

## Risk Management

One of the main factors providing achievement of the Company's strategic goals is risk management. Risk management in the Company is not centralized, and in this connection responsibility for specific risk management is distributed between the corresponding functional subdivisions.

Functioning principles of the Company's Risk Management System correspond to the principles reflected in the Risk Management Policy of State Corporation ROSATOM approved by order of the General Director No.1/4 – P of January 13, 2011.

On the basis of the results of poll taken among the subdivisions, key risks and mitigation measures were determined (see Table 5.1).

### Table 5.1. Key Risks and Mitigation Measures

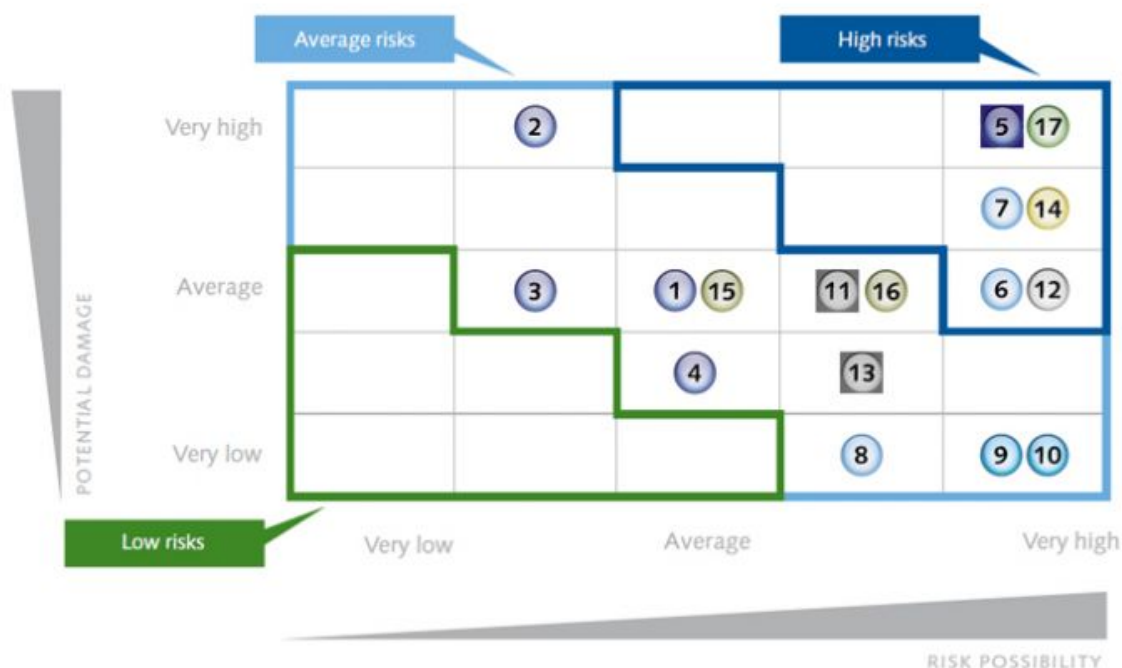




| Types of Risks                                   | Mitigation Measures   |
|--|---|
| <b>Operational Risks</b>                         |   |
| Internal mistakes during designing               | Change in mounting sequence of process pipelines and equipment from steam generators to provide for reduction in performance time by 3 months.<br>Elaboration of new KPI for the project unit to provide timely introduction of modern and competitive equipment into the project.  |
| Ineffective supply chain                         | Quality control of unreliable suppliers. Increase in volume of warehouses for equipment on construction sites.<br>Clarification of documentation on mounting and setup of pipe and power fittings to workers and engineers.<br>Improvement of quality control process of designated companies.<br>Insurance against losses incurred as a result of non-fulfillment of obligations by counteragent.<br>Liability insurance of motor vehicle owner.<br>Cargo insurance.<br>Insurance during tenders on purchase of equipment.   |
| Delay in equipment supply                        | Application of unified information system for work with suppliers.<br>Performance of additional checks to secure timely deliveries.<br>Change in the process of equipment integration, reduction in number of approval cycles.<br>Insurance against losses incurred as a result of non-fulfillment of obligations by counteragent.  |
| Inefficient organization of subcontractors' work | Investment in development of subcontractors owned by the Company (vertical integration).<br>Establishment of consolidated structure of subcontractors (the target condition is 5 strong financially stable companies).<br>Change in structure of regulatory documents for even distribution of cost effectiveness of work.<br>Improvement in coordination within the frames of performance of day/night tasks on construction site.<br>Insurance against losses incurred as a result of non-fulfillment of obligations by counteragent.   |
| Low quality of work                              | Application of modern equipment.<br>Optimization of number of workers on construction site.<br>Training of subcontractors' engineers twice a year.<br>Application of Primavera schedule as priority one. Synchronization of other Primavera schedules to secure concentrated and uninterrupted performance of single operations.<br>Attraction of specialized subcontractors to reduce risk of improper quality of work performance.<br>Increase in subcontractors' production facilities (increase in number/duration of shifts, attraction of additional staff).<br>Insurance of construction and mounting operations including all applied materials, equipment of construction site and building equipment, construction machines, expenses of territory cleanup and garbage removal, and auxiliary structures. |

Strategic risks are risks of the highest level which may lead to non-performance of the Company's strategic goals. In the reporting year the map of strategic risks was prepared in the Company (see Table 5.2).

**Fig. 5.2. The map of strategic risks**



#### Types of risks

- Market risks
- Political and regulatory risks

#### Market segments

- High power NPP
- Low and medium capacity NPP
- Teaching reactors
- Back end
- NPP service
- Thermal power stations
- Oil and gas facilities

#### List of strategic risks

- 1 Competitive growth on the part of Korea and China
- 2 Insufficient financing
- 3 Deterioration of competitiveness in connection with development of other generation resources
- 4 Low readiness of machine building enterprises in Russia to the required volume of supplies
- 5 Political nature of decisions on selection of supplier of nuclear technologies
- 6 Missing culture of safety and developed elements of nuclear infrastructure on new markets
- 7 Lack of financing for elaboration of new projects
- 8 Underdeveloped market and unclear prospects
- 9 High competition on the market
- 10 Insufficient experience in NPP operation of the newcoming countries
- 11 High dependency of the segment on political decisions
- 12 Fine subdivision of orders by legacy holders
- 13 Absence of final regulatory framework
- 14 High competitiveness on the part of local contractors
- 15 Affiliation of engineering companies with customers
- 16 High uncertainty of market volumes to 2020
- 17 High competitiveness on the part of existing players

Fig. 5.2. The map of strategic risks



**Multi-D**  
engineering