

Type of risk	Risk factors	Risk mitigation measures
Operational risks	Mechanical faults and damage to vessels; maritime casualties	Improve technical management systems and procedures, implement an across-the-board critical analysis of the reasons for breakages and emergencies, increase the professional level of fleet personnel and onshore support
	Delays and defaults on obligations by main counterparties	Conclude contracts with reputable and highly reliable counterparties
	Suspension of activities owing to labour disputes	Promptly consider the legal interests of Group employees and introduce a culture which promotes the joint resolution of issues as they arise
	Dependence of the Group on hiring and retaining qualified personnel	Improve HR policies, create a high-performing team united by common goals and effective material and moral incentives
Country risks	Adverse changes in the political and economic situation in countries and regions where the Group operates	Draft anti-crisis action plans if adverse scenarios arise
	Negative impact of restrictions imposed against Russia by a number of Western countries	Diversify the customer base, project and business portfolio, and sources of Group financing
	Pirate attacks on the Group's vessels	Organise security for the Group's vessels in dangerous regions, ramp up cooperation with respective international and national authorities, introduce and adjust the rules to be applied by vessels during crises
Financial risks	Changes in foreign currency exchange rates, which have an adverse impact on the Group's expenses and income	Use foreign exchange hedging instruments
	Increased interest payments on current loan obligations	Use interest-rate risk hedging instruments, diversify sources of borrowing
	Exceeding of an acceptable debt burden on the Group's balance sheet	Improve the procedures for ensuring the optimal structure of assets and liabilities, in conjunction with an operational analysis of changes in the financial environment
Public health threats	Public health threats such as coronavirus (COVID-19) or other epidemics or pandemics could affect the operations of the Group, the operations of the Group's customers, suppliers and shipyards	The Group is continuously monitoring public health threats and takes necessary steps to protect the health and safety of its seafarers and shore-based staff, and minimise any disruption in its operations

3. PARTICIPATION OF PAO SOVCOMFLOT IN COMMERCIAL AND NON-PROFIT ORGANISATIONS

Information on participation of PAO Sovcomflot in commercial and non-profit organisations as at 31 December 2019.

Company's name	Country of incorporation	Equity stake (direct or indirect), %	Core/planned activities
PAO Novoship and its subsidiaries	Russia	89,4563	Ownership and control of Group companies
SCF Tankers Limited and its subsidiaries	Liberia	100	Ownership and management of ship-owning companies
SCF Overseas Holding Limited and its subsidiaries	Cyprus	100	Ownership and management of ship-owning companies
Intrigue Shipping Limited and its subsidiaries	Cyprus	100	Ownership and management of ship-owning companies
OOO SCF Arctic	Russia	100	Ownership and management of ship-owning companies
OOO SCF Varandey	Russia	100	Ownership and operation of vessels
OOO SCF GEO	Russia	100	Ownership and operation of vessels
OOO SCF Shelf	Russia	100	Ownership and operation of vessels
OOO SCF Prirazlomnoye	Russia	100	Ownership and operation of vessels
OOO SCF Atlantic	Russia	100	Ownership and operation of vessels
OOO SCF Novy Port	Russia	100	Ownership and operation of vessels
SMART LNG, LLC	Russia	50	Ownership and operation of vessels
OOO SCF LNG Shipping	Russia	100	Ownership and operation of vessels

Company's name	Country of incorporation	Equity stake (direct or indirect), %	Core/planned activities
OOO SCF Eco	Russia	100	Ownership and operation of vessels
Sovcomflot Bulk Shipping Inc. and its subsidiaries	Liberia	100	Ownership and management of ship-owning companies
Sovcomflot (UK) Ltd.	United Kingdom	100	Ship agency services
Sovcomflot (Cyprus) Limited	Cyprus	100	Accounting, treasury and financial consulting
SCF Management Services (Cyprus) Ltd	Cyprus	100	Technical management of ships
OOO SCF Management Services (St. Petersburg)	Russia	100	Technical management of ships
OOO SCF Management Services (Novorossiysk)	Russia	100	Technical management of ships
SCF Management Services (Dubai) Ltd.	UAE	100	Management services for ship-owning companies, technical and commercial management of ships
Sovcomflot Training Centre	Russia	100	Professional training and development of marine and river transport specialists
SCF Capital Designated Activity Company	Ireland	100	Financing activities
SCF Marpetrol S.A.	Spain	100	The company is inactive
Sovchart S.A.	Switzerland	100	The company is inactive

PAO Sovcomflot did not conclude major transactions in 2019. During the reporting period the Company made three interested-party transactions. Interested-party transactions made by the Company during the reporting period that do not require consent or approval of the Company's management bodies under the provisions of Federal Law "On Joint-Stock Companies" which entered into force on 1 January 2017.

4. MAJOR AND INTERESTED-PARTY TRANSACTIONS

- a) Information on the interested-party transactions concluded by the Company during the reporting year, including a list of the transactions concluded by the Company during the reporting year which are considered interested-party transactions in accordance with the Federal Law «On Joint-Stock Companies», indicating an interested party (parties) in each transaction, essential terms and the Company's management body which passed the decision on approval of the transaction.
 - b) Information on the major transactions concluded by the Company during the reporting year, including a list of the transactions concluded by the Company during the reporting year which are considered major transactions in accordance with the Federal Law «On Joint-Stock Companies» and other transactions which are subject to the procedure for approving major transactions in accordance with the Company's Charter, indicating essential terms of each transaction and the Company's management body which passed the decision on approval of the transaction.
1. Supplementary Agreement No. 1 dated 28 January 2019 to the Premises Sublease Agreement dated 30 March 2018 between OOO SCF Management Services (St. Petersburg) (the «Lessor») and PAO Sovcomflot (the «Subles-see») amending Clause 5.1. of the Agreement, under which the monthly rent for the subleased premises shall amount to RUB 17,400.00 (seventeen thousand four hundred roubles) plus VAT as stipulated by Russian legislation.

In all other matters not covered by the said Supplementary Agreement the parties shall be guided by the provisions of Premises Sublease Agreement dated 30 March 2018.

Supplementary Agreement No. 1 to the Premises Sublease Agreement dated 30 March 2018 entered into force upon signature and applies to the relations between the Parties which arose since 1 January 2019.