

The Regulations on the PAO Sovcomflot Board of Directors stipulate that Board of Directors meetings shall be held in joint presence of the Board members. By a decision of the Chairman of the Board of Directors, decisions of the Board of Directors, depending of the significance of agenda items, may be adopted by absentee voting.

Decisions on issues that require preliminary assessment by the relevant committee of the Board of Directors are adopted taking into account recommendations of such committee.

Information about members of the Board of Directors and its activities is disclosed by PAO Sovcomflot on its official website in the [Corporate governance](#) section according to statutory requirements, provisions of the Corporate Governance Code recommended by the Bank of Russia, and the Company's Information Policy.

### 4.3.3 ACTIVITIES OF THE BOARD OF DIRECTORS COMMITTEES IN 2019

#### Composition and competencies of committees of the Board of Directors as at 31 December 2019

Name	Composition	Competencies
Strategy Committee	<ol style="list-style-type: none"> <li>1. Yury Tsvetkov - Chairman</li> <li>2. Alexander Abramov</li> <li>3. Alexey Klyavin (independent director)</li> <li>4. Lyubov Nissenboym</li> <li>5. Pavel Sorokin</li> <li>6. Oksana Tarasenko</li> <li>7. Andrey Sharonov (independent director)</li> </ol>	<p>Analysis of proposals and development of recommendations for the Board of Directors on priority areas of activity of Sovcomflot Group, including long-term plans and development strategies and programmes.</p> <p>Preliminary consideration and preparation of recommendations on compiling and adjusting the Sovcomflot Group budget and on drafting PAO Sovcomflot plans for financial and economic activities over the long term and for the current period.</p> <p>Elaborating proposals and recommendations on key performance indicators and the governance system for Sovcomflot Group financial activities.</p> <p>Elaborating proposals and recommendations on investment policy, increasing the capitalisation of Sovcomflot Group, and working with Sovcomflot Group securities.</p> <p>Elaborating proposals and recommendations on the PAO Sovcomflot dividend policy.</p>
Audit Committee	<ol style="list-style-type: none"> <li>1. Andrey Sharonov (independent director) –Chairman</li> <li>2. David Moorhouse</li> <li>3. Walid Chammah (independent director)</li> </ol>	<p>Control over the completeness, accuracy and reliability of the Company's financial statements.</p> <p>Evaluation of candidates for the Company's Auditor with submission of results of such evaluation to the Board of Directors as well as preparation of recommendations for the Company's Board of Directors regarding the candidate for further approval of the Auditor by the General Meeting of Shareholders.</p> <p>Evaluation of the Company's financial and economic activities, including assessment of management and financial reporting.</p> <p>Evaluation of the report of the Company's Auditor prior to its presentation at the General Meeting of Shareholders.</p> <p>Control over the reliability and effectiveness of the risk management and internal control system and the corporate governance system, including assessment of the effectiveness of the Company's risk management and internal control procedures and corporate governance practices and preparation of recommendations for their improvement; analysis and evaluation of compliance with internal documents on risk management and internal control and management of conflicts of interest.</p> <p>Review of the regulations on internal audit and the work plan of the internal audit department.</p> <p>Review of issues relating to appointment (dismissal) of the head of the internal audit department and amount of his/her compensation.</p> <p>Assessment of the effectiveness of the internal audit function and preparation of recommendations for the Company's Board of Directors on control over activities and functional management of the Company's internal audit department.</p> <p>Ensuring the independence and objectivity of the internal and external audit functions.</p> <p>Ensuring effective interaction between the Company's internal audit department and external auditors.</p> <p>Elaborating recommendations for selecting an independent appraiser and conducting a valuation of property in cases provided for by current legislation.</p> <p>Assessment of the effectiveness of the system for reporting potential misconduct by the Company's employees (including illegal use of insider and confidential information) and third persons and other violations within the Company's activity, as well as control over implementation of measures adopted by the Company's executive management as part of this system.</p>



Name	Composition	Competencies
HR and Compensation Committee (also performs functions of a nominations committee)	1. Walid Chamamah (independent director) Chairman 2. David Moor-house 3. Andrey Sharonov (independent director)	Developing and regularly reviewing the Company's policy on compensation of members of the Board of Directors, members of the collegiate executive body, the person acting as the sole executive body of the Company, as well as other key employees of the Company, including development of parameters for short-term and long-term motivation of members of the executive bodies, and overseeing the introduction and implementation of the abovementioned policy. Determining and adjusting the PAO Sovcomflot employment policy. Determining the amount of compensation for members of the Company's Board of Directors and Auditing Commission. Determining the amount of compensation for members of the collegiate executive body and the person acting as the sole executive body of the Company. Determining the terms and conditions of agreements with members of the collegiate executive body and the person acting as the sole executive body of the Company. Electing executive bodies of the Company. Carrying out a preliminary assessment of the work of the Company's collegiate executive body and the person acting as the sole executive body of the Company based on annual results in accordance with the compensation policy. Developing conditions for early termination of employment contracts with members of the collegiate executive body and the person acting as the sole executive body of the Company, including all material undertakings of the Company and the conditions upon which they are given. Elaborating recommendations to the Board of Directors for determining the amount of compensation and principles of awarding bonuses to the Company's Corporate Secretary, carrying out a preliminary assessment of the work of the Company's Corporate Secretary based on annual results. Conducting a detailed formalised self-assessment or external assessment of the performance of the Board of Directors and its members and of the committees of the Board of Directors on an annual basis, determining priority areas for improvement of the work of the Board of Directors, including with a view to reinforce the Board of Directors. Maintaining interaction with shareholders, which should not be limited to major shareholders, with a view to elaborating recommendations to shareholders on voting for election of candidates to the Company's Board of Directors. Planning personnel appointments taking into account the need to ensure continuity for members of the collegiate executive body and the person acting as the sole executive body of the Company, preparing recommendations to the Board of Directors regarding candidates for the position of Corporate Secretary, members of the collegiate executive body, the person acting as the sole executive body of the Company and other key managers of the Company. Elaborating and submitting recommendations (opinions) to the Board of Directors on other issues in accordance with instructions from the Board of Directors.
Committee for Innovative Development and Technical Policy	1. Ilya Klebanov - Chairman 2. Alexey Klyavin (independent director) 3. David Moorhouse 4. Igor Tonkovidov 5. Yury Tsvetkov	Considering and approving the innovative development policy and programmes of Sovcomflot Group. Considering and approving R&D projects. Assessing state-of-the-art innovative technologies to be implemented in Sovcomflot Group. Elaborating the SCF Group's technical policy. Elaborating the SCF Group's innovative development policy. Improving the safety and service quality management system in Sovcomflot Group. Technical expert appraisals of investment projects.

When considering issues within their competence, the committees arrange for a detailed analysis of drafts proposed by management and the preparation of recommendations for the Board of Directors, thereby improving the quality of the decision-making process. The committees operate on the basis of respective regulations approved by the Board of Directors.

## Report on the work of the Strategy Committee

During the reporting period two compositions of the Committee were in operation (elected by the PAO Sovcomflot Board of Directors decision dated 20 July 2018 (Minutes No. 173) and elected by the PAO Sovcomflot Board of Directors decision dated 24 September 2019 (Minutes No. 184)).

In 2109 the Committee considered and prepared recommendations for the Board of Directors based on the results of implementation of the long-term development programme of PAO Sovcomflot, preliminarily considered issues related to updating of the PAO Sovcomflot strategy up to 2025, and also reviewed the financial plan (budget) for 2020 and forecast for 2021-2022 on a preliminary basis<sup>1</sup>.

<sup>1</sup> Date of the meeting and number of the minutes: 11 April 2019, minutes unnumbered; 9 December 2019, minutes unnumbered.

<sup>2</sup> Date of the meeting and number of the minutes: 28 January 2019, minutes unnumbered; 26 February 2019, minutes unnumbered; 13 March 2019, minutes unnumbered; 23 May 2019, minutes unnumbered; 14 November 2019, minutes unnumbered; 20 November 2019, minutes unnumbered; 10 December 2019, minutes unnumbered.

During the reporting period Strategy Committee members held working meetings with PAO Sovcomflot's management on matters related to updating the long-term development programme of PAO Sovcomflot up to 2025.

### Report on the work of the Audit Committee

During the reporting period two compositions of the Committee were in operation (elected by the PAO Sovcomflot Board of Directors decision dated 20 July 2018 (Minutes No. 173) and elected by the PAO Sovcomflot Board of Directors decision dated 24 September 2019 (Minutes No. 184)).

In 2109 the Committee considered and prepared recommendations for the Board of Directors for selecting an auditor and determining the amount of the fee to be paid to the auditor by PAO Sovcomflot, reviewed internal audit activity reports and work plans on a semi-annual basis, and also reviewed the results of an external assessment of internal audit and external audit report for 2018<sup>1</sup>, the audit plan for 2018 and interim 2019 audit results.

During the reporting period Audit Committee members held regular working meetings with the auditors and the financial and accounting departments of PAO Sovcomflot.

### Report on the work of the HR and Compensation Committee

During the reporting period two compositions of the Committee were in operation (elected by the PAO Sovcomflot Board of Directors decision dated 20 July 2018 (Minutes No. 173) and elected by the PAO Sovcomflot Board of Directors decision dated 24 September 2019 (Minutes No. 184)).

In 2019 the Committee prepared recommendations for the Board of Directors<sup>2</sup> regarding approval of performance indicators and the results of their attainment by the executive bodies in implementing the long-term development programme of PAO Sovcomflot, and also considered amending the Company's internal documents related to employee compensation.

During the reporting period members of the HR and Compensation Committee held regular meetings on the above issues with members of the PAO Sovcomflot collegiate executive body.

### Report on the work of the Committee for Innovative Development and Technical Policy

During the reporting period two compositions of the Committee were in operation (elected by the PAO Sovcomflot Board of Directors decision dated 20 July 2018 (Minutes No. 173) and elected by the PAO Sovcomflot Board of Directors decision dated 24 September 2019 (Minutes No. 184)).

In 2019 the Committee reviewed the Sovcomflot Group's activities to reduce carbon dioxide emissions<sup>3</sup>.

During the reporting period members of the Committee for Innovative Development and Technical Policy held regular working meetings with corresponding PAO Sovcomflot structural divisions on issues relating to the implementation of the innovative development programme.

<sup>1</sup> Date of the meeting and number of the minutes: 28 January 2019, minutes unnumbered; 26 February 2019, minutes unnumbered; 13 March 2019, minutes unnumbered; 23 May 2019, minutes unnumbered; 14 November 2019, minutes unnumbered; 20 November 2019, minutes unnumbered; 10 December 2019, minutes unnumbered.

<sup>2</sup> Date of the meeting and number of the minutes: 26 February 2019, minutes unnumbered; 10 April 2019, minutes unnumbered; 23 May 2019, minutes unnumbered; 22 October 2019, minutes unnumbered; 10 December 2019, minutes unnumbered.

<sup>3</sup> Date of the meeting and number of the minutes: 10 December 2019, minutes unnumbered.