

## Significant risks that materialised or increased in 2020

Category	Risk factors	Measures taken
<b>MATERIALIZED RISKS</b>		
Economic risks	Changes in freight and hire rates in the international freight market	Determining an optimal ratio of proceeds from long-term and spot contracts in accordance with the approved strategy and freight policy Monitoring global freight markets to make timely decisions on the optimal distribution of the fleet Timely selling the obsolete fleet
Threats to public health	Impact of the coronavirus (COVID-19) pandemic on the operations of the Group and the operations of its customers, suppliers and shipyards	A protocol for crew change in accessible (mostly Russian) ports has been developed and implemented A mandatory quarantine prior to boarding has been introduced Preventive measures in offices
<b>INCREASED RISK</b>		
Economic risks	Seasonal and regional changes in tonnage supply and demand	Diversifying the Group's activities and break into new promising and sustainable segments Building and commissioning state-of-the-art specialised vessels in accordance with the approved strategy of the Company and by taking into account customer requirements

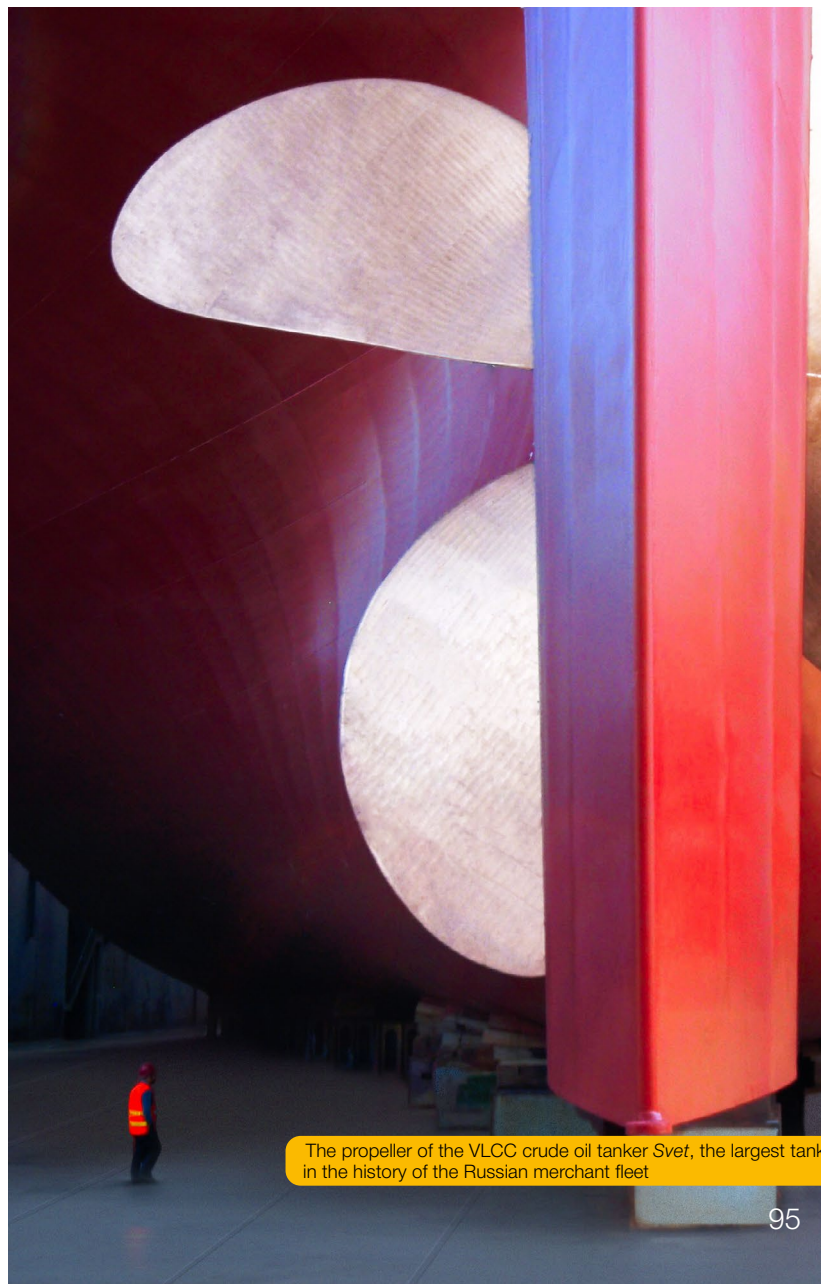
## Internal control

Sovcomflot Group has in place an internal control system, which ensures the effective implementation of the Group's internal business processes and is directly linked with the risk management system.

The internal control system is managed by the Company's governing bodies (the Board of Directors, executive bodies - the Company's Executive Board and Chief Executive Officer), committees under the Board of Directors, committees under the Executive Board (Freight Committee, Investment Committee, Finance Committee, Committee for Technical Policy - Technical Council, etc.), Vice-Presidents, divisions in charge and the Company's employees within their competence in accordance with the law and internal documents of the Company<sup>1</sup>.

The efficiency of the internal control system is also bolstered by having independent directors in the Board of Directors and its committees. The current Board of Directors has three independent directors.

Effectiveness of the internal control system is assessed by the Auditing Commission and the Internal Audit Department<sup>2</sup>.



The propeller of the VLCC crude oil tanker *Svet*, the largest tanker in the history of the Russian merchant fleet

<sup>1</sup> For more details see the relevant sections of this Annual Report.

<sup>2</sup> For more details see the relevant sections of this Annual Report