

Information on the Report

The Public Annual Report for 2018 (hereinafter – the Report) of Rosatom State Corporation Engineering Division discloses financial and non-financial results of the activity in the reporting year. The report is issued in Russian and English. The English version of the Report is a translation of the Russian version approved in accordance with the established procedure

GRI 102-52

The integrated annual report is issued on an annual basis. This is the fourth report for the Division and the eleventh report for JSC ASE EC. Following the results of 2018, an integrated report of the Division, a booklet (short report) of the Division according to the results of the year and reports of subsidiaries have been issued.

Priority Topic of the Report – Engineering Division Transformation

High-priority topics of the Report are determined in the course of a dialogue on the significance determination by Rosatom Engineering Division management together with the key stakeholders' representatives.

The Report was developed in accordance with GRI principles.

International standards and guidelines

- AA1000 AP 2018.
- Global Reporting Initiative sustainability reporting standards (GRI SRS).
- The International Integrated Reporting Framework (International <IR> Framework).

Regulatory and legal framework of the Russian Federation

- Federal Law No. 208-FZ dated. 26.12.1995 (on Joint-Stock Companies).
- Letter by the Bank of Russia No. 06-52/2463 dd. 10.04.2014 “On corporate management code”.
- Law of the Russian Federation No. 5485-1 dd. 21.07.1993 “On State Secret”.
- Federal Law No. 98-FZ dd. 29.07.2004 “On Commercial Secret”.

“ Priority Topic of the Report – Transformation of the Engineering Division ”

- Federal Law No. 149-FZ dated 27.07.2006 “On Information, Information Technologies and Information Security”.
- Federal Law No. 402-FZ of 06.12.2011 “On Accounting”.

Rosatom State Corporation Regulatory documents

- Policy of Rosatom State Atomic Energy Corporation in the area of public accountability.
- Unified Industry Procedural Instructions for Public Reporting of Rosatom State Corporation and its Organizations.
- Ethical Code of the Rosatom State Atomic Energy Corporation.

Regulatory documents of the Engineering Division

- Regulations on Commission of Stakeholders of Rosatom State Corporation Engineering Division.
- Regulations on Public Reporting Committee of Rosatom State Corporation Engineering Division.
- Company standard STO 8841271.012–2016 “Procedure for elaboration of the Rosatom State Atomic Energy Corporation’s public annual report for the reporting period”.

GRI 102-54

GRI Application Level

This report has been prepared in accordance with the GRI Standards: Comprehensive option.

GRI content index and International <IR> Framework content index can be found in Appendix 1 of the Book of Appendices.

Report Scope

GRI 102-50

This Report summarizes the Division activities from 01.01.2018 till 31.12.2018.

GRI 102-51

Integrated Annual Report of the Engineering Division for the previous year (2017) was published in September 2018 on the web-site of the division, see: www.ase-ec.ru/sustainability/public-reporting/reports/

GRI 102-45, 102-49

As compared to the previous reporting period, the consolidation framework did not change. According to item 3 of Minutes of the Meeting of the Public Reporting Committee of the Division dated 01.11.2017, the basic consolidation framework is defined as JSC ASE EC, JSC ASE, JSC “Atomenergoproekt”, JSC ATOMPROEKT, their subsidiaries and other companies in the management scope of JSC ASE EC with planned revenue over 2 billion rubles or the number of employees exceeding 2 thousand (Trest RosSEM Ltd, JSC “NIKIMT-Atomstroy”, PJSC ESM). Financial indices for management accounting are generated on the basis of nine FRCs (Financial Liability Centers): JSC ASE EC, JSC ASE, JSC “Atomenergoproekt”, JSC ATOMPROEKT and five companies in the management scope (NUKEM Technologies GmbH, Nukem Technologies Engineering Services GmbH, Trest RosSEM Ltd, JSC “NIKIMT-Atomstroy”, PJSC ESM).

Some sections of the Report contain indexes for the organizations that have a significant impact on a specific activity of the Company. In such cases the consolidation framework is described separately. The Company can change the boundaries of the Report depending on the disclosed topic. The boundaries of each material topic were established by officials in charge of this subject management. The boundaries of reporting are determined according to the list of organizations within the Division's framework. Compared to the previous report, the following topics were considered to be significant: GRI 204 Procurement practices (2016), GRI 303 Water and effluents (2018), GRI 304 Biodiversity (2016), GRI 307 Environmental compliance (2016), GRI 406 Non-discrimination (2016), GRI 413 Local communities (2016).

The Report comprises target and estimated parameters in view of short-, mid- and long-term forecasts. The timing of plans/forecast disclosure in terms of separate indicators depends on the degree of confidentiality of information. Accounting (financial) reporting of JSC ASE EC, JSC ASE, JSC "Atomenergoproekt", JSC ATOMPROEKT, Trest RosSEM Ltd, JSC "NIKIMT-Atomstroy", PJSC ESM was prepared in accordance with Russian Accounting Standards (RAS). Accounting (financial) reports of JSC ASE EC and PJSC ESM is downloaded in the Interfax web-site:

- JSC ASE EC: www.e-disclosure.ru/portal/company.aspx?id=19054;
- PJSC ESM: www.e-disclosure.ru/portal/company.aspx?id=25762.

Information about the Auditor

The audit of accounting report of JSC ASE EC, JSC "Atomenergoproekt" and JSC "NIKIMT-Atomstroy" was performed by Nexia Pacioli Ltd., and the audit of accounting report of JSC ASE, JSC ATOMPROEKT and Trest RosSEM Ltd was performed by FBK, LLC. Information about Nexia Pacioli Ltd. Location: Bld. 1, 25, B. Polyanka str., Moscow, 119180. Certificate of state registration No. 856.235 of the Moscow Registration Chamber dated 23.06.1995, put into Uniform State Register of legal entities with No. 1027739428716 issued by the Moscow Interdistrict Tax Inspectorate No. 39 of the Ministry of Taxes and Levies on 22.10.2002.

Membership in the self-regulatory organization of auditors: Member of Self-regulatory Organization of Auditors Association "Sodruzhestvo" (included into the list of auditors and auditing organizations Sodruzhestvo on 28.10.2016).

Information about auditor Financial and Accounting Consultants Limited Liability Company. Location: 44/1, bldg. 2AB, Myasnitskaya street 101990, Moscow.

Registered by the Moscow Registration Chamber on 15 November 1993, registration certificate UZ Z No. 484.583 RP, put into the Uniform State Register of legal entities with No. 1027700058286.

Membership in the self-regulatory organization of auditors. The company is a member of Self-regulatory Organization of Auditors Association "Sodruzhestvo".

Responsibility for Report elaboration

GRI 102-32

The Report is signed by President of JSC ASE EC and chief accountant of JSC ASE EC, approved by board of directors of JSC ASE EC, JSC ASE, JSC "Atomenergoproekt" and JSC ATOMPROEKT.

Materiality definition process

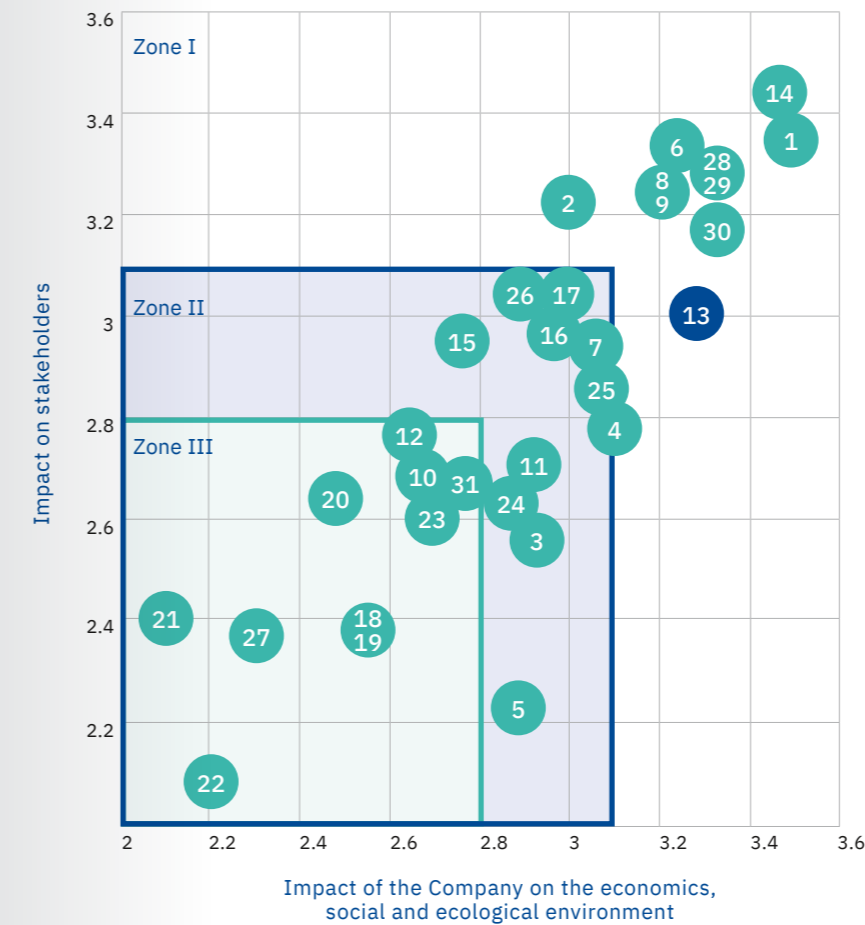
GRI 102-46

The material topics to be reflected in the report were identified during the report preparation. The works were performed as part of the communication with stakeholders based on Rapid Foresight technology. Materiality foresight was arranged in accordance with the GRI and International <IR> Framework procedures for defining the report content, on-line voting was used for the first time. The priority issues of the Report are defined by JSC ASE EC management and stakeholders' representatives in due course of material issues identification. Priority Topic of the Report – Engineering Division Transformation.

Table of disclosure of GRI SRS indicators, table of compliance with Standard <IR> (Appendix 1 of the Book of Appendices) contains information about 98 indicators on material topics.

GRI 102-47

Materiality matrix



Zone I – material topics mandatory for disclosure

- 1 NPP safety
- 2 Environmental and industrial safety at construction facilities
- 6 Ensuring of performance of the Company's obligations for the contracted projects
- 8 Reducing of time periods and cost of NPP construction
- 9 Portfolio of orders of the Company for the long-term perspective
- 13 Prioritized topic: transformation of the Engineering Division
- 14 Company's contribution into fulfillment of the "Digital economy of the Russian Federation" programme
- 28 Corporate culture : approach, norms, programmes, projects etc.
- 29 Company's compliance with up-to-date requirements set for engineering companies abroad
- 30 Safety Culture

Zone II – less material topics information for which is disclosed on the partial or selective basis

- 3 Management of industrial wastes during construction
- 4 Occupational health and safety
- 5 NPP Decommissioning projects
- 7 Development of the project management system
- 11 Improvement of operational effectiveness and labour efficiency
- 15 Division's compliance with the international agenda in the area of sustainability
- 16 Company's complex economy efficiency
- 17 Company's impact on the social economic development of the regions of operations
- 24 Company's fulfillment of regulatory requirements in the area of sustainability
- 25 Decent labour conditions and observance of employees' rights
- 26 Company's personnel's retraining

Zone III – less material topics information for which is disclosed on the partial or selective basis

- 10 Implementation of innovation projects
- 12 Company's intellectual property
- 18 Procurement management and countermeasures to the anti-competitive behavior
- 19 Anti-corruption Policy
- 20 Rational use of natural resources
- 21 Company's impact to biodiversity in the regions of operation
- 22 Emissions of greenhouse gases and other harmful substances
- 23 Suppliers and contractors evaluation in line with sustainability requirements
- 27 Observation of human rights during the Company's projects implementation
- 31 Responsible chain of supplies

Table 25. Comparison of material topics with GRI SRS standards

MATERIAL TOPICS	COMPLIANCE WITH GRI STANDARDS
NPP safety	103, 416
Environmental and industrial safety at construction facilities	103, 301, 303, 304, 306, 307, 403
Ensuring of performance of the Company's obligations for the contracted projects	103
Reducing of time periods and cost of NPP construction	103
Portfolio of orders of the Company for the long-term perspective	103
Engineering Division's transformation	103
Company's contribution into fulfillment of the "Digital economy of the Russian Federation" programme	103
Corporate culture : approach, norms, programmes, projects etc.	103, 404, 406, 407
Company's compliance with up-to-date requirements set for engineering companies abroad	103, 204, 413
Safety culture	103

Report verification

GRI 102-56

Independent auditor FBK, LLC was invited for checking the non-financial information in the Report. Assurance report can be found in Appendix 3 of the Book of Appendices.

The Report was subject to public/stakeholder verification procedures aimed at checking materiality and completeness of the reporting data and the Company's response to stakeholders' requests. Conclusion is given below.

The Report was subject to public/expert verification by Non-Financial Reporting Board of the Russian Union of Industrialists and Entrepreneurs and Russian Integrated Reporting Framework. Conclusions can be found in Appendices 4 and 5 of the Book of Appendices.

An internal audit of the process of elaboration of integrated public annual report of the Engineering Division for 2018 was performed. Conclusion of the Internal Audit can be found in Appendix 2 of the book of Appendices.

Disclaimer on Disclosure of Forecasted Data

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

Interaction during the Report Preparation

GRI 102-43, 102-44

During the preparation of this Report, public consultations and two dialogues with representatives of the main stakeholders were held.

A dialogue for determining the important subjects to be reflected in the Report was held in JSC ASE EC Moscow Branch Office on 13.11.2018. The dialogue was held with application of Rapid Foresight technology which made it possible to perform a full cycle of works for the development of matrix of significance as a result of joint work of the Company top-management and representatives of the main stakeholders.

A dialogue for determining the priority subject to be reflected in the Report (Engineering Division Transformation) was held in JSC ASE EC Moscow Branch Office on 26.02.2018.

Public consultations on draft report were held on 23.04.2018 in JSC ATOMPROEKT (St. Petersburg) with participation of JSC ASE EC Moscow Branch via video-conference.

In the course of dialogues during the report preparation, the stakeholders put forward 60 proposals and recommendations, 78% of which were requests for publication of certain information in the Report. Proposals related to the activities of the Company were submitted to appropriate structural divisions. The company has responded to recommendations on the draft report (about the structure, contents and format of the reporting documentation).

In total 84% of proposals were taken into account; 3% were not taken into account (argued answers were provided); 13% of proposals of the stakeholders will be taken into account or reviewed during the preparation of reports for the next reporting periods.

Table 26. Consideration of the experts' recommendations (upon conclusion by the Russian Union of Industrialists and Entrepreneurs)

No.	RECOMMENDATIONS	INFORMATION TO BE CONSIDERED
1	The Report provides information about the correlation between the Companies activities and the UN Sustainable Development Goals. It is recommended to expand the coverage of this topic in the future, to compare the goals of the Division with the global goals and reflect the correlation between the achieved results and the Sustainable Development Goals-2030, considering the growing interest in this subject worldwide.	Shall be considered in the reports of the next years
2	It is recommended to provide more details and more qualitative indicators when covering the expected impacts of the designed facilities on the economic and social sphere and on the environment.	Partially considered
3	It is recommended to pay more attention to human rights issue in business activities, not limiting to compliance with employment rights. This is especially important for a Company working in more than 20 countries, considering the importance of this subject in the global agenda.	Shall be considered in the reports of the next years
4	As the Report uses the concept of capitals and highlights the results of the Company's activity via their development, it is recommended to use a uniform structure of information disclosure on management of different types of capital.	Considered
5	It is advisable to reflect information on international and national initiatives in the field of corporate responsibility and sustainable development in which the Company participates.	Shall be considered in the reports of the next years
6	It is recommended to follow the principle of balance of information, to pay more attention to challenges of sustainable development management which the Division face.	Shall be considered in the reports of the next years

Table 27. Obligations for consideration of proposals made by representatives of the stakeholders in the course of dialogues during the preparation of reports of previous years

No.	RECOMMENDATIONS	INFORMATION TO BE CONSIDERED
1	Demonstrate global industry picture of the Company's competitive advantages in digitalization.	Considered
2	Demonstrate how intellectual property is capitalized, its influence on the business value and business-model (should be reflected visually).	Shall be considered in the reports of the next years
3	Describe how equipment suppliers who are beyond the management scope of Rosatom State Corporation, get interface with Multi-D and Information Management System (IMS).	Considered
4	Analyze the structure of the Division personnel with a break-down by competences and specialties, compare its results with the university specialties. Reflect the work of the Division related to personnel training.	Partially considered
5	Disclose information about the scope of intellectual deliverables as a result of joint work with universities.	Shall be considered in the reports of the next years
6	Add information about teaching personnel anti-corruption procedures.	Not considered
7	Describe the number of digital platforms in the Company, if there are several of them — their interrelation.	Considered
8	Add information about cases for using Multi-D, taking Rosatom Production System (RPS) as a basis.	Considered
9	Disclose the results of application of Multi-D in the Division, in digital values (deadlines, cost, processes, expenses), quote cases.	Considered
10	The annual report and the communications plan of the Division shall contain the effective, not technical part of Multi-D introduction.	Considered
11	Formulate the advantages of Multi-D as a flagship project of the nuclear industry in the field of digitalization, demonstrate the platform character of Multi-D and the possibility of its transfer to other areas (space, digital cities, etc.).	Considered
12	Describe how the business-model will change due to the commenced processes of digital transformation.	Considered
13	Specify which requirements are put to designers and environmental specialists in view of modern environmental quality management.	Considered

Table 28.
Consideration of proposals made by representatives of the stakeholders in the course of dialogues during the preparation of 2018 report

Stakeholders' proposals and comments	The Company's Response
Specify the parameters of respondent selection during survey on safety culture, specify whether the poll was voluntary.	Considered. Information has been sent to the relevant address, it will not be disclosed in the Report in detail.
Reflect the functions of risk management in safety culture.	Considered. Information has been sent to the relevant address, it will not be disclosed in the Report in detail.
Reflect the development of horizontal interaction (e.g., provide information about the workers' initiatives).	Considered. Information has been sent to the relevant address, it will not be disclosed in the Report in detail.
Reflect, apart from the time frame and cost of transformation, the criteria for its implementation, e.g. KPI system.	Partially considered
Tell about the combination of safety culture and general safety.	Considered
Clarify how the employees' qualification assessment contributes to ensuring the safety of facilities under construction.	Considered
Explain the correlation and succession between the strategy of digital transformation of the Company (including the implementation of Multi-D and establishment of a platform of NPP digital twins) and the Division transformation on the whole.	Shall be considered in the reports of the next years
Provide information about the time frame of transformation in the division, the scope of the planned changes, describe which trends or challenged the changed are aimed at.	Partially considered
Include the description of methodological and methodical issues of safety culture development (regulatory control, statistics, assessment of results, etc.).	Considered
Describe horizontal interactions in the Engineering Division.	Considered
Specify the concept of the Transformation that is under way: what is prioritized — standardization and typification of management functions and processes or development of the company's flexibility and ability to adapt itself to different situations in regions of operation.	Considered
Describe production system and quality management system of the Company.	Considered
Reflect a more explicit position and the interests of stakeholders in three spheres of the Company's influence (economy, environment and society).	Considered
Tell in more detail the practice of communicating the safety rules and safety culture tools to contractors and suppliers.	Shall be considered in the reports of the next years
Add more information about priority projects, goals and stages of the Transformation.	Shall be considered in the reports of the next years
Explain what the Company expects from Transformation, how the Transformation results are assessed.	Considered
Add information about the connection between safety culture development and the specific results, as well as safety enhancement works in the reporting year. The Report should demonstrate that safety culture works must bring about changes in business-processes and management systems of the Company.	Considered
Reflect more clearly the risks in the field of digitalization (digital transformation).	Partially considered
Take into account the public requirements to reporting — conciseness, clearness and style.	Considered
Add pictures demonstrating the technical achievements during NPP construction, pictures of workers involved in NPP construction.	Considered
Visual information, diagrams and information graphics on 3D modeling should be added to textual and statistical data of the Report, also to explain what is Multi-D approach.	Considered
Explain why the Division transformation is being implemented.	Considered

Stakeholders' proposals and comments

The Company's Response

All the activities of the Division including production activities should be visualized.	Considered
Demonstrate the results of digitalization of the Company activity as the recurring subject of the Report, in particular within the framework of capital management.	Partially considered
If possible, add to the Report different metrics and indicators of level of digitalization of the Company's activities (e.g., the number of services and functions that are automated and are implemented on the basis of data analysis, etc.).	Partially considered
Check the milestones in terms of their significance for the Company.	Considered
Check once again with Rosatom State Corporation (International Business Department) the data on NPP construction abroad.	Considered
Add case on virtual NPP into the section on digital and innovative products.	Considered
Reduce the size of interviews of top managers up to one page, move the textual part to the relevant sections of the Report.	Not considered. Managers' interview cover the strategic approaches to management (compulsory indicator GRI SRS)
The injuries section should contain the dynamics of indicators for three years in physical expression.	Considered
Reflect measures for prevention of injuries.	Considered
Add the list of major fields of R&D in the Company.	Considered
Move information on BR-1200 and Brest-300 projects to Innovations sections as prospective projects.	Considered
Add information about cooperation with research institutes and universities (p. 74) specifying the projects, volumes of financing over time.	Partially considered
Add to the report information about the Company work with intellectual capital, in particular, provide information about the number of R&D reports, publications, thesis defended by the Company's employees, the number of patents.	Partially considered
Add information about the share of assets (the value) of the Company that form the results of intellectual property (p. 81).	Not considered. The results of evaluation of intellectual property are commercial secret.
Add information about the target training of the personnel, in particular, how many were trained and how many were employed by the Company in the reporting year (p. 108).	Considered
Add information about the introduction of intellectual activities results.	Shall be considered in the reports of the next years (in long-term perspective)
Reflect information whether and how the Company participates in WorldSkills program.	Considered
The Report says that the Company owns category 1 facilities in terms of environmental impact — it is necessary to clarify whether it is true.	Considered
Increase the amount of quantitative data about the Company's impact on water resources, in particular, about the amount of wastewater discharge.	Considered
Explain the consequences of restructuring (integration) of design institutes for the Company's activities and distribution of resources among the projects (p. 66).	Considered
Add information about the projects implemented by the Company where Multi-D is applied, specify how the technology is applied (p. 70).	Considered
Explain the reasons, the problems and organizational status that resulted in transformation.	Considered
Supplement the Strategy section not only with SWOT-analysis, make an introduction to the topic "Company's strategizing". Clarify information about the shortage of the Russian budget in the provided PEST-analysis.	Considered
Provide information about the relation between achievement of Rosatom strategic goals and capital management in the Company (p. 19).	Considered

Stakeholders' proposals and comments

Double-check the information about the calculation of materiality matrix of the topics to be disclosed in the Report; explain why topic No. 14 (Contribution to Development of Digital Economy in RF) is above No. 1 (NPP Safety).

The Company's Response

Considered.
The materiality matrix was developed upon the results of the dialogue for determining the significant topics for the annual report that was held in November 2018 using Rapid Foresight technology and on-line voting. The location of significant topics in the materiality matrix was checked: it was based on realistic assessments given by the managers of the Division and the stakeholders during the dialogue; the participants of the dialogue verified the materiality matrix provided in the Report.

Explain the logic of the current hierarchy of the stakeholders in the Stakeholders Map.	Considered
Explain why the expenses for training are two times less than the expenses for charity.	Considered. Explanations provided. The Division expenses for employees' training and for charity are approved by Rosatom State Corporation.
If possible, assess all the types of capital in terms of their contribution to the Company's revenue.	Shall be considered in the reports of the next years.
Add parties to agreements concluded by the Company, explain how these agreements influence the management of the Company's capital.	Shall be considered in the reports of the next years.
Add explanation of the used terms and abbreviations to the Glossary.	Shall be considered in the reports of the next years and in the interactive version for 2018.
Consider the possibility of adding an aggregate impact index on the Company's capitalization for different types of capitals, in comparison with the previous years.	Shall be considered in the reports of the next years, provided an international or a Russian method of assessment of capitals impact on the Company's capitalization is developed.
If possible, increase retrospective of quantitative data up to 5 years.	Partially considered. In accordance with the requirements of international standards, retrospective is provided for two years back in relation to the reporting period. Data for earlier reporting periods can be found in annual reports of the previous years on the Division web-site: www.ase-ec.ru/sustainability/public-reporting/reports
Emphasize the unique character of Multi-D program.	Considered
The Occupational Safety section of the Report shall reflect quantitative data on injuries and describe the safety days that are organized (p. 116).	Considered
The Social Policy section of the Report shall reflect the events organized within the framework of AtomNEXT Forum.	Shall be considered in the reports of the next years.
Reflect the changes of requirements to personnel due to transformation and digitalization of the industry, if a shortage of qualified personnel is predicted for the nearest years, what measures are taken by the company to compensate these risks.	Considered
Give the sustainable development agenda in more detail.	Considered
Add information about the Company's work with local communities in the regions of operation.	Considered

Conclusion on the Public/ Stakeholders' Assurance of the Report

Introduction

The Engineering Division of Rosatom provided us with an opportunity to assess the Annual Report for 2018 (hereinafter referred to as the Report) including the completeness and materiality of the information provided therein and the Company's response to stakeholders' requests. For this purpose our representatives were given an opportunity to participate in public consultations on the draft Report which took place on 23.04.2019 and in two dialogues with stakeholders:

- dialogue for identification of material subjects to be reflected in the Report on 07.11.2018;
- dialogue on priority topics of the Report on 26.02.2019.

Report Assessment Procedure

Our conclusion is based on a comparative analysis of two versions of the Report (draft Report for public consultations and the final version of the Report) and the materials provided to us upon the results of the dialogues and consultations with stakeholders (protocols of the events, tables of comments of the stakeholders taken into account) and on the comments received from the management and the employees of the Engineering Division in the course of events related to the public assurance of the Report.

Checking of the system of information collection and information analysis as well as the reliability of the actual and forecasted data provided in the Report was beyond the tasks of the public assurance.

All participants of the public assurance had every opportunity to openly express their opinions. We have not received any remuneration from the Company for participation in the public assurance procedure.

Assessments, comments and recommendations

We are unanimous in a positive assessment of the Report – its format and the scope of information provided. The integrated character of the Report made it possible to fully disclose the reporting information about the results of the main activities of the Company, its effective performance in the field of sustainable development, strategy and plans for the future.

The Report was prepared under a broad framework: it includes reporting information of all the key companies of the Division (JSC ASE EC, JSC ASE, JSC "Atomenergoproekt" and JSC ATOMPROEKT) and a number of subsidiary companies in its scope of management.

The Engineering Division is involved in activities in many countries worldwide. That's why it is of extreme importance for the Company to prepare reports using international standards, use digital means of communication and be maximally transparent, also for representatives of its foreign stakeholders.

The report was prepared in accordance with the International <IR> Framework, AA1000 series of standards (Institute of Social and Ethical AccountAbility), Global Reporting Initiative sustainability reporting standards (GRI SRS, Comprehensive option).