

Joint-Stock Company Rosenergoatom

**(JSC REA)**

MINUTES

of the public consultation (held remotely) with stakeholders
on draft reporting materials of JSC Rosenergoatom for 2019

June 1, 2020 No.2

Moscow

Moderator: Andrey Timonov, Director of the Communications Department of JSC Rosenergoatom

Secretary: Alexander Berenzon, Chief Specialist in the Communications Department of JSC Rosenergoatom

Participants of the dialogue: 25 persons (the list is attached hereto).

All participants of the public consultation were sent draft reporting materials of JSC Rosenergoatom for 2019 intended to be included in the public annual report of ROSATOM for 2019 in order to formulate comments and proposals.

After considering stakeholders' proposals regarding the draft reporting materials of JSC Rosenergoatom for 2019,

IT WAS RESOLVED AS FOLLOWS:

1. To take into account stakeholders' proposals regarding the draft reporting materials (appendix 2).

2. To send the reporting materials of JSC Rosenergoatom for 2019, as amended taking into account stakeholders' opinions, to ROSATOM for further approval and sign-off.

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| Moderator |  | Andrey Timonov |
| Secretary | Alexander Berenzon |

Appendix No. 1
to minutes No. 2
dated June 1, 2020

List of participants

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|  | Full name | Position, name of the organization |
| 1. | Gennady Sklyar | Deputy, member of the Committee on Energy of the State Duma of the Federal Assembly of the Russian Federation |
| 2. | Valery Ryazansky | Chairman of the Federation Council Committee on Social Policy of the Federal Assembly of the Russian Federation |
| 3. | Alexander Nikitin | Chairman of the Board of the Environmental Rights Centre Bellona |
| 4. | Elena Feoktistova | Managing Director for Corporate Responsibility, Sustainable Development and Social Entrepreneurship of the Russian Union of Industrialists and Entrepreneurs (RSPP) |
| 5. | Vladimir Grachev | President, Director General of the Vernadsky Non-Governmental Environmental Foundation |
| 6. | Natalia Davydova | Director of the Autonomous Non-Profit Organization Environmental Projects Consulting Institute |
| 7. | Vasily Aksenov | Director of the Moscow Regional Centre of the World Association of Nuclear Operators (WANO) |
| 8. | Alan Khasiev | Chairman of the Inter-Regional Public Ecological Movement Oka |
| 9. | Igor Fomichev | Chairman of the Russian Trade Union of Nuclear Power and Industry Workers |
| 10. | Yury Semchenkov | Deputy Director for Nuclear Energy and Nuclear Technologies of the National Research Centre Kurchatov Institute |
| 11. | Leonid Bolshov | Director of the Nuclear Safety Institute of the Russian Academy of Sciences |
| 12. | Sergey Golovachev | Project Manager in ROSATOM's Communications Department |

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| 13. | Alexander Rantsev | First Deputy CEO for Nuclear Power Industry and New Businesses of JSC Atomenergomash |
| 14. | Nikolay Podorov | Senior Vice President for Corporate Functions of JSC ASE EC |
| 15. | Konstantin Sokolov | Vice President for Communications, Management Support and Energy Efficiency of JSC TVEL |
| 16. | Marina Liborakina | Deputy Director General for Corporate Development and Communications of JSC TENEX |
| 17. | Vladimir Skobarev | Partner, Director of the Corporate Governance and Sustainability Department of FBK Grant Thornton |
| 18. | Pavel Belousov | Head of the Innovation and Technology Centre of the Obninsk Institute for Nuclear Power Engineering of NRNU MEPhI, Associate Professor |
| 19. | Yulia Gileva | Chief Editor of the *Strana ROSATOM* newspaper |
| 20. | Yulia Emelyanova | Deputy CEO of LLC Nexia Pacioli Consulting |
| 21. | Nikolay Netyaga | Chairman of the Association of the Nuclear Power Plant Locations (ATR AES) Fund, head of administration of Novovoronezh |
| 22. | Farit Tukhvetov | Director General of JSC Russian Research and Development Institute for Nuclear Power Plant Operation (VNIIAES) |
| 23. | Yury Markov | Director General of JSC AtomTechEnergo |
| 24. | Sergey Petrov | Director General of JSC Atomenergoremont |
| 25. | Pyotr Konyushenko | Director General of JSC AtomEnergoSbyt |

Stakeholders' proposals
regarding draft reporting materials

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| Stakeholders' proposals | Incorporation of proposals by JSC Rosenergoatom |
| Sergey Kezin, WANOOn page 20, it is necessary to add information on El Dabaa NPP, otherwise this part of the text merges with that on the Armenian NPP.We recommend adding the following to the paragraph on page 39 presenting the findings of analysis of safety performance and trends: 'In 2019, seven international partner inspections were conducted by WANO at JSC Rosenergoatom's NPPs (Balakovo NPP, Bilibino NPP, Novovoronezh NPP-2, Kola NPP, Kursk NPP, Smolensk NPP and the FTNPP). The safety performance of these NPPs was assessed as high.' | The proposal has been incorporated |
| Natalia Goncharova, JSC ASE EC Proposed corrections to the text | The proposal has been incorporated |
| Lydia Smirnova, NRC Kurchatov Institute(the proposals are outlined in appendix 2) | The proposals have been partly incorporated, as some of them concern making amendments to ROSATOM's Public Reporting Standard with regard to the content of reporting materials. The proposals will be incorporated in the future, provided that approval is obtained from ROSATOM. |

Appendix No. 3
to minutes No. 2
dated June 1, 2020

**Questions and proposals *(concerning the structure and content)* with regard to draft reporting materials of ROSATOM's Power Engineering Division**

**NRC Kurchatov Institute (Lydia Smirnova)**

Every year, public annual reports of JSC Rosenergoatom provide comprehensive, reliable and transparent information on Rosenergoatom's operations and on the set of impacts of these operations on **economic, social and environmental aspects** of the Russian society and stakeholders, and on the same aspects within Rosenergoatom (including all its branches and subsidiaries), which is required to be reflected in public annual reports in accordance with the international GRI Standards and Russian regulations.

Having reviewed the draft reporting materials of the Power Engineering Division, specialists from NRC Kurchatov Institute believe that our questions, suggestions and recommendations will help Rosenergoatom to take into account those aspects of its operations that have attracted our professional and personal interest and to reflect them more comprehensively in the final version of the document.

**General proposals and recommendations.**

Given the transition to a new format of preparation and publication of public annual reports **(the integrated report of ROSATOM, which includes the reporting materials of the Power Engineering Division)**,it is important that reports by ROSATOM's Divisions should be concise and informative. Accordingly, our proposals regarding the draft reporting materials include, among other things, a suggestion that a greater emphasis should be placed on a brief and focused presentation of certain facets of Rosenergoatom's business and certain aspects examined in the draft reporting materials.

Given that Rosenergoatom's website contains a large amount of important information on numerous aspects of the company's business, including its financial position and performance in 2019, annual reports may contain links to the sections of Rosenergoatom's website focusing on those aspects which it is difficult to cover in full in the report.

More detailed proposals have been made regarding specific sections of the reporting materials.

**Specific questions, proposals and recommendations.**

1. In the section **'Overview of the Power Engineering Division',** content is not logically ordered. **Perhaps** it would be better to start with the subsection **'Role of the Division within ROSATOM',** which should reflect **not only the structure of Rosenergoatom's share capital** (as presented in the draft reporting materials), but also the fact that this is a core Division of ROSATOM, along with other operational Divisions, whose business provides production capabilities, professionals, R&D, manufacturing and practical know-how and other resources enabling highly profitable operations of nuclear enterprises on power and heat generation markets, which is crucial for stable and sustainable operation of ROSATOM, its other Divisions and numerous enterprises in the nuclear industry.

A diagram may be provided to show the links between the Division and other entities both within ROSATOM and outside its scope. Given that all these links provide jobs and generate orders for contractors, enterprises and other organizations in the nuclear industry, this is an important **macroeconomic impact of the Division's operations** not only within ROSATOM, not only on consumers of its products or on the regions of its operation, which are given extensive coverage in the draft reporting materials, but also on third parties involved in the operations, who are linked with Rosenergoatom by the achievement of certain objectives and have a vested interest in its sustainable development.

1. The section **'Sustainable Development',** which for some reason forms part of the section on Rosenergoatom's operating results, reflects *'significant impacts on social and economic development of society and on the environment both in the regions where NPPs are located and where the company does business and globally'.* It also lists the projects being implemented in Rosenergoatom's regions of operation.

**Perhaps** it would be better to give a detailed description of the projects being implemented in the regions of operation in the section on cooperation with these regions, while information on **sustainable development** in the global context of the impact of the nuclear power industry in terms of emissions and climate change should be presented in a separate subsection, given that detailed information on environmental safety matters and pollutant emissions is provided in the subsection **'Ensuring Environmental Safety'** of the section **'Safety Culture'.**

1. The section **'Corporate Governance System'** contains a separate subsection titled **'Quality Management Systems and Standards'.**

Throughout the reporting materials, various systems of standards and management systems used by Rosenergoatom are mentioned in different subsections:

* **the quality management system** in the section **'Corporate Governance';**
* the **integrated management system (IMS) and the environmental management system** in the section **'Safety Culture; Ensuring Environmental Safety';**
* certified environmental management systems (EMSs) in place in Rosenergoatom and at operating NPPs are mentioned in the subsection **'Industrial and Consumer Waste Management';**
* the project management system in the section **'Investment Plans';**
* **the risk management system and the risks themselves** inthe section **'Specific Risks and Management Approaches';**
* The **safety culture** system and management at the corporate, NPP and individual levels are mentioned in a separate section titled **'Safety Culture'.**

**Accordingly, it might be advisable** to present a brief overview of all **management systems used by Rosenergoatom and the relevant standards,** namely the quality management system, the IMS, the environmental, project and risk management systems, as part of a comprehensive narrative in the section **'Corporate Governance System',** presenting them as a **single governance system** subordinate to and controlled by the top management.

Detailed information on the systems may be provided in separate subsections.

1. **Section 13 'Investment Plans' provides no information** onRosenergoatom's investment programmes or plans.

It only contains a brief statement that Rosenergoatom and organizations managed by it are developing a project methodology and mentions an Industry-Wide Programme of Measures to Improve the Maturity of Project Management.

It might be advisable to add meaningful information on investment plans or to rename the section.

**4. Specific risks and management approaches**

* The phrase **'risks related to climate change'** needs to be explained. Does it refer to the impact of Rosenergoatom's operations on climate change or to Russian and international policy and the requirements of international agreements on emissions? Or does it refer to the impact of climate change on NPP operation?
* Information on the operation of suppliers of last resort on the wholesale electricity and capacity market in terms of licensing decisions is outdated, as the Russian Government has adopted new decisions due to the coronavirus pandemic (March 2020). The description of risks provided in the reporting materials does not give a full and meaningful picture of the problem. The problems and risks of non-payment and cross-subsidization on the wholesale electricity and capacity market are **relevant to the commercial system of the wholesale electricity and capacity market and the retail market.** For Rosenergoatom's subsidiary, AtomEnergoSbyt, the problem consists in a high risk of non-payment on the retail market. This problem cannot be solved through licensing alone; it requires major systemic decisions to be made by the government.

We suggest presenting this risk as an external market risk that is inherent in the power system and is outside the control of Rosenergoatom.

5. The section **'Personnel Training and Development'** provides highly detailed information on the subject, **sometimes with repetitions.** This is interesting, but the scope of information provided in a public corporate report may be reduced, and it should be presented in a more concise and structured way, singling out key focus areas in this sphere.

**Minor comments of a stylistic nature.**

- The text of the reporting materials contains abbreviations and acronyms that may be specific to the industry and unfamiliar to some readers. We suggest accompanying abbreviations and acronyms with the full form of the terms (in brackets). For example, the section **'New Products'** contains acronyms such as SPTA and TC.

- The meaning of the following phrase in the subsection **'Electricity Sales'** is unclear:*'Revenue from the sales of complementary products* ***(B2B and B2C)*** *in 2019 totalled RUB 171.9 million, up by 39% year on year'.* Does this phrase refer to electricity sales or to the 'New Products' section as a whole?

- In the subsection **'Occupational Safety and Health',** the phrase *'The accidents were caused by negligence on the part of the injured persons,* ***which resulted in the employees falling from their own height'*** is not quite clear. Unless this is a standard wording, we suggest that the phrase should be explained or reworded.