



3. Governance Performance

3.1. Corporate Governance System

3.1.1. Corporate Governance

INFORMATION ON COMPLIANCE WITH PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

Certain provisions of the Corporate Governance Code recommended by Letter of the Bank of Russia No. 06-52/2463 dd. 4/10/2014 are applied by JSC Atomredmetzoloto in practice, taking into account the specifics of the legal status of ROSATOM, established by regulatory legal acts of the Russian Federation which provide for single management of nuclear industry entities, and are reflected in a number of local regulations.

AUTHORIZED CAPITAL AND STOCKHOLDER OF ARMZ URANIUM HOLDING CO.

As of 31 December 2017:

- JSC Atomredmetzoloto's authorized capital made up RUB 26.100.829, 138
- The Company offered 26.100.829.138 ordinary registered shares with a par value of RUB 1.00 each (issue registration number 1-01-03912-A);
- the total number of persons registered with the shareholder registry is three (ROSATOM State Atomic Energy Corporation, JSC Atomenergoprom, JSC TVEL).

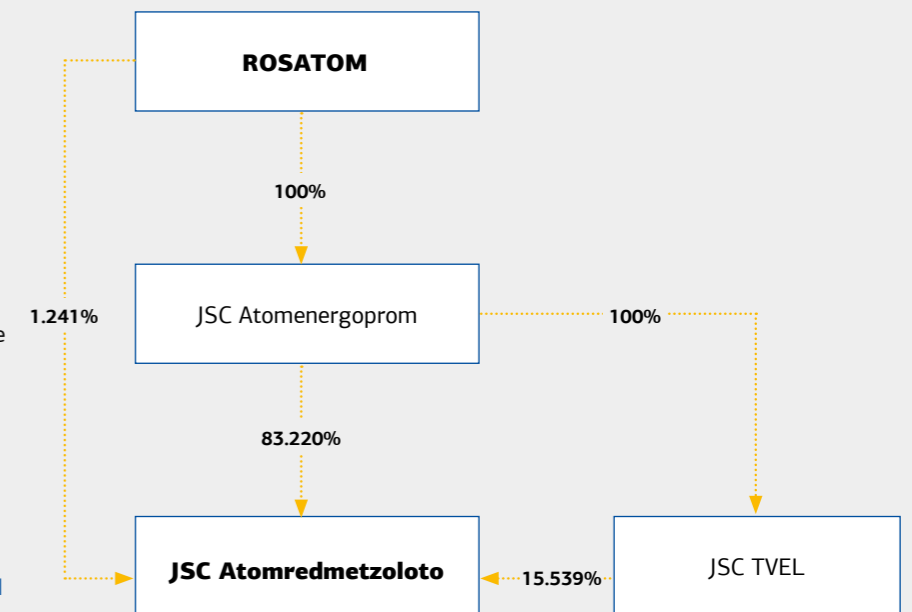


Figure 19. Shareholder Structure as of December 31, 2017

Table 1. Shareholder Structure Trends in 2015-2017, %

JSC TVEL	Interest in JSC Atomredmetzoloto, %		
	as of 12/31/2015	as of 12/31/2016	as of 12/31/2017
JSC Atomenergoprom	82.574	82.574	83.220
JSC TVEL	16.137	16.137	15.539
ROSATOM	1.289	1.289	1.241

MANAGEMENT SYSTEM



JSC ATOMREDMETZOLOTO'S ANNUAL REPORT 2016 HAS BEEN APPROVED BY THE RESOLUTION OF THE BOARD OF DIRECTORS ON 24 MAY 2017.

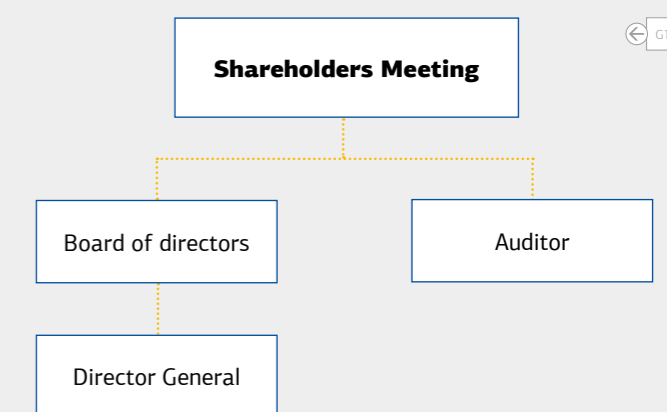


Figure 20. Structure of Corporate Governance Bodies of JSC Atomredmetzoloto

G102-10

G102-18

CONTROL AND MANAGEMENT BODIES

GENERAL SHAREHOLDERS MEETING

The General Shareholders Meeting (GSM) is the supreme management body of JSC Atomredmetzoloto. GSM's authority, convocation and organization procedures are defined by the provisions of the Company's Articles of Association, as well as the regulatory acts of the Russian Federation.

The Company promptly informs its shareholders both about the date of GM and the results of voting at the meeting. Relevant information is posted on the official website of the Company.

In 2017, two GSMs were held passing resolutions on the Company governance matters including:

- approval of the restated Articles of Association;
- creation of the Company's governing bodies;
- distribution of profit for reporting period 2016.

BOARD OF DIRECTORS

The Board of Directors carries out general management of the Company. The competence of the Board of Directors is set forth in the provisions of the Company's Articles of Associations.

No members of the Board of Directors hold JSC Atomredmetzoloto's shares.

The members of the Board of Directors are nominated as set forth in Art. 53 of the Federal Law On Joint-Stock Companies.

JSC Atomredmetzoloto's Board of Directors is convened as required by the Chairman of the Board of Directors on its own initiative, on request of the Board member, Director General or auditor.

For details, see section 3.1.2. Report of the Board of Directors on the Results of the Company Development by Priority Business Lines

The Board of Directors consists of five members. The Chairman of the Board of Directors and the Director General are different persons.

No members of the Board or the Director General executed any deals to acquire or dispose of the Company's shares in 2017.

From 1/1/2017 until 6/26/2017, the Board of Directors elected by the ordinary General Shareholders Meeting (minutes No. 25 dd. 6/23/2016) was composed of:

1. Alexander M. Lokshin, Chairman of the Board of Directors;
2. Vladimir N. Verkhovtsev;
3. Vladimir S. Vysotskiy;
4. Vladislav I. Korogodin;
5. Ekaterina V. Lyakhova.

From 6/27/2017 until 12/31/2017, the Board of Directors elected by the ordinary General Shareholders Meeting (minutes No. 29 dd. 6/27/2017) was composed of:

1. Alexander M. Lokshin, Chairman of the Board of Directors;
2. Oleg S. Barabanov;
3. Vladimir N. Verkhovtsev;
4. Vladimir S. Vysotskiy;
5. Vladislav I. Korogodin.

Table 2. Backgrounds of JSC Atomredmetzoloto's Board of Directors Members*

Alexander M. Lokshin	
Member of the Board of Directors since 6/30/2014, President since 7/1/2014	
Born in 1957 in Chita. Graduate of Leningrad Kalinin Technical Institute. Honored Energy Engineer of the Russian Federation	
06.2008 – until now	Deputy Director General, Deputy Director General – Head of the NPC Directorate, First Deputy Director General for Operation Management of ROSATOM
Oleg S. Barabanov	
Member of the Board of Directors since 6/27/2017	
Born in 1971 in Moscow. Graduate of Moscow Ordzhonikidze State Geological Exploration Academy, Ph.D. (Economics)	
2011 – until now	Treasure Director, Development and Restructuring Director, ROSATOM
Vladimir N. Verkhovtsev	
Member of the Board of Directors since 6/30/2014	
Born in 1955 in Lyal Mikar settlement, Jarkurgan district of the Surkhandarya Region, Uzbek SSR. Graduate of F.E. Dzerzhinsky Military Academy, Military Academy of the General Staff of the Russian Federation Armed Forces, Ph.D. (Science)	
09.2011 – until now	Deputy Director General, Director General, JSC Atomredmetzoloto

*Data for 31.12.2017

Vladimir S. Vysotskiy

Member of the Board of Directors since 12/10/2014

Born in 1954 in Komarino village, Gorodoksky district of Lvov region, Ukrainian SSR. Graduate of the Military Academy of the General Staff of the Russian Federation Armed Forces

2007 – 2012	Supreme Commander of the Russian Federation Navy, Admiral
2013 – until now	Deputy Director General, Deputy Director General for Special Projects, JSC Atomredmetzoloto

Vladislav I. Korogodin

Member of the Board of Directors since 9/7/2007

Born in 1969 in Moscow. Graduate of Moscow Physical and Technical Institute

03.2010 – until now	Deputy Director of the NPC Directorate, Director for NFC LC and NPP Management, ROSATOM
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Ekaterina V. Lyakhova

Member of the Board of Directors since 6/30/2011 until 6/26/2017

Born in 1975 in Ekaterinburg. Graduate of the Urals State Law Academy and Universiteit Antwerpen Management School

04.2011 – until now	Deputy Director, JSC Atomenergoprom
07.2011 – until now	Deputy Director of the Directorate for Nuclear Power Complex, Director for Investment and Operation Management, ROSATOM, Director for Economy and Investments, ROSATOM



DIRECTOR GENERAL

The Director General in its capacity of the sole executive body manages current operations of the Company.

The Director General of JSC Atomredmetzoloto is Vladimir N. Verkhovtsev* elected by the resolution of the extraordinary General Shareholders Meeting (minutes No. 15 of 5/27/2013).

V.N. Verkhovtsev owns no shares of JSC Atomredmetzoloto.

In accordance with requirements of art. 69 of the Federal Law On Joint-Stock Companies, Art. 9 of the ARMZ Article of Association, the Director General arranges for implementation of resolutions of the Company's General Shareholders Meeting and Board of Directors.

KEY PROVISIONS OF THE REMUNERATION AND/OR REIMBURSEMENT POLICY, DETAILS OF REMUNERATIONS AND/OR REIMBURSEMENTS

For their participation in operations of the Board of Directors, members of Board of Directors may be paid remuneration depending on financial and economic performance

*For background details, see the Board of Directors section.

of the Company. The amount of remuneration is set forth by the General Shareholders Meeting.

Members of the Board of Directors who are full-time employees of JSC Atomredmetzoloto receive their wages in accordance with the Harmonized Industrial Remuneration System established by the ROSATOM for joint-stock companies of the Corporation and subsidiaries of JSC Atomenergoprom. Remunerations and compensations to the members of the Board of Directors are paid in accordance with labor contracts and valid local regulations on payroll.

The Staff Performance Management System based on key performance indicators (KPI) implemented at ARMZ plants provides evaluation of achievements of the Company as a whole, as well as individual managers and employees. The KPI system is a strategic and day to day management tool that allows to plan performance at all levels of the company.

Table 3. Target Key Performance Indicators of JSC Atomredmetzoloto (KPI) for 2017

KPI Name, KPI Measurement Unit	KPI Compliance Level	
	Target Value for 2017	Actual Value for 2017
Adjusted free cash flow (AFCF) of ROSATOM (subject to the Mining Division AFCF compliance), RUB bn	285.0	308.7
Mining Division AFCF, RUB bn	1.5	2.1
Integral Investment Performance Indicator, %*	100.00	102.3
Comprehensive Costs, RUB bn	15.9	15.6
Labor Productivity, Million RUB / person	3.1	2.79
Stock Reduction, RUB bn	-30	-45.7
Incomplete Construction / Equipment Performance, %	100	90.98
Employee Engagement Rate, %	57	66
LTIFR and Injury Severity Reduction at Enterprises' Production Sites, including Contractors, %	0.54/30%	0.28/33%
No INES Level 2 and Higher Breaches	0	0

*Exclusive of uncontrolled scenario conditions factors (prices and inflation)

Table 4. Target Key Performance Indicators of JSC Atomredmetzoloto (KPI) for 2018

KPI Name, KPI Measurement Unit	KPI Compliance Level
	Target
ROSATOM AFCF (inclusive of the Mining Division AFCF compliance), RUB bn	298.0
NFC AFCF, RUB bn	120.7*
EBITDA Contribution (NFC), RUB bn	116
Integral Investment Performance Indicator, %	100.0
Comprehensive Costs, RUB bn	15.4
Labor Productivity, Million RUB / person	2.35
NFC Stocks, RUB bn	109
Reduction of Unused Incomplete Construction / Equipment for Installation / ITA, RUB bn	0.3
Employee Engagement Rate, %	61
LTIFR and Injury Severity Reduction at Enterprises' Production Sites, including Contractors, %	0.49/30%
No INES Level 2 and Higher Breaches	0

*Due to the changes to the AFCF calculation perimeter of the divisions, data for 2018 and previous years are not comparable. From 2018, the comprehensive AFCF of JSC Atomredmetzoloto, JSC TVEL and JSC TENEX will be calculated.

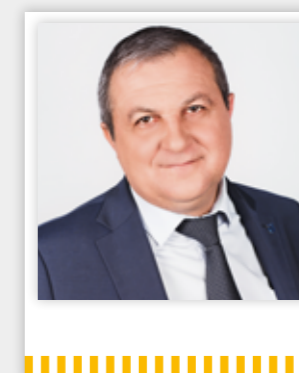
In the reporting period, the amount of remunerations, as well as the amount of expenses connected with execution of functions of members of the Board of Directors compensated by JSC Atomredmetzoloto, was RUB 40.0 million.

MANAGEMENT

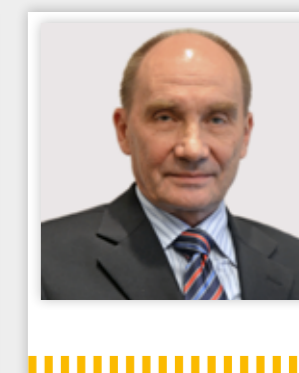
(as of 31 December 2017)



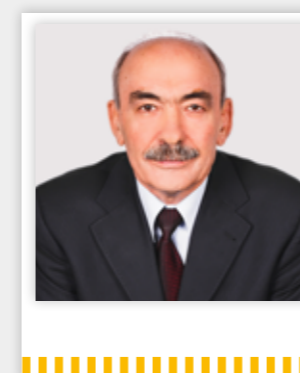
VLADIMIR N. VERKHOVTSEV
Director General



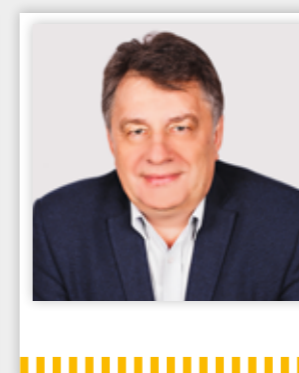
VICTOR S. SVYATETSKIY
First Deputy Director General –
Executive Director



VLADIMIR S. VYSOTSKIY
Deputy Director General for
Special Projects



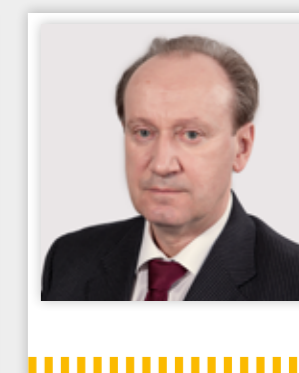
VLADIMIR D. MORGUN
Deputy Director General for
Security



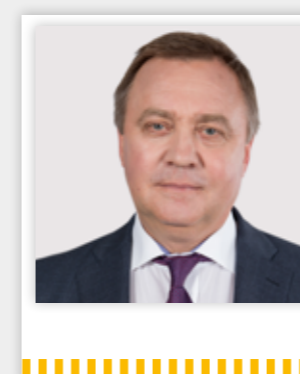
VICTOR M. ZAKHAROV
Deputy Director General for
Economy and Finance



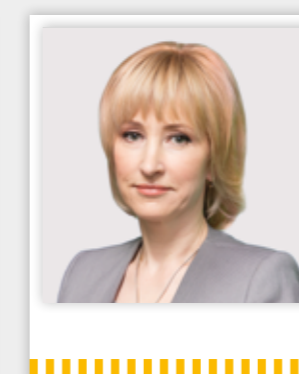
MARINA I. LIBORAKINA
Deputy Director General
for Strategy and Business
Development



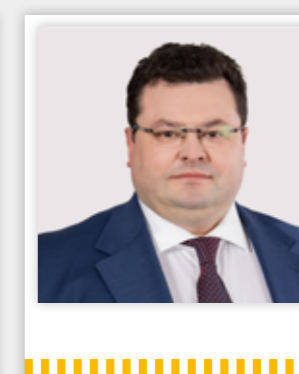
ILYA I. KOROLEV
Deputy Director General for
Administration



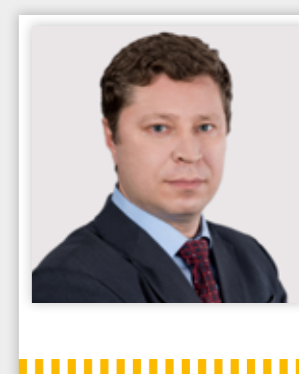
STANISLAV M. ANIKEEV
HR Director



VERA B. SOROKINA
Chief Accountant



ILYA A. YAROSHEVICH
Director of Corporate and Legal
Affairs



VSEVOLOD YU. GALINOV
Chief Inspector for Safety
Control

(as of 31 December 2017)

COMMITTEES OF JSC ATOMREDMETZOLOTO



INVESTMENT COMMITTEE

2017 RESULTS

Nine meetings of JSC Atomredmetzoloto's Investment Committee (the Committee) were held to:

- approve investment limits of costly projects for 2018;
- approve changes to passports of the projects for Integrated Uranium Production Performance Improvement for PJSC PIMCU, R&D of PJSC PIMCU, Uranium Production Infrastructure Retention of PJSC PIMCU, Reconstruction of Hydro Technical Structures of PJSC PIMCU, PJSC RUSBURMASH and JSC VNIPIpromtehnologii;
- approve changes to the long-term development plan of JSC Dalur.

18 matters were reviewed in total, 33 investment resolutions were passed.

During the year, membership of the Committee was updated. The Committee included representatives of JSC Atomredmetzoloto, ROSATOM and subsidiary companies (PJSC PIMCU, JSC Khiagda, JSC Dalur). The President of the Committee is the Director General of JSC Atomredmetzoloto, Mr. V.N. Verkhovtsev.

For details, see section 4.2.3. Investments.



RISKS COMMITTEE

2017 RESULTS

Thirteen remote meetings were held of JSC Atomredmetzoloto's Risks Committee (the Committee) to:

- approve/adjust intragroup borrowing rates for granting and raising loans by organizations of the Mining Division (interest risk management);
- approve/adjust monthly limits of intragroup lending to organizations of the Mining Division (loan risk management);
- approve the currency risk management strategy of the Mining Division.

The President of the Committee is the First Deputy Director General, Chief Operating Officer, Mr. V.S. Svyatetskiy.

For more details, see section 3.2. Risk Management



CHARITY COMMITTEE

2017 RESULTS

Three Committee meetings were held (one personal and two remote ones).

- Charity priorities for 2017 were supporting the Company's operation regions:
 - holding the Social Projects Competition of the City of Krasnokamensk municipality and
 - program for support of education institutions in the Kurgan Region.

The President of the Committee is the Deputy Director General for Strategy and Business Development, Ms. M. I. Liborakina.

For more details, see section 3.6. Social Capital Management

REPORT ON PAYMENT OF DECLARED (ACCRUED) DIVIDENDS ON COMPANY SHARES

JSC Atomredmetzoloto's dividend policy is set by the management bodies with an account of the required investment in compliance with the Company's strategy.

From 2014 until 2017, no dividends were declared or paid.

There are no declared and unpaid dividends.

Payment of dividends for 2017 is not planned.

MAJOR AND RELATED PARTY TRANSACTIONS

In 2017, the Company did not execute any major transactions that require approval under the Federal Law On Joint Stock Companies.

From 1/1/2017 until 2/8/2017, JSC Atomredmetzoloto executed no related party transactions that require approval of the governance body in accordance with the Federal Law On Joint-Stock Companies.

As of 2/9/2017, the restated Articles of Associations were enacted containing the provision on non-application of Chapter 11 of Federal Law No. 208-FZ dd. 12/19/1995

On Joint-Stock Companies to the Company.

CORPORATE REGISTRAR DETAILS

The registrar of JSC Atomredmetzoloto is Open Joint-Stock Company Registrar R.O.S.T.

Registrar Details:
OGRN 1027739216757,
INN 7726030449

Location: Moscow, 18/13 Stromynka Street.

Phone/Fax: (495) 771-73-36.

3.1.2. Report of the Board of Directors on the Results of the Company Development by Priority Business Lines

In 2017, 21 meetings of the Board of Directors were held passing resolutions on critical Company governance matters including:

- approval of the Company and Holding Company's budget for 2017;
- approval of target key performance indicators (KPIs);
- determination of remuneration payable to the top management;

- issuance of recommendations on profit distribution at the annual General Shareholders Meeting;
- approval of the auditor for 2017 and determination of its service cost;
- passing of the resolution to increase the authorized capital by offering additional shares;

- approval of the resolution to issue additional securities and approval of amendments to it;
- passing of resolutions to purchase shares in JSC Khiagda, JSC The First Ore Mining Company, JSC UMC Gornoe offered within the framework of additional securities issuances.

All meetings were held in absentia. The Board of Directors considered 28 agenda matters in total.

3.2. Risk Management

3.2.1. Risk Management System

JSC Atomredmetzoloto shares the single risk management approach with ROSATOM, taking into account risks during business planning. As a part of risk management activities, critical risks and their owners have been identified, while the measures to manage risks have been developed and implemented.

In 2017, JSC Atomredmetzoloto successfully passed external audit

and obtained the certificate of compliance with ISO 9001:2015 and ISO 14001:2015 (the new version focuses largely on risk management procedures).

PLANS FOR 2018 AND THE FUTURE

Given publication of the Harmonized Industrial Methodological Guidelines for Compliance with Investment Project Risk Management Procedures,

2018 will see revision of all project risks in accordance with the new methodology. This work will allow focusing on risk management operations and reducing possible consequences of risk occurrence.

Work will continue to implement the project for Development of Argunskoye and Zherlovoye fields and Construction of Mine No. 6 in the Trans-Baikal Territory.

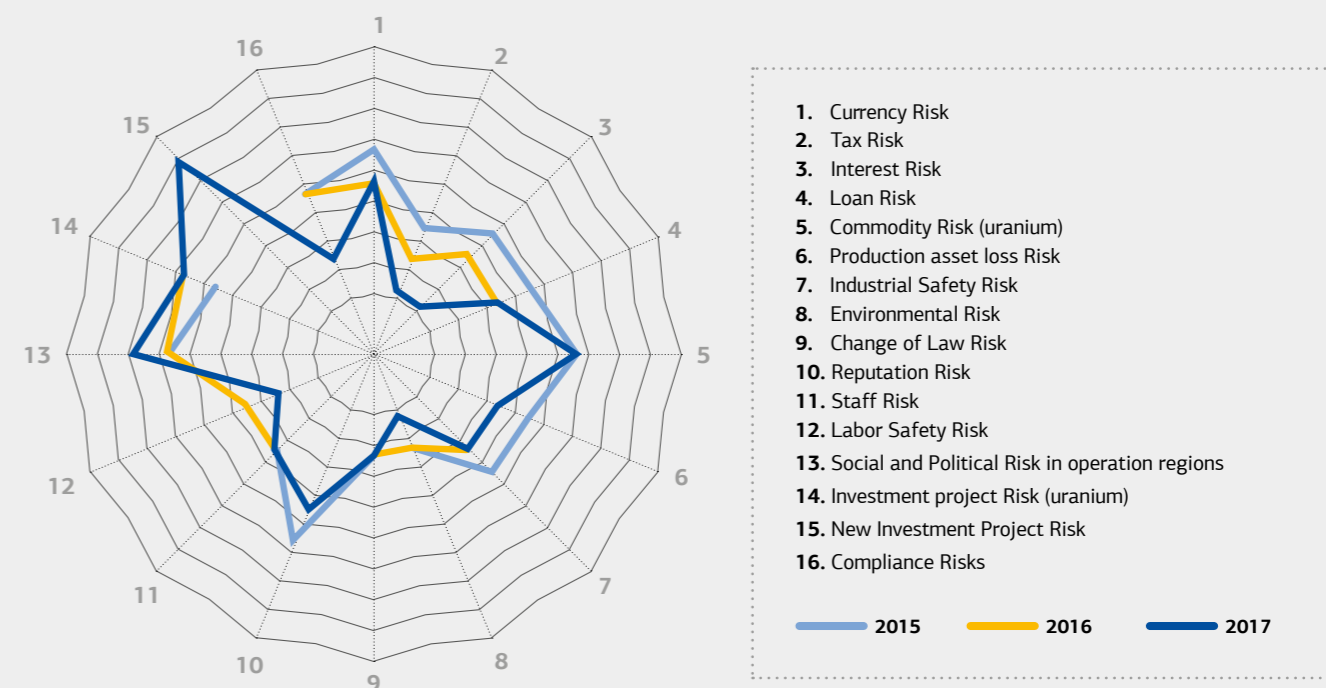


Figure 21. Radar of Key Risks of JSC Atomredmetzoloto in 2015-2017

3.2.2. Key Risks and Their Management

Table 5. Key Risks and Their Management Critical risks ranking 5 and higher are shown



Risk, its Radar number and key risk factor	Key Risk Management Performance in 2017	Risk Trends
1. Currency Risk (unfavorable changes to exchange rates)	Material ranking of the currency risk in the Holding Company is due to the presence of the currency component in the Company's income as well as due to the significant volatility of the US dollar. Due to lower than planned USD exchange rate, hedging deals were ineffective during the year. Key efforts focused on possible transfer of the currency risk to the buyer. In 2017, negotiations were held on changes to pricing of products sold allowing to minimize the currency risk impact on JSC Atomredmetzoloto's financial performance in 2018. Result: minimized currency risk impact on 2018 performance.	●
5. Commodity Risk (decreasing uranium prices)	The risk is due to continuing decrease of uranium market prices in 2017. Minimization of the impact of this type of risk was limited by the methods of natural hedging and was achieved due to balancing of raw materials' sales schedules by various pricing contract mechanisms taking into account the actual and predicted Trends of uranium price indicators due to flexible contract terms by managing available sources of raw materials. In 2017, negotiations were also held on changes to pricing of products sold allowing to minimize the commodity risk impact on JSC Atomredmetzoloto's financial performance in 2018. Result: due to the management of implementation schedules, the impact of unfavorable uranium price Trends on the financial result of the Company business was reduced by more than RUB 100 MM. Minimized commodity risk impact on 2018 performance.	●
10. Reputation Risk (changes to stakeholders' perception of the Division's reliability and attractiveness)	The risk is due to possible dissemination of negative information on ROSATOM and its entities; major accidents in nuclear industry; protests against deposit development (Dobrovolnoye uranium deposit in the Kurgan Region); massive public concern about the future of the enterprise (construction of PJSC PIMCU's new Mine No. 6 in Krasnokamensk, Trans-Baikal Territory). The following actions were taken to manage the risk in the Kurgan Region: <ul style="list-style-type: none"> ● inauguration of JSC Dalur's Information Center at Zverinogolovskoye Village in the Kurgan Region ● installation of an electronic display showing radiation level on the Administration Building of Zverinogolovskoye District of the Kurgan Region; ● monthly disclosure of information on JSC Dalur's operation in local mass media, including opinion leaders on environmental monitoring results; ● holding round tables, meetings of the regional Public Chamber and independent environmental Council in Kurgan and Zverinogolovskoye engaging experts and scientists and resulting into resolutions and explanations in mass media on safety of deposit development subject to mining and geological conditions; ● issue of the special information publication for residents of Zverinogolovskoye District of the Kurgan Region; ● regular visits of local community to JSC Dalur's production sites. 	●

Risk, its Radar number and key risk factor	Key Risk Management Performance in 2017	Risk Trends
	The following actions were taken to manage the risk in the Trans-Baikal Territory: <ul style="list-style-type: none"> ● disclosure of information on plans and deadlines for construction of PJSC PIMCU's Mine No. 6 in the Trans-Baikal Territory's mass media, as well as on allocation of funds for construction and installation work, and commencement of competitive procedures, including via the PR function of the Government of the Trans-Baikal Territory, including opinion leaders and regional governor; ● organization of discussion of Mine No. 6 construction at the session of the Legislature of the Trans-Baikal Territory resulting into over 300 positive publications in the regional and federal mass media; ● informing employees of PJSC PIMCU and residents of Krasnokamensk of the time schedule of Mine No. 6 construction for 2018, including on Informing Days and via social networks; ● persuading employees of PJSC PIMCU and residents of Krasnokamensk that some production actions (such as increasing floor height between horizons of operational mines) are taken for further use in construction of Mine No. 6. Result: the balance of positive and negative appraisal of nuclear power industry development programs by the Russian population was 57% in 2017.	
13. Social and Political Risk in Operation Regions (aggravating public tensions in Krasnokamensk)	The Holding Company's primary production enterprise (PJSC PIMCU) is the backbone enterprise and all resolution on development / adjustment of its operations influence the regional (Krasnokamensk) social status materially. In 2017, work continued to launch new businesses in Krasnokamensk (PSEDA) and actively promote the project for Development of Argunskoye and Zherlovoye fields. Construction of Mine No. 6 in the Trans-Baikal Territory. Commencement of actions for implementation of the project allowed keeping the peace in the region. Implementation of social actions continued including: <ul style="list-style-type: none"> ● ensuring social protection of employees (voluntary healthcare insurance, accident and disease insurance, reimbursement of vacation travel costs, retirement programs, financial aid); ● operation of official communities in VK and OK social networks (answers of PJSC PIMCU's top managers and key specialists to questions of employees and local residents); ● operation of the miners' wives club (informing employee family members of the state of things at the enterprise, its plans, development prospects and key events); ● interaction with the public employment service on the matters of assisting to public employment as well as public retraining and vocational guidance operations; ● holding the conference PIMCU – Path to Development. Result: no strikes and protests at the enterprise. Trend: the risk has grown due to insufficiently clear development prospects of Krasnokamensk.	↑
14. Investment Project Risk - Uranium (risk of the projects' failure to achieve the set targets)	The Mining Division's business is associated with development of deposits and mining of natural uranium in the Russian Federation. To reduce projects risks, actions are taken on a continuous basis to identify risks affecting financial performance of projects, and actions to mitigate them are developed and taken. Resolutions on further project development are passed subject to possible risk impact. In 2017, ROSATOM made changes to documents governing project risk management. Analysis of uranium mining project risks was revised in accordance with new recommendations. Result: The Company's uranium mining project portfolio efficiency has been confirmed by ROSATOM; it is maintained at a stable positive level or increasing. Trend: risk growth is due to changed deadlines for the project for Development of Argunskoye and Zherlovoye fields. Construction of Mine No. 6 in the Trans-Baikal Territory.	↑

Risk, its Radar number and key risk factor	Key Risk Management Performance in 2017	Risk Trends
<p>15. New Investment Project Risk (risk of projects' failure to achieve set targets)</p>	<p>To diversify its business, the Holding Company is implementing projects related to new businesses (mining of associated metals, new products and development of non-uranium deposits). In 2017, JSC Atomredmetzoloto controlled implementation of four new business investment projects. Since implementation of such projects is associated with high degree of uncertainty, the projects are analyzed for risks that may adjust their implementation progress. The following actions are taken:</p> <ul style="list-style-type: none"> the project team identifies risks and develops actions to manage them; analysis is repeated or actions are taken to modify risk management and update it; JSC Atomredmetzoloto's risk management team analyzes completeness of risk identification and adequacy of actions developed to mitigate them; resolutions for further project implementation are passed subject to identified risks and their mitigation possibilities. <p>Key risks for projects implemented in 2017 were absence of project financing sources, decreasing price of products and presence of additional project operations. Operations were performed to mitigate such risks, but actions taken were unable to compensate for them in full, which resulted in extension of such projects' implementation deadlines.</p> <p>Result: The Holding Company's project portfolio efficiency has been confirmed by ROSATOM; it is maintained at a stable positive level.</p> <p>Trend: risk growth is due to extension of project implementation deadlines.</p>	



3.3. Internal Control System. Assets Protection

INTERNAL CONTROL SYSTEM

Key performance indicators of the internal control system are as follows:

- no any actual incidents or material comments based on results of inspections performed by external control bodies in relation to organizational processes (earlier inspected by the Company's internal control directorate);
- efficient use of resources during control actions.

No comments of state and other external monitoring bodies made following the results of process audits in 2017 were identified. Resource use efficiency in 2017 exceeds its target value.

For details of the internal control system, its tasks and operating principles, see Annual Report 2015.

2017 RESULTS:

- all scheduled actions were taken to inspect financial and economic operations of subsidiaries and the riskiest processes;
- two RPS projects were developed and implemented to increase efficiency of controls;
- employees of internal control and audit business unit of ARMZ Uranium Holding Co. successfully completed independent attestation in accordance with the Internal Control Specialist (Internal Controller) professional standard.

PLANS FOR 2018:

Development and improvement of the risk oriented approach to planning and implementation of control activities aimed at increasing transparency level of the Holding Company enterprises; business processes, elimination of financial, production and reputation risks as well as improvement of narrow-profile competencies of control business units' employees.

SAFETY MANAGEMENT SYSTEM

JSC Atomredmetzoloto takes integrated actions to ensure economic security, asset protection, prevention of corruption offences.



HR PERFORMANCE OF THE INTERNAL CONTROL DIRECTORATE:

THE EXECUTIVE OF THE INTERNAL CONTROL SERVICE OF JSC RUSBURMASH, MR. M.A. KOVALENKO WAS INCLUDED INTO THE TALENT POOL OF ROSATOM;

EXECUTIVE OF THE INTERNAL CONTROL SERVICE OF PJSC PIMCU, MR. BELYKH N.V. BECAME THE FINALIST OF THE ALL-RUSSIAN LEADERS OF RUSSIA COMPETITION.

Table 6. Dynamics of Control Events in 2015-2017

Indicator	2015	2016	2017
Control Activities, including by types, pcs.	22	34	50
<ul style="list-style-type: none"> Control and Audit Activities 	2	6	6
<ul style="list-style-type: none"> Expert and Analytical Activities 	17	24	36
<ul style="list-style-type: none"> Internal Audit 	3	4	8
Deviations Identified, pcs.	52	73	103
Employees brought to Disciplinary Liability based on Results of Control Activities	13	30	28

2017 RESULTS:

- actions from the Anti-Corruption Plan for 2016 and 2017 were taken; JSC Atomredmetzoloto's regulations set forth in the Federal Law On Anti-corruption were updated and enacted;
- the commercial secrecy mode is being improved. In 2017, actions were taken subject to requirements set forth in the Harmonized Policy for Commercial Secrecy Protection in Nuclear Industry to harmonize the restricted document electronic turnover among the Holding Company's enterprises and nuclear industry organizations.

PHYSICAL PROTECTION OF NUCLEAR FACILITIES

The staff of physical protection business units of the Holding Company's enterprises is fully staffed by employees who completed additional training at specialized courses. In 2017, security executives completed scheduled knowledge checks and obtained Rostekhnadzor's permission to operate in nuclear power use industry.

Actions are taken on a scheduled basis to improve and upgrade physical protection of nuclear facilities. Over RUB 30 MM were provided to perform such operations.

Within the agency concept of improving counterterrorism protection of nuclear industry facilities and terrorism counteraction, categorization and development of safety data sheets of the Holding Company's facilities were performed, interactions with territorial counterterrorism committees and law-enforcement agencies on locations of the Mining Division's enterprises were tested.

All nuclear and restricted facilities of the Holding Company were transferred to security protection by FSUE ROSATOM Agency Security (FSUE Atom Security).



THERE WAS NO UNAUTHORIZED INGRESS INTO SECURE ZONES OF THE HOLDING COMPANY'S NUCLEAR FACILITIES.

Parallel to improvement of integrated technical and engineering physical protection, 2015-2017 saw operations for security cost cutting at the Holding Company's facilities with preservation of high safety level.

QUANTITY AND RESULTS OF PHYSICAL PROTECTION INSPECTION OF FACILITIES

Inspections by control bodies identified no material breaches in physical protection of nuclear materials, nuclear plants and nuclear material storage stations or incompliance with physical protection rules and regulations. Identified defects were eliminated as soon as possible. In 2017, ROSATOM, Rostekhnadzor and Russian MIA conducted a number of physical protection inspections at the Holding Company's facilities. The inspections identified no material breaches.

PLANS FOR 2018:

- implementation of the Plan for Improvement of Anti-Corruption Operations in ROSATOM State Atomic Energy Corporation;
- improvements of actions aimed at corruption prevention;
- building and upgrading physical protection systems at the Holding Company's sites and facilities;
- improving professional training of security employees.

3.4. Procurement Management

PROCUREMENT ACTIVITIES

The Company adheres to the principles of openness and transparency in relation to its procurement management. Circa 99% of

competitive procurement procedures are conducted on the electronic platforms of LLC Fabrikant, JSC Unified Electronic Trading Platform and JSC

Center for Economic Development which allows saving labor and financial resources, and makes procurement more open.

PERFORMANCE FOR 10 YEARS:

- **In September 2009**, JSC Atomredmetzoloto acceded to the Uniform Industry Procurement Standard of ROSATOM;
- **Since late 2012**, JSC Atomredmetzoloto has been using electronic procurement procedures;
- **Since 2013**, Federal Law 223-FZ has applied to JSC Atomredmetzoloto. In this connection, procurement transparency has increased due to publication of annual procurement plans, procurement procedures and

- data on contracts executed and performance on the official website;
- **In 2014**, the Authorize Body (procurement special-purpose vehicle (SPV)) – LLC ARMZ Service was created to perform procurement for the Holding Company's enterprises. The category management system was also implemented to improve procurement performance;
- **In 2017**, the Holding Company's enterprises adopted the concept of implementing and developing the manufacturer audit system to improve quality of supplied products. The process of generalizing technical

- specifications of procured products was launched including open discussions with suppliers;
- Additionally, **each year since 2013** has been seeing regional ATOMEX REGION forums in the operation regions held to develop competitive environment, engage additional suppliers, ensure information disclosure and transparency of procurement activities by ARMZ Uranium Holding Co.'s enterprises jointly with ANO ROSATOM Corporate Academy.

Table 7. Holding Company's Procurement Structure

Indicator	2015	2016	2017
Share of Procurement using Public Open Competitive Procedures within the Uniform Industry Procurement Standard Framework	99	99	99
JSC Atomredmetzoloto's Procurement Amount, Million RUB	422	317	519
Total Procurement Amount of the Holding Company, Million RUB	22,936	17,242	12,670
JSC Atomredmetzoloto's Savings, Million RUB	13	5	6
Total Savings of the Holding Company from Public Competitive Procurement Procedures, Million RUB	1,062	770	896

Table 8. Procurement Structure by Cost, %

not exceeding RUB 1 MM	2.4
not exceeding RUB 10 MM	13.8
RUB 10-50 MM	26.8
RUB 50-100 MM	23.6
exceeding RUB 100 MM	33.4

For details of JSC Atomredmetzoloto's procurement structure, see Annual Report 2016.

ARMZ Uranium Holding Co., in accordance with ROSATOM's procurement policy, is not entitled to grant preferences to suppliers by area. Local suppliers participate in competitive procedures on a general basis. No particular approaches to working with local suppliers are applied. The Company does not account costs of such suppliers specially.

For details of key principles, objectives and control in procurement activities, see Report 2015.

2017 RESULTS:

- 1,395 competitive procurement procedures were performed to satisfy the Holding Company's needs;
- the total amount of performed competitive procedures was RUB 7.5 bn;
- the savings (difference between the initial procurement price and the winning bid cost) based on

results of performed competitive procurement procedures made up RUB 896 MM;

- in September of the reporting period, the ATOMEX REGION 2017 regional forum was organized in Ulan-Ude jointly with ANO ROSATOM Corporate Academy.

PLANS FOR 2018:

- performing circa 700 competitive procurement procedures;
- continuing generalization and standardization as well as procured product quality improvement.

