

Report of TVEL JSC Internal Control and Audit Director on the results of “Public Annual Reporting Preparation” process audit

We have audited the process of public annual reporting preparation (hereinafter - PAR) of TVEL JSC over 2013.

We are responsible for expressing the opinion on the effectiveness of the internal control system of the process of PAR preparation and on compliance of the order of PAR preparation with the requirements of the current legislation, standards of ROSATOM State Corporation, internal regulatory documents of TVEL JSC applicable to public reporting.

We conducted the audit in compliance with “The Procedure for planning and conducting internal audits of business processes, carried out by TVEL JSC and companies, included in the control scheme of Fuel Company”, approved by the President’s Order of TVEL JSC dated December 14, 2011 No.271.

The audit comprised executing of the following procedures:

- Review of compliance of the order of PAR preparation with the requirements of the current legislation, standards of ROSATOM State Corporation, internal regulatory documents of TVEL JSC applicable to public reporting;
- Evaluation of efficiency of risk management system, typical for the process;
- Evaluation of quality of formalization and regulation of PAR preparation;
- Analysis of design of key control procedures and testing their operational efficiency.

Furthermore, based on the audit results we have elaborated recommendations, focused on development and enhancement of efficiency of internal controls system of PAR preparation process.

We have not noted any facts of constrains on the audit from the management and personnel of structural units of TVEL JSC.

We believe that the conducted audit provides reasonable basis to express opinion on efficiency of the internal control system.

In our opinion the internal control system of the process is effective and the process of preparation of TVEL JSC annual report complies with the current legislation, Policy of ROSATOM State Corporation applicable to public reporting and requirements of internal regulatory acts of TVEL JSC, specifying the process of PAR preparation.

Internal Control and
Audit Director, CIA



G.I. Bobrova

Independent audit report on assurance of non-financial data of the annual report of TVEL JSC for 2013

Introduction

The subject of assurance is the annual report of Joint Stock Company TVEL (hereinafter referred to as the Report) for 2013.

Our statement is addressed to the working group on the preparation of a public annual report and the management of TVEL JSC.

Responsibilities of the parties

The management of TVEL JSC bears full responsibility for preparation and accuracy of the Report.

We are responsible for the results of independent assurance of the Report only to TVEL JSC within the engagement and do not assume any responsibility to any third party.

Scope, criteria and level of assurance

The subject of assurance is the Report, including information on TVELJSC and key enterprises of TVEL Fuel Company within the declared consolidation perimeter.

The Report was evaluated according to the following criteria:

- Nature and level of compliance with the principles of the standard AA1000 Accountability Principle Standard 2008 – inclusivity, materiality, responsiveness.
- Compliance of the Report with application level A+ (self-assessment) according to GRI G3.1 Sustainability Reporting Guidelines.
- Compliance of the Report with the Policy of ROSATOM State Corporation in the sphere of public reporting and Uniform Standard of Public Annual Reporting of the key organizations of ROSATOM State Corporation

The engagement was planned and performed in accordance with AA1000 Assurance Standard 2008 and International Standard on Assurance Engagements ISAE 3000 “Assurance engagements other than audits or reviews of historical financial information”.

The statement corresponds to type 2, as defined by AA1000AS 2008, in accordance with the limitations specified in section “Limitations of the engagement” of the present statement.

In our statement, we have fulfilled the following requirements on the level of assurance:

- Moderate – in accordance with standard AA1000AS 2008;
- Limited – in accordance with International Standard on Assurance Engagements ISAE 3000 “Assurance engagements other than audits or reviews of historical financial information”.

The selective verification of information in the Report can not pretend to provide a high level of assurance. The work was based on the supporting materials provided by the management of the entity and its employees, publicly available information and analytical methods of confirmation. In relation to the quantitative information contained in the Report the work performed cannot be considered sufficient for identification of all possible deficiencies and misstatements. However, the collected evidence is sufficient for expressing our opinion in accordance with the above levels of assurance.

Methodology of assurance

In our engagement, we have performed the following procedures:

- Study and selective testing of systems and processes implemented by TVEL JSC to ensure and analyze the compliance of the activities with AA1000APS 2008 principles and efficiency management in the field of sustainable development.
- Questionnaires and interviews with the management of TVEL JSC, VPA Tochmash JSC, MZP JSC.
- Collection of evidence confirming practical implementation of system processes in accordance with the principles of AA1000APS 2008.
- Interviews with the personnel of TVEL JSC, VPA Tochmash JSC, MZP JSC, study of documents and statements of the management in order to obtain evidence regarding the compliance of the activities with the principles of AA1000APS 2008.
- Participation in the dialogues and public consultations of TVEL JSC, study of minutes of public dialogues and consultations with stakeholders.
- Study of records on activities of TVEL JSC Stakeholders Commission.
- Study of information on the website of TVEL JSC and its subsidiaries relating to its activities in the context of sustainable development.
- Study of public statements of third parties related to economic, environmental and social aspects of the TVEL JSC operations, in order to check validity of the declarations made in the Report.
- Analysis of non-financial reports of foreign companies working in the similar market segment for benchmarking purposes.
- Analysis of the current system of internal control and audit of TVEL JSC for the verification of compliance of procedures for establishing a public annual report with the current legal requirements, standards of ROSATOM State Corporation, internal regulations of TVEL JSC in the field of public accounting.
- Selective review of documents and data on the efficiency of the management systems of economic, environmental and social aspects of sustainable development in TVEL JSC.
- Study of the existing processes of collection, processing, documenting, verification, analysis and selection of data to be included into the Report.
- Examination of adequacy of the statements and data included into the Report.
- Analysis of information in the Report for compliance with Standard AA1000APS 2008 and GRI G3.1 Sustainability Reporting Guidelines (level A+), the Policy of ROSATOM State Corporation in the field of public reporting and Typical Standard of public annual reporting of the major organizations of ROSATOM State Corporation.

Limitations of the engagement

The assurance is limited to the period from January 01, 2013 to December 31, 2013. The evaluation of reliability of the information in the Report on performance was conducted only in relation to the compliance with recommendations of GRI G3.1 Sustainability Reporting Guidelines for level A+.

In respect to the quantitative performance indicators the conformity assessment to the audited financial statements and the external and internal reporting documents provided to us in terms of other economic, environmental and social aspects is performed.

Assurance does not apply to forward-looking statements, as well as statements expressing the opinions, beliefs and intentions of TVEL JSC to take any action relating to the future.

The assurance on the statements which are based on expert opinion is not performed.

The statement refers only to the English version of the Report in the MS Word format which includes information to be published in a hard-copy form as well as in electronic form.

We had no chance to verify publication of the Report on the corporate website of TVEL JSC due to the fact that the date of signing this statement preceded the planned date of the Report publication on the Company's website.

Conclusions

The following conclusions are based on the assurance work performed within the engagement indicated above.

- In general, the Report adequately reflects management tools and performance indicators of TVEL JSC concerning economic, social and environmental aspects of sustainable development.
- As a result and within the scope of our work, we did not identify material misstatements in the Report information which discloses the TVEL JSC activity in the field of sustainable development and its results.

Nature and extent of compliance with AA1000APS 2008 principles

As a result and within the scope of our work, we did not identify material non-compliance with criteria of AA1000APS 2008 in respect to adherence to the principles (inclusivity, materiality, and responsiveness).

Compliance of the Report with the level A+ in accordance with GRI G3.1 Guidelines

In order to form an opinion on this issue, we analyzed implementation of GRI G3.1 Guidelines concerning principles and standard elements of the reporting for declared level of application in the process of the Report preparation.

Principles for Defining Report Content

Materiality

- Information included into the Report encompasses the topics and performance indicators that reflect material impact of TVEL JSC on the economy, environment and society and can materially influence the assessments and solutions of stakeholders.
- Priority themes of the report are defined and discussed with stakeholders – Innovative Potential as Development Basis of TVEL FC and Social Capital Management of TVEL FC.
- Report touches on the main issues brought up in the reports of foreign companies working in the similar market segment.

Stakeholder inclusiveness

- TVEL JSC presented in the Report information on stakeholders and mechanisms of incorporation of their interests, when determining the contents of the Report.

Sustainability context

- The Report presents the results of TVEL JSC operations in a wide range of sustainable development issues, including various aspects of economic, social and environmental activities.

Completeness

- Within the claimed boundaries the Report with a sufficient degree of completeness covers information on the activities of TVEL JSC.
- Report boundaries include TVEL FC and its subsidiaries and conform to management accounting profile.

- Some performance indicators are reported are reported partially according to GRI Indicator Protocols (section Standard disclosures, Performance indicators).

Principles for Ensuring Report Quality

Balance

- The Report has a balanced nature, reflecting both the results and the issues that require solution.

Comparability

- The comparability of the Report and non-financial reports of other organizations is achieved by using GRI G3.1 Guidelines as the basis for disclosure of performance indicators for sustainable development.
- The comparability of financial information in relation to the reports of other companies is not fully achieved in connection with the application of the rules of the Federal legislation in Russia and the Regulations of the Russian accounting (not International Financial Reporting Standards) for its disclosure.
- Most of quantitative indicators presented in a three-year dynamics, that allows to analyze development trends in the Company's activities.

Accuracy

- The level of accuracy of actual information in the Report is sufficient for stakeholders to estimate the performance of TVEL JSC in the field of sustainable development.
- The calculations of performance indicators are based on the methods approved in the protocols of the GRI G3.1 indicators, the Standard of public annual reporting of TVEL JSC and the Policy of ROSATOM State Corporation in the field of public reporting.

Timeliness

- The Report is prepared with a view to be submitted to the Annual meeting of shareholders.

Clarity

- In general, the information in the Report is shown clearly and understandably for the key groups of stakeholders.
- The Report has an Annex "Glossary and abbreviations" that facilitates understanding of the information for the users of the Report.

Reliability

- The information in the Report about the performance is based on the internal reporting documents of TVELJSC and ROSATOM State Corporation and the statements submitted to regulatory authorities.
- Issues of auditing efficiency of the control and order of preparation of non-financial reports are within competence of the Direction of internal control and audit. Based on the results of audit of the public report preparation process the Statement of the Direction of internal control and audit was prepared.
- We have not identified any facts that would call into question reliability of the information contained in the Report.

Standard disclosures

Strategy and profile

- The Report in general provides information on sustainable development that must be disclosed in accordance with the GRI G3.1 Guidelines to determine the content of the Report.

Management approaches

- The Report contains the approaches in management on material aspects in economic, social and environmental field.

Performance indicators

- All the main performance indicators are disclosed in the Report in accordance with the protocols of the GRI G 3.1 indicators, except performance indicators EN1, EN2, EN4, EN16, EN18, EN21 (are reported partially with the specified reasons for the partial disclosure), EC2, PR3, PR4, PR8 (are not applicable to TVEL JSC).

Overall assessment of the Report

- Our work allows to conclude that the structure and quantity of disclosures required for level A+ are reflected in the Report and are reasonably recorded in GRI content index.

Compliance of the Report with the Policy of ROSATOM State Corporation in the sphere of public reporting and Uniform Standard of Public Annual Reporting of the key organizations of ROSATOM State Corporation

The process of public reporting, structure and content of the Report are broadly consistent with the requirements of the Policy of ROSATOM State Corporation in the sphere of public reporting and the Uniform Standard of Public Annual Reporting of the key organizations of ROSATOM State Corporation. The following indicators are not included in the Report: 3.1.1, 12.1.9. The following indicators are reported partially 2.2.3, 4.4.3, 5.2.1, 5.2.3, 7.2.1, 11.1.12, 11.2.1, 11.2.3, 11.3.9.

Recommendations

- It is expedient to disclose GRI indicators in relation to target values.
- Increase the extent of disclosure of indicators in relation to which GRI Indicator protocols are not fully taken into account (partial disclosure) or provide in the next report information on the planned period of their full disclosure.
- Ensure stricter adherence to GRI guidance relating to GRI content index (Standard disclosure 3.12).
- In case of significant divergences of quantitative indicators from trends and/or mean values it is advisable to provide explanation of divergences in the text of the report.
- Take into account remarks in the foregoing sections of the statement.

Statement of competence and independence

NP Consult CJSC is an independent audit firm, professionally rendering assurance services. NP Consult CJSC is a member of self-regulated organization Nonprofit Partnership "Institute of Professional Auditors" and acts in accordance with the IFAC Code of Ethics. The Company has a system of quality control of audit services, including control of compliance with ethical norms.

NP Consult CJSC states that the present statement is an independent auditor's assessment. NP Consult CJSC and its staff have no relations with TVEL JSC, its subsidiaries and affiliates, that could result in the conflict of interest related to the assurance of the Report.

NP Consult CJSC is an organizational stakeholder of GRI, licensed provider of assurance services in accordance with AA1000 AS.

The team involved in the assurance of annual report included the employees of NP Consult CJSC with necessary experience in auditing and reporting under GRI G3/3.1, as well as with certificates in this area. The head of the assurance team completed trainings in the assurance of sustainability reports in Accountability training center and has CSAP certificate.

CEO
NP Consult CJSC



V.Yu. Skobarev

Moscow, May 19, 2014