

5. CORPORATE GOVERNANCE

5.1. CORPORATE GOVERNANCE SYSTEM

5.1.1. MANAGEMENT STRUCTURE AND BODIES

Under the Company Charter, the governing bodies are:

1. General Meeting of Shareholders (hereinafter referred to as GMS) is the supreme governing body of the Company.
2. Board of Directors is responsible for the general management of the Company's activities except for matters reserved for the General Meeting of Shareholders.

3. CEO is the executive body of the Company responsible for the management of the Company's current activities. CEO has power over all matters relevant thereto with the exception of those reserved for the general meeting of shareholders and the Board of Directors.

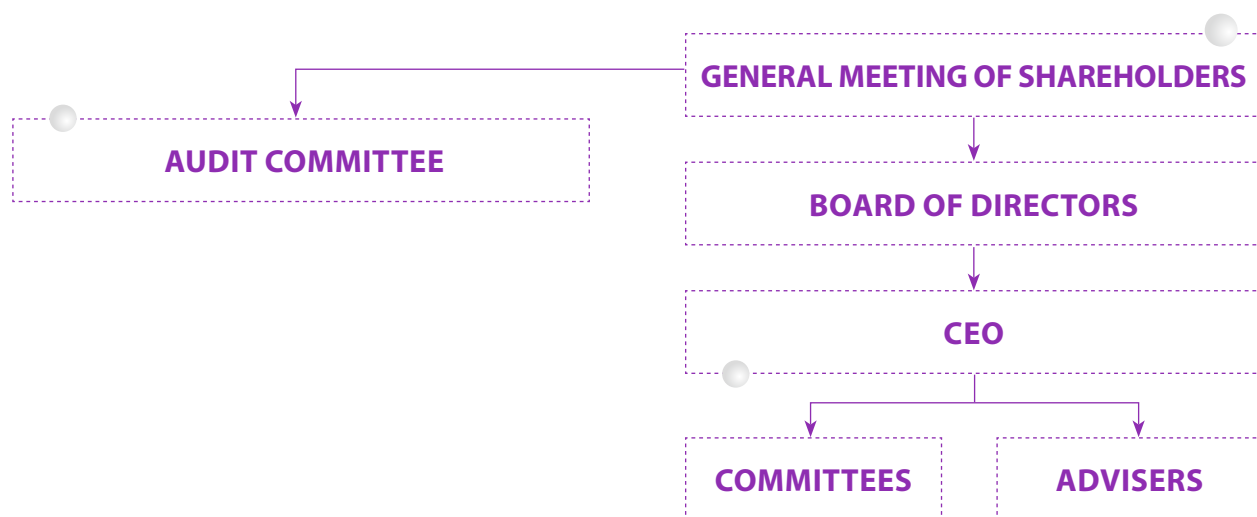
General Meeting of Shareholders

The powers, procedure for convening and holding the GMS are specified in the Company's Charter as well as in the Federal Law "On Joint Stock Companies". No Regulation "On the General Meeting of Shareholders" was adopted in the Company.

In 2013, 9 general meetings were held (1 annual, 8 extraordinary).



CORPORATE GOVERNANCE STRUCTURE OF THE ORGANIZATION



1 ISSUES ADDRESSED IN 2013 AT GMS

The Company did not perform major transactions in 2013.

Since August 20, 2013, OJSC Atomenergomash has no external shareholders other than industry enterprises. Therefore, the transactions concluded with the industry enterprises, including SASC of OJSC Atomenergomash, do not require corporate procedures for their approval by the OJSC Atomenergomash governing bodies as deals related party transactions, because all shareholders of the Company are deemed to be interested in such transactions.

Board of Directors

The powers of the Board of Directors are specified in the Company's Charter as well as in the Federal Law "On Joint Stock Companies".

The Company does not have any independent members of the Board of Directors as the term is defined in the Code of Corporate Conduct recommended for use in the Decree of the Federal Securities Commission of the Russian Federation No.421/r dated 04/04/2002.

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

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Members of the Board of Directors (hereinafter referred to as BoD) are nominated in accordance with the requirements of Article 52 of the Federal Law "On Joint Stock Companies" and Article 7–8 of the Company Charter.

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The Board of Directors uses the following procedures to prevent conflicts of interests and manage them in respect of the following matters:

1. Simultaneous membership

Members of the Company's Board of Directors, in case they are at the same time members of management bodies of other companies, will not vote in the Company's BoD meetings on matters

relating to approval of related party transactions, if they, by virtue of the Federal Law "On Joint Stock Companies", are deemed to be interested in such transactions. In addition, such persons will not vote at other companies' BoD meetings on matters regarding approval of related party transactions, if they, by virtue of the Federal Law "On Joint Stock Companies", are deemed to be interested in such transactions (or not deemed independent directors not interested in the transaction).

2. Affiliation

Before election to the Board of Directors, the nominees provide to the Company their Consent to be elected and a Statement. The Statement includes the nominee's obligation, in case he/she is elected to the Company's Board of Directors, to inform the Board of Directors, the Audit Committee and the auditor about him/herself, his/her spouses, parents, children, full and half brothers and sisters, adopters and adoptees, legal entities in which the nominee and/or such person(s) owns (own) solely or jointly with their affiliate(s) 20 or more percent of the voting shares; about legal entities in which the nominee and/or such persons is/are holds/hold positions in the management bodies, is/are a party, beneficiary, agent or representative in the transaction; about known and/or conducted or potential transactions in which the nominee and/or such persons may be deemed to be interested.

The powers of the Board of Directors are specified in the Company Charter. BoD meetings are convened as necessary. Meetings are convened by the Chairman of the Board of Directors on its own initiative or upon request of a BoD member, the CEO of the Company, the Audit Committee or Auditor of the Company.

In 2013, 64 meetings of the Board of Directors were held to address 262 agenda items.

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PERSONAL INFORMATION OF THE BOARD MEMBERS

IN 2013 THE BOARD OF DIRECTORS MEMBERSHIP WAS CHANGED TWO TIMES BASED ON GSM RESOLUTIONS No 04/13-ГOCA DATED 07/01/2013 AND No 09/13-BOCA DATED 10/07/2013.

YEKATERINA V. LYAKHOVA

DIRECTOR OF INVESTMENT MANAGEMENT AND OPERATIONAL EFFICIENCY AT ROSATOM STATE CORPORATION



CHAIRMAN OF THE BOARD OF DIRECTORS
Holds this position since 06/29/2012 to present

ALEXEY A. KALININ

DIRECTOR OF INTERNATIONAL BUSINESS DEPARTMENT AT ROSATOM STATE CORPORATION (UNTIL JULY 2013)



Held this position since 06/30/2011 to 10/04/2013

ANDREY V. NIKIPELOV

CEO OF OJSC ATOMENERGOMASH



Holds this position since 06/29/2012 to present

IGOR G. SHPAGIN

DEPUTY HEAD OF LEGAL AND CORPORATE
DEPARTMENT ROSATOM OVERSEAS
AT ROSATOM STATE CORPORATION



Holds this position since 10/14/2009
to present

EVGENIYA G. GORBUNOVA

DIRECTOR OF DEVELOPMENT AND RESTRUCTURING
AT ROSATOM STATE CORPORATION



Holds this position since 06/28/2013
to present

NIKOLAY S. DROZDOV

DIRECTOR OF INTERNATIONAL BUSINESS
AT ROSATOM STATE CORPORATION



Holds this position since 10/04/2013
to present

VLADIMIR G. ASMOLOV

FIRST DEPUTY GENERAL DIRECTOR
OF OJSC ROSENERGOATOM CONCERN



Held this position since 11/01/2006
to 06/28/2013

CEO

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In accordance with the requirements of Article 69 of the Federal Law "On Joint Stock Companies", Article 9 of the Company Charter, the CEO is responsible for the implementation of the decisions adopted by the general meetings of shareholders and the Board of Directors. The Board of Directors will set objectives for the CEO in accordance with the decisions adopted by the BoD.

The CEO of the Company, Andrey V. Nikipelov, was elected by a decision of the Extraordinary General Meeting of Shareholders dated April 17, 2012.

The CEO does not own any shares of the Company.

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The CEO directly participates in drawing up the Company's development strategy both at the level of mission and values, and at the level of functional strategies. Relevant documents are approved by the CEO, who further ensures approval of such documents by Rosatom State Corporation.

“ Our team is now joined by new directors. All of them are professionals in the relevant areas. I am confident that the new appointments provide the necessary platform for further positive dynamics of the business ”

Andrey Nikipelov,
CEO of OJSC Atomenergomash



1 OJSC ATOMENERGOMASH COMMITTEES

2 CENTRAL ARBITRATION COMMITTEE

3 CV

COMPANY TOP MANAGEMENT¹VLADIMIR
P. RAZIN

DEPUTY CEO — BUSINESS OPERATIONS
DIRECTOR



Holds this position since 2012

VADIM
V. PESOCHINSKY

DEPUTY CEO — ECONOMICS
AND FINANCE DIRECTOR



Holds this position since June 2013

¹ Top managers' responsibility for matters related to individual areas of activity is specified in relevant sections.

SERGEY A. KULESHOV

DEPUTY CEO — CORPORATE
GOVERNANCE DIRECTOR



Holds this position since 2006

KONSTANTIN V. TULUPOV

STRATEGY DIRECTOR



Holds this position since 2011

KSENIA A. SUKHOTINA

DEPUTY CEO, DIRECTOR, HUMAN
RESOURCES AND ORGANIZATIONAL
DEVELOPMENT



Holds this position since 2010

ALEXANDER L. LEVENSHTAIN

INTERNAL AUDIT DIRECTOR



Holds this position since 2007

ANDREY V. BUZINOV

SHIPBUILDING DIRECTOR



Holds this position since February 2014

VLADIMIR A. ANGELOV

NUCLEAR POWER DIRECTOR



Holds this position since January 2014

YURI A. ZUBKOV

GAS AND PETROCHEMICAL
INDUSTRY DIRECTOR



Holds this position since February 2014

YEVGENY M. PAKERMANOV

PROJECT DIRECTOR,
CEO OF CJSC AEM TECHNOLOGIES



Holds this position since 2012

ANATOLY P. OGURTSOV

ADVISOR TO THE CEO



Holds this position since 2010

VLADIMIR V. KOZLOV

ADVISOR TO THE CEO



Holds this position since 2012

VLADIMIR M. USHAKOV

ADVISOR TO THE CEO



Holds this position since 2009

NATALIA V. SHIROKOVSKIKH

CHIEF ACCOUNTANT



Holds this position since 2012

5.1.2. KEY PERFORMANCE INDICATORS AND REMUNERATION FOR THE MANAGEMENT

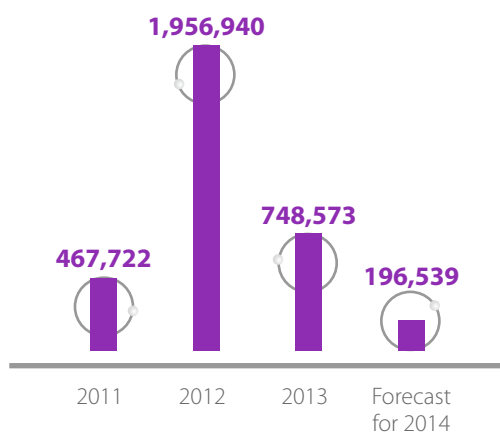
In the reporting year, no dividends were paid by OJSC Atomenergomash as no decision to declare dividends was made. No local regulatory acts governing the dividend policy were adopted by the Company.

Para. 2, Article 64 of the Federal Law "On Joint Stock Companies" states that based on decisions of the General Meeting of Shareholders, members of the Board of Directors of the Company during performance of their duties may be paid a remuneration and/or compensation of their expenses associated with the performance of their duties as members of the Board of Directors (Supervisory Board) of the Company. The amounts of such remuneration and compensation are defined by the General Meeting of Shareholders.

According to para. 8.13 of the Charter, the remuneration to the members of the Board of Directors can be paid in the amount defined by the General Meeting of Shareholders.

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PAYMENT OF DECLARED (ASSESSED) DIVIDENDS (FOR THE ENTIRE DIVISION), THOUSAND RUBLES



No special corporate procedures for assessment (analysis) of key performance indicators and remuneration for the management are provided for. The remuneration is effected in accordance with the provisions on the remuneration, based on the economic situation in the Company, and guarantees social protection for the employees. Performance assessment criteria correlate with the economic and other objectives of the Company.

In 2013, no decision to pay remuneration to the members of the Board of Directors was made by the General Meeting of Shareholders.

KPIS OF THE CEO OF OJSC ATOMENERGOMASH FOR 2013¹

Indicator	Result
AEM's Adjusted Free Cash Flow, bln. rubles	✓
EBITDA margin, %	–
Division's revenue from related products, bln. rubles	✓
Labor productivity, mln rubles/person	✓
Engagement level, %	✓
LTIFR, %	✓
State Defense Procurement Orders (SDPO)	✓

In accordance with the legislation, the information about the declared income, property and liabilities is presented on the Rosatom State Corporation web-site.

¹ Information regarding these indicators (except the SDPO) is available in the relevant sections. The KPIs for 2014 were not yet approved at the time the text of the Report was prepared.

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5.1.3. INTERACTION WITH SUBSIDIARY, AFFILIATE AND SUPERVISED COMPANIES



The Division has adopted a Regulation for interaction between OJSC Atomenergomash and SASC. The Regulation defines a procedure for interaction of OJSC Atomenergomash with SASC and establishes a basis and conditions for participation of OJSC Atomenergomash in making decisions by the SASC on the matters relating to industry processes.

The objectives of the Regulation are:

- to ensure implementation of the state policy for management of the organizations within the Russian Federation's nuclear power complex;
- to establish unified approaches to creating conditions and mechanisms ensuring safety of nuclear energy and to managing the organizations within the Russian Federation's nuclear power complex;
- to improve efficiency and optimize the methods for implementation of administrative functions;
- implementation by Rosatom State Corporation, through OJSC Atomenergomash, of its authority in the field of state control over the use of nuclear power ensuring safe and sustainable functioning of the organizations within the Russian Federation's nuclear power complex;
- unification and standardization of industry documents;
- to establish mechanisms for monitoring and making decisions regarding business operations of the SASC;
- to improve quality of documents prepared and decisions made;
- to protect the state and investor interests, to increase the performance of interaction with authorities and contractors;
- to provide a uniform information policy for Rosatom State Corporation, OJSC Atomenergomash and SASC.

Interaction between OJSC Atomenergomash and SASC as per the Regulation covers the following areas of activity:

- adoption and implementation by SASC of Rosatom approved industry documents which establish requirements to implementation of individual industry processes for the SASC;
- a procedure for implementation by the SASC of processes not regulated by industry documents of Rosatom State Corporation in respect of approval of specific matters;
- specification of OJSC Atomenergomash management profile and mechanisms to control the organizations within such profile;
- resolution of conflicts between the directors of OJSC Atomenergomash and SASC regarding the issues listed in this paragraph.

The cooperation of OJSC Atomenergomash with the SASC involves coordination of activities and includes:

- approval by OJSC Atomenergomash of SASC' documents or decisions as per the procedure and format prescribed by the industry documents of Rosatom State Corporation regulating the industrial processes and by the Regulation;
- ensuring adoption by the SASC of documents regulating activities of the SASC, including (but not limited to) the development of policies, regulations, procedures, key principles, rules, guidelines and recommendations, instructions for industry processes, including norms and rules for creating organizational structures of the Company (hereinafter referred to as industry documents);
- conducting by OJSC Atomenergomash of appraisal of draft documents, design documents and solutions submitted by the SASC and returning conclusions covering the results of such appraisal.

