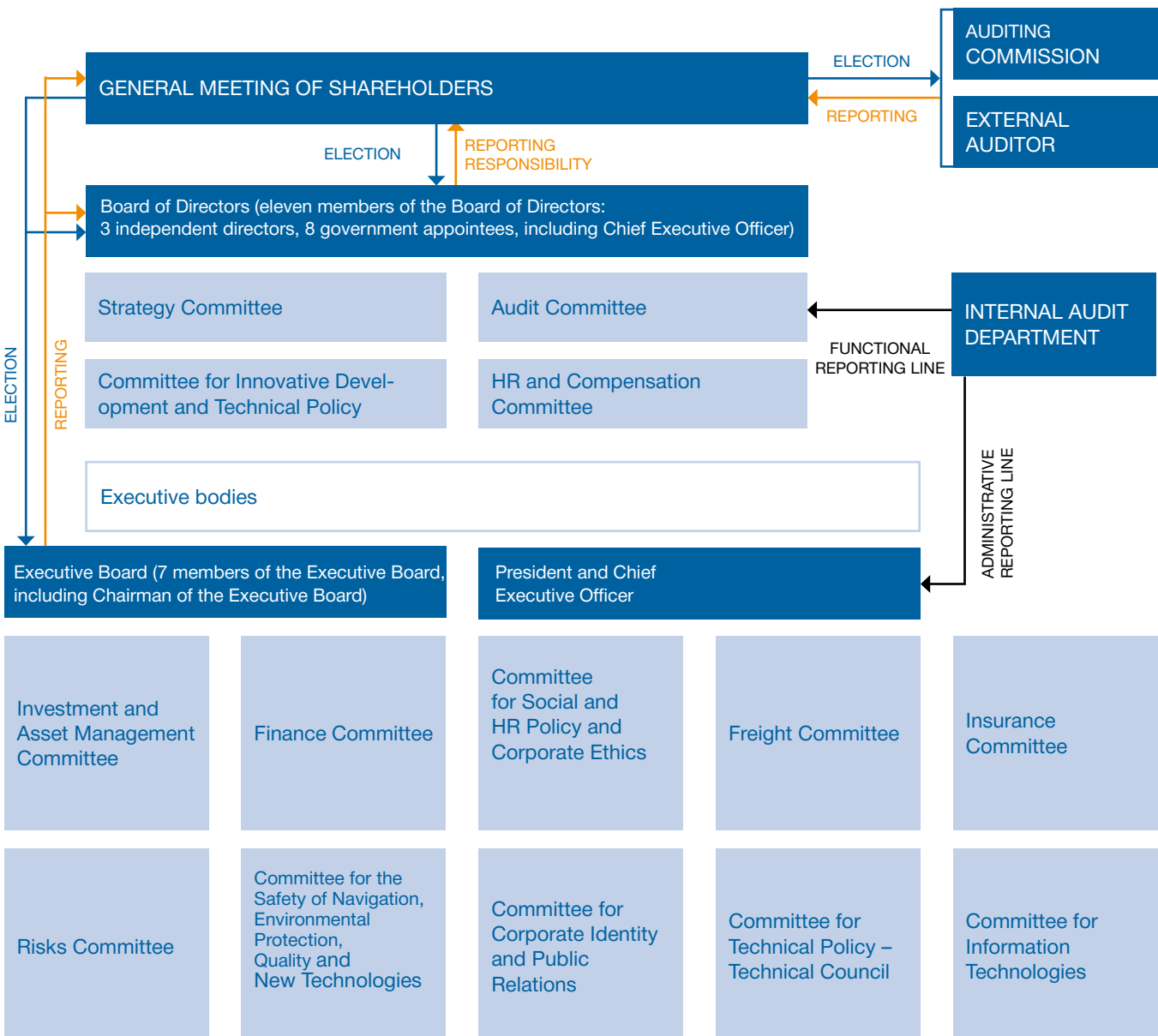


Corporate governance system

PAO Sovcomflot seeks to ensure that its corporate governance system complies with international standards – this requires complete adherence to both legislative requirements and ethical standards in the spirit of best corporate governance practices. To this end, PAO Sovcomflot works actively to improve its corporate governance system taking into account the specifics of its operations.

Corporate governance system of PAO Sovcomflot



Internal documents relating to corporate governance

- The Charter of PAO Sovcomflot (the new version was approved by Instructions No. 271-r of the Federal Agency for State Property Management dated 31 May 2017);
- Amendments to the Charter of PAO Sovcomflot (made according to Instructions No. 95-r of the Federal Agency for State Property Management dated 1 March 2018 by taking into account Instructions No. 167-r of the Federal Agency for State Property Management dated 6 May 2020 and the notice on the results of an additional issue of PAO Sovcomflot securities approved by the CEO of PAO Sovcomflot on 21 October 2020 and submitted to the Bank of Russia on 22 October 2020);
- Amendments to the Charter of PAO Sovcomflot (approved by Instructions No. 367-r of the Federal Agency for State Property Management dated 10 September 2020);
- Amendments to the Charter of PAO Sovcomflot (approved by Instructions No. 70-r of the Federal Agency for State Property Management dated 13 February 2020);
- Amendments to the Charter of PAO Sovcomflot (approved by Instructions No. 373-r of the Federal Agency for State Property Management dated 26 June 2019);
- Amendments to the Charter of PAO Sovcomflot (approved by Instructions No. 449-r of the Federal Agency for State Property Management dated 29 June 2018);
- Corporate Governance Code (the new version was approved by the PAO Sovcomflot Board of Directors decision dated 10 November 2015, Minutes No. 149);
- Regulations on the General Meeting of Shareholders of PAO Sovcomflot approved by Instructions No. 310-r of the Federal Agency for State Property Management dated 16 June 2017;
- Regulations on the Board of Directors (the new version was approved by Instructions No. 449-r of the Federal Agency for State Property Management dated 29 June 2018);
- Regulations on the Strategy Committee of the Board of Directors (approved by the Board of Directors decision dated 5 February 2009, Minutes No. 95);
- Regulations on the Audit Committee of the Board of Directors (the new version was approved by the Board of Directors decision dated 26 May 2017, Minutes No. 163);
- Regulations on the HR and Compensation Committee of the Board of Directors (the new version was approved by the Board of Directors decision dated 26 May 2017, Minutes No. 163);
- Regulations on the Committee for Innovative Development and Technical Policy (approved by the Board of Directors decision dated 25 February 2011, Minutes No. 109);
- Regulations on the Executive Board (approved by Instructions No. 838-r of the Federal Agency for State Property Management dated 30 June 2009);
- Regulations on the Chief Executive Officer (approved by Instructions No. 696-r of the Federal Agency for State Property Management dated 30 June 2014);
- Regulations on the Auditing Commission (the new version was approved by Instructions No. 519-r of the Federal Agency for State Property Management dated 30 June 2016);
- Regulations on the Internal Audit Department of PAO Sovcomflot (approved by the Board of Directors decision dated 26 May 2017 (Minutes No. 163 dated 26 May 2017), taking into account the amendments approved by the Board of Directors on 26 February 2019 (Minutes No. 179 dated 1 March 2019) and 18 November 2020 (Minutes No. 201 dated 20 November 2020));
- Regulations on the Corporate Secretary of PAO Sovcomflot (approved by the Board of Directors decision dated 11 April 2017 (Minutes No. 162 dated 13 April 2017), as amended by the Board of Directors decision dated 14 September 2020 (Minutes No. 198 dated 14 September 2020));
- Regulations on the Dividend Policy of PAO Sovcomflot (approved by the Board of Directors decision dated 14 December 2012 (Minutes No. 125 dated 14 December 2012), taking into account the amendments approved by the Board of Directors decision dated 7 April 2020 (Minutes No. 192 dated 8 April 2020));
- Code of Corporate Ethics (approved by the PAO Sovcomflot Executive Board decision dated 29 August 2019 (Minutes No. 30(975));
- Regulations on the Disclosure of Information of PAO Sovcomflot (approved by the Executive Board decision dated 26 November 2020 (Minutes No. 55(1051));
- Internal Control Rules to Prevent, Detect and Suppress the Misuse of Insider Information of PAO Sovcomflot and/or Market Manipulation (approved by the PAO Sovcomflot Board of Directors decision dated 21 October 2020 (Minutes No. 200 dated 22 October 2020) and the Proprietary List of Insider Information of PAO Sovcomflot (approved by Order No. 44 of the CEO dated 6 October 2020).

Improvement of the corporate governance system

The Company recognises the importance of a high level of corporate governance. The Company's corporate governance system is based on Russian statutory requirements and applicable international best practices of corporate governance. The basic document that sets forth the key principles and elements underlying the Company's corporate governance system is the PAO Sovcomflot Corporate Governance Code.

The initial version of the PAO Sovcomflot Corporate Governance Code (the Code of Corporate Conduct) was approved by the Board of Directors on 22 February 2007 (Minutes No. 80). The current version of the PAO Sovcomflot Corporate Governance Code was developed on the basis of the Federal Law on Joint-Stock Companies, the Charter and other internal documents of the Company, recommendations of the Corporate Governance Code approved by the Bank of Russia (Bank of Russia Letter No. 06-52/2463 dated 10 April 2014), recommendations of the Principles of Corporate Governance of the Organization for Economic Cooperation and Development (OECD) and the listing requirements of Russian and foreign stock exchanges, and was approved by the PAO Sovcomflot Board of Directors decision dated 10 November 2015 (Minutes No. 149).

The Corporate Governance Code is a set of rules, standards, and internal regulations, which are used by PAO Sovcomflot in the course of its activities, and which are based on a balanced consideration of the interests of the Company's shareholders, management bodies and other stakeholders. The goal of the Corporate Governance Code is to ensure a high level of corporate governance and professional and business ethics necessary to achieve the strategic goals and objectives determined by the Charter and other internal documents of the Company.

The basic principles of corporate governance in the Russian Federation are defined in the Corporate Governance Code (the «CG Code») approved by the Bank of Russia and recommended for use by joint-stock companies. Based on the results of the assessment performed by the Company to evaluate compliance with the CG Code recommendations, it was determined that PAO Sovcomflot complied with most recommendations.



The Aframax crude oil tanker *Zaliv Amerika* in the Nakhodka Bay waiting to be loaded at the Kozmino terminal

Statistics of compliance with the CG Code provisions based on the report on compliance with the principles and recommendations of the Bank of Russia Corporate Governance Code

Section of the CG Code	Principles recommended by the CG Code	Observed	Partially observed	Not observed
Shareholder rights	13	11	2	-
Board of Directors	36	24	12	-
Corporate Secretary	2	1	1	-
Compensation system	10	8	2	-
Risk management system	6	5	1	-
Disclosure of information	7	6	1	-
Material corporate actions	5	4	1	-
Total	79	59	20	-

In conjunction with the initial public offering of PAO Sovcomflot shares which took place in October 2020, as of the end of December 2020 the Company complied with the recommendations of the Corporate Governance Code recommended by the Bank of Russia in whole or in part. For more details, see the report on compliance with the principles and recommendations of the CG Code ([Appendix 1](#) to this report).

The Company has had a Corporate Governance Code since 2007, and a Corporate Governance Code fully aligned with the CG Code recommended by the Bank of Russia since 2015.

At least three independent directors have been elected to the Company's Board of Directors since 2008.

Since 2006 PAO Sovcomflot has taken out liability insurance for members of the Board of Directors and management.

The Board of Directors has established a strategy committee, an audit committee and an HR and compensation committee operating since 2008 and an innovative development and technical policy committee operating since 2011.

Since 2006 the Company has been publicly disclosing its audited IFRS consolidated financial statements in accordance with the requirements of rating agencies and stock market regulators (the Company has been preparing and disclosing its audited IFRS financial statements to the shareholders and creditors since 1988).

Since 2012 the Company has been publicly disclosing information in accordance with the statutory disclosure requirements.

From 2010 one of the Sovcomflot Group companies has been an issuer of securities (bonds) listed on the London and Irish stock exchanges and meeting the requirements established by the U.S. Securities and Exchange Commission for offering to U.S. investors under Rule 144A.

PAO Sovcomflot shares have been listed on the Moscow Exchange since 2020.

PAO Sovcomflot is continuously improving its corporate governance system, taking into account the CG Code recommendations and the relevant best global practices of corporate governance.

In the reporting year the Company continued work to improve the corporate governance model and practices. The following key documents laying down the principles of corporate governance have been updated (or re-approved): the Charter of PAO Sovcomflot has been amended; amendments and additions have been made to the Regulations on the Dividend Policy, Regulations on the Internal Audit Department and Regulations on the Corporate Secretary of PAO Sovcomflot. These documents were updated to reflect recommendations of the CG Code, as well as the specifics of the Company's operations.

Mechanisms related to managing sustainable development and social responsibility are embedded in the PAO Sovcomflot corporate governance system. In the course of their activities, governing bodies consider a number of issues, including those related to occupational health and safety, development of the staff potential, improvement of energy efficiency, and environmental protection.

Anti-Corruption Policy

PAO Sovcomflot, through its governing bodies and employees, ensures compliance with the requirements of current legislation of the Russian Federation on countering corruption, including measures to prevent and combat corruption offences. The Company has an Anti-Corruption Policy and a hot line operating since 2015. A new version of the Anti-Corruption Policy was approved by the PAO Sovcomflot Executive Board (Minutes No. 30(975) dated 29 August 2019). The document sets forth the rules and standards of doing business and applies to all Sovcomflot Group companies. The Company's Executive Board, at the same meeting, approved the PAO Sovcomflot Code of Corporate Ethics, which contains the basic ethical principles and priorities of the Company

and recommendations on how the Sovcomflot Group employees should behave when making decisions in the course of their professional activities.

In 2017 the PAO Sovcomflot Executive Board made a decision on the Company's accession to the Anti-Corruption Charter of Russian Business to implement measures aimed at preventing and combating corruption and create conditions for public condemnation and rejection of corruption in dealings with government authorities and in corporate relations. More detailed information can be found in the [Sustainable development](#) section of this Report.

Conflicts of interest resolution

The general policy for resolving conflicts of interest involving PAO Sovcomflot is determined by its Board of Directors. The mechanism for notifying the management bodies of PAO Sovcomflot of any conflicts of interest is determined by the Regulations on the Board of Directors, as well as the current

Corporate Governance Code. The Company has an approved policy governing interested-party transactions in Sovcomflot Group that has been in effect since 2015, which also provides for a mechanism for resolving conflicts of interest in the Group.

