
6.5. EFFECT ON THE COMMUNITY (SOCIAL CAPITAL)

6.5.1. REGIONAL PRESENCE

The Division's enterprises are geographically scattered and located not only in different parts of the Russian Federation, but also in the Central Europe. In this regard, market presence plays an important role for the Company, and, first of all, it concerns interaction with local companies and specialists.

In its activities, the Division's enterprises involve local suppliers on a general basis that is conditional on the application of the Unified industry standard for procurement and the impossibility to establish any preferences which are not provided for in the current legislation of the Russian Federation, in particular, based on a geographic principle.

¹ Hereinafter, means the position number in the Risk Map.

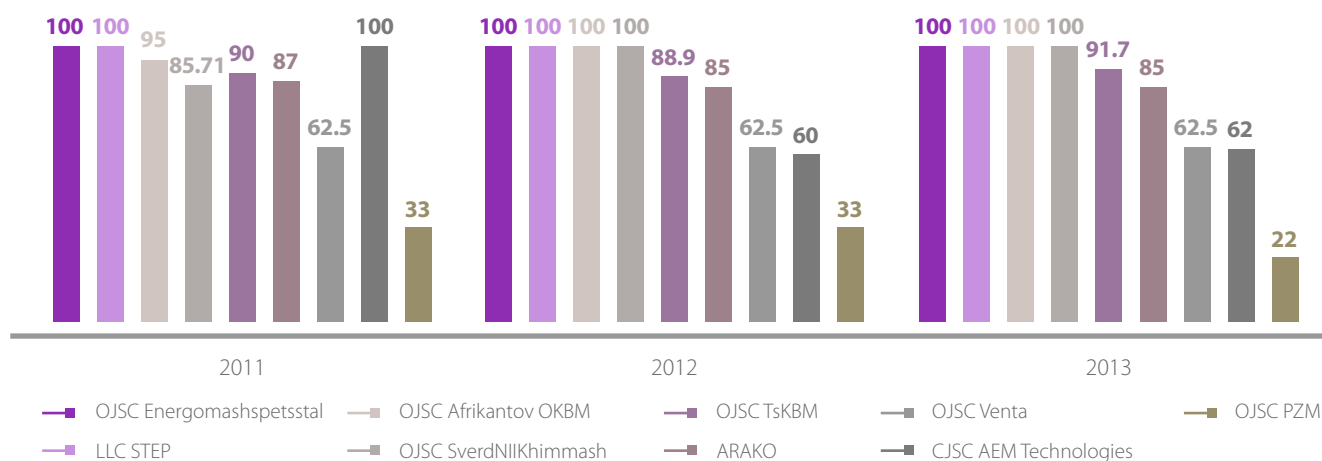
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The Division's enterprises operate units responsible for recruiting new employees. In making hiring decisions, it is governed by Article 64 of the Labor Code of the Russian Federation (prohibiting groundless rejection or refusal based on discriminative grounds). The Company has no formalized policy of recruiting from the local community¹: in recruiting personnel, the Company first of all looks at

the level of qualification and, if necessary, expedience of using personnel from other regions.

In addition, enterprises of the Division make annual tax payments to the budgets of various levels. The size of the payments to local budgets increases annually.

PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY IN THE REGIONS OF OPERATION, %

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PAYMENTS TO BUDGETS

| Indicator | in 2011 | | in 2012 | | in 2013 | | Forecasted for 2014 | |
|---|--------------------|----------------|--------------------|----------------|--------------------|----------------|---------------------|----------------|
| | Assessed, '000 RUB | Paid, '000 RUB | Assessed, '000 RUB | Paid, '000 RUB | Assessed, '000 RUB | Paid, '000 RUB | Assessed, '000 RUB | Paid, '000 RUB |
| Total | 9,218,978 | 7,435,173 | 4,358,300 | 5,913,894 | 3,623,424 | 3,752,241 | 14,048,627 | 5,079,776 |
| including: | | | | | | | | |
| Federal budget — total | 7,766,069 | 6,190,707 | 3,526,515 | 4,706,769 | 3,245,339 | 3,067,000 | 13,028,150 | 3,989,012 |
| Budgets of the constituent entities of the Russian Federation — total | 1,386,931 | 1,178,750 | 764,460 | 1,141,342 | 285,702 | 582,169 | 911,718 | 986,520 |
| Local budgets — total | 65,978 | 65,716 | 67,325 | 65,783 | 92,383 | 103,072 | 108,759 | 104,244 |

¹ Local employees are those who live permanently on the territory where the employer enterprise operates, i.e. not hired from other regions.



1 BREAKDOWN BY TAX TYPE



6.5.2. INDIRECT ECONOMIC IMPACTS

OJSC Atomenergomash is committed to the principles of socially responsible business and, given the vast geography of the Division's operations, sees the creation of new jobs both in the territories where it maintains a presence and those where their suppliers and contractors operate as one of its main objectives in this area. HR projects and corporate social programs ensure the employment of the local community and development of personnel at enterprises.

The unified industry payment system being introduced by the Company guarantees a stable income and sound financial backing for the Company's employees. The timely payment of wages, development of social programs and active cooperation with regional management on labor market issues help enhance the appeal of nuclear engineering for employees and reduce social tension in the regions.

“ People are our main asset; therefore, we are working to improve the social programs, create favorable career opportunities for the employees both within the Company and the industry as a whole ”

Ksenia Sukhotina,
Deputy CEO — Director, Human Resources
and Organizational Development

At the Division's enterprises, employees at the initial stage of their work receive salary that is not less than the minimum statutory salary for the region of operation. In 2013, the ratio of the minimum salary in the Company to the regional minimum statutory wage on average in the Division was 1.95¹.

¹ Wage level does not depend on gender.

 1 A.hr RATING

 2 RATIO OF THE MINIMUM SALARY IN THE COMPANY TO THE REGIONAL MINIMUM STATUTORY WAGE

In addition, the average salary at the Division's enterprises grows annually.

AVERAGE SALARY GROWTH², %

| Company | 2011 | 2012 | 2013 | Forecast for 2014 |
|---------------------------|-------|-------|-------|-------------------|
| OJSC SNIIP | +3 | +8 | +37 | +11 |
| LLC STEP | +39,1 | -2,1 | +28,3 | +76,2 |
| OJSC SverdNIKhim-mash | +15,7 | +4,8 | +27 | +5 |
| OJSC Afrikantov OKBM | +22 | +7 | +26 | +5 |
| OJSC TsKBM | +7,4 | +8,7 | +20,7 | +1,1 |
| OJSC OKB Hidropress | +8 | -17 | +18 | +3 |
| OJSC Venta | +19,7 | +24 | +17,2 | +7,4 |
| OJSC ZIOMAR EC | +18 | +15 | +14 | +5 |
| OJSC PZM | +26,8 | +42,8 | +13,9 | +3,8 |
| OJSC Energomashs-petsstal | +20 | +29 | +12 | +16 |
| OJSC ZiO-Podolsk | +15 | +15 | +11 | +7 |
| OJSC TsNIITMASH | +5,2 | +15 | +10 | +16 |
| OJSC GSPI | +3 | +16 | +8,6 | +20 |
| OJSC Atomenergomash | -1,8 | +1 | +3,6 | +2 |
| ARAKO | -5,7 | -3,6 | +3,4 | +1 |
| LLC EMKO | -8 | -6 | -2 | +5,3 |
| CJSC ATM | -34,3 | +50,7 | -4,9 | +10 |
| OJSC OZTMITS | +16,8 | +34,7 | -7,2 | +13,6 |
| CJSC AEM Technologies | +38 | -52 | -40 | +3 |
| CJSC REMKO | +17 | +6 | -42 | +7 |

² Acute fluctuations in the salary level are related to the organization's transition to unified remuneration system and the formation of reserves.

6.5.3. SOCIAL INVESTMENT AND CHARITY PRACTICES

Regional enterprises of the Division participate in the improvement and development of the infrastructure in the regions of operation, especially in the towns. In addition, the Company promotes participation in charitable projects.

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OJSC Energomashspetsstal has been for nine years sponsoring pupils at the boarding school No.3 in Kramatorsk. The pupils not only receive holiday gifts from the enterprise, but are also provided with stationery as well as with detergents and other household essentials items for the whole year.

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Three years ago, on the initiative of the "Youth Council", OJSC SverdNIKhimmash being the sponsor of the Social Rehabilitation Center in Makhnyovo village of Alapaevsk district, received a written request regarding a shortage of beds due to the increasing number of children in the Center. SverdNIKhimmash bought twenty new mattresses for the beds.

In addition, following the annual tradition, a group of volunteers from OJSC SverdNIKhimmash, for children staying in the Social Rehabilitation Center, organizes New Year's performance and presentation of gifts. In addition to sweets and toys for the Center, the enterprise and its employees collected 5 computers, clothes, bought stationery, and board and educational games.

In 2013, OJSC OKB Gidropress made a donation for the purchase of necessary equipment for the Orphanage in Podolsk and Secondary School No.1 in Vyazniki of Vladimir region, as well as purchased sports equipment for the Disabled Sports Club Korsar.

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In addition, the Division's enterprises take part in socially significant projects. Thus, in 2013, OJSC PZM produced 4,000 sets of bench supports of different configurations and patterns. Of these, 250 sets were made for the capital of 2014 Winter Olympics, Sochi, and the rest — for the major reconstruction of the Sokolniki recreation park in Moscow.

6.5.4. RESOLUTION OF PUBLIC DISPUTES

One of the main strategic objectives of Rosatom State Corporation is to ensure public acceptance of nuclear power industry development. In this regards, OJSC Atomenergomash focuses its activity in this area, including publication of Integrated Annual Reports, to improve transparency of its own activities and establish cooperation with all stakeholders.

The main complaints of the public usually relate to the industry enterprises specializing in construction and operation of nuclear power facilities. In case of problems in cooperation with the public, the Company will be governed by the legislation of the Russian Federation and requirements of Rosatom State Corporation.

No complaints regarding impact on the local community were received by the Companies of the Division.

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6.5.5. MARKETING COMMUNICATIONS

Marketing communications, including promotion activities, advertising, participation in exhibitions, etc., are an important area of OJSC Atomenergomash activities. The work in this area improves the attractiveness of the products and services for the target audience: a deep awareness of potential customers is a way to convince them to give their preference to the Division's products. The well-established marketing communications of OJSC Atomenergomash is a precondition for its proper functioning as an economic unit and one of the key prerequisites for its successful activities in the market.

In 2013, as part of the marketing activities, a number of events was organized, such as press tours, including those for foreign journalists, representatives of countries as potential customers for the Division's products; a round table in Kiev regarding the renovation of thermal power plants; a regional forum of nuclear industry suppliers. OJSC Atomenergomash and the Companies of the Division took part in 50 events (including 23 abroad), which included major industry events such as the International Forum ATOMEXPO 2013, the International Forum of Nuclear Industry Suppliers ATOMEX

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2013, the 12th Moscow International Exhibition “Oil and Gas”. These activities not only involve OJSC Atomenergomash itself, but also the key SASC such as OJSC ZiO-Podolsk, CJSC AEM Technologies, OJSC Afrikantov OKBM, OJSC OKB Hidropress, OJSC Energomashspetsstal, etc.

In 2014, the Company plans to continue implementation of the marketing communications plan as regards participation in exhibitions, work with the media, organizing press tours, conferences and round tables devoted to innovative developments and benefits of the Division’s products.

The Company assigned responsibility for this area to the Head of Public Relations, G.A. Levchenko. The results are assessed based on KPIs, including the “Completion of the conference and exhibition plan” indicator.

OJSC Atomenergomash complies with the current Russian and international legislation in the field of marketing communications, including product advertising and promotion. In order to enforce this requirement, OJSC Atomenergomash and key SASC have introduced a number of local regulations governing and supporting the standards for marketing communications activities. There were no violations in this area identified in 2013.



6.5.6. DESCRIPTION OF KEY STRATEGIC RISKS AND OPPORTUNITIES

| No. ¹ | Risk | Risk factors | Control measures/opportunities |
|------------------|--|--|--|
| 7 | Inefficient legislation | <ul style="list-style-type: none"> Absence or inefficiency of the legislative framework Changes in the legislative framework | <ul style="list-style-type: none"> Participation in the activities of Rosatom State Corporation covering preparation of proposals regarding revisions to the legislative framework |
| 10 | Deterioration of public attitude to the Company or nuclear technology as a whole | <ul style="list-style-type: none"> Technological accidents Corruption scandals | <ul style="list-style-type: none"> Education of population, publications in the regional media, maintaining an Internet portal, cooperation with social media (social networks) Participation in the implementation of the Comprehensive Program to Combat Corruption and Embezzlement in the Nuclear Industry |
| 11 | Physical damage to the company's assets | <ul style="list-style-type: none"> Social unrest | <ul style="list-style-type: none"> Implementation of social programs, charity campaigns Taking account of social risks when making strategic decisions |

¹ Hereinafter, means the position number in the Risk Map.