

In accordance with the RMS Regulations, the Strategic Planning and Development Department is in charge of coordinating risk management activities. A description of key participants in the risk management system and their main responsibilities is provided in the table above.

Further development and improvement of the risk management system is based on the provisions set out in the COSO Enterprise Management - Integrated Framework, ISO 31000:2009 Risk management - Principles and guidelines, and ISO 31010:2009 Risk management - Risk assessment techniques.

Key risks

The Group has created and regularly updates a register of risks that can have a significant impact on its operations. Risks are ranked by priority.

A list of key risks is provided in Annex 2 to this Annual Report.

In addition, the Company is implementing regular and one-time activities designed to prevent or minimise the likelihood of risks materialising. Such activities include: maintaining high navigation safety standards, monitoring global freight markets, building and deploying state-of-the-art vessels and renewing the fleet in a timely manner, planning and implementing required environmental measures, monitoring amendments to shipping industry regulations, and improving HR policies.

The implemented risk management measures together with a proactive response to emerging threats enabled the Group to minimise their impact on operations during the reporting period.

4.8.2. 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 Company¹.

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

Effectiveness of the internal control system is assessed by the Auditing Commission and the Internal Audit Department².

1. For more details see the relevant sections of this Annual Report.

2. For more details see the relevant sections of this Annual Report.