insured risks of EMPs amounted to 25.2 bln rubles.

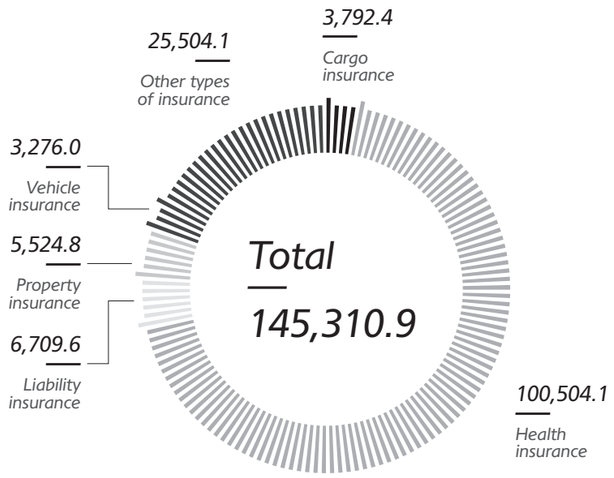
Due to lower average insurance rate because of the implemented survey and implementation of risk reduction plans, the economic effect on the insured EMPs amounted to 41.8 mln rubles.

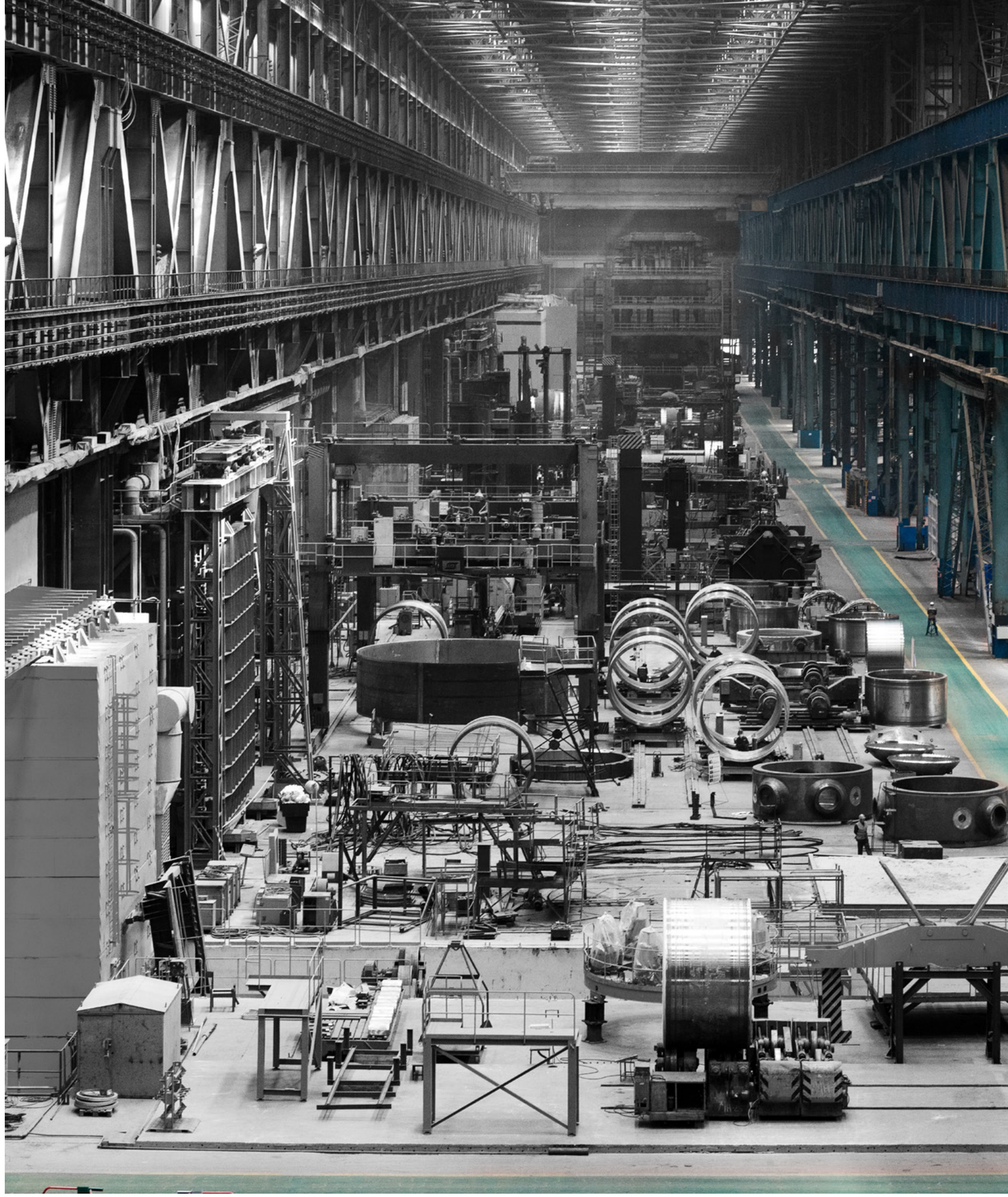
Creation of a property risk management program in 2015 as well as implementation of insurance and formation of risk management plans for EMPs allowed JSC Atomenergomash to receive a positive conclusion based on the results of an audit of the implementation of the Quality Assurance Program of JSC Atomenergomash, which was performed by Fennovoima in January 2016.

AEM 25.4
i 021

Insurance traditionally is one of the most important risk management tools.

Insurance expenses in the reporting year, by type (thousand rubles)





Production hall of package units (the Atommash branch of AEM-Technology JSC in Volgodonsk)

3 FINANCIAL AND ECONOMIC ACTIVITIES

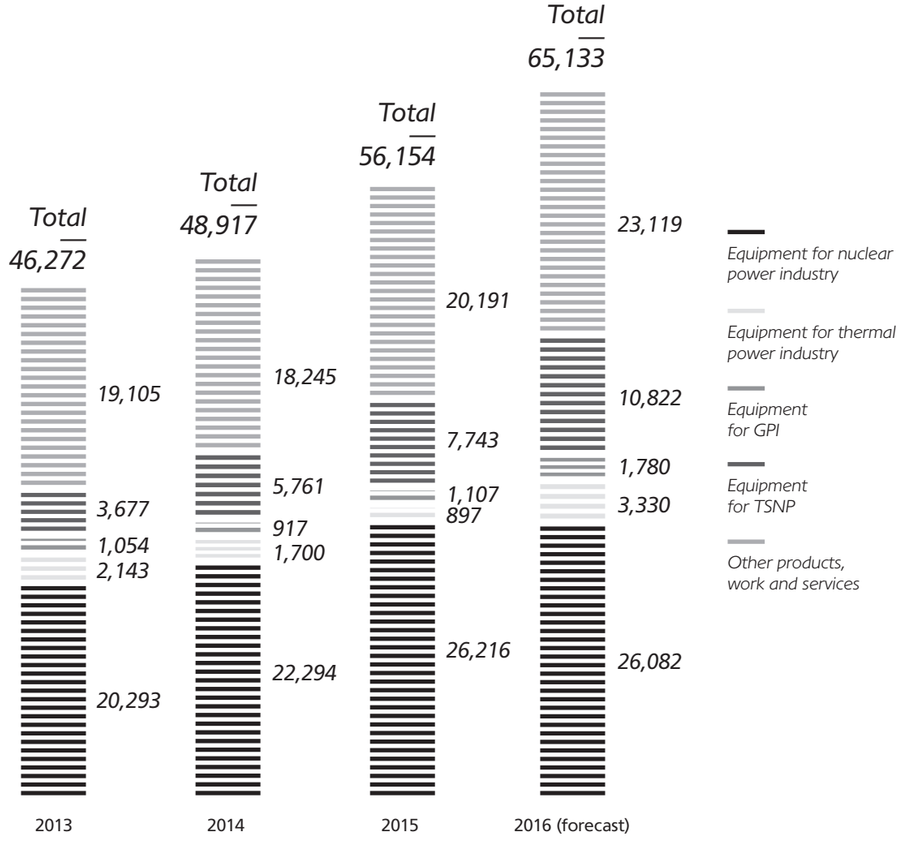
3.1. Economic Performance and Financial Position

The most important indicator of the effectiveness of an enterprise that reflects the successful implementation of business activities is the economic performance of the Company.

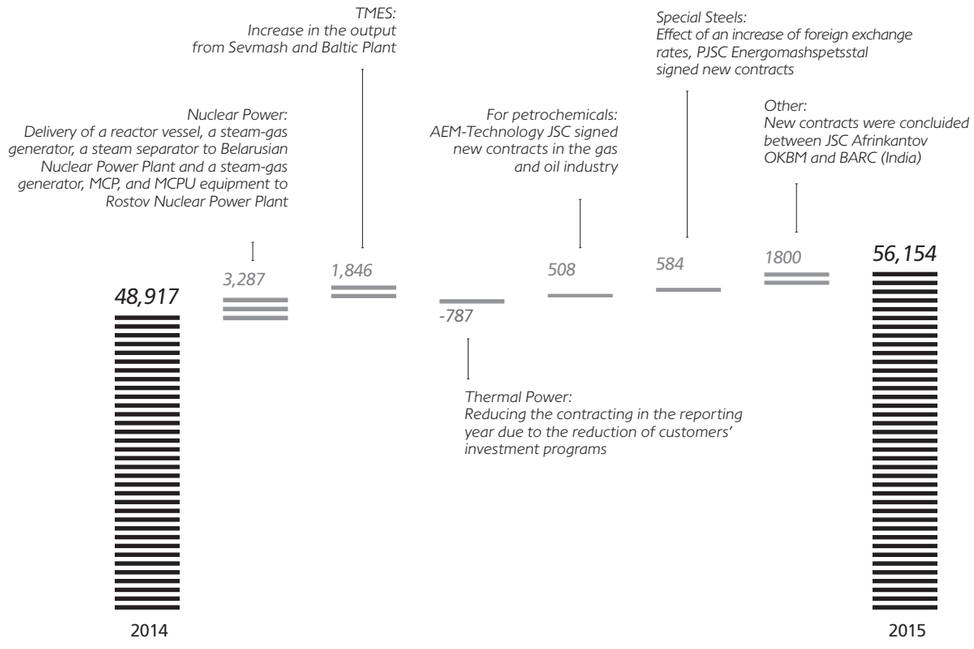
i 022

Key performance indicators of the Company's senior managers include the indicators that describe financial and economic activities of JSC Atomenergomash, namely: adjusted free cash flow, revenue from new products, labor productivity, semi-fixed costs, and overseas revenues. The execution of budgets of the enterprises of the Division is controlled at the level of the Directorate for Economy and Finance.

AEM 1.1 Combined revenue by operating sector (mln rubles)



Factor analysis of the change in combined revenue (mln rubles)



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The combined revenue of the Company increased by 15% in 2015 in comparison with 2014

AEM 1.4 EBITDA margin (%)

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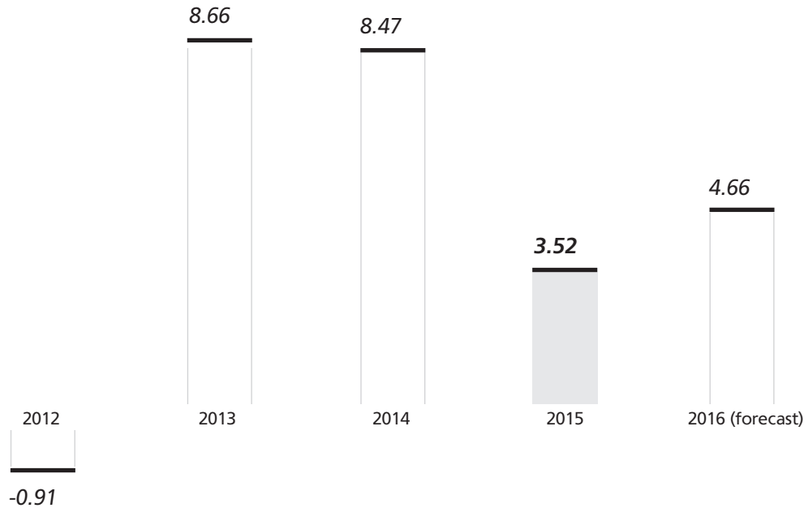
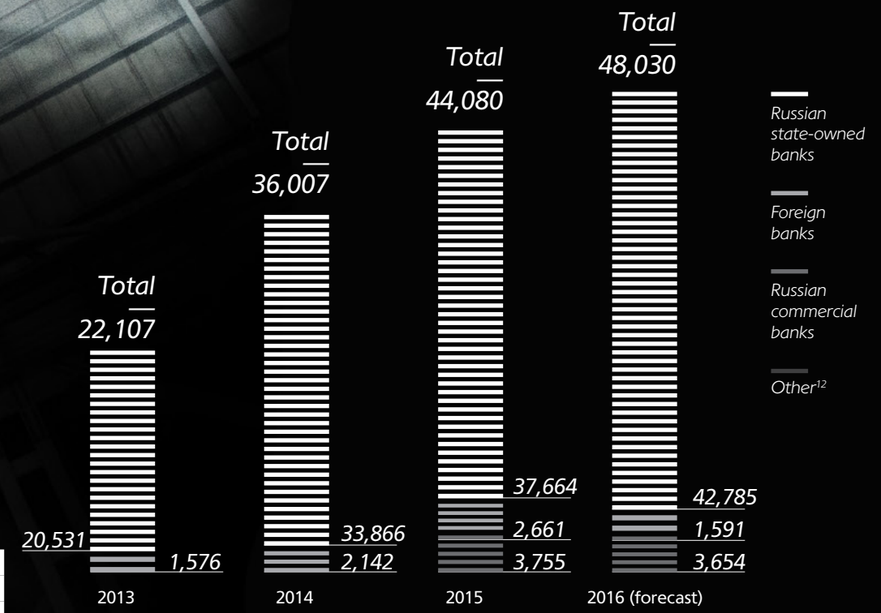
i 026
i 027
i 028
i 029



In 2015, a revenue of **909** *mln rubles (of which 892 mln rubles were the income of JSC TsKBM) was recorded as a result of the restructuring of non-core assets.*

млн руб.

Net debt structure (mln rubles)



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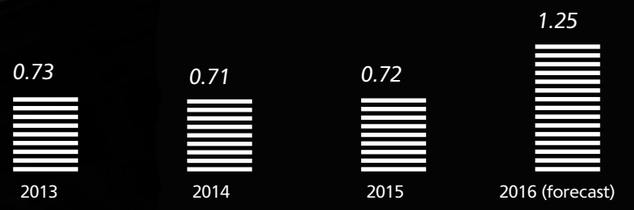
i 031
i 032

AEM 1.12

Short-term solvency ratio[13]



This ratio indicates the company's solvency in the short term.

AEM 1.14
GRI-EC4
i 033

State Aid in 2015 (mln rubles)

Entity	Amount
JSC NPO TsNIITMASH	192.3
AEM-Technology JSC	125.4
JSC Afrikantov OKBM	30.0
TOTAL	347.7

i 034
i 035
i 036

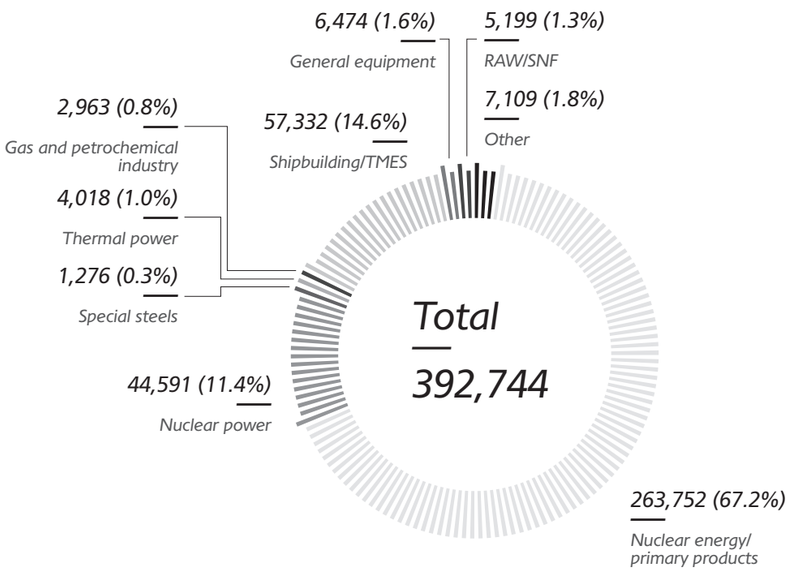
12 – Other (including industry funding)
13 – This indicator shows the receivables to payables ratio. Calculated from the balance sheet item "Short-term receivables".

The process of machining of steam generator body holes (the Atommash branch of JSC AEM-Technology in Volgodonsk)

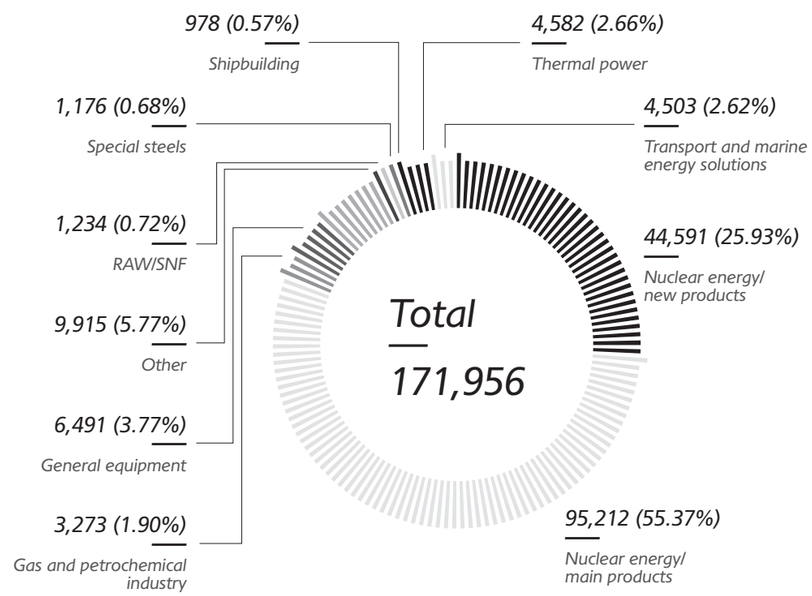
3.2. Commercial Activities

i 037 *Commercial operations of the Company are aimed at building up a portfolio of orders in the nuclear industry and in related industries.*

AEM 3.1
i 038 Sectoral structure of the order book at the year-end (mln rubles)



AEM 3.2 Structure of contracts concluded in the reporting year by operating segment (mln rubles)



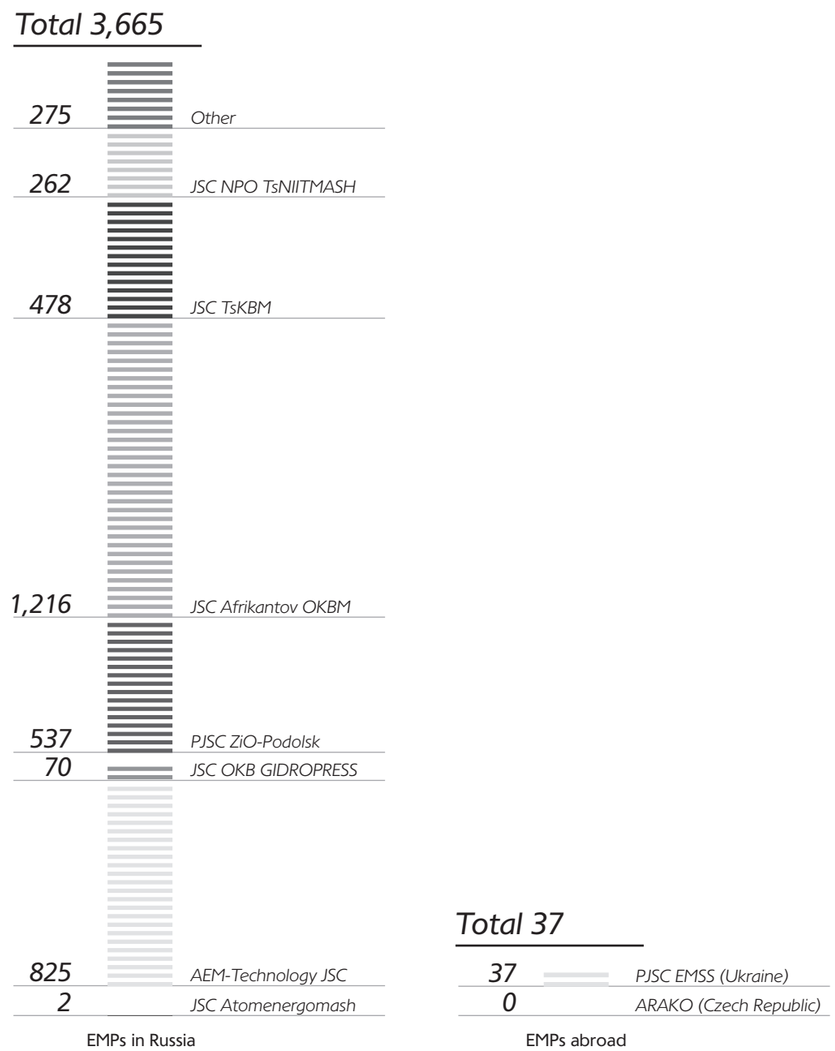
3.3. Investment Activities

Investment activity of the Company is aimed at the maintenance and development of production capacities of the enterprises of the Division in order to enhance the effectiveness of operation, to implement the industry order, and to ensure out-of-the-industry obligations.

In order to improve the quality of investment planning[14] and to achieve key parameters of the investment phase of the projects, the Division uses the following KPIs in this area:

1. an integral investment activity indicator, which includes three components:
   - *planned/forecast return on the portfolio;*
   - *compliance with key milestone dates.*
2. reduction of the share of costly projects;
3. optimization of project budgets.

AEM 4.1
i 039 Volume of investments by EMP and country (mln rubles)



14 – In order to plan investment activities in 2015, an industry-wide system of management and control of investment activity at the enterprises of the Division was used, which developed solutions for the projects of integration of control and enforcement within the framework of a unified information system.

—
Volgodonsk branch of JSC AEM-Technology - Atommash

AEM 4.2

Key investment projects are implemented at the following enterprises: JSC Afrikantov OKBM, PJSC ZiO-Podolsk, JSC OKB GIDROPRESS, AEM-Technology JSC, JSC NPO TsNIITMASH, and JSC TsKBM.

Projects aimed at reducing operating costs under the Mechanical Engineering Division Reconfiguration Program:

- *Relocating the asset and production complex of JSC TSKBM.*
- *Relocating research, engineering, and design assets (JSC GSPI and JSC VNIIAM).*

These projects include both the sale of freed up land and the purchase of new production equipment.

Main investment projects in 2015

Company	Major projects	Project budget (for IIR)	Period
PJSC ZiO-Podolsk	Replenishing and maintaining the production capacity of PJSC ZiO-Podolsk.	969 mln rubles	2011–2016
	Increasing the capacity of PJSC ZiO-Podolsk to support the targets for general equipment production.	588.87 mln rubles	2009–2016
	Increasing the capacity of PJSC ZiO-Podolsk to enable non-nuclear equipment production.	190.29 mln rubles	2009–2016
AEM-Technology JSC	Assimilating production of products for nuclear power plants and the gas and petrochemical industry.	872.02 mln rubles	2013–2019
	Establishing high-tech production of stamp-welded gate and wedge gate valves for nuclear, thermal power, oil and gas industry enterprises using nanostructured protective coatings.	348.19 mln rubles	2013–2016
	Setting up a production complex for manufacturing of heavy equipment for nuclear power plant reactors at a welding production facility.	2,155.09 mln rubles	2011–2016
JSC TsKBM	Technical revamping and modernization of the production complex of JSC TsKBM.	597.63 mln rubles	2011–2015

AEM 4.3

In the reporting year, the volume of financing of the investment program of the Company amounted to 3.7 bln rubles as compared to the plan of 6.1 bln rubles. Thus, the investment program of the Division has been completed by a rate of 60% in 2015 due to several factors:

- *the rejection of the implementation of the activities and projects in view of the loss of their relevance;*
- *the postponement of the implementation of key projects for subsequent periods due to changes in the timing of delivery of equipment within the responsibility of the supplier;*
- *savings as a result of procurement procedures.*

PRODUCTION ACTIVITIES

4.1. Results of Production Activities

Traditionally, the key performance indicators for production activities of the Division are as follows:
- *implementation of the investment program of JSC Rosenergoatom Concern in terms of delivery from JSC Atomenergomash (completion: 100% in 2015);*
- *performance of contractual obligations (completion: 96.9%);*
- *fulfillment of the State Defense Order (completion: 100%).*

AEM 5.2
AEM 5.3
i 040
AEM 5.1

Nuclear Power

- *supply of products for the following NPPs: Beloyarsk Nuclear Power Plant, Bilibino Nuclear Power Plant, Kola Nuclear Power Plant, Rostov Nuclear Power Plant (power units 3, 4), Kalinin Nuclear Power Plant, Smolensk Nuclear Power Plant, Balakovo Nuclear Power Plant, Novovoronezh Nuclear Power Plant, Novovoronezh Nuclear Power Plant-2, Kursk Nuclear Power Plant, Leningrad Nuclear Power Plant, Leningrad Nuclear Power Plant-2, Baltic Nuclear Power Plant, Mohovce Nuclear Power Plant, Tianwan Nuclear Power Plant-2, Belarusian Nuclear Power Plant, Kozloduy Nuclear Power Plant, Temelin Nuclear Power Plant (power units 1, 2), Bushehr Nuclear Power Plant, and Yuzhno-Ukrainsk Nuclear Power Plant;*

Thermal Power

- *commissioning of facilities that use products developed by JSC ZIOMAR EC and supplied by PJSC ZiO-Podolsk:*
  - *new CCGT-220T power unit at CHPP-12 of MOSENERGO;*
  - *power unit No. 1 at Chelyabinsk TPP;*
  - *new combined heat and power plant at Nizhneturinskaya TPP;*
- *delivery of products to the production site of PJSC Uralkali, Verkhnetagilskaya TPP, Berezovskaya TPP, Zhambyl TPP, Yaroslavl PGO-CHP, Yaivinskaya TPP, Shatura TPP, Pskov TPP, Perm TPP, etc.;*
- *completion of delivery of the equipment of the waste heat boiler for the Nadezhda Metallurgical Plant of the Zapolyarye branch of PJSC MMC Norilsk Nickel.*

Gas and Petrochemical Industry

- *delivery of equipment manufactured by PJSC ZiO-Podolsk and the Volgodonsk branch of AEM-Technology JSC to major Russian oil and gas companies:*
  - *PJSC GAZPROM (completed execution of a major contract for the delivery of central dust collecting units for the Bovanenkovo-Ukhta main natural-gas transmission pipelines);*
  - *PJSC LUKOIL (completed shipment of input column separating units and equipment for oil refineries of Yamalneftegaz business unit and Kogalymneftegaz business unit respectively);*
  - *PJSC TATNEFT (for the large refinery complex of JSC TANEKO under construction in Nizhnekamsk, the Republic of Tatarstan);*
- *delivery of ARAKO equipment for the PERN Przyjazn State Oil Transportation Company (Poland).*

Special Steels

- *shipment of castings and forgings for the RITM-200 reactor shell for the nuclear icebreaker LK-60 has been completed;*
- *shipment of the product to ArcelorMittal plants (Belgium, Germany, Spain, Luxembourg, France, the Czech Republic), Alstom Company (Poland), VoestAlpine (Austria), Iron Acciai Speciali (Italy), Bhushan Power (India), General Electric (the USA, Brazil), AH Industries (Denmark), OJSC Power Machines, Acciai Brianza (Italy), Eurostaal (Netherlands), Oberste-Beulmann (Germany), Euskalforging (Spain), Von Schaewen (Germany), ThyssenKrupp Rothe Erde (Germany) Voestalpine (Austria), Steinhoff (Germany), and other leading European companies.*

Case of AEM-Technology JSC

Reactor shipment

In October 2015, the Atommash branch of AEM-Technology JSC in Volgodonsk completed the manufacture of a WWER-1200 water-water energetic reactor for the power unit 1 of the Belarusian Nuclear Power Plant and shipped it to the customer's address. This is the first reactor vessel manufactured at the production site of the Atommash plant after nearly a 30-year's break and the first manufactured by Rosatom State Corporation.

Capacities of the enterprise allow producing up to 4 sets of equipment per year. Currently Atommmash is manufacturing reactor compartment equipment for Novovoronezh, Rostov, and Belarusian Nuclear Power Plants. Manufacture of a reactor facility is a unique expertise only possessed by a few countries in the world.

AEM 5.4
i 041

In 2015, more than **70%** *of the products of the Division were manufactured at the own capacities of the Division's enterprises*

The process of circumferential welding of bottom components of the GNH equipment (the Atommash branch of AEM-Technology JSC in Volgodonsk)

4.2. Quality and Industrial Safety

GRI-PR1

Security is one of the key values of Rosatom State Corporation. A necessary condition for achieving security in the course of operation of nuclear facilities is to control the quality of products manufactured by the enterprises of the Division. The safety of nuclear facilities is directly related to the quality of manufactured products.

The growing safety requirements for the nuclear facilities under construction and in operation impose special obligations on all enterprises of the Division regarding product quality, where quality assessment becomes an integral element in the manufacturing of all kinds of products.

The high quality of products manufactured by EMPs is ensured by the developed and certified quality management system of the EMPs meeting the requirements of ISO 9001.

AEM 6.1

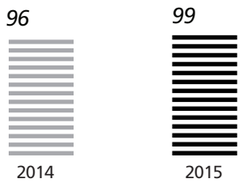
Enterprises holding ISO 9001 certificates

Name of the entity	Name of certification system	Certificate's validity period
ARAKO spol. s.r.o.	TÜV SÜD	September 14, 2018
JSC Atomenergomash	IQNet (the Russian Register of St Petersburg)	December 26, 2016
JSC OKB GIDROPRESS	BUREAU VERITAS Certification	October 23, 2017
JSC Afrikantov OKBM	TÜV Thüringen	April 17, 2017
JSC NPO TsNIITMASH	BUREAU VERITAS Certification	March 11, 2017
CJSC ATM	AFNOR Certification	November 14, 2016
AEM-Technology JSC	IQNet (the Russian Register of St Petersburg)	July 26, 2016
OJSC Venta	GOST R VCS	December 24, 2017
JSC VNIIAM	Evro-Reestr VCS	July 17, 2018
PJSC ZiO-Podolsk/JSC ZIOMAR EC	Lloyd's Register Quality Assurance	September 14, 2018
JSC SverdNIIkhimmash	Management System Register VCS	September 1, 2018
JSC SNIIP	TÜV CERT	September 15, 2018
JSC TsKBM	IQNet (LLC Test – St Petersburg)	June 30, 2017
LLC AAEM	IQNet (the Russian Register of St Petersburg)	September 15, 2018
LLC EMKO	IQNet (the Russian Register of St Petersburg)	April 13, 2018
PJSC EMSS	TÜV Thüringen	August 21, 2016

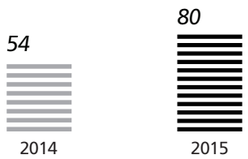
In pursuit of its quality objectives, in 2015 JSC Atomenergomash:

- *Demonstrated continued compliance of its quality management system with the requirements of GOST ISO 9001:2011;*
- *Maintained its membership in self-regulatory organizations of the nuclear industry; the scope of the certificate of clearance for work affecting the safety of facilities using nuclear energy was extended to include the enterprises and facilities of the chemical, gas and petrochemical industries as well as oil and gas facilities;*
- *Increased the input level control.*

The percentage of products to existing nuclear power plants that passed input control from the first time, %



The percentage of products to nuclear power plants under construction that passed input control from the first time, %



Case of PJSC ZiO-Podolsk

Auditors are satisfied

PJSC ZiO-Podolsk has successfully passed a preliminary audit of the quality management system, which was carried out by the supervisory authority of Finland STUK and leading auditors of the Fennovoima OY consortium.

The audit of PJSC ZiO-Podolsk was held for the first time. For three days, Finnish experts evaluated the quality management system and the technological equipment at manufacturing capacities of PJSC ZiO-Podolsk.

As a result of the audit, the plant received a high evaluation of its existing quality management system. Representatives of Fennovoima OY also noted a high level of openness and effective cooperation during the audit and made recommendations for further improvement of the QMS.

Case of JSC SNIIP

IAP (Individual Audit Plan) Audit

In October 2015, JSC SNIIP held an audit of its IAP (Individual Audit Plan of Jiangsu Nuclear Power Corporation (JNPC)) for compliance with a contract concluded by and between JSC SNIIP, JSC Atomstroyexport, and Jiangsu Nuclear Power Corporation (JNPC) for the first time. Within the scope of a large-scale inspection, the representatives of the Chinese party assessed the production capacity of JSC SNIIP as an enterprise for the development and manufacturing process control systems (ARMS and ACS) for the 3rd and 4th units of Tianwan Nuclear Power Plant. As a result of the successful assessment, JSC SNIIP affirmed its right to manufacture ACS systems for Tianwan Nuclear Power Plant in accordance with IAEA standards.

i 042

GRI-PR2
AEM 6.3
i 043

In the reporting year, the Company ensured the required level of the quality of equipment manufactured for nuclear power plants under construction and in operation (based on the results of acceptance inspection upon first presentation).

AEM 6.5
i 044

All the cases of non-compliance with safety requirements identified during the external audits in the reporting year were eliminated.

In 2015, companies of the Division received two complaints, one of which was rejected. Upon review of the second complaint, which concerned the enterprises that supplied components, corrective actions were implemented.

The quality objectives set for 2016 are as follows:

- *ensuring the required level of the quality of equipment manufactured for nuclear power plants under construction and in operation (based on the results of acceptance inspection upon first presentation);*
- *demonstrating continued compliance of the quality management system of JSC Atomenergomash with the requirements of GOST ISO 9001:2015.*

4.3. Optimization of Production Processes

i 045

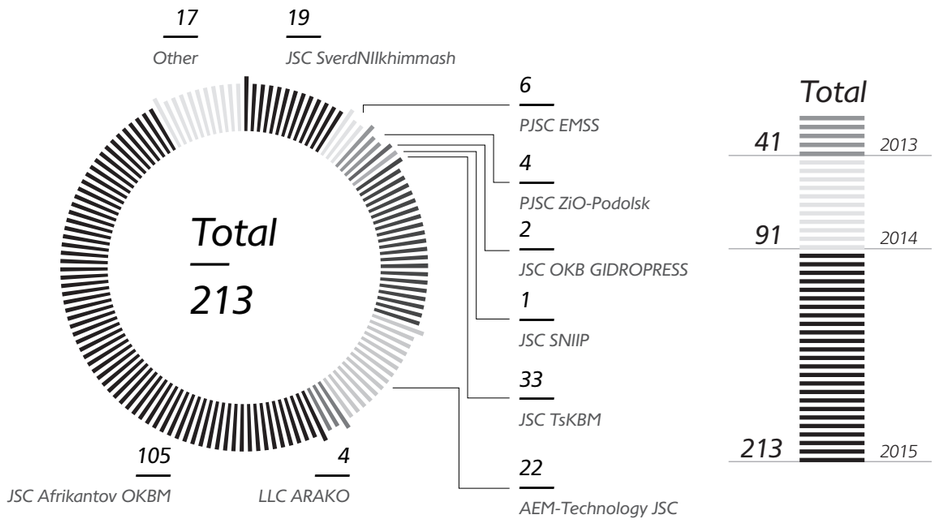
Rosatom State Corporation declared 2015 the Year of Building of the Rosatom Production System (RPS)[15].

In 2015, the number of RPS projects almost doubled as compared to 2014. JSC Afrikantov OKBM and JSC TsKBM, which started the process of establishing RPS enterprises, implement the larger share of the projects. The primary objectives of the process are:

- *logistics rationalization;*
- *order smoothing;*
- *implementation of the 5C system;*
- *optimization of the most problematic business processes.*

AEM 7.1

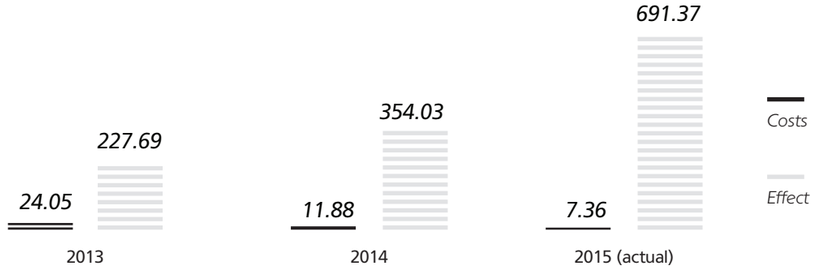
Number of RPS projects (pcs)



AEM 7.2

i 046

RPS costs and economic effect from RPS projects (mln rubles)



While the number of projects is increasing every year, the cost of the projects is reduced, and the effect increases in multiples.

15 – An industry project aimed at creating a universal system for managing comprehensive optimization of production and management processes at enterprises of Rosatom State Corporation based on the best local and foreign experience.

Case of JSC Atomenergomash

Combining competencies

In 2015, after further studies of experimental part of "Steam generator bottom workpiece", JSC NPO TsNIITMASH issued a permit for PJSC EMSS to manufacture parts of the "bottom" by sectional forging and stamping. The use of this technology will allow JSC Atomenergomash to refuse assistance from foreign suppliers of steam geneator bottom workpieces and to save up to 40% of the metal as well as to reduce labor complexity and power consumption.

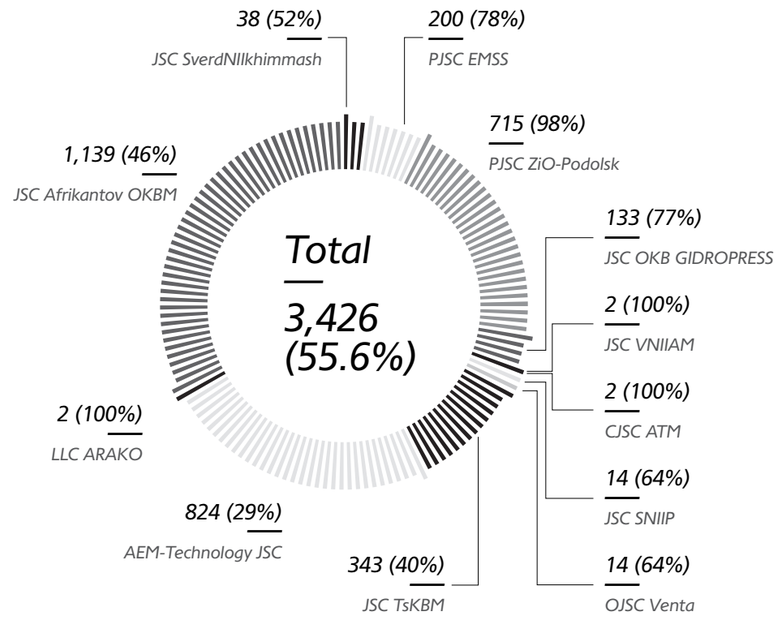
One of the key RPS drivers is the involvement of employees in the form of submitting proposals on improving processes. In the reporting year, the enterprises of JSC Atomenergomash filed twice as many applications as in 2014. At the same time, the share of implemented applications amounted to approximately 56%.

Leaders in terms of the number of submitted and implemented applications among the enterprises of the Engineering Division were JSC Afrinkantov OKBM, AEM-Technology JSC, and PJSC ZiO-Podolsk.

AEM 7.3

i 047

Number of submitted proposals and share of realized proposals



Case of PJSC EMSS

Order effect

During the first 11 months, the forging shop of PJSC Energomashspetsstal decreased the consumption of natural gas per ton of production by 23%; today, the actual consumption does not exceed the planned values. These results were achieved thanks to a differentiated approach to every detail and to a deeper study of the production technology, which reduced the amount of heat and accelerated the process of manufacturing of products.

One of the strategic objectives of Rosatom State Corporation is the reduction of process times. In 2015, 146 RPS projects out of 213 addressed this issue in the Division.

Case of JSC Atomenergomash

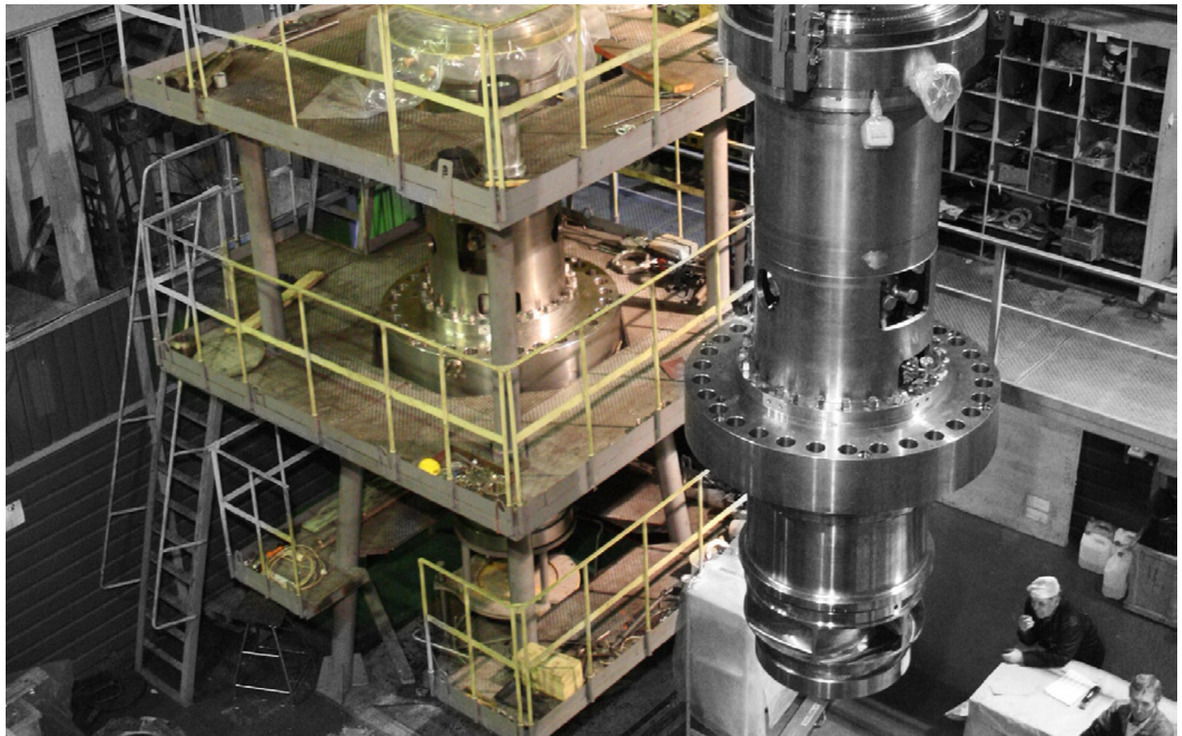
Personal example

One of the best methods of persuasion is by a personal example. Therefore, heads of the enterprises of the Division personally supervise important RPS projects.

The Chief Executive Officer of JSC Atomenergomash Andrey Nikipelov oversees the project on reduction of the manufacturing time for the main circulating pump.

The personal RPS project of the Chief Executive Officer of JSC TsKBM Evgeniy Sergeev «Aligning production in the manufacture of MCP-1391» allowed identifying the main problems and eliminating the material and time costs. The result was an increase in the output from 8 to 10 (25%) of removable parts of MCP-1391 pumps for nuclear power plants both in Russia and abroad.

Also, personal projects of the director - chief designer of JSC Afrinkantov OKBM Dmitry Zverev and the Chief Executive Officer of JSC OKB GIDROPRESS Victor Dzhangobegov were successfully implemented.



Removable portion of the main circulation pump unit RCP-1391 at the assembly site (JSC TsKBM)

4.4. Procurement Activities

GRI 4-12
GRI 4-13
AEM 8.5
i 048

JSC Atomenergomash implements procurement operations in compliance with applicable provisions of the Federal Law "On Procurement of Goods, Works and Services by Certain Types of Legal Entities" No. 223-FZ dated July 18, 2011 and the Unified Industry Procurement Standard of Rosatom State Corporation.

i 049

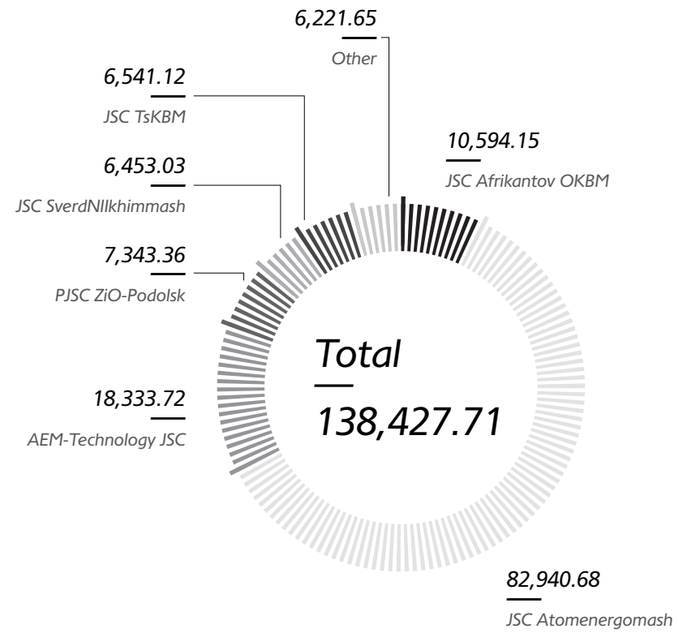
During the year, enterprises of the Division signed contracts for 139 bln rubles, which exceeds the value for the same period in 2014 by more than two and a half times. More than half of these contracts were concluded by JSC Atomenergomash, AEM-Technology JSC, and JSC Afrinkantov OKBM (in the amount of approximately 100 bln rubles).

Within the scope of the organization of its procurement activities, the Company is committed to the development of a cooperation system among the enterprises of the Division. The share of purchases from enterprises of the Division in total purchases in 2015 was 66.4%. The value of concluded contracts in this area exceeded 90 bln rubles.

Key performance indicators for procurement for 2015 became the increase in the share of public procurement procedures and the timeliness of procurement procedures. Thus, these indicators in the reporting year were at the target level (94.5% and 95.8%, respectively). The amount of savings based on the results of the reporting year amounted to approximately 2.5 bln rubles.

AEM 8.2
i 050

Total value of contracts (mln rubles)

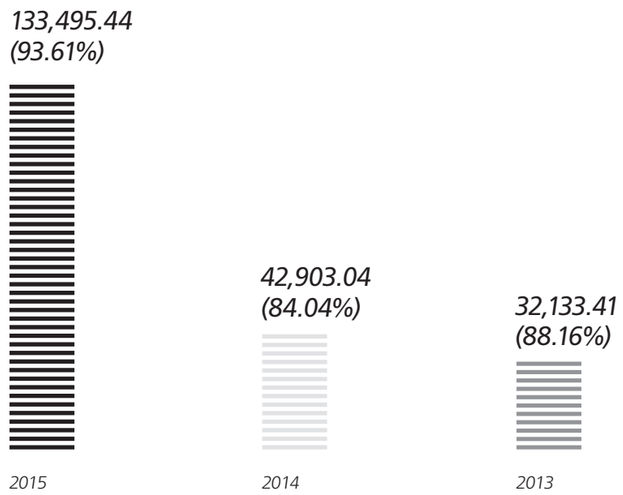


i 051
i 052
i 053

The Company traditionally uses equipment manufactured by Russian companies in its works. In 2015, enterprises of the Division signed contracts worth a total of approximately 133 bln rubles, which exceeded the corresponding amount for 2014 by a factor of three. The possibility of a maximum substitution of imported equipment in the field of energy production is considered.

GRI EC9,
AEM 8.3
i 054

Share of purchases from Russian suppliers (%)



AEM 8.7
i 055

According to the Decree of the Government of the Russian Federation dated May 29, 2013 and registered under No. 867-r, JSC Atomenergomash contributes to expanding access of small and medium-sized enterprises to the procurement processes. Despite the decline in the share of purchases from small and medium-sized enterprises (SMEs) to 10.4% in the reporting year, their volume has increased and exceeds 14 bln rubles. At some enterprises, the share of purchases from SMEs exceeds 40%.

Case of PJSC ZiO-Podolsk

Interaction with SMEs

In May and June, PJSC ZIO-Podolsk held a unique logistics operation for the delivery of oversized cargo from place of production (Podolsk) to the Leningrad NPP-2 construction site in the town of Sosnovy Bor. For the first time, Podolsk steam generators were delivered to a nuclear power plant by a special PO-PO barge-platform, which is intended for transportation of large oversize cargo. The carrying capacity of this special river transport is 1,200 tons, and the barge is owned by SV-Trans, a company that specializes in the transportation of oversized cargo (Podolsk office). The use of this new delivery scheme (by water) makes it possible to achieve significant financial and delivery time savings (about 3 months).

—
Fly tundish when casting large ingots in a vacuum (PJSC Energomashspetsstal)

5 INNOVATION ACTIVITIES

5.1. Scientific Activities

JSC Atomenergomash unites a whole host of leading institutes and design bureaus, which possess unique competencies in developing innovative solutions for the power industry. Many scientists who are employed by enterprises of the Division have state awards for their developments.

AEM 10.1
i 056
i 057

Number of graduate students employed by the Division's enterprises

59 *persons*

Number of doctoral candidates employed by the Division's enterprises

13 *persons*

AEM 10.2
i 058

Number of postgraduate students at the Division's enterprises

7 *persons*

AEM 10.3
i 059
AEM 10.4
i 060

One of the important performance indicators for scientific activity of the Division's enterprises is the number of published scientific papers and articles. In 2015, the enterprises of JSC Atomenergomash published 256 scientific papers and articles, more than half of which were made by employees of JSC Afrinkantov OKBM.

Another important performance indicator for scientific activity is participation in scientific conferences with reports. In 2015, the Division enterprises were represented in 491 conferences (including 62 international conferences), inclusive of 255 conferences with reports.

5.2. Innovation Development

One of the main factors that increase the competitiveness of the Company is investment into innovation, research, and development. Being aware of the need to develop this area, the Division includes the implementation of R&D projects into its scope of priorities.

In order to implement and to use the latest technologies and innovations, JSC Atomenergomash implements an Innovative Development Program.

i 061

Specialist in the field of handling artificial radioactive aerosols (JSC SNIIP)

Case of JSC TsKBM

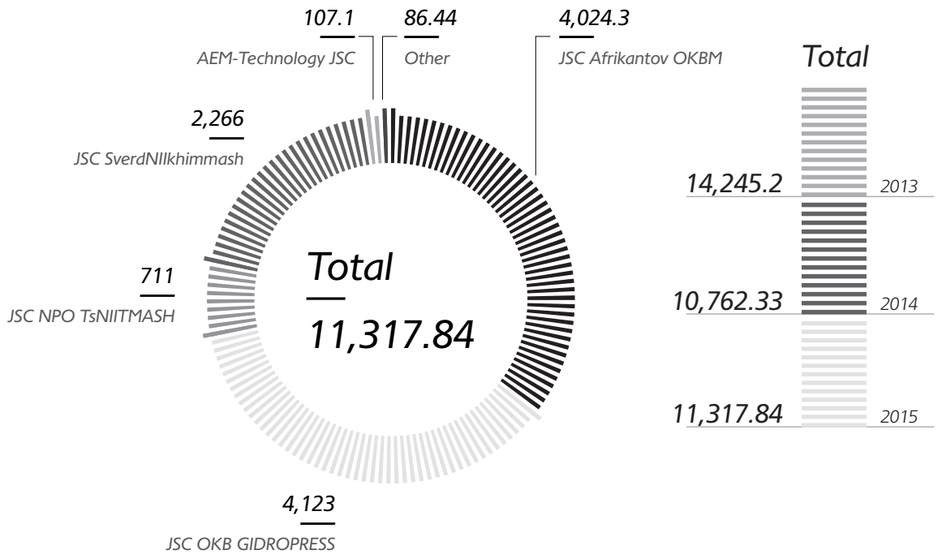
Walk on the water

In November 2015, testing of the main circulation pump MCP-1753 was successfully completed at the JSC TsKBM site. The equipment includes a system of water lubrication for all the components and electric motors instead of fire-hazardous oil lubrication system, whcih was traditionally used in other models. This equipment is unique for all well-known manufacturers. In addition to the water-lubrication system, the unit has a high efficiency, which will increase the turnaround time by a factor of 1.5 and save up to 400 kWh for each nuclear power plant as compared to pump units of the previous generation.

AEM 9.1

i 062

R&D expenditures (mln rubles)



i 063

Case of JSC Afrinkantov OKBM

Research and Development with universities

The specialists of JSC Afrinkantov OKBM and the NSTU named after R.Ye. Alekseev developed nanostructured coating compositions and a technology of their application to hard-alloy axis and end tools. The developed coating compositions will improve the wear resistance of carbide drills and milling cutters by a factor of 1.5–3.5 in comparison with the standard coating.

An increase in the number of agreements with universities was recorded in 2015 as compared to 2014.

AEM 9.3

Number and total value of R&D agreements concluded with universities (mln rubles)[16]

Company	2013		2014		2015	
	Number of agreements	Total value	Number of agreements	Total value	Number of agreements	Total value
JSC Afrikantov OKBM	11	34.9	5	36.7	10	33.5
JSC SverdNIIkhimmash	2	0.5	5	5.7	1	0.1
JSC NPO TsNIITMASH	-	-	-	-	3	0.058
JSC TsKBM	2	3.768	-	-	2	2
AEM-Technology JSC	1	160.0	-	-	-	-
TOTAL	**16**	**199.168**	**10**	**42.4**	**16**	**35.658**

16 – Including R&D performed under external orders in the framework of the main activity of the enterprise (NACE code: 73)

The process of anticorrosion surfacing of shells with nozzles (PJSC ZiO-Podolsk)

5.3. Management of intellectual property

JSC Atomenergomash approved an Intellectual Property Management Concept that defines key principles and regulations concerning intellectual property management. In particular, the Concept describes the following processes:

- *ensuring legal protection of IP;*
- *development, design and use of IP;*
- *providing information support for IP management;*
- *encouraging innovation and creativity;*
- *controlling the development and use of IP;*
- *providing regulatory and methodological support.*

AEM 9.7
i 064

The volume of acquired intellectual property (IP) in monetary terms increased as compared to 2014 by almost a factor of 4 and amounted to approximately **1** *bln rubles*

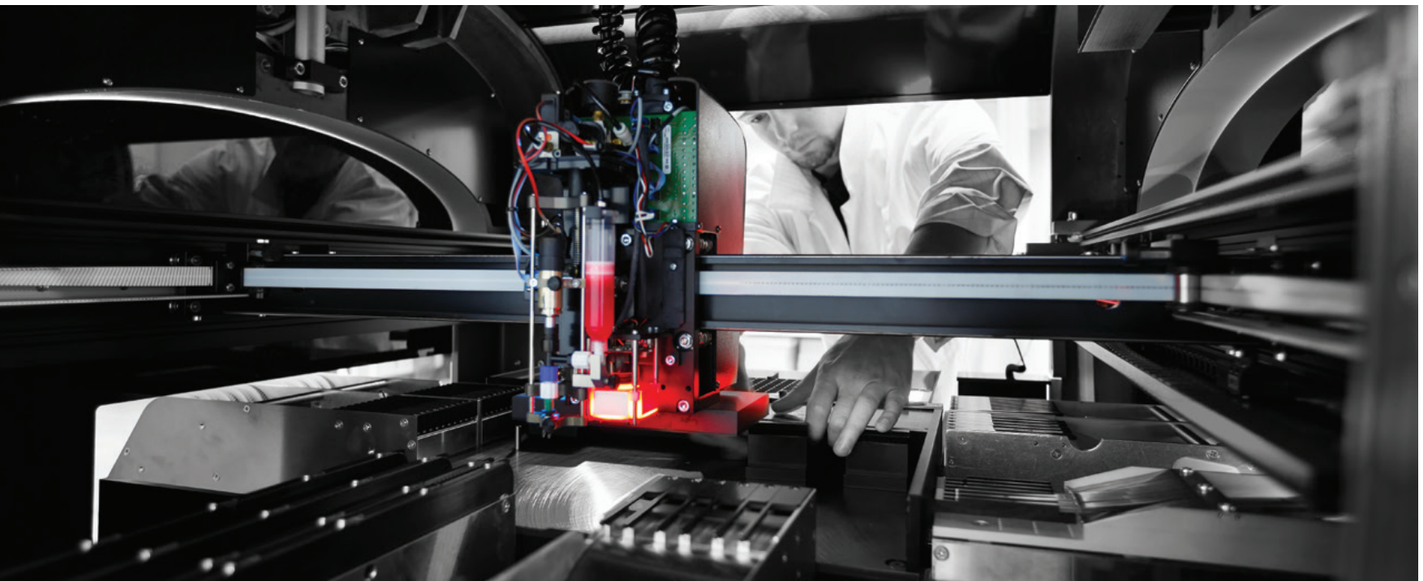
AEM 9.6
i 065

Within the scope of the volume of implemented Research and Development activities, a decline of about 27% was registered in 2015.

Case of JSC SNIIP

Import substitution

JSC SNIIP successfully implements work on the program of import substitution in the field of computer technology. One of the key projects was the development and "turnkey" installation of a comprehensive top-level automated radiation monitoring system built entirely on the basis of domestic computational tools and mathematical software developed by JSC SNIIP from scratch. This computer system has the required performance and reliability. In the short term, these solutions will be implemented in safety-critical systems and nuclear energy facilities in use.



—
A surface mount line operator during the configuration of the PCB machine (JSC SNIIP)

Case of JSC Afrinkantov OKBM

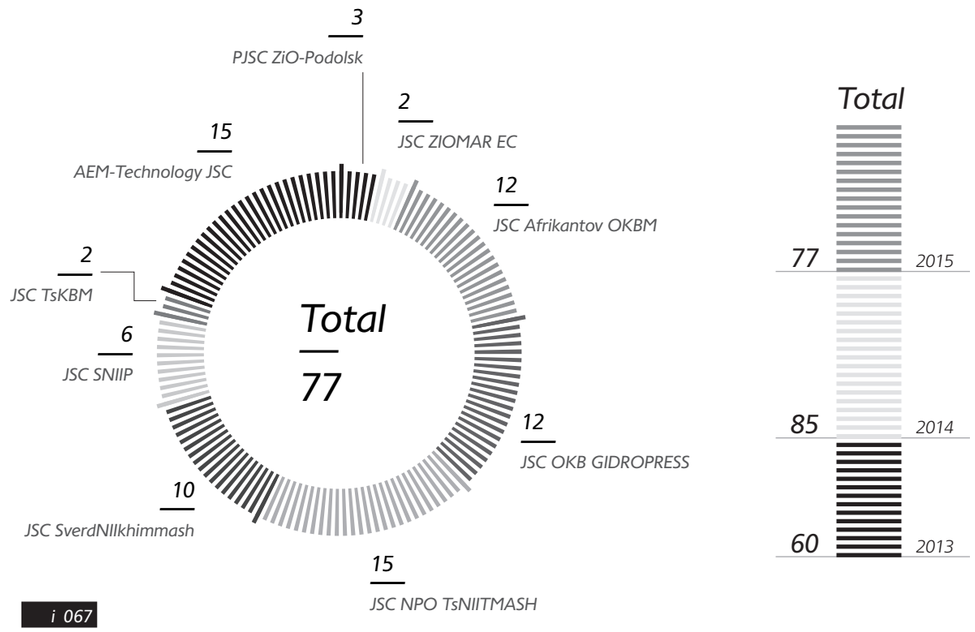
IP Implementation

The welding division of JSC Afrinkantov OKBM commissioned the installation of "Progress-5" manufactured by JSC NITI Progress for automatic TIG welding of end joints of stator walls with hermetic housings of electric motors of pumping equipment for nuclear power plants with the use of non-consumable electrodes. The installation allows welding of stator partitions with the diameter from 47 mm to 310 mm, the length of the stator housing from 470 mm to 2,500 mm, and the weight of 100 to 5,000 kg. Welding is performed automatically without a filler wire. Welding parameters for each type of stator partitions are stored in memory of the installation. The introduction of a "Progress-5" welding machine improved the quality of welded joints and the hermetic motor resource and almost halved the complexity of manufacturing.

In 2015, the Division's enterprises received 77 patents and intellectual property certificates. Despite the decline in total volume, a steady growth in this area is demonstrated by AEM-Technology JSC, JSC OKB GIDROPRESS, and JSC SNIIP. The leaders in this area are JSC Afrinkantov OKBM, AEM-Technology JSC and JSC TsNIITMASH.

AEM 9.4
i 066

Number of patents and intellectual property certificates (pcs)



i 067

6 ENVIRONMENTAL IMPACT

6.1. Environmental Management

Environmental safety issues are an essential part of the positioning of the Division's enterprises both in terms of operation in the market for advanced energy solutions and in terms of environmental protection in their business activities.

i 068

AEM 14.2 Enterprises holding ISO 14001 certificates[17]

Companies	Availability of ISO 14001 certificate
JSC SNIIP	YES
AEM-Technology JSC	Certification is planned for 2016
PJSC Energomashspetsstal	YES

AEM 14.3 GRI-EN29 AEM 14.1 i 069 GRI-EN31 AEM 14.4 i 070

In accordance with applicable provisions of the current legislation of the Russian Federation, the Company carries out environmental impact assessments, which result in imposition of penalties in case of identification of inconsistencies: for example, the enterprises of the Division were fined 250 thousand rubles in 2015 based on the results of performed assessments (one-third of the corresponding amount for 2014).

In addition, enterprises of the Division bear the cost of measures to prevent and minimize the impact on the environment as well as the costs of running the environmental management system. In 2015, the total cost for this article amounted to 93 mln rubles.

Case of PJSC EMSS

Environmental compatibility of production

The Company implements an action plan for environmental protection and rational use of natural resources:

1. the replacement of cyclones and dust pockets with a modular filter with automatic purification of cartridges and individual chip catchers, respectively;
2. the repair of water delivery and sewage networks and facilities, pumping equipment of artesian wells, and water supply systems;
3. organization of selective waste collection;
4. the implementation of a recertification audit of the enterprise for compliance of its environmental management system with the applicable requirements of ISO 14001.

17 – ISO 14001 is a series of international standards on environmental management.

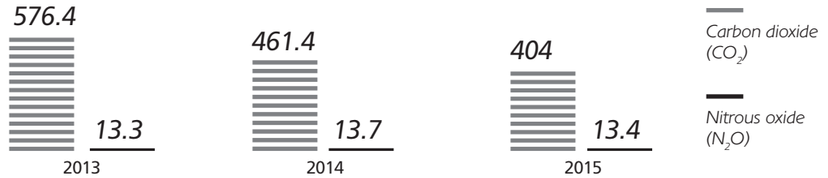
6.2. Emissions and Wastes

In accordance with applicable provisions of the current legislation of the Russian Federation, the enterprises develop draft standards for waste generation and disposal limits as well as drafts of maximum permissible emissions of pollutants into the air. As a result, enterprises obtain documents for disposal of production and consumption wastes and permits for air pollutant emissions.

Enterprises of the Division directly emit greenhouse gases of two types: carbon dioxide (CO_2) and nitrous oxide (N_2O).

GRI-EN15 AEM 13.1 i 071

Direct emissions of greenhouse gases (tons)



GRI-EN19 AEM 13.2

Case of AEM-Technology JSC

Initiatives to reduce emissions

AEM-Technology JSC has proposed the following initiatives to reduce emissions:

- *maintenance and servicing of dust, gas treatment plants, landscaping of the sanitary protection zone;*
- *monitoring of compliance with standards, compliance with environmental legislation;*
- *construction and commissioning of new production facilities aimed at reducing the amount of pollutants in the atmosphere or the number of emission sources, until 2018.*
- *environmental monitoring of emissions of pollutants into the atmosphere and the efficiency of the GOU. In 2015, a reduction of CO_2 emissions by 21.3 tons was recorded.*

Emissions of ozone-depleting substances is only carried out by two enterprises of the Division.

GRI-EN20 AEM 13.3

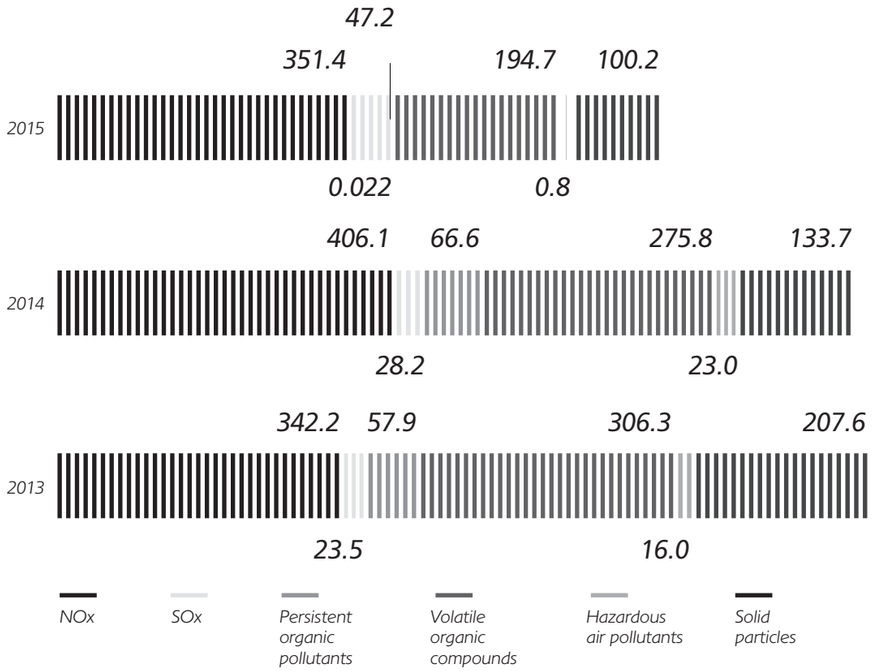
Emissions of ozone-depleting substances (tons)

Company	Substance type	2013	2014	2015
JSC SverdNIIkhimmash	CCl_4 (carbon tetrachloride)	0.04	0.04	0.04
JSC Afrikantov OKBM	CCl_4 (carbon tetrachloride)	0.068	0.018	0.022
	$CHCl_3$ (trichloromethane)	-	0.03	0.026
PJSC ZiO-Podolsk	CF_3CCl_3 (trifluorotrichloroethane)	0.5	-	-
	$CHCl_3$ (trichloromethane)	0.006	-	-
	CCl_4 (carbon tetrachloride)	0.003	0.013	0.013
	CF_3Cl (trifluorochloromethane)	0.1	0.1	-

Most of the emissions originate from PJSC Energomashspetsstal, JSC Afrikantov OKBM, PJSC ZiO-Podolsk, and the branches of AEM-Technology JSC. In general, the amount of emissions in the reporting year for the Division decreased by 20% as compared to 2014.

GRI-EN21
AEM 13.4
i 072

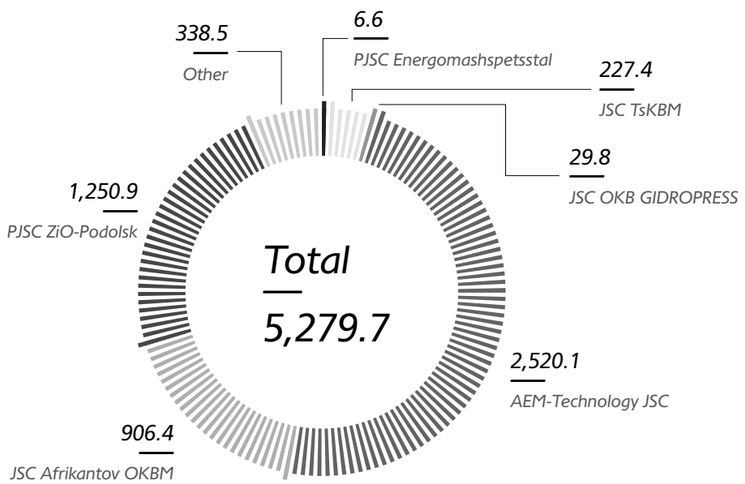
Atmospheric emissions of NOx, SOx, and other significant pollutants (tons)



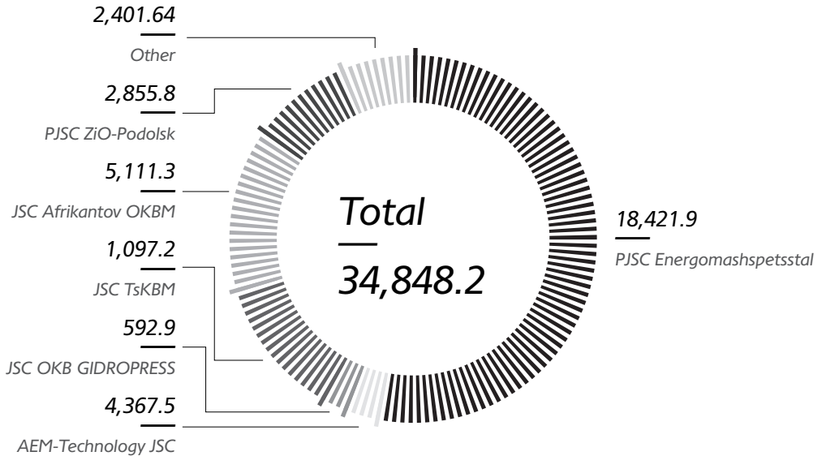
The weight of waste generated in the whole Division declined by 13% as compared to 2014. Approximately 85% of the generated wastes are classified as "non-hazardous"; more than half of them are generated from steel manufacturing operations at PJSC Energomashspetsstal and JSC Afrikantov OKBM. In turn, much of the hazardous waste appears in the main production areas of the Division: AEM-Technology JSC, PJSC ZiO-Podolsk, and JSC Afrinkantov OKBM.

GRI-EN23
AEM 13.6
i 073

Total weight of hazardous waste (tons)



Total weight of non-hazardous waste (tons)



The main waste treatment methods include the reuse or the disposal at landfills; most enterprises of the Division used these methods of treatment to process more than 30% and 50% of waste respectively. Other methods include the use of 67.8% of the waste to extract valuable components used by PJSC ZiO-Podolsk.

6.3. Energy Consumption

i 074
i 075

JSC Atomenergomash is consistently working to ensure the efficient use of energy resources. The enterprises of the Division develop and implement measures to reduce energy costs and implement energy efficiency programs.

Pursuant to the Federal Law No. 261 dated November 23, 2009 and the Order of Rosatom State Corporation No. 1/676-P dated August 9, 2011, the Division implements the Energy Conservation and Energy Efficiency Improvement Program.

The current energy efficiency improvement program was drawn up based on the results of energy audits carried out at the enterprises of JSC Atomenergomash in 2010–2011. After the new energy audits, which will take place in 2016, the programs will be updated.

The average energy consumption for key enterprises tends to decrease.

Case of PJSC EMSS

Energy efficiency improvement

i 076

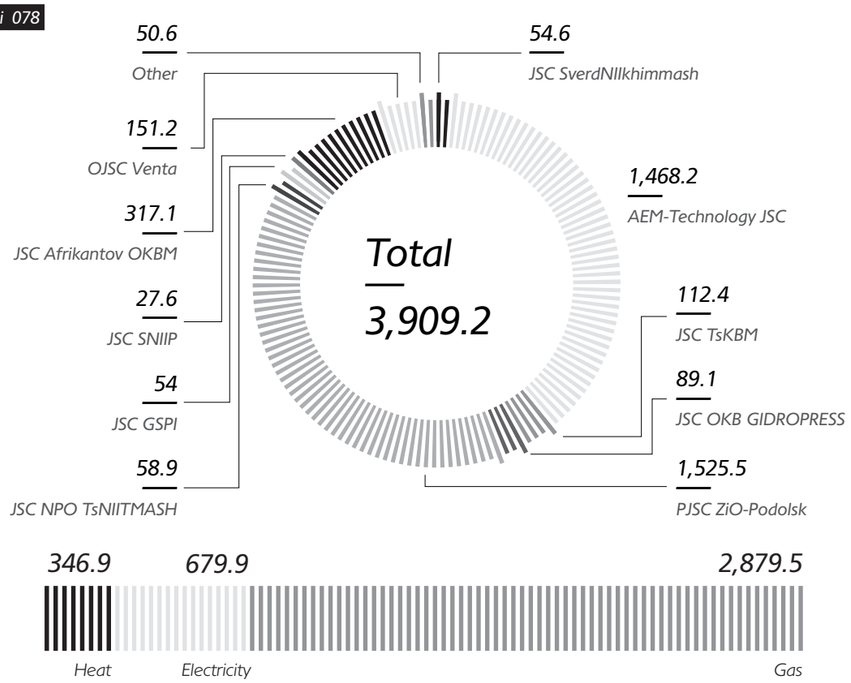
In June 2015, PJSC Energomashspetsstal successfully passed the second supervisory audit for compliance with the international standard ISO 50001: 2011. Specialists of Insert-Ukraine LLC (an official representative of the German certification body **TÜV Thüringen** in Ukraine) confirmed that the energy management system of PJSC Energomashspetsstal was built and operated in accordance with the requirements of international standard ISO 50001: 2011, and therefore recommended to extend the current status of the certificate. During the audit, the experts found no inconsistencies with the standards and only pointed out possible improvements in certain areas.

The Committee noted that the work to improve the energy efficiency of PJSC Energomashspetsstal involved its executives, technical personnel, and ordinary workers.

i 077 The top three companies in terms of energy savings are AEM-Technology JSC, JSC TsKBM, and JSC NPO TsNIITMASH.

GRI-EN3
AEM 11.1
i 078

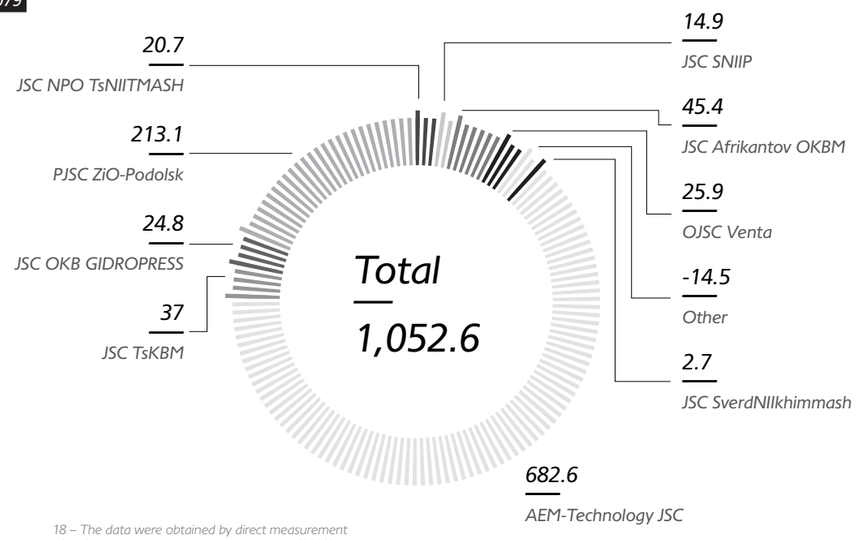
Energy Consumption (thousand GJ)[18]



Total energy savings: more than **1 mln** *GJ*[19]

GRI-EN6
AEM 11.3
i 079

Energy savings (thousand GJ)



18 – The data were obtained by direct measurement
19 – Calculated in relation to the base year (2009).

Case of AEM-Technology JSC

Regional Stage of the All-Russian Energy Efficiency Competition

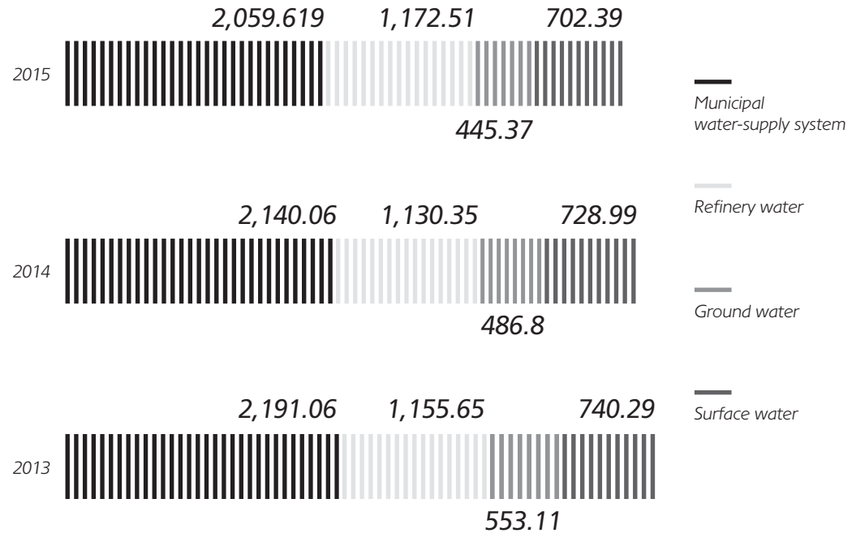
The Petrozavodskmash branch of AEM-Technology JSC became the winner of the regional stage of the second All-Russian contest "ENES-2015". In the category of "Leader of the Implementation of the Best Available Technologies in the Field of Energy Saving and Energy Efficiency", the project of "Installation of furnaces for heat treatment of pipes of the main circulation piping (MCP). Upgrading the site of manufacture of MCP spools", which was implemented by the plant jointly with the NGO Saint Petersburg Electrotechnical Company was recognized as the best. Through the implementation of this project, the Company significantly reduced its costs during the heat treatment of products. The results of the regional stage of the competition were summed up on October 28, 2015 by the Ministry of Construction, Housing, Public Utilities, and Energy of the Republic of Karelia.

6.4. Water Consumption

i 080
i 081
GRI-EN8
AEM 12.1

Water resources support economic activities of enterprises and are also used in industrial processes (for cooling/heating systems for checking the tightness of products and as part of process fluids).

Consumed[20] water (thousand m³)[21]



The average energy consumption for key enterprises tends to decrease. Over the past three years, the average dynamics of the decrease was 3%.

20 – The data were obtained by direct measurement
21 – Enterprises of the Division that are not represented in the table rent premises and do not keep records of water consumption.

GRI-EN22
AEM 13.5

Volume of wastewater discharges[22] (thousand m³)

Company	Type of Receiving Facility	2013	2014	2015
JSC SverdNIIkhimmash	Municipal sewerage system	31.5	31.7	27.3
JSC OKB GIDROPRESS	Municipal sewerage system	59.2	58.7	54.5
JSC Afrikantov OKBM	Municipal sewerage system	289.8	422.8	324.7
PJSC Energomashspetsstal	Municipal sewerage system	304.6	215.3	175.5
AEM-Technology JSC	Onega lake	26.3	24.8	23.7
	Municipal sewerage system	1,036.9	982.2	988.4
JSC OZTMiTS	Municipal sewerage system	34.9	31.9	29
JSC GSPI	Marinka river	2.5	2.4	2.2
JSC SNIIP	Municipal sewerage system	40.09	34.67	24.17
OJSC Venta	Municipal sewerage system	247.809	175.198	114.491
	Nizhneturinsk reservoir	52.40	71.58	53.43
JSC VNIIAM	Municipal sewerage system	4.38	5.16	4.47
PJSC ZiO-Podolsk	Municipal sewerage system	287.05	248.45	320.91
JSC IFTP	Municipal sewerage system	3.33	2.92	3.53
JSC TsKBM	Municipal sewerage system	27.24	25.51	17.85
JSC NPO TsNIITMASH	Municipal sewerage system	57.8	50.4	48.9

In the reporting year, the volume of wastewater discharges decreased by 7%. This change was due to the decrease in water intake by enterprises of the Division.

22 – The information is given only for those enterprises that perform the relevant accounting.

—
Petrozadovsk branch of AEM-Technology JSC - Petrozadovskmash

7 HR MANAGEMENT

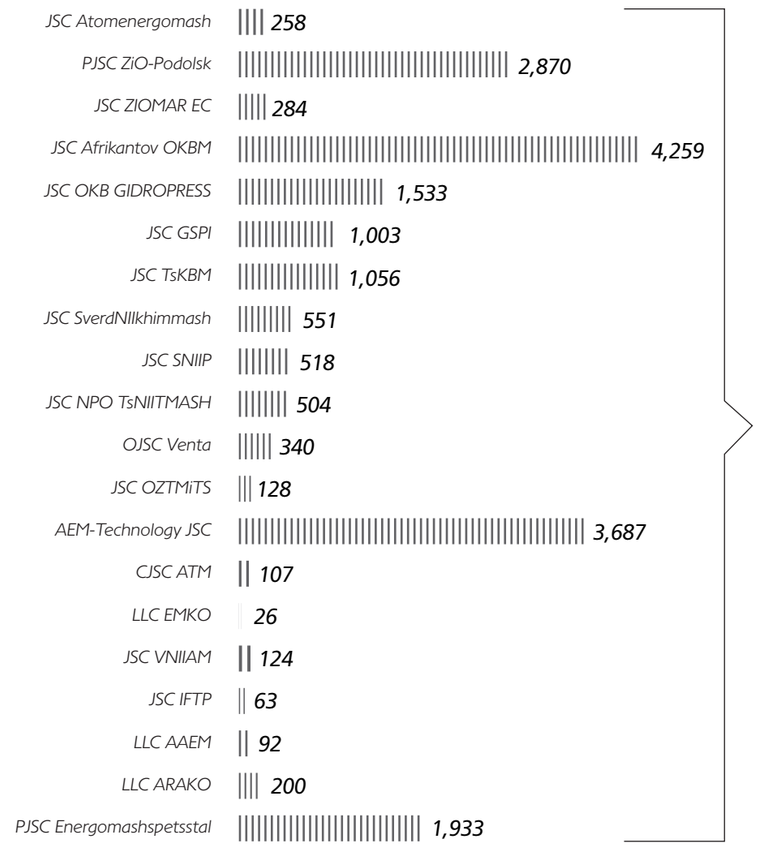
7.1. Personnel Composition

GRI 4–10
AEM 15.1
i 082

The key values of Rosatom State Corporation include the "One Team" value. Creating a team that is capable of competing on a global scale is a strategically important objective of the Division, the implementation of which is achieved through the development of human capital, involvement and increase in the motivation of staff, as well as in the formation of a positive image of the employer on the Russian and international markets.

Over 55% of the total number of employees is employed at the four largest enterprises of the Division: PJSC ZiO-Podolsk, JSC Afrikantov OKBM, AEM-Technology JSC, and PJSC Energomashspetsstal.

Number of employees (persons)



Total number of employees of the Division
—
19,536

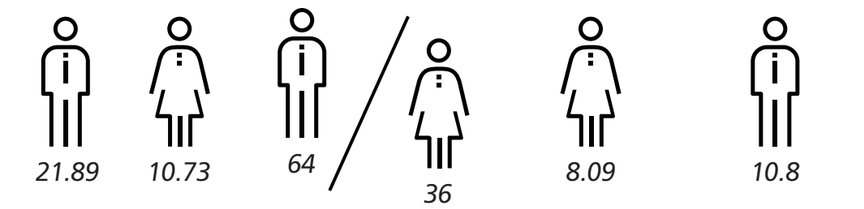
858 (4.54%)
people were employed under fixed-term contracts in 2015

Part-time employment in 2015 was
433 (2.29%)
persons

Given the production specifics, namely, the physically demanding nature of work at production facilities, there is a predominance of men over women, with an average ratio of 64 to 36. Research and design organizations are noted for a high proportion of past retirement age employees, which reflects the shortage of a young scientific workforce in Russia. Share of specialists under 35 years old: 33% in the Division.

GRI-LA12
AEM 15.5
i 083

Gender and age personnel composition at the end of 2015 (%)



Enterprises of the Division are actively working to transfer auxiliary and support functions to outsourcing companies. For example, more than 500 people were transferred to specialized companies in 2015, due to outsourcing and more than 700 people are planned to transfer in 2016.

7.2. Terms of organization and remuneration

i 084
GRI 4-11
AEM 16.3
i 085
GRI-LA4
AEM 16.1
i 086
AEM 16.6
i 087

The corporate policy in the field of remuneration is based on the need to ensure a adequate standard of living for employees with due consideration of the average wage in the engineering industry and in the regions of presence. Salaries and wages are paid in full compliance with the CUWS , which is set for all organizations that are part of Rosatom State Corporation. The main objective of the current system is to stimulate performance and to guarantee social protection to the employees of the Division.

Most enterprises of the Division have collective agreements, which apply to all employees (80.7% of employees of the Division).

The minimum period for notifying employees about organizational changes at all enterprises of the Division complies with the Labor Code of the Russian Federation and is at least 2 months.

In order to ensure compliance with the Industry Agreement, the organizations annually consider the indexation of employees' salaries equal at least to the inflation rate in Russia according to the Federal State Statistics Service. In 2015, the average salary of the enterprises of the Division increased by 8% and amounted to 63 thousand rubles (including the KPI-based bonuses).

AEM 16.2
i 088
i 089

Average wages (thousand rubles/month)[24]

23 – The Common Unified Wage System.
24 – Including KPI-based bonuses.

GRI-LA2
AEM 15.2

JSC Atomenergomash cares about the welfare and the social security of its employees. In 2015, total expenditure on social security of employees of the Company exceeded 425 mln rubles.

GRI-EC3
AEM 16.4
i 090

Enterprises of the Division provide all their employees (regardless of their status and type of contract) with a comprehensive package of social and benefits approved in applicable provisions of the current regulatory documents:

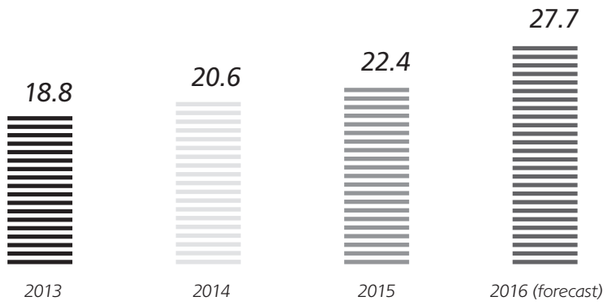
- *medical insurance;*
- *pension programs;*
- *housing programs;*
- *health resort treatment and vacations for employees and their children;*
- *holding sports and cultural events;*
- *catering for employees;*
- *financial aid;*
- *corporate benefits on subscriptions to sports and health facilities;*
- *support to industry veterans and retirees.*

Enterprises of the Division implement their corporate social programs through the Atomgarant industry private pension fund in accordance with the provisions of concluded pension contracts.

JSC Atomenergomash implements a program of private pension coverage. The pension program covers all interested staff members of the Company who have not reached the retirement age. At the moment, more than 700 people participate in the program. In 2015, 90 employees of the Division entered the program.

AEM 16.7
i 091

Employee benefits per employee per year (thousand rubles/year)



GRI-LA3
AEM 15.3
i 092
GRI-LA16
AEM 16.5

The Company aims to retain its employees, including those who left on a maternity leave. For example, in 2015, the ratio of returning employees[25] was equal to 81.2%.

In the reporting year, employees of the Division filed two complaints through official mechanisms for filing complaints; positive decision was rendered on both.

AEM 15.4
i 093

Average age of employees at the end of 2015

25 – The ratio of employees who returned from childcare leave to those who had to return

7.3. Occupational Safety and Health

The main objective of enterprises of the Division is the compliance with all industrial and occupational safety and health requirements.

Within the scope of the presented activities, the Company is guided by applicable provisions of the current regulatory documents, including the Labor Code of the Russian Federation, the Federal Law No.116-FZ "On industrial safety at hazardous production facilities", the Decree of the Ministry of Labor of the Russian Federation, as well as by relevant GOST, SNIP, PB, RD, Occupational Safety Standards, and OHSAS 18001 requirements.

AEM 17.3

Enterprises holding OHSAS 18001 certificates[26]

EMPs	Availability of OHSAS 18001 certificate
JSC ZIOMAR EC	Certification is planned for 2016
PJSC ZiO-Podolsk	Certification is planned for 2016
JSC SNIIP	YES
OJSC Venta	Certification is planned for 2016
AEM-Technology JSC	Certification is planned for 2016
JSC VNIIAM	YES
PJSC Energomashspetsstal	Certification is planned for 2016

GRI-LA8
AEM 17.4

The Division is a party to the current Sectoral Agreement on Nuclear Power, Industry and Science, which aims to provide the necessary labor and socio-economic conditions for employees in the sector of economy while considering the interests of employers and the State. The agreement regulates social and labor relations that establish common principles for the regulation of related economic relations in the sector, including mutual obligations of parties in terms of employment, ensuring working conditions and safety, social guarantees and benefits, compensation for employees, as well as the development of social partnership and other issues.

AEM 16.9
i 094

In compliance with applicable provisions of the Federal Law "On Special Assessment of Working Conditions", a number of enterprises employed a new procedure to conduct a special assessment of working conditions in the reporting year. At the other enterprises, the results of the previous certification of workplaces are still valid. In 2015, special assessments were conducted for 4,085 workplaces.

GRI-LA6
AEM 17.1
i 095

Frequency of occupational accidents[27]

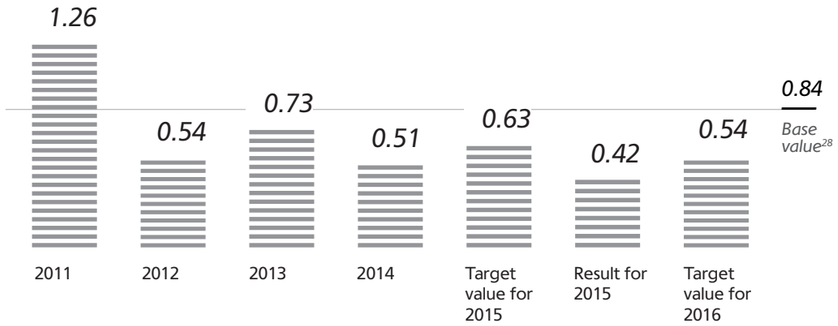
	2013		2014		2015	
Number of injuries	22	7	18	1	11	4
Number of days lost owing to injuries	1,629		1,714		874	
LTIFR	0.73		0.51		0.42	

The performance in this area is assessed based on the "Lost Time Injury Frequency Rate (LTIFR)" KPI.

26 – OHSAS 18000 is a series of standards containing requirements and guidelines for the development and implementation of occupational safety and health management systems, which enables organizations to manage the risks integrated in their management system and improve its functioning
27 – In enterprises that are not included in the table, no injuries were recorded in the period.

AEM 17.2

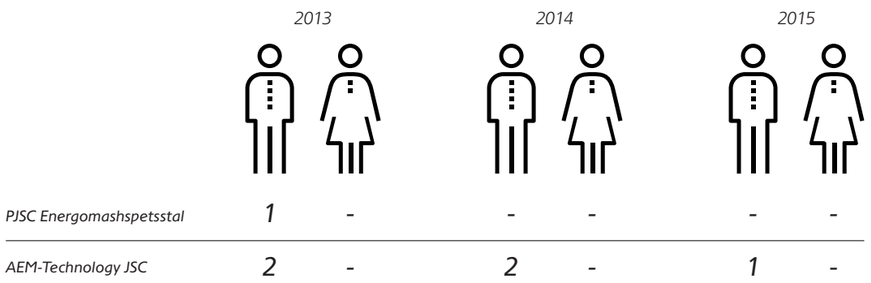
LTIFR for the Division as a whole



i 096

Preventive work to prevent occupational injuries and diseases continued in 2015.

Occupational injuries and diseases

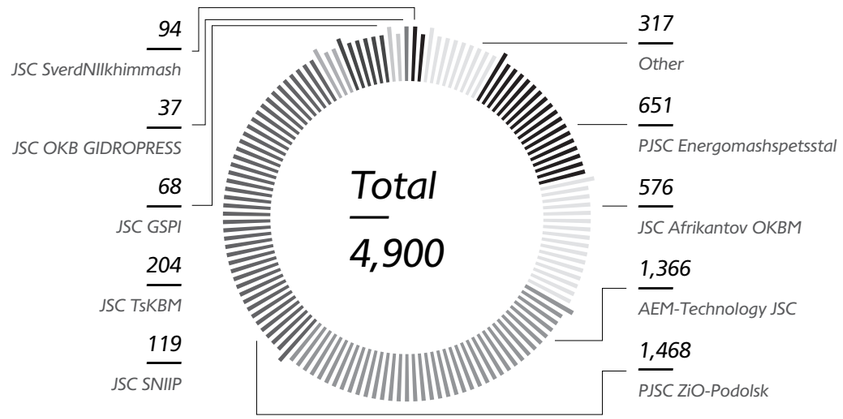


All the employees who work under harmful conditions regularly undergo periodic medical examinations and are also entitled to out-of-turn medical examinations (check-ups) in compliance with applicable provisions of the Labor Code of the Russian Federation.

GRI-LA7
AEM 17.6

i 097

Number of employees working under harmful conditions (people)



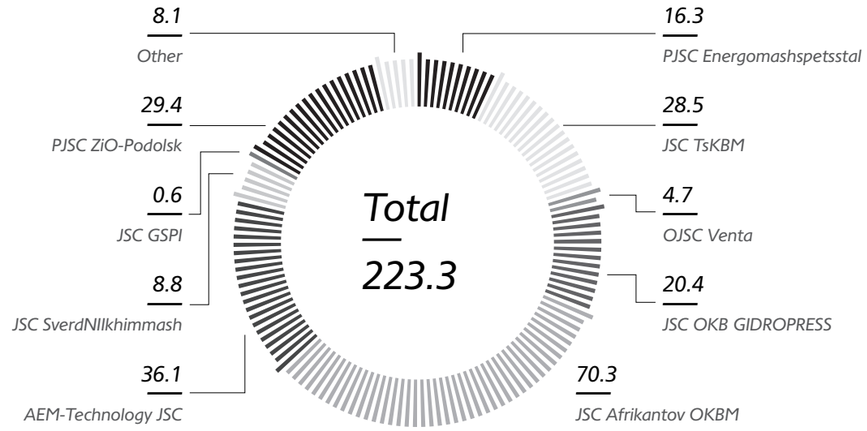
According to the Sectoral Agreement, enterprises spend no less than 0.5% of their production costs on improving working conditions.

28 – The baseline value: the average value for 3 years

AEM 17.5

i 098

Occupational safety and expenditures (mln rubles)



7.4. Personnel Efficiency

GRI-LA11
AEM 18.2

i 099

JSC Atomenergomash and enterprises of the Division have adopted a unified policy for personnel performance management. The goal of this policy is to improve personnel efficiency by:

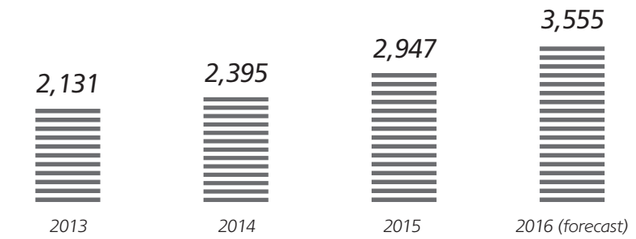
- *establishing common principles and tools for setting KPIs and assessing their achievement by employees;*
- *evaluating the skill level of employees, including in order to ensure effective remuneration of employees;*
- *preparing recommendations for the skill pool;*
- *compiling individual employee development plans for the subsequent planning of training.*

Performance reviews are conducted for all employees of the Division's enterprises.

The main indicator of personnel performance is labor productivity.

AEM 18.1

Labor productivity within the Division (thousand rubles/person per year)[29]



AEM 18.3

All the enterprises of the nuclear industry have performed studies with the involvement of staff, which is an important aspect that reflects the efficiency of the staff, since 2011. The involvement of the staff allows the Company to achieve its strategic objectives and to create the necessary conditions for the development of staff where every employee, manager, and leader is totally focused on their work and makes every effort for the benefit of the Company's development.

In 2016, an annual engagement survey was conducted among the Division's employees. Average engagement level in the Division amounted to 75% based on the study results. The Division's results were at the level of the industry's figures and above the average for Russian employers.

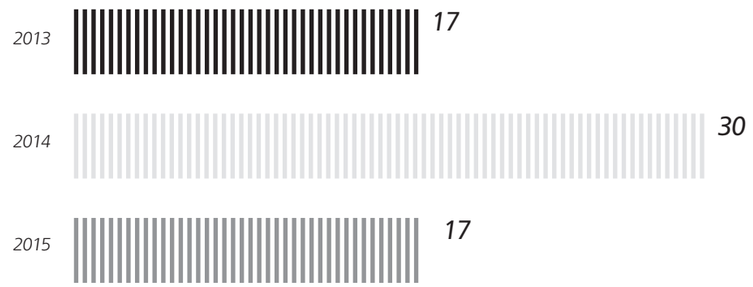
29 – This indicator is consolidated for the budget perimeter.

7.5. Availability of Replacement Personnel

Staff turnover is one of the natural phenomena in any company. The Division's enterprises have no cyclic fluctuations in personnel numbers (seasonal, etc.), and changes in these numbers are due to operational requirements as well as headcount optimization measures or voluntary resignation of employees. Average personnel turnover in 2015 almost halved to 17%.

GRI-LA1
AEM 19.4
i 100

Personnel turnover (%)



JSC Atomenergomash maintains a rather high percentage of employees of enterprises who have worked for more than five years – the average value for the Division: more than **56%**

i 101 Share of newly hired/dismissed employees (%)[30]

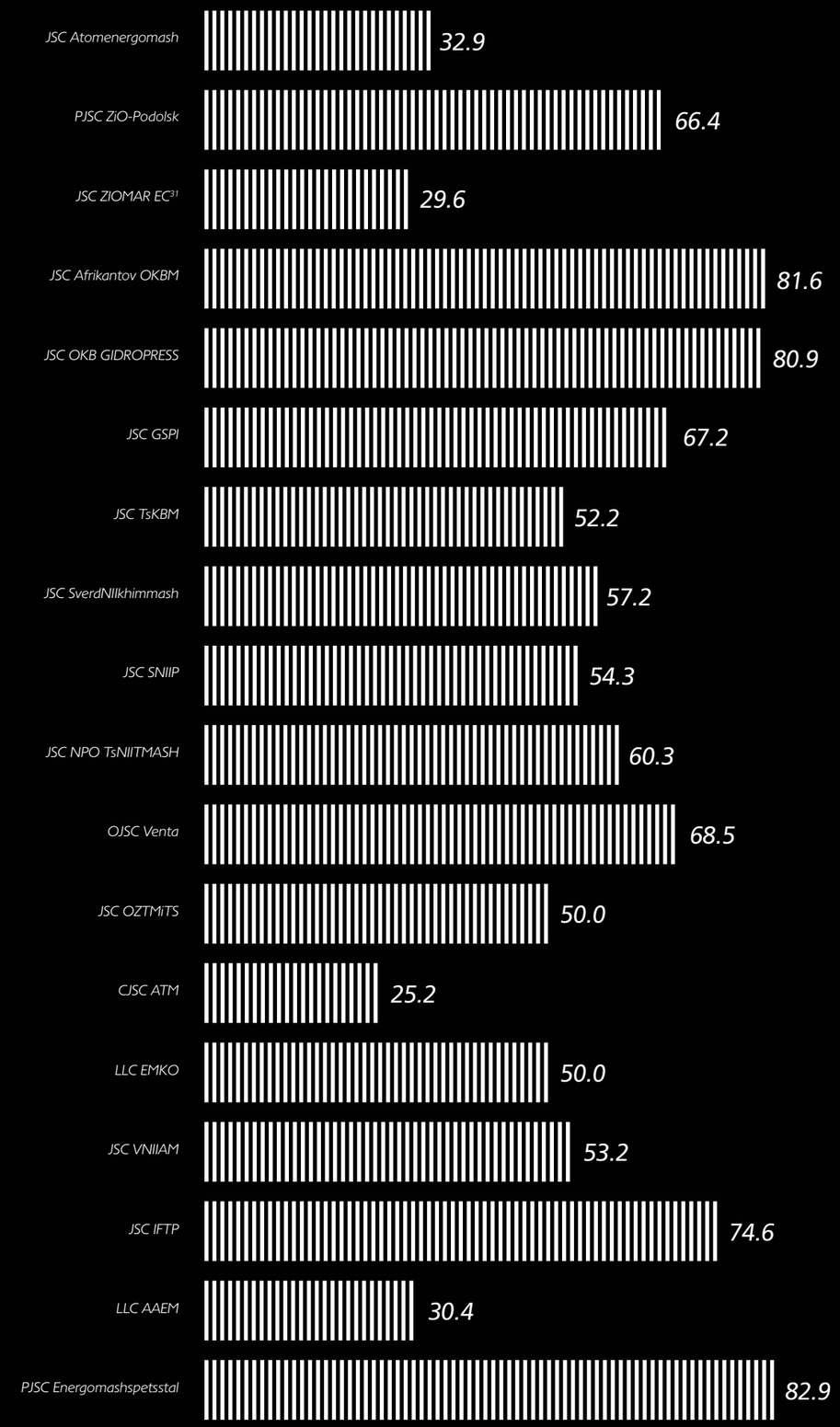
Hired	*19.7*	*10.6*	*14.1*	*10.3*
Dismissed	*18*	*18.4*	*19.9*	*14.7*

The most important task in ensuring availability of replacement personnel is to attract young specialists for internships and subsequent work at the Division's enterprises. This primarily results from the ambitious strategic objectives for innovative developments and the need to transfer accumulated knowledge in the field of advanced technologies owned by the Division's enterprise.

In 2015, the skill pool for employees of enterprises from all levels continued to operate at the Division; professional development and training programs are being implemented.

30 – Ratio to the average headcount.

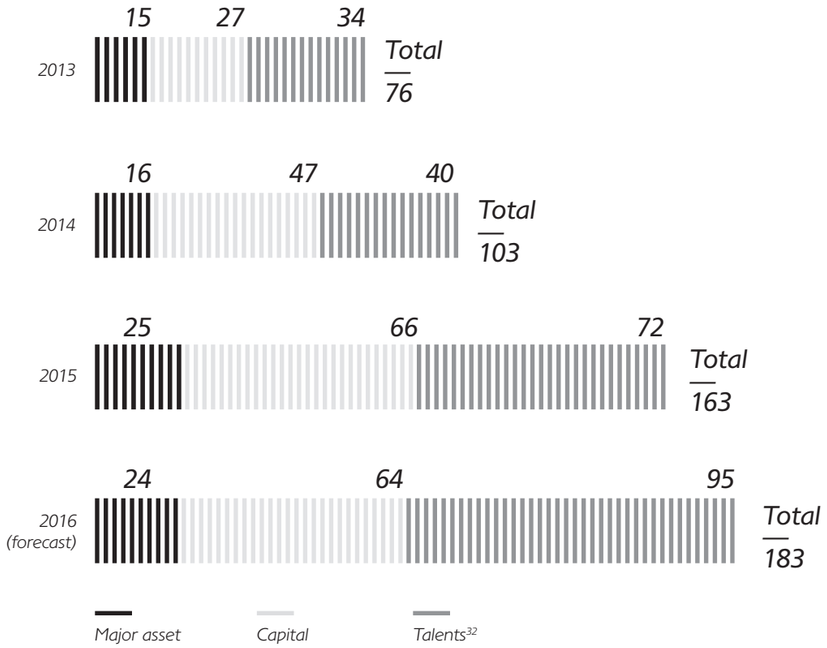
AEM 19.5
i 102 Share of employees with seniority of more than 5 years



31 – Changes associated with the transfer of the majority of employees to PJSC ZiO-Podolsk.

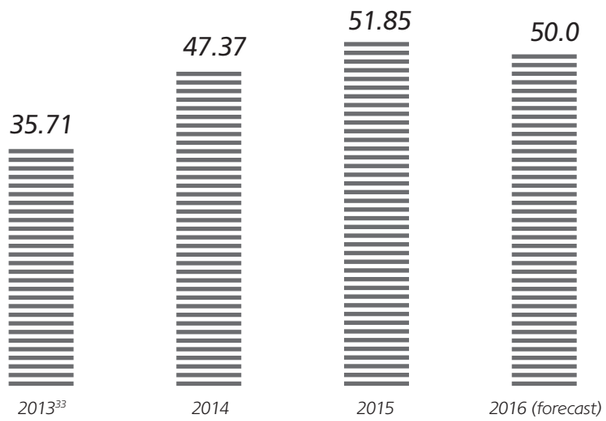
AEM 19.2
i 103

Number of employees in the skill pool (persons)



AEM 19.3 In 2015, 51.85% of the Top 1000 appointments were made from the skill pool.

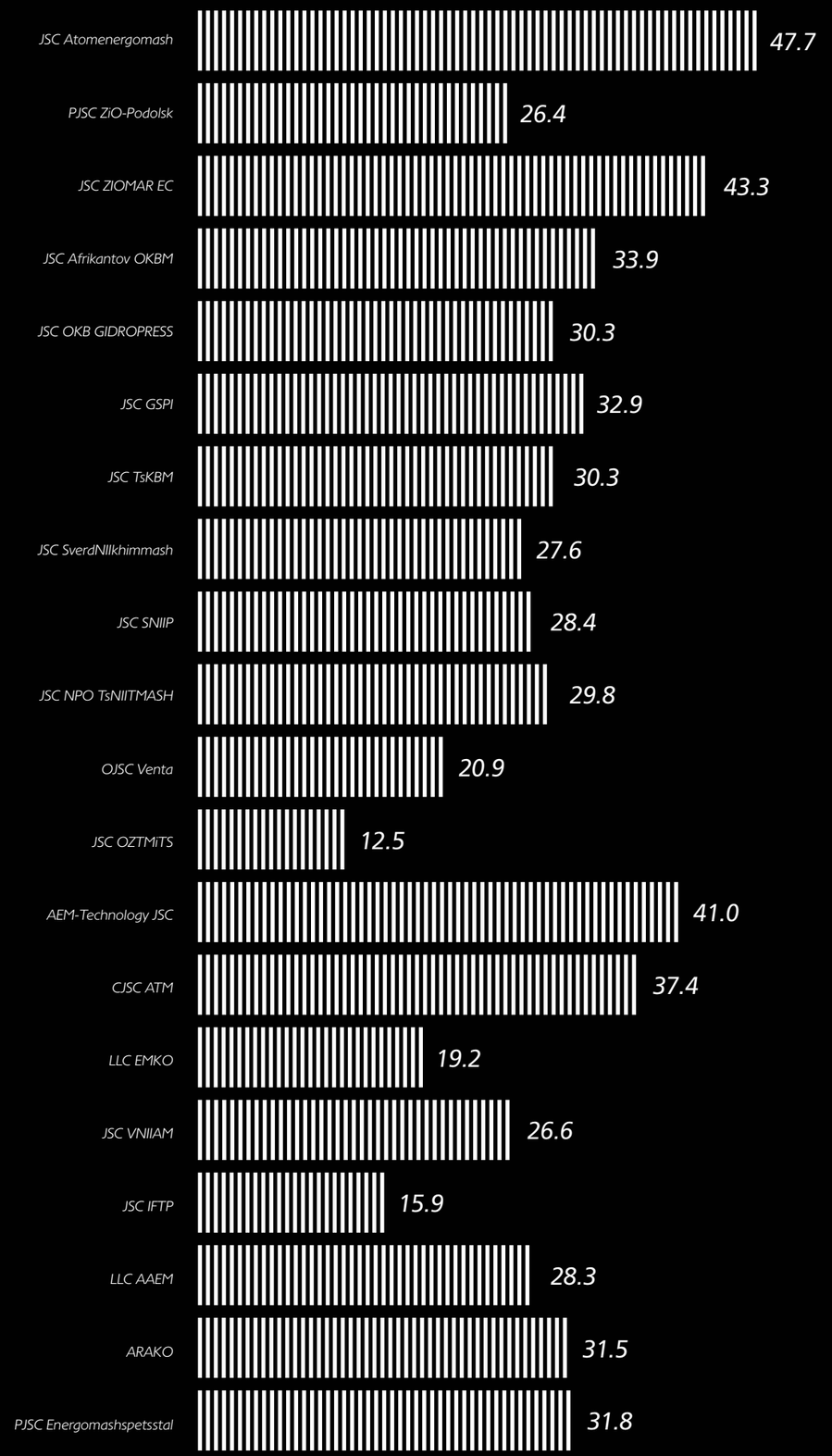
Share of employees from the skill pool appointed to a top 1000 position, for the Division as a whole (%)



The most important factor in ensuring the stability of an enterprise's human resources potential is its attraction for young qualified specialists.

32 – Major assets: top-level executives; capital: middle-level management; talents: specialist-level employees and managers of small groups
33 – Since 2013, unified criteria and standards for selecting people for the industry skill pool have been introduced and only the industry pools are taken into account in making appointments to the Top 1000 positions; accordingly, the indicator has been adjusted downwards.

i 104 Share of specialists under 35 years old (%)



AEM 9.3

JSC Atomenergomash and the enterprises of the Division maintain constant interaction with all stakeholders such as educational institutions, training centers at enterprises, etc., as part of accomplishing the objective of securing qualified personnel.

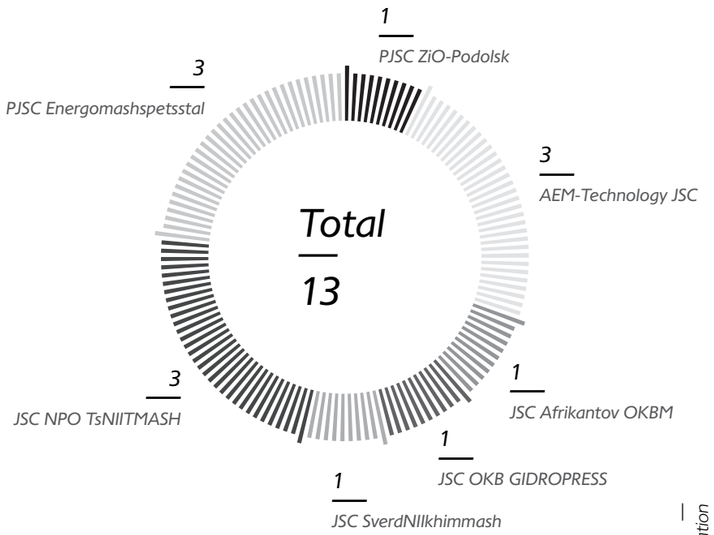
To control the university training programs and consider the needs of the Division to the maximum extent possible, active work is conducted to integrate vocational education and production. This objective lies at the core of creating and opening basic departments and branches of departments from leading Russian technical universities (National Research Nuclear University MEPhI, MSTU STANKIN, Bauman Moscow State Technical University, Nizhny Novgorod Alekseev State Technical University, Ural Federal University named after Boris Yeltsin) at the enterprises as well as organizing excursions, training and internships for students as part of strategic cooperation.

i 105

AEM 19.6

i 106

Number of functioning base departments at enterprises



Case of JSC Atomenergomash

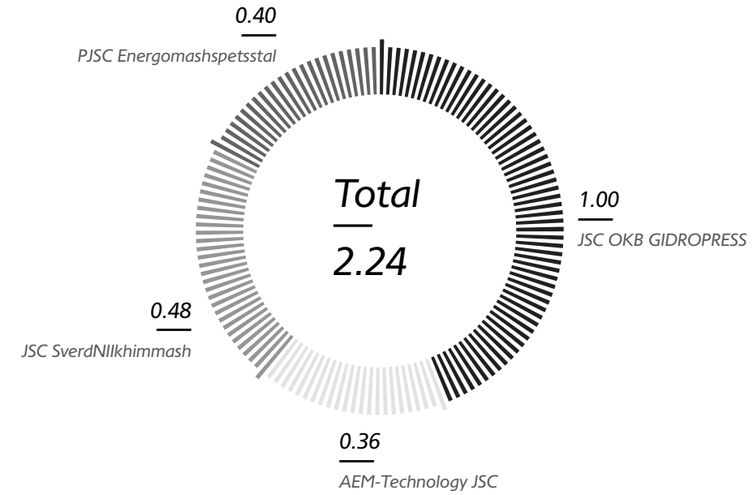
The graduation of Masters

In July 2015, National Research Nuclear University MEPhI held the presentation of master's theses of specialists of PJSC ZiO-Podolsk and JSC ZIOMAR EC. In the reporting year, 8 people completed their training at the factory department of NRNU MEPhI. Members of the State Examination Commission noted that the master's theses were prepared at a high level, had a scientific novelty and perfection, as well as practical importance and relevance. The Base Department No. 76 "Power Engineering" was organized in November 2011 at the plant of PJSC ZiO-Podolsk in the framework of the strategic partnership agreement signed between JSC Atomenergomash and NRNU MEPhI.

AEM 19.7

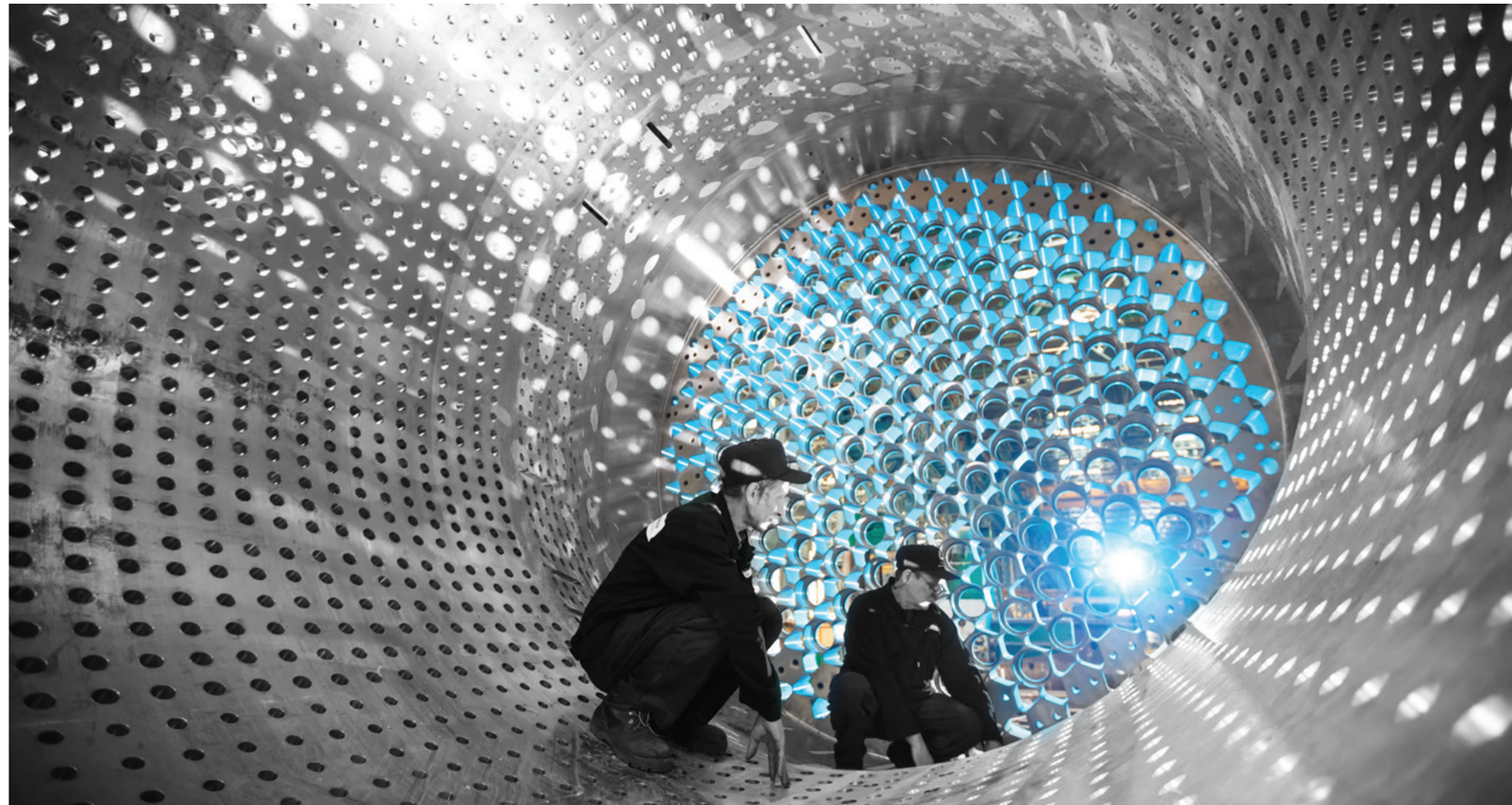
i 107

Financing of educational institutions (mln rubles)



AEM 19.8

Enterprises of the Division traditionally participate in joint activities with universities and secondary general educational institutions aimed at training potential personnel for the nuclear industry: Job Fairs, Career Days of Rosatom State Corporation, Open Days, guided tours, etc. In addition, the industrial enterprises of JSC Atomenergomash organize competitions of professional skills and engineering competitions. The participation of enterprises in conferences and forums of young professionals, as well as the organization of in-house scientific and technical conferences are equally important.



Diagnostics of welds of the pipe protective unit of the reactor vessel prior to cleaning operation (the Atommash branch of AEM-Technology JSC in Volgodonsk)

The Forum of Young Professionals in Volgodonsk

In May 2015, the Atommash branch of AEM-Technology JSC in the city of Volgodonsk held a divisional forum of young professionals. This event united young workers who were active participants in the social life of their companies in order to discuss topical issues of youth councils, to develop a common approach to the implementation of youth policy, and to approve the plan of strategic development of the youth councils.

By working together and by sharing their experience, the activists of youth councils of enterprises of the Division formulated the main problems, found ways of solving these problems, and created a Divisional Youth Council Program of JSC Atomenergomash for the period 2015–2017.

AEM 15.6
i 108

Recruiting senior students for practical training, which results in hiring of the best of them, is an important aspect of the cooperation with universities. The main KPIs include the university acceptance ratio and its achievement, the rate of employment and retention of high-potential graduates, and the satisfaction of applications for target enrollment in universities.

AEM 19.1
i 109

In 2015 the Division's enterprises provided on-the-job training for more than 900 senior students of secondary and higher vocational education institutions; the best students were offered employment. Despite the decline in the number of students who passed on-the-job training, the number of students who were offered employment as a result of the training increased by more than five times (102 people) as compared to 2014.

Professional growth of employees is the key to dynamic development and competitive advantage of the Division.

The level of education of staff of the enterprises of the Company is growing every year: about 55% of employees have a college education in 2015. In spite of the above, employees with secondary vocational education (with at least 17% of the employees having higher education) prevail at production sites; in engineering design and management companies, there is a prevalence of employees with higher professional education and with academic degrees and titles of professors, and RAS Academicians.

AEM 15.7
i 110

Candidates and Doctors of Science (persons)

Candidates		Doctors
83	JSC NPO TsNIITMASH	34
83	JSC Afrikantov OKBM	15
58	JSC OKB GIDROPRESS	9
18	JSC SNIIP	7
11	JSC SverdNIIkhimmash	0
88	Other	8
Total		Total
341		73

AEM 15.8
i 111

RAS Academicians, professors (persons)

Academicians		Professors
1	JSC Afrikantov OKBM	5
1	JSC OKB GIDROPRESS	2
0	JSC NPO TsNIITMASH	19
0	JSC Atomenergomash	1
0	JSC GSPI	1
Total		Total
2		28

The enterprises of the Division play an active role in the programs for the development of corporate competencies and management skills. Training in sectoral programs is aimed at employee development, team building, strengthening ties to the community, and increased engagement. Great attention is paid to helping new employees to adapt and provide them with the key knowledge from experienced tutors in order to preserve all important and valuable knowledge in the Division.

Employees actively participate in drawing up individual development plans. All corporate programs are formed taking into account the wishes of the employees of the Company, the Division's strategic objectives, and the results of evaluation of managerial and professional staff competence. The KPIs for senior officials include the indicator "Level of Engagement Based on Training Factor".

GRI-LA9
AEM 19.9
i 112
i 113

In 2015, the average time of training per employee increased by 5% and amounted to **47** *hours.*

Average hours of training per employee per year

	Specialists and operating staff	Middle managers	Senior managers
2013	45.8	40.8	67.5
2014	43.3	51.7	54.6
2015	47.2	44.4	43.8
2016 (forecast)	41.5	41.4	45.9

—
Hydrotesting of a nuclear reactor in a special underground bench (the Atommash branch of AEM-Technology JSC in Volgodonsk)

Case of PJSC ZiO-Podolsk and JSC OKB GIDROPRESS

Divisional professional skills competition

In October 2015, the two companies of the Division hosted the annual contest of professional skills in Podolsk. In 2015, it was decided to hold a competition for key professions of the Mechanical Engineering Division:

- *Welder;*
- *Designer;*
- *Process Control Engineer;*
- *Production Line Supervisor.*

Welder competitions were held in two categories: manual arc welding with coated electrodes and manual TIG welding with non-consumable electrodes.

The competition was attended by 48 specialists from nine companies in the management profile of JSC Atomenergomash.

8 INTERACTION WITH SOCIETY

8.1. Impact on Presence Regions

The Division's enterprises are geographically dispersed and located not only in different parts of the Russian Federation but also in Central and in Eastern Europe. In this regard, positioning in the regions plays an important role for the Company and this primarily concerns interaction with local companies and specialists.

GRI-EC5
AEM 20.2
i 114

A number of key enterprises of the Division that participate in the Industry Agreement comply with the requirement that ensures that the monthly salary based on the minimum position level is not below the subsistence level for the working population in the constituent entities of the Russian Federation. In 2015, all the parties to the Industry Agreement fulfilled this requirement.

AEM 20.4

In addition, enterprises of the Division make annual tax payments to the budgets of various levels; six enterprises of the Division are included in the list of the largest taxpayers in their respective regions: JSC Afrikantov OKBM, JSC TsKBM, JSC OKB GIDROPRESS, AEM-Technology JSC, PJSC ZiO-Podolsk, and JSC ZIOMAR EC. The amount of payments to local budgets increases annually.

GRI-EC6
AEM 20.1
i 115

Being a socially responsible company, JSC Atomenergomash hires employees (including managers) mainly from the local population[34]. Residents of other regions of Russia are involved in the absence of specialists or suitably qualified managers in the local labor market.

AEM 20.3
i 116

At the key regional enterprises, the senior management positions[35] are mainly occupied by representatives of the local community[36].

Payments to the budgets of different levels (thousand rubles)

Budget Type	2013		2014		2015		2016 (forecast)	
	Assessed (thousand RUB)	Paid (thousand RUB)	Assessed (thousand RUB)	Paid (thousand RUB)	Assessed (thousand RUB)	Paid (thousand RUB)	Assessed (thousand RUB)	Paid (thousand RUB)
Total	3,623,424	3,752,241	4,805,678	3,744,199	6,552,303	6,544,455	5,064,720	4,931,865
including:								
Federal budget	3,245,339	3,067,000	4,367,121	3,355,674	5,740,392	5,696,057	4,670,327	4,614,997
Budgets of the constituent entities of the Russian Federation	285,702	582,169	334,773	293,454	729,197	732,116	303,414	256,814
Local budgets	92,383	103,072	103,785	95,072	82,714	116,282	90,979	60,054

i 117

34 – Local employees are those who live permanently in the area where the employer enterprise operates, i.e. not hired from other regions.
35 – Senior managers: managers at the level of directors for functional lines through the Chief Executive Officer.
36 – Representatives of the local population: workers who live (are registered) on a permanent basis in the area of activity of the employer.

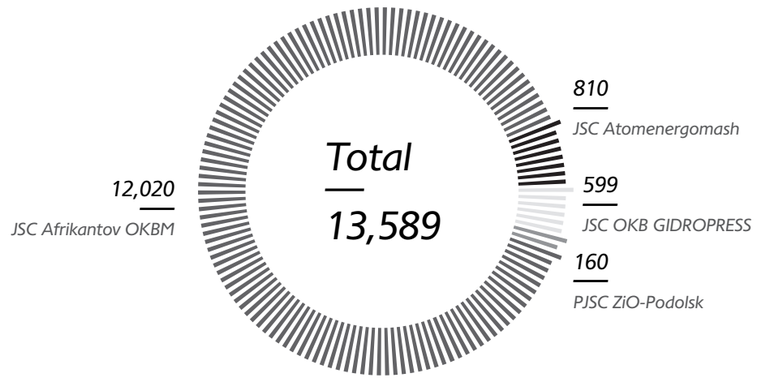
8.2. Social Investments and Charity

Enterprises of the Division participate in the improvement and development of infrastructure in the regions where they operate, especially in towns and cities. In addition, the Company supports participation in charitable projects.

In general, enterprises of the Division spent 13.6 mln rubles on charitable projects in 2015; a large share of this amount was spent by JSC Afrikantov OKBM.

AEM 21.1
i 118

Charity expenses (thousand rubles)



Case of JSC Atomenergomash

GRI-EC7

Excursion to Moscow

JSC Atomenergomash tries to participate in social and charity projects. The trip to Moscow for the children from Efremovskaya boarding school is a case in point: 20 children aged from 6 to 14 years old from the boarding school who have been deprived of motherly affection and love arrived in Moscow.

They visited the Mars Tefo interactorium, ridden a flying saucer, visited the Dinosaur City museum, and received positive emotions at a Husky kennel. The trip was rich and very informative.

AEM 21.2
i 119

One of the Company's most important objectives is implementation of the corporate social program in terms of welfare assistance to retired pensioners and veterans of its enterprises. In the reporting year, enterprises of the Division allocated more than 30 mln rubles to this purpose.

8.3. Compliance with Legislation

JSC Atomenergomash and the enterprises of the Division observe the law, comply with international standards, and strive to improve the transparency of their activities. Therefore, an important task of the Company's Legal Department is to reduce the number and the severity of cases of non-compliance with the legislation.

GRI-PR9
GRI-SO8
AEM 22.4
i 120

In the reporting period, the Division companies were fined 1 mln rubles for non-compliance with the current legislation. Also, the Company was subjected to a non-monetary sanction in 2015.

Case of JSC Afrinkantov OKBM

The best legal department

The City of St Petersburg hosted the 10th annual awards ceremony for winners of the "Best Legal Departments of Russia" on May 28, 2015. The ceremony was held in the St Petersburg International Legal Forum and was attended by about 200 guests. In the category of "Engineering", the legal department of JSC Afrinkantov OKBM was recognized the best legal department of Russia in 2015.

The organizer of the competition was Legal Insight, one of the most authoritative legal magazines. The award is aimed at identifying the most effective legal services of Russian and international companies for a possible exchange of experiences and models of structuring legal departments.

—
Shells of a refinery reactor vessel (the Atommash branch of AEM-Technology JSC in Volgodonsk)

9 COMMUNICATION ACTIVITIES

9.1. External Communications

Marketing communications, including promotion activities, advertising, participation in exhibitions etc. are an important area of the activities of JSC Atomenergomash. The well-established communications of JSC Atomenergomash are a precondition for its proper functioning as an economic power unit and one of the key prerequisites for its successful activities in the market.

In 2015, a number of events were organized as part of the marketing activities: seven press tours, including those for foreign journalists and representatives of countries that are potential customers for the Division's products. In addition, a regional forum of nuclear industry suppliers (ATOMEX-Region) was held in Yekaterinburg in November 2015. JSC Atomenergomash and the Companies of the Division took part in 30 conference and exhibition events (including 17 abroad). The Division had a booth at six of them:

i 121

AEM 23.2
AEM 23.3

- *POWER-GEN RUSSIA-2015 international exhibition of manufacturers of thermal power equipment (Moscow, the Russian Federation, March 3-5, 2015);*
- *International Forum "ATOMEXPO 2015" (Moscow, Russia, June 1-3);*
- *AtomEco-2015 International Exhibition (Moscow, the Russian Federation, November 9-11, 2015);*
- *International Forum of Nuclear Industry Suppliers "ATOMEX 2015" (Moscow, Russia, October 13-15).*
- *Annual International Nuclear Power Industry Exhibition "Atomexpo-Belarus 2015" (Minsk, Belarus, April 22-24);*
- *NDExpo - Atomic Energy for Sustainable Development International Forum and Exhibition (Nizhny Novgorod, the Russian Federation, April 14-16, 2015).*

One of the important areas of information work is the establishment of direct communication with potential equipment customers. In this regard, forms of cooperation that were previously unused were launched in 2015, in particular seminars for customers.

Case of AEM-Technology JSC

Information support of the shipment of a reactor for the power unit No. 1 at Belarusian Nuclear Power Plant

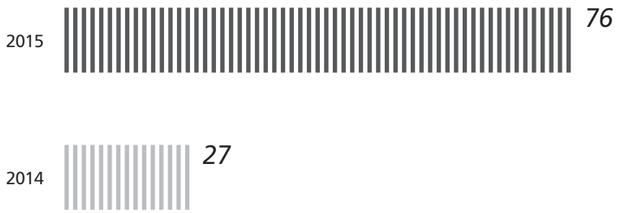
One of the major industrial developments in 2015 was the shipment of the reactor for the Belarusian Nuclear Power Plant from the production site of the Atommash branch of AEM-Technology JSC in Volgodonsk. This is the first reactor manufactured by the plant in the post-Soviet period, and the first reactor manufactured by Rosatom State Corporation. Thanks to the implemented set of PR activities, the restoration of the manufacture of equipment for the nuclear industry at Atommash was widely covered by both federal and regional mass media. In total, about 120 publications were published, which included stories on the following television channels: Russia-1, Russia-24, LifeNews, Zvezda, and others.

Case of JSC TsKBM

Forum "Atomex-Region 2015"

On October 23, the Atomex-Region 2015 Forum of Nuclear Industry Suppliers, which was organized by JSC Atomenergomash and JSC SverdNIIkhimmash, was held in Yekaterinburg. During the Forum, procurement specialists of the Division had a meeting with representatives of nuclear industry suppliers. The purpose of the meeting was to remove existing barriers and to develop joint solutions for further cooperation between customers and suppliers from the nuclear power industry.

JSC Atomenergomash website traffic



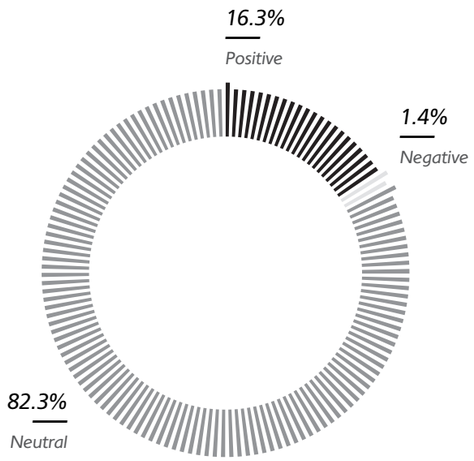
One of the important performance indicators in the field of mass communications is corporate website traffic. The average number of visits equaled more than six thousand unique visitors per month.

Case of JSC Atomenergomash

Seminar for potential customers during the POWER-GEN AFRICA-2015 exhibition

On July 15, 2015, Rosatom State Corporation held a seminar on thermal energy for potential customers in Cape Town as part of the largest electric power exhibition and forum on the African continent. The seminar was attended by speakers from JSC Atomenergomash and PJSC ZiO-Podolsk seminar. As a result, participants of the event were able to exchange the necessary information and to establish stable business relationships.

AEM 23.4 Mentions in the media (%)



In 2015, the Company plans to continue implementation of the marketing communications plan as regards participation in exhibitions, work with the media, and organization of press tours, conferences and round tables on innovative developments and the advantages of the Division's products.

9.2. Internal Communications

i 122

A key challenge in the area of internal communications in 2015 was to increase the EMP employees' awareness of activities of JSC Atomenergomash. The corporate media published a series of materials about the implementation of key projects of the Company and EMPs, which described the goals and objectives of the projects as well as the progress, the main achievements, problems, and their solutions in detail.

AEM 37.1

JSC Atomenergomash and key EMPs implemented the following corporate communications development projects:

Corporate newspaper "AEM Bulletin"

As part of maintaining a common information space for the Division, the monthly corporate publication AEM Bulletin is issued. The Bulletin is published in three languages (Russian, Czech, Hungarian) in four countries: Russia (with a circulation of 5,300 copies), Ukraine (with a circulation of 500 copies), the Czech Republic (with a circulation of 130 copies), and Hungary (with a circulation of 80 copies).

In 2015, continuous updating of a complete online version of the corporate newspaper was implemented at the following URL: http://vestnik-aem.ru. Vestnik Online is an information resource that is aimed at expanding the audience of the paper version through the modern presentation of information and unique content that was not included in the printed version as well as the openness of the resource. The online edition has been adapted for viewing on mobile and personal devices.

Industry TV project "The Rosatom Country"

In order to create a favorable image of its enterprises in the cities of presence and to inform the general public about the key projects, JSC Atomenergomash joined the industry project of broadcasting an information and analytical TV program called "The Rosatom Country." In 2015, the news block of the Division included stories prepared by the following EMPs: Atommash and Petrozavodskmash branches of AEM-Technology JSC, JSC SverdNIIkhimmash, PJSC ZiO-Podolsk, JSC Afrikantov OKBM, JSC NPO TsNIITMASH, and JSC SNIIP. A total of more than 100 TV stories covering the work of the Division's enterprises were aired in 2015.

Divisional Web Portal

A corporate web portal was launched in 2015. It can be accessed by all the employees of JSC Atomenergomash and thus brings together the staff of the management company into a single information environment. The portal allows receiving current news, information on corporate actions and contains a data bank of local regulations and training literature as well as various service functions. After the commissioning of the portal, its cascading to main EMPs began, which must be completed in 2016. The outcome of this work will be the creation of a common portal for all the employees of JSC Atomenergomash and its EMPs.

Awareness Days

Following the traditional practice of Rosatom State Corporation, meetings between the Company's management and employees are held regularly in the format of Awareness Days aimed at not only conveying important information about the Company to employees but also arranging dialogue between personnel and management. For example, three Information Days were held in 2015 at Rosatom State Corporation.

Interactive information kiosks at enterprises of the Division

Interactive information kiosks have been installed at enterprises of the Division. Information kiosks (terminals) are designed to improve services for employees and to raise their awareness. Using the terminals, every employee can see personal data, time sheet, learn more about the vacation schedule, staff appraisal chart, or order a certificate. Free access is provided to all the reference information about the enterprise as well as to key news and information publications of Rosatom State Corporation and JSC Atomenergomash in these kiosks. In addition, provision is made for a feedback mechanism: each employee can leave a message and pose a question to the management.

Kiosks are installed at PJSC ZiO-Podolsk, JSC ZIOMAR EC, and the Volgodonsk and the Petrozavodsk branches of AEM-Technology JSC.

Virtual museum of nuclear engineering

In 2015, a virtual museum of nuclear engineering dedicated to the 70th anniversary of the nuclear industry was launched on the official website of JSC Atomenergomash. The main purpose of this resource is to highlight the history of the nuclear industry and nuclear engineering from 1940s to the present day. The museum houses unique historical photos and facts that effectively combine with the original interface of the section. The museum allows raising the employees' awareness of the activities of the Company and EMPs as well as increasing their involvement in key processes.

Case of JSC Atomenergomash

KVN Divisional Festival

On September 23, Atomenergomash hosted the first corporate KVN Festival "Atom. Version 7.0", which was dedicated to the 70th anniversary of the nuclear industry, in the City of Moscow. The event brought together 11 enterprises of the Engineering Division. A total of 120 participants took part in the divisional KVN festival. The festival judging panel consisted of CEOs of AEM enteprises and was headed by Andrey Nikipelov, the Chief Executive Officer of JSC Atomenergomash. All teams showed a decent level of play and were not inferior to the guests of the Festival, a Major KVN League team of Triod & Triod. The winner of the first divisional KVN festival was the team of JSC NPO TsNIITMASH "Delo Tekhniki", which later represented the Engineering Division with the team of KVN JSC Atomenergomash Cup at the Rosatom State Corporation KVN Cup on December 23, 2015.

9.3. Stakeholder Engagement System

GRI 4-25
i 123

The Company considers stakeholder engagement as one of the fundamental factors of sustainable development and consistently develops productive cooperation in this field together with the enterprises of the Division. This work involves the following tasks:

GRI 4-26
i 124

- *definition of interests and expectations of stakeholders;*
- *responding to the expectations of stakeholders and searching for a consensus on problematic issues;*

GRI 4-24
i 125

- *establishing long-term partnerships with key stakeholders.*

Stakeholder engagement practices include stakeholder prioritization, i.e., identification of several groups, for accomplishing these tasks. A comparative analysis of the stakeholder maps generated in the three previous reporting campaigns has led to the conclusion about the absence of significant changes in estimates. In connection with the above, a decision, according to which no annual update of the rank map will be implemented except in cases of significant changes in the conditions of the Company, was approved. The actual stakeholder map can be found in the Integrated Annual Report of the Company for 2014.

GRI 4-33

In accordance with the stakeholder interaction pattern, the Company held public dialogues in a correspondence format. For example, a survey of stakeholders regarding the Concept of the Report as well as its content plan was conducted in absentia at the beginning of the reporting campaign (October 21, 2015 – October 30, 2015). Narrowly focused dialogues were conducted in the format of remote interaction with subject matter experts, which both saved time and increased the involvement of experts throughout the Report preparation process. Public consultations for the draft Report, which were held in absentia (May 5, 2016 – May 13, 2016), summed up the results of interaction in the framework of preparation of the Report and identified a number of areas for improvement in future reporting campaigns. Based on the results of this work, stakeholders performed public assurance of the Report.

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The process of pimpling of an area of nuclear reactor body nozzles on the pipe shell (press shop of PJSC Energomashspetsstal)

APPENDICES

Appendix 1. Glossary

Abbreviations used in the Report

ARMS	automated radiation monitoring system
NP	nuclear power
NPP	nuclear power plant
FNR	fast-neutron reactor
WWER	water-water power reactor
IC	input control
WPP	wind power plant
GPC	gas and petrochemical industry
SSC	State Scientific Center
SDO	State Defense Order
MCPU	main circulating pump unit
MCP	main circulation piping
CSA	capacity supply agreement
CUWS	common unified wage system
PBIMS	project book information management system
CIR	integrated investment resource
KPI	key performance indicator
CS	compressor station
SMB	small and medium-sized business
OR	oil refinery
RC	oil refinery company
EMPs	entities included in the Company's management perimeter
GSM	General Shareholder Meeting
SNF	spent nuclear fuel
FNPP	floating nuclear power plant
SG	vertical-type steam generator
CCGT	combined cycle gas turbine power plant
IPA	Innovative Development Program
RPS	Rosatom Production System
RAW	radioactive waste
IP	intellectual property
RU	reactor unit
BoD	board of directors
RUMCS	reactor unit monitoring and control system
QMS	quality management system
JV	joint venture
AFCF	adjusted free cash flow
SUZ- ShEM	control and protection system solenoid stepper drive
SCSP	supercritical steam parameters
TMES	transport and marine energy solutions
TP	thermal power
TPP	thermal power plant
CHPP	combined heat and power plant
UAL	universal nuclear icebreaker
PE	power engineering
NSSS	nuclear steam supply system
LTIFR	lost time injury frequency rate

Terms used in the Report

LTIFR – lost time injury frequency rate.

Aspect – a topic that describes one of the Company's activity areas or its impact on stakeholders.

Employee engagement – an emotional and intellectual state that motivates employees to do their job efficiently.

Input control – the control of the quality and the completeness of products received at the Nuclear Power Plant site and intended for use in the course of its construction and operation.

Senior management (top management) – Company employees who adopt decisions having a significant effect on the Company's activities as a whole (from the functional directors' level up to the CEO).

Integrated additional incentive (SRI) – a part of the wages paid to the employee on a monthly basis for the level of competence, professionalism, and labor productivity which is defined on the basis of efficacy and potential (the RECORD score or the professional worker status assessment procedure).

Combined revenue – a total revenue of the companies included in the combined accounting statements perimeter in accordance with a company approved procedure, net of revenue from intra-group sales and other adjustments.

Local employees/managers – employees who live permanently in the area where the employer enterprise operates.

AFCF – a key performance indicator for operations of Rosatom State Corporation; a cash flow from operating activities adjusted for non-cash items. It characterizes the dynamics of the cash flows available for development.

Stakeholder (interested party) – an individual, group of individuals or organization that is influenced by or can exert an influence on the company.

Significant operating regions – regions in which an enterprise's production facilities and key personnel are located.

Material aspect – an aspect reflecting a significant area of the Company's activities or a significant impact on stakeholders.

Appendix 2. Information about the Report

GRI 4-28 Joint-Stock Company Nuclear and Power Engineering (hereinafter referred to as JSC Atomenergomash or the Company) has issued this Integrated Annual Report (hereinafter referred to as the Report) to disclose information regarding the performance of the Engineering Division of Rosatom State Corporation (hereinafter referred to as the Division) for the period from January 1, 2015 to December 31, 2015 and to present its development outlook.

GRI 4-29
GRI 4-30
i 126
GRI 4-15

JSC Atomenergomash traditionally follows an annual reporting cycle; the previous Report covering the results for the 2015 reporting year was released in 2016.

The Report was prepared meeting the requirements of the following regulatory documents (as amended):

- *The Federal Law of the Russian Federation dated December 26, 1995 and registered under No. 208-FZ "On Joint-Stock Companies";*
- *Order of Rosatom State Corporation dated December 15, 2015 and registered under No. 1/1069-P "On Amendments to the policy of Rosatom State Corporation in the Field of Public Accounting";*
- *Regulation of the Bank of Russia dated December 30, 2014 and registered under No. 454-P "On Disclosure of Information by Issuers of Equity Securities";*
- *Letter of the Bank of Russia dated April 10, 2014 and registered under No. 06-52/2463 "On the Corporate Governance Code";*
- *Order of the Federal Agency for State Property Management No. 306 dated August 22, 2014 "On Approval of the Methodology for Self-Assessment of Corporate Governance Quality in Companies with State Participation";*
- *Accountability's AA1000 Series Standards*
- *G4 Sustainability Reporting Guidelines;*
- *International Integrated Reporting Framework (IIRC);*
- *ISO 26000:2010 "Guidance on social responsibility".*

The Company has approved internal documents: Standard and Regulation for Annual Public Reporting amended by the Order of the Chief Executive Officer of the Company dated March 3, 2016 and registered under No. 33/63-P. These documents establish the procedure for the preparation of a Public Report and the responsibility of the participants in this process as well as requirements for a Public Report, including the System of Categorized Performance Indicators of JSC Atomenergomash.

The Company's Strategic Development Department (the Strategy and Organizational Development Directorate) is responsible for preparing the Report. The Public Reporting Committee (chaired by the Director of the Strategic Development Department), the main responsibility of which is to coordinate the preparation of the Report and assess the materiality and completeness of the information disclosed in the Report, takes part in all key stages of the Report preparation.

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i 128
i 129

GRI 4-48 The Board of Directors and the General Meeting of Shareholders must approve the final version of the Report.

Disclaimer

This Report contains a number of forward-looking statements concerning the future state of the Company in terms of various aspects, its plans and expected results. By nature, forward-looking statements involve inherent risk and uncertainties. A range of economic, political, social, and other stochastic factors may influence the Company's activities and its external environment. In this regard, the Company points out that actual results may differ from those expressed, directly or indirectly, in the forward-looking statements contained within the Report.

Appendix 3. Material Aspects and Their Boundaries

GRI 4-18 List of aspects with indication of the materiality level

#	Aspect	Corresponding GRI aspect
1	Economic Performance and Financial Position	Economic Performance
2	Market Presence	–
3	Commercial Activities	–
4	Investment Activities	–
5	Results of Production Activities	–
6	Quality and safety	Consumer's health and safety
7	Optimization of production activities	–
8	Procurement Activities	Procurement practices
9	Innovation Development	–
10	Scientific Activities	–
11	Energy Consumption	Energy
12	Water Consumption	Water
13	Emissions and Wastes	Emissions and waste; discharges
14	Environmental Management	General information (ecology)
15	Personnel Composition	Diversity and equal opportunities
16	Labor Conditions and Organization	Relations between employees and management; Mechanisms for bringing complaints against labor practices
17	Occupational Health and Safety	Occupational Health and Safety
18	Personnel Efficiency	–
19	Availability of Replacement Personnel	Employment, training and education
20	Impact on Presence Regions	Market Presence
21	Social Investments and Charity	Indirect economic impacts
22	Anti-corruption practices	Anti-corruption enforcement
23	Compliance with Legislation	Compliance with requirements (categories: ecology, society, product responsibility)
24	Marketing and PR Communications*	Marketing communications
25	Activities of corporate governance bodies	–
26	Internal Control, Audit and Risk Management	–

GRI 4-22 There were no restatements of information compared with the previous year.

GRI 4-13 In 2015, there were changes in the structure of the Division: LLC Neftegazspetsstroy was excluded from the consolidation profile.

GRI 4-17 *GRI 4-20* *GRI 4-21* The boundaries of each material aspect were determined by a survey among the members of the Public Reporting Committee of JSC Atomenergomash. The coverage of the key EMPs was changed due to changes in the composition of the Division.

GRI 4-23 The Consolidated Financial Statements Profile is used in the "Aspect No. 1" column. Based on the results of the material aspects analysis performed by the Company, the information disclosure boundaries will not cover companies outside the Division[37].

37 – External suppliers accounting for more than 5% of the purchases or having a significant impact on the Company in terms of material aspects were not identified.

Boundaries of material aspects

Company	Aspects																									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
LLC AAEM Turbine Technology		+	+	+		+		+							+	+	+	+	+	+		+	+		+	
ARAKO	+	+	+	+	+	+	+	+	+			+	+		+	+	+	+	+	+		+	+	+	+	
CJSC Atomtruboprovodmontazh	+	+	+	+	+	+	+	+		+		+	+		+	+	+	+	+	+		+	+		+	+
JSC Atomenergomash	+	+	+	+	+	+		+		+		+			+	+		+	+	+		+	+		+	
AEM-Technology JSC	+	+	+	+	+	+	+	+	+		+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	
OJSC Venta	+	+	+	+	+	+	+	+		+	+	+	+	+	+	+	+	+	+	+	+	+	+		+	
JSC VNIIAM		+	+		+	+		+		+	+	+	+	+	+	+	+	+	+	+		+	+		+	
JSC OKB GIDROPRESS	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	
JSC GSPI	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	
PJSC ZiO-Podolsk	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	
JSC ZIOMAR EC	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	
JSC IFTP			+			+		+		+	+	+	+	+	+	+	+	+	+	+		+	+		+	
JSC OZTMiTS	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	
JSC Afrikantov OKBM	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	
CJSC REMKO	+																									
JSC SNIIP	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	
JSC SverdNIIkhimmash	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	
JSC TsKBM	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	
JSC NPO TsNIITMASH	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	
LLC EMKO	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	
PJSC ENERGOMASHSPETSSTAL	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	

Appendix 4. Index of Performance Indicators of JSC Atomenergomash

#	Code	Indicator	Report section	Capital Type	Page
1	1.1	Combined revenue	3.1. Economic Performance and Financial Position	Financial and economic capital	20,42
2	1.2	Net profit		Financial and economic capital	i 023
3	1.3	EBITDA		Financial and economic capital	4, i 024
4	1.4	EBITDA margin		Financial and economic capital	43
5	1.5	Operating margin		Financial and economic capital	i 025
6	1.6	Semi-fixed costs		Financial and economic capital	i 026
7	1.7	Share of management expenses in revenue		Financial and economic capital	i 027
8	1.8	Cost per 1 ruble of marketable products		Financial and economic capital	i 028
9	1.9	Income from the sale of non-core assets and unclaimed movable property		Financial and economic capital	i 029
10	1.10	Current ratio		Financial and economic capital	i 031
11	1.11	Debt to equity ratio		Financial and economic capital	i 032
12	1.12	Short-term solvency ratio		Financial and economic capital	45
13	1.13	Net debt/EBITDA ratio		Financial and economic capital	i 030
14	1.14	State aid		Financial and economic capital	45, i 033
15	2.1	Share of the Russian power engineering industry	1.2. Strategic Vision and Objectives	Financial and economic capital	21, 24
16	2.2	Share of revenue from new businesses		Financial and economic capital	21
17	2.3	Share of revenue that is formed by foreign assets		Financial and economic capital	21
18	2.4	Share of revenue generated by foreign operations		Financial and economic capital	21
19	3.1	Order book	3.2. Commercial Activities	Financial and economic capital	46, i 038
20	3.2	Contracts concluded in the reporting year		Financial and economic capital	46
21	4.1	Volume of investments	3.3. Investment Activities	Financial and economic capital	47, i 039
22	4.2	Largest investment projects		Financial and economic capital	49
23	4.3	Implementation of the investment program		Financial and economic capital	49
24	5.1	Products shipped to facilities	4.1. Results of Production Activities	Production capital	50
25	5.2	Fulfillment of the State Defense Order/state assignments		Production capital	50
26	5.3	Fulfillment of contractual obligations		Production capital	50, i 040
27	5.4	Share of products manufactured at own facilities		Production capital	51, i 041
28	6.1	List of enterprises holding ISO 9001 certificates	4.2. Quality and Industrial Safety	Production capital	52
29	6.2	Number of incidents at the facilities (accidents, fires, etc.)		Production capital	i 042
30	6.3	Cases of non-compliance with safety requirements		Production capital	53, i 043
31	6.5	Number of complaints with respect to products		Production capital	53, i 044
32	7.1	Number of RPS projects	4.3. Optimization of Production Processes	Production capital	54
33	7.2	RPS costs and economic effect from RPS projects		Production capital	54, i 046
34	7.3	Suggestions for improvements		Production capital	55, i 047
35	8.1	Share of public procurement processes	4.4. Procurement Activities	Production capital	i 051
36	8.2	Total value of concluded contracts		Production capital	57, i 050
37	8.3	Share of purchases from domestic suppliers		Production capital	59, i 054
38	8.4	Amount of money saved as a result of open competitive procedures		Production capital	i 053
39	8.5	Share of purchases within the Division		Production capital	57, i 048
40	8.6	Share of competitive procurement processes for which complaints about the procurement organizer's actions were found to be substantiated		Production capital	i 052
41	8.7	Share of purchases from small and medium-sized businesses		Production capital	59, i 055
42	9.1	R&D Expenditures	5.2. Innovation Development	Innovation capital	62, i 062
43	9.2	Share of revenue spent on Research and Development		Innovation capital	i 063
44	9.3	Research and Development agreements concluded with universities	7.5. Availability of Replacement Personnel	Innovation capital	63
45	9.6	Sale of intellectual property	5.2. Innovation Development	Innovation capital	65, i 066
46	9.7	Acquisition of intellectual property		Innovation capital	i 067
47	9.4	Number of patents and intellectual property certificates		Innovation capital	64, i 065
49	10.1	Number of postgraduate students in postgraduate centers at the Division's enterprises	5.1. Scientific Activities	Innovation capital	60, i 056
50	10.2	Number of theses presented in dissertation councils at the Division's enterprises		Innovation capital	60, i 058
51	10.3	Scientific papers and articles		Innovation capital	60, i 059
52	10.4	Participation in scientific conferences		Innovation capital	60, i 060
53	11.1	Energy Consumption	6.3. Energy Consumption	Natural capital	70, i 078
54	11.2	Energy expenses		Natural capital	i 074
55	11.3	Energy savings		Natural capital	70, i 079
56	12.1	Consumed water	6.4. Water Consumption	Natural capital	71, i 080
57	13.1	Direct emissions of greenhouse gases	6.2. Emissions and Wastes	Natural capital	67, i 071
58	13.2	Reduction of greenhouse gas emissions through ongoing programs and initiatives		Natural capital	67
59	13.3	Emissions of ozone-depleting substances		Natural capital	67
60	13.4	Emissions of other pollutants into the air		Natural capital	68, i 072
61	13.5	Volume of wastewater discharges		Natural capital	72
62	13.6	Weight of wastes		Natural capital	68, i 073
63	14.1	Fines and non-monetary sanctions for non-compliance with environmental legislation	6.1. Environmental Management	Natural capital	66, i 069
64	14.2	List of enterprises holding ISO 14001 certificates		Natural capital	66
65	14.3	Results of environmental impact assessments		Natural capital	66
66	14.4	Costs of preventive and corrective measures in the field of ecology		Natural capital	66, i 070
67	15.1	Personnel Composition	7.1. Personnel Composition	Human capital	74, i 082
68	15.2	Payments and benefits for employees depending on type of employment	7.2. Labor Conditions and Organization	Human capital	76
69	15.3	Maternity leave		Human capital	76, i 092
70	15.4	Average age of employees		Human capital	76, i 093
71	15.5	Gender and age personnel composition	7.1. Personnel Composition	Human capital	75, i 083
72	15.6	Share of employees with higher education	7.5. Availability of Replacement Personnel	Human capital	86, i 108
73	15.7	Number of employees with a degree		Human capital	86, i 110
74	15.8	Number of employees who are RAS academicians or professors		Human capital	87, i 111
75	16.1	Employees' notification period regarding significant changes	7.2. Labor Conditions and Organization	Human capital	75, i 086
76	16.2	Average salary		Human capital	75, i 088
77	16.3	Coverage of enterprise by collective agreements		Human capital	75, i 085
78	16.4	Employees participating in the non-state pension provision program		Human capital	76, i 090
79	16.5	Number of complaints with respect to labor organization		Human capital	76
80	16.6	Salary growth index		Human capital	75, i 087
81	16.7	Employee benefits per employee per year		Human capital	76, i 091
82	16.8	Decimal factor		Human capital	i 089
83	16.9	Special assessment of labor conditions	7.3. Occupational Health and Safety	Human capital	77, i 094

#	Code	Indicator	Report section	Capital Type	Page
84	17.1	Occupational accidents, fatal accidents, and occupational diseases		Human capital	77, i 095
85	17.2	LTIFR		Human capital	78
86	17.3	List of enterprises holding OHSAS 18001 certificates		Human capital	77
87	17.4	Health and safety topics covered in formal agreements with trade unions		Human capital	77
88	17.5	Occupational safety and health expenditures		Human capital	79, i 098
89	17.6	Work under harmful conditions		Human capital	78, i 097
90	18.1	Labor productivity	7.4. Personnel Efficiency	Human capital	79
91	18.2	Percentage of employees receiving regular performance reviews		Human capital	79, i 099
92	18.3	Engagement level		Human capital	79
93	19.1	Practical training of students	7.5. Availability of Replacement Personnel	Human capital	86, i 109
94	19.2	Number of employees in the skill pool		Human capital	82, i 103
95	19.3	Share of employees from the skill pool appointed to a top 1000 position, for the Division as a whole		Human capital	82
96	19.4	Personnel turnover		Human capital	80, i 100
97	19.5	Share of employees with seniority of more than 5 years		Human capital	81, i 102
98	19.6	Base departments at enterprises		Human capital	84, i 106
99	19.7	Financing of educational institutions		Human capital	85, i 107
100	19.8	Joint activities with educational institutions		Human capital	86
101	19.9	Average hours of training per employee per year		Human capital	87, i 113
102	20.1	Share of senior management hired from the local community	8.1. Impact on Presence Regions	Social capital	90, i 115
103	20.2	Ratio of the minimum monthly salary and the minimum subsistence level in the regions		Social capital	90, i 114
104	20.3	Payments to the budgets of different levels		Social capital	90, i 116
105	20.4	List of enterprises included in the list of the largest taxpayers in the regions		Social capital	90
106	21.1	Charity expenses	8.2. Social Investments and Charity	Social capital	91, i 118
107	21.2	Amount of social support to industry veterans		Social capital	91, i 119
108	22.3	Prevented economic damage	2.2. Ethics and Anti-Corruption Practices	Other capital	37
109	22.4	Sanctions for non-compliance with the current legislation	8.3. Compliance with Legislation	Other capital	92, i 120
110	23.1	Violation of the requirements and practices of marketing communications	9.1. External Communications	Other capital	i 116
111	23.2	Key PR events organized by the Company		Other capital	94
112	23.3	Implementation of the plan a conference and exhibition events		Other capital	94
113	23.4	Mentions in the media		Other capital	96
114	24.1	Number of held General Meetings of Shareholders	2.1. Corporate Governance System	Other capital	31, i 005
115	24.2	Payment of declared (accrued) dividends		Other capital	31
116	24.3	Number of meetings held by the Board of Directors		Other capital	33, i 011
117	24.4	Approval of decisions on the payment of remuneration to the members of the Board of Directors of the Company		Other capital	33
118	24.5	KPI of the Chief Executive Officer		Other capital	33
119	24.6	Approval of decisions on the payment of remuneration to the Chief Executive Officer		Other capital	33
120	25.1	Implementation of the plan of control activities	2.3. Internal Control, Audit and Risk Management	Other capital	37
121	25.2	Concerns issued by state agencies with respect to the processes previously inspected by the Internal Audit Directorate		Other capital	37
122	25.3	Respect of the boundaries of risk preparedness		Other capital	38
123	25.4	Insurance expenses		Other capital	40, i 021

Appendix 5. GRI G4 Index ("Core" Compliance Option)

GRI 4-18
GRI 4-32

#	Standard element	Report section	Excluded information	Page	Auditor's assurance
	STRATEGY AND ANALYSIS				
1	4-1 Statement from the most senior decision-maker	Message from Company Management		9	+
2	4-2 Description of key impacts, risks, and oppotunities	2.3. Internal Control, Audit and Risk Management		39	
	PROFILE OF THE ORGANIZATION				
3	4-3 Name of the organization	The Company in Brief		121	+
4	4-4 Primary brands, products, and services	1.1. Business Model		i 001	+
5	4-5 Location of headquarters	The Company in Brief		121	+
6	4-6 Countries of operation	1.1. Business Model		17	+
7	4-7 Legal form and nature of ownership	The Company in Brief		121	+
8	4-8 Main markets	1.1. Business Model		18	+
9	4-9 Scale of the organization			12	+
10	4-10 Number of employees	7.1. Personnel Composition		74, i 082	+
11	4-11 Employees covered by collective agreements	7.2. Labor Conditions and Organization		75, i 085	+
12	4-12 Supply chain	4.4. Procurement Activities		57	+
13	4-13 Changes in size, structure or ownership	2.1. Corporate Governance System 4.4. Procurement Activities Appendix 3. Material Aspects and Their Boundaries		30 57 102	+
14	4-14 Precautionary approach	2.3. Internal Control, Audit and Risk Management		38, i 020	+
15	4-15 Externally developed charters, principles, or other initiatives	Appendix 2. Information about the Report		101	+
16	4-16 Memberships of associations or organizations	7.2. Labor Conditions and Organization		i 084	+
	IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
17	4-17 Report profile	Appendix 3. Material Aspects and Their Boundaries		102	+
18	4-18 Process for defining the report content and aspect boundaries	Appendix 2. Information about the Report. Appendix 3. Material Aspects and Their Boundaries		i 127 102	+
19	4-19 Material aspects	Appendix 5. GRI G4 Index ("Core" Compliance Option)		107 i 128	+
20	4-20 Boundaries of material aspects within the organization	Appendix 3. Material Aspects and Their Boundaries		102	+
21	4-21 Boundaries of material aspects outside the organization			102	+
22	4-22 Restatements of information provided in previous reports			102	+
23	4-23 Changes in the scope and aspect boundaries			102	+
	STAKEHOLDER ENGAGEMENT				
24	4-24 List of stakeholder groups	9.3. Stakeholder Engagement System		98, i 125	+
25	4-25 Basis for identification and selection of stakeholders			98, i 123	+
26	4-26 Organization's approach to stakeholder engagement			98, i 124	+
27	4-27 Key concerns raised by stakeholders	Appendix 10. Consideration of Stakeholder Opinions		118	+
	GENERAL INFORMATION ABOUT THE REPORT				
28	4-28 Reporting period	Appendix 2. Information about the Report		101	+
29	4-29 Date of most recent previous report			101	+
30	4-30 Reporting cycle			101	+
31	4-31 Contact point	Contact information		121	+

#	Standard element	Report section	Excluded information	Page	Auditor's assurance
32	4-32 GRI content index	Appendix 5. GRI G4 Index ("Core" Compliance Option)		107	+
33	4-33 External assurance of the report	9.3. Stakeholder Engagement System Appendix 8. Public Assurance report Appendix 9. Conclusion on the Public Assurance		99 114 117	+
	CORPORATE GOVERNANCE				
34	4-34 Corporate governance structure	2.1. Corporate Governance System		30	+
35	4-35 Process for delegating authority			33	+
36	4-36 Responsibility for environmental, economic and social topics			34, i 014	+
37	4-38 Composition of the highest governance body			31, i 006, i 007	+
38	4-39 Overlapping positions of Board of Directors Chairman and Chief Executive Officer			31	+
39	4-40 Procedure for nomination and selection of potential Board of Directors members			i 008	+
40	4-41 Preventing conflicts of interests			i 009	+
41	4-42 Role of the Board of Directors in approving values, mission and strategy			i 013	+
42	4-48 Approval of the Report	Appendix 2. Information about the Report		101	+
43	4-49 Communicating critical concerns to the Board of Directors	2.1. Corporate Governance System		33, i 010	+
44	4-50 Critical concerns that were communicated to the Board of Directors			33, i 010	+
45	4-52 Process for determining remuneration			i 011	+
	ETHICS AND INTEGRITY				
46	4-56 Values, principles, standards and norms of behavior	2.1. Corporate Governance System		30, i 003	+
47	4-58 Mechanisms for reporting unethical and unlawful behavior	2.2. Ethics and Anti-Corruption Practices		37	+
	PERFORMANCE INDICATORS				
48	Economic performance Environmental Management System[38]	3.1. Economic Performance and Financial Position 7.2. Labor Conditions and Organization		42 75	+
49	EC3 Coverage of the organization's obligations related to pension plans with defined benefits	7.2. Labor Conditions and Organization		76, i 090	+
50	EC4 Financial assistance received from government	3.1. Economic Performance and Financial Position		45, i 033	+
	Market presence Environmental Management System	8.1. Impact on Presence Regions		90	+
51	EC5 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation			90, i 114	+
52	EC6 Proportion of senior management hired from the local community at significant locations of operation			90, i 115	+
	Indirect economic impacts: Environmental Management System	8.2. Social Investments and Charity		91	+
53	EC7 Development and impact of infrastructure investments and gratuitous services			91	+
	Procurement practices: Environmental Management System	4.4. Procurement Activities		57	+
54	EC9 Policy and proportion of purchases from local suppliers (by region)			59, i 054	+
	Energy: Environmental Management System	6.3. Energy Consumption		69	+
55	EN3 Energy consumption within the organization		Total energy consumption is not calculated because accounting systems do not allow eliminating double counting associated with the consumption of energy produced in the Division profile	70, i 078	+
56	EN6 Reduction of energy consumption			70, i 079	+
	Water: Environmental Management System	6.4. Water Consumption		71	+
57	EN8 Total water withdrawal by source			71, i 081	+
	Emissions: Environmental Management System	6.2. Emissions and Wastes		67	+
58	EN15 Direct emissions of greenhouse gases		Data are not converted into CO_2 equivalent.	67, i 071	+
59	EN19 Direct emissions of greenhouse gases			67	+
60	EN20 Emissions of ozone-depleting substances		Data are not converted into FCF-11 equivalent.	67	+
61	EN21 Atmospheric emissions of NOX, SOX and other significant pollutants			68, i 072	+
	Emissions and wastes: Environmental Management System			68	+
62	EN23 Total weight of waste by type and disposal method			68, i 073	+
	Compliance with environmental requirements; Environmental Management System	6.1. Environmental Management		66	+
63	EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations			66, i 069	+
	General information: Environmental Management System			66	+
64	EN31 Total environmental protection expenditures and investment by type		Information is partially disclosed due to the absence of centralized accounting.	66	+
	Employment: JV	7.5. Availability of Replacement Personnel 7.2. Labor Conditions and Organization		80 75	+
65	LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region	7.5. Availability of Replacement Personnel	Data in absolute values are not disclosed (the number of persons who were accepted into and who left the organization).	80, i 100	+
66	LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	7.2. Labor Conditions and Organization		76	+
67	LA3 Percentage of employees who returned to work after maternity/paternity leave as well as the remaining share of employees of the Company who remain with the company after the maternity/paternity leave in terms of the gender		The total number of employees who were entitled to maternity leave and the retention rates are not disclose because such records are not kept.	76, i 092	+
	Relations between staff and management: Environmental Management System			75	+
68	LA4 Minimum notice periods regarding significant operational changes, including whether these are specified in collective agreements			75, i 086	+
	Occupational Health and Safety: Environmental Management System	7.3. Occupational Health and Safety		77	+
69	LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender		Coefficients have not been calculated because records are kept in absolute numbers.	77, i 095	+
70	LA7 Workers with high incidence or high risk of diseases related to their occupation			78, i 097	+
71	LA8 Health and safety topics covered in formal agreements with trade unions			77	+
	Training and education: Environmental Management System	7.5. Availability of Replacement Personnel 7.4. Personnel Efficiency		80 79	+
72	LA9 Average training hours per year per employee by gender and personnel category	7.5. Availability of Replacement Personnel	A breakdown by gender is not provided because such records are not kept.	87, i 113	+
73	LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	7.4. Personnel Efficiency		79, i 099	+

38 – Information on management approach

#	Standard element	Report section	Excluded information	Page	Auditor's assurance
	Diversity and equal opportunities: Environmental Management System	7.1. Personnel Composition		74	+
74	LA12 Composition of governance bodies and personnel with a breakdown by gender and age group		No breakdown by personnel category is provided because such records are not kept.	75, i 083	+
	Mechanisms for bringing complaints against labor practices: Environmental Management System	7.2. Labor Conditions and Organization		75	+
75	LA16 Number of complaints filed against labor practices that were processed and resolved through formal mechanisms			76	+
	Combating fraud: Environmental Management System	2.2. Ethics and Anti-Corruption Practices		36	+
76	SO5 Confirmed incidents of corruption and actions taken			37	+
	Compliance with requirements (society): Environmental Management System	8.3. Compliance with Legislation		92	+
77	SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations			92, i 120	+
	Consumer's health and safety: Environmental Management System	4.2. Quality and Industrial Safety		52	+
78	PR1 Percentage of significant product and service categories for which health and safety impacts are assessed for improvement			52	+
79	PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning the impact of production and services on health and safety in terms of the types of outcomes		A breakdown by gender is not provided because such records are not kept.	53, i 043	+
	Marketing communications Environmental Management System	9.1. External Communications		94	+
80	PR7 Requirements for marketing communications and current practices			i 121	+
	Compliance with requirements (product responsibility): Environmental Management System	8.3. Compliance with Legislation		92	+
81	PR9 Fines and non-monetary sanctions for non-compliance with laws and regulations and requirements for products			92, i 120	+

In preparing the Report, the Company followed the principles detailed in the GRI G4 Guidelines:

GRI 4-18

Principles	How considered
Stakeholder inclusiveness	In the reporting year, two part-time social dialogues were conducted. All observations and recommendations were reflected within the Report.
Sustainability context	The Report traditionally includes a section on sustainable development strategies, which provides relevant information and contains cross-references to the thematic sections of the Report.
Materiality	Materiality of aspects was assessed in the course of preparation of the Report in accordance with the developed methodology.
Completeness	The Report presents all material information for 2015.
Balance	The Report provides information on both the achievements and the problems and risks of the Company.
Comparability	All the data contained in the Report are presented using comparable boundaries and measurement units.
Accuracy	All indicators are calculated on the basis of methodologies adopted by the Company.
Timeliness	Publication of the Report is implemented according to the schedule complying with the legislation of the Russian Federation.
Clarity	The Report contains a system of cross-references. In addition, the Report includes a glossary.
Reliability	Reliability of the information provided in the Report is ensured through internal audit procedures and independent external assurance.

Appendix 6. Accounting Statements of JSC Atomenergomash

Item	Code	As of December 31, 2015	As of December 31, 2014	As of December 31, 2013
ASSETS				
I. NON-CURRENT ASSETS				
Intangible assets,	1110	14,069,248	14,134,043	12,948,401
including: business reputation	1111	13,636,533	13,575,350	12,410,359
Research and development results	1120	297,505	352,069	217,741
Intangible search assets	1130	-	-	-
Tangible search assets	1140	-	-	-
Fixed assets	1150	29,642,821	27,095,964	22,482,140
Buildings, machinery, equipment, and other fixed assets	1151	24,999,965	23,851,876	19,059,120
Incomplete capital investments in fixed assets	1152	2,985,687	2,682,555	3,051,014
Prepayments to suppliers and contractors for capital construction and to suppliers of fixed assets	1153	1,657,168	561,533	372,007
Income-yielding investments in tangible assets	1160	2,407	691,128	79,662
Financial investments	1170	10,218,934	2,939,103	7,126,688
including: Financial investments in affiliates	1171	68,812,	107,705	1,456,003
Deferred tax assets	1180	2,996,267	2,506,214	1,990,442
Other non-current assets	1190	7,235,334	12,948,092	10,121,446
Total for Section I	1100	64,462,515,	60,666,613	54,966,521
II. CURRENT ASSETS				
Inventories,	1210	22,959,014	22,011,571	19,201,562
including:				
raw materials and other similar values	1211	9,774,723	10,015,254	7,851,645
work in progress	1212	10,357,386	8,102,321	9,410,452
finished products and goods for resale	1213	2,384,421	3,156,849	1,816,739
shipped goods	1214	442,484	737,148	122,727
other inventories and expenses	1219	-	-	-
Value added tax on purchased goods	1220	1,089,984	610,335	932,440
Accounts receivable	1230	48,220,746	34,105,656	26,729,726
settlements with buyers and customers	1231	23,127,496	19,006,575	14,504,894
advance payments issued	1232	14,470,845	6,596,377	4,765,513
other debtors	1233	3,814,400	3,798,559	5,787,813
gross revenue not invoiced	1234	6,808,005	4,704,146	1,671,536
Financial investments (excluding cash equivalents)	1240	4,911,093	41,750,299	9,384,094
Cash and cash equivalents	1250	52,049,358	4,324,725	4,430,631
Other current assets	1260	5,113,050	4,772,746	155,511
Total for Section II	1200	134,343,241	107,575,331	60,833,967
BALANCE	**1600**	**198,805,757**	**168,241,944**	**115,800,488**
LIABILITIES				
III. CAPITAL AND RESERVES				
Authorized capital (joint-stock capital, authorized fund, contributions of partners)	1310	1,016	1,016,	738,
Authorized capital of the Company, the share of which does not belong to the parent company	1311	7,301,107	6,152,616	5,836,885
Own shares repurchased from shareholders	1320	-	-	-
Contribution to the authorized capital obtained from shareholders (members) prior to the registration of changes in constituent documents	1330	5,940,971	59,300	8,124,978
Revaluation of non-current assets	1340	386,374	244,904	318,306
Paid-in capital (without revaluation)	1350	23,266,946	22,094,631	14,725,036
Reserve capital,	1360	566,589	485,190	442,158
including:				
reserves formed in accordance with the law	1361	141,021	106,383	67,246
reserves formed in accordance with the constituent documents	1362	425,568	378,806	374,912
Retained earnings (uncovered loss)	1370	2,715,790	4,844,136	4,351,417
Total for Section III	1300	40,178,794	33,881,792	33,799,518
Minority share	1301	(7,998,525)	(3,172,418)	1,651,369
Business reputation	1302	447,661	383,882	252,597

Item	Code	As of December 31, 2015	As of December 31, 2014	As of December 31, 2013
IV. LONG-TERM LIABILITIES				
Borrowings	1410	5,034,716	10,297,050	8,785,119
Deferred tax liabilities	1420	-	-	-
Estimated liabilities	1430	248,197,	234,698	307,315
Other liabilities	1450	47,209,615	47,021,315	21,374,594
Total for Section IV	1400	52,492,528	57,553,063	30,467,028
V. SHORT-TERM LIABILITIES				
Borrowings	1510	40,446,756	26,544,751	13,109,538
Accounts payable,	1520	67,042,557	48,309,078	32,496,673
including:				
suppliers and contractors	1521	12,206,141	10,468,512	7,185,364
advance payments received	1522	44,011,373	30,118,422	19,956,378
debt to the staff of the organization	1523	538,201	506,862	518,126
amounts owed to state extra-budgetary funds	1524	269,599	186,939	180,036
debts for taxes and dues	1525	2,442,914	2,246,404	1,136,976
other creditors	1526	7,574,330	4,781,939	3,519,792
Revenue of the future periods	1530	311,957	453,096	312,419
Estimated liabilities	1540	5,349,564	3,860,083	3,277,045
Special-purpose financing	1546	534,469	428,569	434,228
Amounts owed to customers	1547	-	-	-
Other liabilities	1550	-	48	73
Total for Section V	1500	113,685,302	79,595,625	49,629,976
BALANCE	**1700**	**198,805,757**	**168,241,944**	**115,800,488**

Deputy Chief Executive Officer -
Director for Economics and Finance

S. N. Filatov

Combined Statement of Financial Performance for January – December 2015

Notes	Item	Line code	During the reporting period	Over the same period of the previous year
5.8	Revenue	2110	56,154,272	48,916,761
	Prime cost of sales	2120	(46,681,611)	(40,899,130)
	Gross profit (loss)	2100	9,472,661	8,017,631
	Commercial expenses	2210	(1,362,848)	(1,191,254)
	Administrative expenses	2220	(5,534,666)	(5,128,077)
	Profit (loss) on sales	2200	2,575,147	1,698,300
	Income from participation in other organizations	2310	2,851	3,438
	Interest receivable	2320	2,416,326	910,857
	Interest payable	2330	(3,606,149)	(1,687,805)
	Other income	2340	13,286,529	5,947,408
	Other expenses	2350	(16,643,332)	(11,977,649)
3.3	Capitalized income (loss)	2360	(38,895)	27,398
	Pre-tax profit (loss)	2300	(2,007,523)	(5,078,053)
	Current income tax	2410	(2,921,423)	(1,475,419)
	including permanent tax liabilities (assets)	2421	(80,327)	(382,773)
	Change in deferred tax liabilities	2430	(324,628)	(361,118)
	Change in deferred tax assets	2450	1,169,087	734,450
	Other	2460	134,494	130,070
	Redistribution of income taxes in the consolidated group of taxpayers	2465	(317,654)	80,676
	Net profit (loss)	2400	(4,267,648)	(5,969,394)
	Profit attributable to the group	2470	642,286	(1,335,918)
	Profit attributable to minor shareholders	2480	(4,909,933)	(4,633,476)

Deputy Chief Executive Officer -
Director for Economics and Finance

S. N. Filatov

Appendix 7.
Internal Auditor's Report

Report of the Directorate of Internal Audit of the Company based on the results of the internal audit process of the generation of public reports of JSC Atomenergomash for 2015.

The internal audit process of generation of the public annual report of JSC Atomenergomash was conducted in accordance with:

- *the Unified Industry Regulations for the Organization and Implementation of Internal Audit and Internal Financial Audit as part of "Internal Audit" and "Internal Financial Audit" Processes approved by the Order of Rosatom State Corporation dated December 26, 2014 and registered under No. 1/1293-P;*
- *the Unified Sectoral Policies of Rosatom State Corporation in the field of public accounting approved by the Order of Rosatom State Corporation dated November 11, 2015 and registered under No. 1/1069;*
- *the Standard of Annual Financial Statements of JSC Atomenergomash approved by the Order of JSC Atomenergomash dated March 3, 2016 and registered under No. 33/63-P;*
- *the Main Provisions of the GRI Sustainability Reporting Guidelines (version: G4);*
- *Series AA1000 international standards;*
- *the International Integrated Reporting Framework (IIRC) and other regulatory legal acts in the field of public reporting.*

Regulations of annual reporting were approved by the Order of the Chief Executive Officer of JSC Atomenergomash dated March 3, 2016 and registered under No. 33/63-P according to which, the responsibility for the preparation and the presentation of information is entrusted to managers and employees of structural units involved in the process of public reporting.

The key points about the actual organization of the process in the Company are: the creation of a concept of annual reports, the coordination and the approval of annotated content of the report, the preparation of a draft annual report, the implementation of dialogues with stakeholders, the adjustment of the draft report, and the implementation of public consultations.

In the course of the audit, the following were performed:

- *evaluation of the effectiveness of the system of internal controls of the public reporting formation process (including an analysis of the regulation and formalization of key processes associated with the generation of public reporting, and an analysis of the effectiveness of the implementation of key control procedures to ensure the accuracy of the generation of public reporting);*
- *assessment of the compliance of the generation of public reporting with the current legislation, internal regulations and international guidelines that govern the business process of the generation of public reporting;*
- *provision of recommendations to improve the quality of preparation of public reporting.*

The audit results lead to the conclusion on a satisfactory condition of the system of internal controls of the generation of public reporting and on the compliance of the generation of public reporting of JSC Atomenergomash with the current legislation, the Policy of Rosatom State Corporation in the field of public accounting, and internal regulatory requirements of JSC Atomenergomash that govern the business process of the formation of public reporting.

Internal
Audit Director
of JSC Atomenergomash

A. L. Levenshteyn

May 25, 2016

Moscow

Appendix 8.
Non-Financial Auditor 's Opinion

Introduction

The subject of the assurance is the Integrated Annual Report of Joint-Stock Company Nuclear and Power Engineering (hereinafter referred to as the Report) for the period from January 1 to December 31, 2015. This conclusion is addressed to the management of Joint-Stock Company Nuclear and Power Engineering (hereinafter referred to as JSC Atomenergomash).

Responsibilities of the Parties

The management of JSC Atomenergomash is fully responsible for the preparation and accuracy of this Report. We are responsible for the assurance of the Report only to JSC Atomenergomash within the framework of the terms of reference and assume no responsibility to any third party.

Scope, criteria and level of endorsement

The subject of the assurance is the Report which includes information about the activities of the Machine Building division of Rosatom State Atomic Energy Corporation (JSC Atomenergomash) as well as significant aspects of information about the activities of entities included in the management perimeter of JSC Atomenergomash (hereinafter referred to as EMPs).

The Report was evaluated based on the following criteria:

- *The nature and level of compliance of JSC Atomenergomash with the AA1000APS Accountability Principles Standard 2008: inclusivity, materiality, and responsiveness.*
- *Compliance of the Report with requirements of the Regulations on reporting in the sphere of sustainable development of Global Reporting Initiative (the main option in compliance with GRI G4 Manual);*
- *observance of requirements of the International Integrated Reporting Framework.*
- *observance of requirements of the current legislation of the Russian Federation to annual reports of joint-stock companies regarding disclosed data;*
- *observance of standard requirements of Rosatom State Corporation and internal local regulations of JSC Atomenergomash regarding contents of the public reporting.*

Our audit was planned and performed in accordance with AA1000 Assurance Standard 2008 (the moderate level of assurance) and ISAE 3000 International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information (the limited level of assurance). The assurance corresponds to the Type 2 as defined by AA1000AS 2008, taking into account the limitations specified in the section "Limitations of the assurance" of this conclusion.

The selective verification of information in the Report that we performed as part of the afore mentioned levels of assurance does not claim to provide a high level of assurance. The work was based on the supporting materials provided by the Company's management and employees, publicly available information and analytical methods of confirmation. With respect to the quantitative information contained in the Report, the work performed cannot be considered sufficient for the identification of potential deficiencies and misstatements. However, the collected evidence is sufficient to express our opinion in accordance with the aforementioned levels of assurance.

Methodology of assurance

The following procedures were performed as part of the assurance work:

- *Study and selective testing of systems and processes implemented by JSC Atomenergomash in order to ensure and analyze the Group's compliance with AA1000 APS 2008 principles, collection of evidence that confirms the practical implementation of principles;*
- *Holding interviews and acquisition and receipt of documentary confirmations from the representatives of the management of JSC Atomenergomash and JSC SNIIP;*
- *Study of the minutes of dialogs and public consultations with stakeholders;*
- *Study of the information available on the websites of JSC Atomenergomash and key EMP concerning activities in the context of sustainable development issues;*
- *Study of the published statements of third parties concerning the economic, environmental and social aspects of the activities of JSC Atomenergomash and EMPs in order to verify the reliability of the statements made in the Report;*
- *Comparative analysis of the Report with reports of foreign companies in a similar market segment;*
- *Analysis of the non-financial reporting internal audit processes used at JSC Atomenergomash;*
- *Selective review of documents and data on the performance of the management systems employed by JSC Atomenergomash for the economic, environmental and social aspects of sustainable development;*
- *Review of existing processes for the collection, processing, documenting, transmission, analysis, and selection of data to be included in the Report;*
- *Analysis of information in the Report for compliance with criteria specified above.*

Limitations of assurance

The assurance is limited to the reporting period (January 1 to December 31, 2015).

Reliability of the information on performance presented in the Report was only evaluated with respect to the compliance with the recommendations of GRI G4 Manual to the main variant of the Report preparation "compliant with" and information refererred to in the GRI Content Index. The assurance on the reliability of the quantitative performance data disclosed in the Report was made as an assessment of compliance with internal and public reporting documents provided to us.

The assurance does not apply to forward-looking statements or statements expressing the opinions, beliefs or intentions of JSC Atomenergomash to take any action relating to a future time. The assurance was not performed with respect to statements based on expert opinion in the Report.

The assurance was conducted solely with respect to the version of the Report submitted in Russian in MS Word format and containing information as subject to publication in a hard-copy form as well as in electronic form on JSC Atomenergomash website.

Conclusions

The following conclusions are based on the assurance work we conducted within the scope and limitations specified above.

Nature and degree of compliance with AA1000 APS principles

As a result and within the scope of our work, we did not identify material misstatements to criteria of AA1000 APS 2008 standard regarding observance of the principles (involvement, importance, susceptibility).

Compliance of the Report with the requirements of the Regulations on reporting in the field of sustainable development of global reporting initiative (the main option "in compliance with" the GRI G4 Maual).

In order to express an opinion on this Report, we have analyzed its compliance with GRI G4 recommendations when preparing the Report with respect to the reporting principles and standard elements for the stated level of the Report preparation "complant with."

- *Disclosure of the general standard reporting elements is generally presented with observance of GRI G4 requirements for the declared option of report preparation "in compliance".*
- *The Report discloses impacts making the aspect essential, approaches to management of this aspect, and mechanisms of approach assessment in the management sphere for individual essential aspects.*
- *All indicators that are necessary for ensuring the implementation of requirements to the main option "in compliance with" GRI G4 Manual are provided in the Report mainly with observance of instructions to GRI G4 indicators. If complete disclosure of indicators is impossible, the Report must indicate what information was excluded. The reasoning behind the incomplete disclosure is provided with respect to all the indicators that are necessary in order to ensure the implementation of requirements to the main option "in compliance with" the GRI G4 Manual.*

As a result and within the scope of our work, we did not identify material misstatements in the information contained in the Report that is referred to in the GRI Content Index.

Overall assessment of the Report

As a result and within the scope of our work, we did not identify any material deviations from the requirements for the main option of preparation of the report "in compliance with" the GRI G4 Manual.

Observance of requirements of the current legislation of the Russian Federation to annual reports of joint-stock companies regarding disclosed data

As a result and within the scope of our work, we did not identify material deviations of the Report from requirements of the Provision on information disclosure by issuers of equity securities (approved by the Bank of Russia on December 30, 2014 and registered under No. 454-P) in the part of the disclosure in annual reports of joint-stock companies. At the same time we note that the Report contains no detailed costs by types of energy resources.

Observance of standard requirements of Rosatom State Corporation and internal local regulations of JSC Atomenergomash regarding contents of the public reporting

Within the scope of the Report, JSC Atomenergomash disclosed a number of indicators that were presented in the Annual Reporting Standard of JSC Atomenergomash and that were recognized as significant by JSC Atomenergomash. As a result and within the scope of our work, we did not identify material noncompliance of disclosures of indicators included in the Index of Indicators of JSC Atomenergomash with the requirements of Rosatom State Corporation Policy in the field of public accounting and Annual Reporting Standards of JSC Atomenergomash.

Compliance of the Report with the requirements of the International Integrated Reporting Standard

As a result and within the scope of our work, we did not identify material deviations of the Report from the fundamental principles of the International Standard for Integrated Reporting and from the requirements for the composition of the elements of content required for an integrated report. At the same time, we note that the requirements of paragraph 1.20 with respect to availability of confirmation of the compliance of the Report with the requirements of the International Integrated Reporting Standard have not been complied with.

Recommendations

1. In order to increase the degree of comparability, it is expedient to disclose GRI indicators in connection with target values and future plans.
2. Increase the extent of indicators disclosure concerning which instructions to GRI G4 indicators have not been considered not in full (partial disclosure).
3. Provide an explanation of the reasoning behind the incomplete disclosure in accordance with the GRI guidelines in all the cases of an incomplete disclosure of indicators.
4. Take into account the comments contained in the above sections of the conclusion.

Statement of competence and independence

JSC NP Consult is an independent audit organization that provides professional assurance services and is a licensed provider of assurance services in accordance with applicable requirements of the AA1000AS accounting standard. JSC NP Consult is a member of the self-regulated organization of auditors NP Institute of Professional Auditors and acts in accordance with the IFAC Code of Ethics for Professional Accountants. The company employs a system of control over the quality of audit services, including control over compliance with ethical norms.

JSC NP Consult officially states that the present Report constitutes the assessment of an independent auditor. JSC NP Consult and its employees have no relations with JSC Atomenergomash or its subsidiaries or affiliates that could result in a conflict of interests related to the independent assurance of the Report.

Chief Executive Officer
of Joint-Stock Company
NP Consult

May 27, 2016

V. Yu. Skobarev

Moscow

Appendix 9.
Conclusion on the Public Assurance

Representatives of JSC Atomenergomash (hereinafter referred to as the Company) have asked us to assess its Integrated annual report for 2015 (hereinafter referred to as the Report) in terms of its completeness and materiality as well as the effectiveness of Company's response to the suggestions of its stakeholders.

We take into account and recognize as the dignity that during the preparation of the Report JSC Atomenergomash forced the implementation of leading international and industry standards, including the Guidance of Global Reporting Initiative (GRI) of the latest version of G4, International Integrated Reporting Council (IIRC) and AA1000 Series Standards and Policy of Rosatom State Corporation in the field of public reporting.

The Report addresses the most important topics that are relevant to the Company and to its stakeholders. The structure of the Report helped reveal the key results and impacts in the economic, environmental and social areas of activity of the Company. The method of materiality assessment for inclusion in the Report that was developed and implemented by the Company and based on the requirements of international standards has allowed for considering the opinion of the Company's top management and stakeholders. In our opinion, there is no reason to doubt the objectivity of the procedure for determining the content of the Report.

In our opinion, the Report provides the most meaningful information to the stakeholders of the Company. We are not aware of any evidence that calls into question the accuracy of the information contained in the Report or that points to the concealment of material information. The results of operations are set out in the Report in a balanced manner: both achievements of the Company and its key challenges and risks have been presented.

In the reporting year, the Company has attracted stakeholders in the preparation of the Report in the form of correspondence social dialogue, which has allowed participants to present their recommendations to and obtain a response from the Company. According to the results of dialogues, the Company has drawn up protocols and agreed them with the participants; in accordance with these protocols, the text of the Report was amended and comments were introduced which allowed increasing the awareness of stakeholders on the matters of interest. In addition, the Company has complied with its commitments undertaken during the previous reporting campaigns.

During this year, the Company has maintained the efficiency of interaction with stakeholders. Separately, we would like to note that the Company continuously engages in serious work in order to ensure a wider audience of dialogue, including the attraction of new participants.

We are confident that JSC Atomenergomash will consistently implement its commitments, plans, and intentions as set forth in the 2015 Report and will continue to develop activities in the field of public reporting and stakeholder engagement.

P. A. Belousov
Associate Dean for Research National Research Nuclear University MEPhI, Associate Professor

S. S. Golovachev
Leader of the Project "Development of the Public Reporting System" in Rosatom and its organizations

V. E. Zinoviev
Head of Strategic Development and Implementation of Projects in JSC TKZ Krasny Kotelshchik

A. K. Nikitin
Head of the Board of ERC Bellona

V. V. Petrunin
First Deputy Director - General Designer, Chairman of the public reporting of JSC Afrikantov OKBM

Y. Z. Saakyan
General Director of Autonomous NonCommercial Organization "Institute of Problems of Natural Monopolies"

E. N. Feoktistova
Director of the Center for Corporate Social Responsibility and Nonfinancial Reporting under RSPP

A. Y. Khitrov
General Director of All-Russian Sectoral Association of Employers "Union of Employers of Nuclear and Power Industries, Science of Russia"

M. I. Oyrakh
General Director of Horizon LLC

Yu. V. Borisov
Deputy Chairman of the Russian Trade Union of Nuclear Power and Industry Workers

Appendix 10.
Consideration of Stakeholder Opinions

GRI 4-27 Table on the consideration of stakeholders' suggestions on the content of the Annual Report

#	Suggestion/recommendation	Company's response
SHAREHOLDERS, ROSATOM STATE CORPORATION		
1.	The recommendation is to include a draft list of persons exercising public reassurance into the concept	Each year, the composition of public witnesses remains virtually unchanged. Inclusion of additional persons into the list of witnesses will be made during the reporting campaign in the event of their high interest in the Report.
2.	Include the key events of the reporting period that are relevant for the preparation of the report (the information context)	Taken into account: based on last year's experience, the report reveals cases on key events of the reporting period
3.	Reflect the history of the emergence of significant aspects	The list of issues is formalized by the Standard for public reporting of JSC Atomenergomash and is adjusted on the basis of the recommendations including recommendations filed by stakeholders.
4.	What is the general method of determining materiality? Has a survey of stakeholder been implemented?	Taken into account. The methods of determining the essential (material) aspects are formalized in the Regulations on public accountability of JSC Atomenergomash. This technique was included in the concept of the Reports of previous years, was presented at industry seminars, and was accepted as a basis for all key organizations of Rosatom State Corporation (for public reporting purposes).
5.	Recommendation on consideration of the possibility of including a subject related to import substitution into the report	Import substitution is not an independent subject for disclosure. The results of the Company that can be attributed to import substitution will be disclosed in the "Innovation Activities" section.
6.	Combination of three sections into one (Internal Control, Audit, and Risk Management) seems to be artificial. The "Information about the Report" subsection should be moved to Appendices. The "Interaction with Stakeholders" subsection should be left in the "Communication Activities" section because it directly relates to the subject matter of the section.	Comments on the preservation of the "Interaction with Stakeholders" subsection in the "Communication Activities" section and the transfer of the "Information about the Report" subsection to Appendices have been approved and will be subsequently taken into account. Combining sections devoted to internal control, audit and risk management is logical within the framework of corporate governance functions for assessment of the reliability of financial statements and effectiveness and efficiency of its operations.
7.	It makes sense to issue a brief report before the main report rather than simultaneously.	We consider such a possibility in the subsequent accounting campaigns.
8.	Participation in international competitions is recommended because it allows obtaining an estimate of a qualitatively different level of reporting and establishing connections to different stakeholder target groups (in addition to the above, it makes sense to consider IR Society and Report Watch contests/ratings)	Participation in international contests involves significant financial costs, which becomes essential in terms of reducing the budgets for training and promotion of public accountability. The list of contests is primarily determined by matching the schedule of preparation of the Report and the deadlines for submission of applications for the contest.
9.	Provide the key indicators on page 5 in a three-year dynamics.	Not taken into account because the purpose of this table is to demonstrate the results of the reporting period rather than the dynamics of increase/decrease in the relevant figures in a three-year period.
10.	"Outsourced": the effectiveness of this measure is not clear.	The effectiveness of this measure lies in the reduction of the number of employees in compliance with the principles of social responsibility and minimization of social risks.
11.	Editing the contents headings The headings "Commercial Activities" and "Efficiency of Personnel" do not provide a clear description of the content of the corresponding sections. For example, "Commercial Activities" could be replaced with "Order Book Structure." The "Efficiency of Personnel" section presents data from a study about the involvement and the case about KVN (what this has to do with efficiency is unclear). Renaming the "Environmental Impact" section into the "Environmental Safety" is recommended.	The headings that are used in the structure of chapter titles are traditional for the Company and, in our opinion, are the most familiar to and understandable for readers.
12.	Making a greater emphasis on new (non-nuclear) businesses in the report structure (by highlighting them in the table of contents, for example) is recommended.	This will be taken into account in future reporting periods.
13.	Pages 13–16: it is advisable to provide a brief list of the range of products in this location (the beginning of the report) and to provide a more detailed list in Appendices or to provide a link to the website/interactive version of the report.	The concept of "range" does not imply briefness: the beginning of the Report presents the key business trends; the online version shows the range of corresponding products.
14.	Information about transactions on pages 29–39 should be placed in an Appendix.	Taken into account (issued into the interactive version of the Report).
15.	Pages 50–55 provide too much descriptive information on combating corruption (the existing documents of the Company, objectives, and procedures are listed); however, a report is primarily a presentation of the results for a particular year. Revising the section is recommended. As regards the regulatory framework, a link to the corporate website might be a better choice.	Taken into account.
16.	Page 106: explanation on the provided three-year dynamics of wage relations is required. Is this value high or low? How does it compare to other divisions of Rosatom State Corporation and to other Russian companies?	The Company does not perform such benchmarking.
17.	The report contains a large number of tables and data on all the organizations of the Division; however, little analytical comments that explain these numbers are provided (this is especially noticeable in the section on the personnel). In our opinion, we should not give each indicator for all the companies but rather focus on the clarification of values and dynamics of the overall figures for the entire Division.	A significant part of tables was transferred to the interactive version of the Report; analysis and comments are given where required.
18.	Shortening the text by 15–20% is recommended because the report currently has almost 200 pages and will increase even further when Appendices are added.	Taken into account; a significant part of the information has been transferred to the interactive version of the Report.
PERSONNEL/TRADE UNIONS		
19.	Leaving paragraphs 7.2 and 9.3. unchanged is recommended.	Taken into account.
20.	The last stage ("Annual Report Printing" and "Annual Reportt Placement on the Website") must be completed no later than on June 1, 2016.	Not taken into account: there is a practice that has been developed on the basis of the current legislation of the Russian Federation which provides for the approval of the Report by the General Shareholders Meeting, which is held in late June. Only then the Report can be published.
21.	Paragraph 7.1.: Specific criteria that will be determined for HR policies in the future (including interaction with universities, employment agencies, and training centers) should be developed. It is necessary to determine what competences the personnel has and what competences are already in demand. What specialists are employed in terms of their specialties and ages? How are issues of loss of competence and knowledge dealt with?	Taken into account. The Company has an HR Policy that covers these questions as well. A significant part of the criteria is internal information of the Company. Some information (for example, cooperation with universities, the introduction of the RPS, the Generation Bridge program) is already disclosed in Reports of the Company.
ENTITIES INCLUDED IN THE MANAGEMENT PERIMETER		
22.	For a better understanding of the "Specialization of the Division's Enterprises" table by a wide range of readers, explanation caption or legend for the figure should be made or uniform markers should be used because they carry no semantic load while misleading the reader.	To be taken into account in the design version: the use of uniform markers.
23.	A more detailed commentary on the table of the agenda for sustainable development should be provided in the report.	The design versions will contain references to relevant sections of the report with detailed information on all the issues.
24.	A more detailed description of the specific measures aimed at protecting intellectual property that are included in the reporting period should be provided in the report.	This will be taken into account in future reporting periods.
CUSTOMERS/PARTNERS		
25.	What is the reason for the reduction of the number of disclosed indicators?	The Company does not seek to continually increase the amount of information disclosed but rather concentrates on the quality of disclosure.
26.	The non-disclosure of what indicators has been approved in comparison with the 2014 Report?	It was decided not to disclose specific indicators of little information value, including the indicators whose values do not change annually.
27.	How will the wishes of the stakeholders that were made in previous periods be taken into account?	Every year, the obligations accepted by the Company during the previous reporting campaigns are audited in the course of preparation of the table of consideration of the wishes of stakeholders.
28.	The process of establishing the cost with a pattern in the form of a value chain should be disclosed.	The value chain in the framework of the business model will be disclosed in the report in as much detail as in the report for 2014.
29.	The volume of the report should not be reduced.	Overall, no reduction is expected. Reduction of the printed version will be compensated by the expanded volume of the interactive version of the report.

#	Suggestion/recommendation	Company's response
30.	The schedule of work does not determine an issue date of the brief version of the report.	Taken into account.
31.	In Section 4.1, it is more logical to list Russian nuclear power plants before listing foreign ones.	Taken into account.
SCIENTIFIC AND EXPERT COMMUNITY		
32.	The activities of scientific and technical organizations of the Division should be reflected.	To be reflected in the appropriate section of the report.
33.	Item V: paragraphs 5.1 and 5.2. should be changed (innovation activities are the next step after scientific activities). Innovation activities should also include the innovation infrastructure, cooperation with innovation centers (e.g., Skolkovo), technology parks, research centers, universities, laboratories, research facilities, Research & Development centers, business incubators, and small innovative enterprises. Paragraph 5.3. "Management of Intellectual Property" or, alternatively, "Knowledge Management" is missing as well as paragraph 5.4. "Attracting Investment and Capital."	We agree with the comment regarding the switching of sections of "Scientific Activities" and "Innovation Activities." Interaction with universities is presented in section 7.5. "Personnel Replacement." Most scientific papers of the Division are implemented within the scope of relevant financing of federal target programs (FTP). We agree with the comment regarding the addition of paragraph 5.3. "Management of Intellectual Property." The possibility of including paragraph 5.4 "Attracting Investment and Capital" will be considered in the next reporting period.
34.	The disclosure of quantitative and qualitative comparison of the results in comparison with competing companies in domestic and international markets should be considered.	Of course, this approach can be considered to constitute the best practice, and we will strive to disclose this information in future reporting campaigns.
35.	The disclosure of detailed information on the formation and the distribution of profit should be considered, inclusive of the following: 1. preparation of plans and disclosure of financial statements based on IFRS; 2. analysis of the structure and dynamics of expenses (e.g., factor analysis of fixed and variable operating costs); 3. the policy in the area of income distribution (the description of the mechanism for determining the share of profit allocated to dividends).	1. No such plans exist, the decision is adopted at the level of Rosatom State Corporation. 2. This information is internal and is not intended for disclosure. 3. The Company has not adopted a dividend policy, the decision on the payment of dividends is adopted by the General Meeting of Shareholders of JSC Atomenergomash.
36.	Under the current legislation, JSC Atomenergomash is not required to disclose information on compliance with the Code; however, we recommend that such information be disclosed for the purpose of improving the corporate structure and the work of audit bodies.	Taking into account the specifics of the legal status of Rosatom State Corporation, the Company applies separate norms of the Code of Corporate Governance in practice.

Table of consideration of recommendations received in the previous reporting period

#	Suggestion/recommendation	Company's response
1.	Disclose the indicator "Number of created highly productive jobs".	This will be taken into account in future reporting periods after a common calculation methodology is adopted.
2.	Consider the possibility of self-assessment in the field of social responsibility as per ISO 26000	At present, such work is not included in the Company's plans.
3.	Pay attention to market valuation of intangible assets of the Division, work relating to patent and legal protection of inventions, know-how, trademarks, brands and other intangible assets.	To be taken into account in future reporting periods.
4.	Disclose the amount of received grants as well as foreign and national investments in Research & Development and work with the public science foundations in the reports.	Partly taken into account in sections of the Report.
5.	Disclose the amounts of produced IP items and their appraised value as intangible assets, the number of publications on subjects of research, plans for the introduction of an IP management system in the Company.	Partially taken into account in section 5.2.
6.	Disclose data on Research and Development performed in cooperation with universities, as well as data on grants received from the Ministry of Education for the development of joint research, platforms, laboratories, industries, and enterprises.	Partly taken into account in sections of the Report.
7.	Disclose information about the number of claims for products and the number of warranty repairs for the last 10 years.	Partially taken into account in section 4.2.