

6.1. OCCUPATIONAL HEALTH AND SAFETY

6.1.1. Safety management system and service quality

The fleet is operated as part of an integrated safety management system (ISMS).

The system is based on standard methods for ensuring the effective and safe technical operation of vessels and vessel equipment, approved in accordance with requirements of the International Safety Management Code (ISM Code), the ISO 9001:2015 (Quality Management System) and ISO 14000:2015 (Environmental Management System) standards, the Ship Safety Management System based on the ISM Code, as well as the requirements of the Flag Administration, and best industry practices.

Sovcomflot Group works with top-rank charterers, leading oil & gas companies and traders who care about their reputation and are demanding in the selection of their carriers. To meet customer expectations, the Company strives to exceed standard requirements, as evidenced by the results of external inspections. The best proof of Sovcomflot Group's high level of reliability and qualification as a carrier is the willingness of key customers to sign long-term contracts with it. Today, SCF's ships operate under time charter contracts with most of the major global oil & gas companies.

In 2018 the average number of observations related to navigational safety and quality, made during inspections of SCF vessels by oil majors, was 2.39 per inspection. This, according to OCIMF, is significantly better than the industry average (3.00).

Sovcomflot's good safety practice is based on augmenting Russian maritime traditions. Respect for knowledge and the experience accumulated over decades provides an undisputed competitive advantage. SCF Group's training centres in St. Petersburg and Novorossiysk, where SCF crews receive regular training and refresher courses have become an important element in the system of professional development of marine personnel.

Sovcomflot Group's specialists conduct research on the features of Arctic shipping, provide support for innovative projects, and participate in discussions of industry regulations as part of working groups. To improve the safety and efficiency of ice escort operations in the Arctic, Sovcomflot employees regularly conduct joint seminars with Atomflot for seagoing and onshore personnel. In addition, the Company's specialists regularly participate in meetings of the Maritime Safety Committee of the Russian Chamber of Shipping.

SCF Management Services (Dubai) responsible for the technical management of the entire SCF Group fleet is certified by Green Award - an international environmental organisation that was the first in the world to introduce an environmental assessment system for ships based not only on the ship's technical characteristics, but also on the professional competence of the crew and management level. Sovcomflot Group has been participating in the Green Award scheme since 1996. Green Award auditors visit SCF's ships and offices annually. Obtaining approval requires that international conventional requirements governing navigation safety, quality and environmental protection are not just met, but substantially exceeded. At the end of 2018, 14 SCF Group's ships had Green Award certificates (which is warranted by the specifics of the region of operation).

Navigational safety and occupational health and safety issues are considered at various levels of Sovcomflot Group management. For example, the Board of Directors has set up the Committee for Innovative Development and Technical Policy, which conducts a preliminary review, analysis, and elaboration of recommendations on how the safety management system can be improved. The PAO Sovcomflot Executive Board has set up the Committee for the Safety of Navigation, Environmental Protection, Quality and New Technologies, which is responsible for establishing the areas, goals and objectives of the Group's policy related to occupational health and safety.

6.1.2. Key occupational safety indicators

Sovcomflot Group has been steadily retaining mid-positions in rankings compiled by International Association of Independent Tanker Owners (INTERTANKO) in terms of occupational health and safety indicators, which is a good result and confirms quality of management and compliance with high safety standards.

The Lost Time Injury Frequency (LTIF) for the Group's fleet in 2018 was 0.53. The Total Recordable Case Frequency (TRCF) was 1.03. These figures are close to the average for the global tanker fleet.

0.53

the LTIF value (vs. 0.54 in 2017)

1.03

the TRCF value (vs. 1.15 in 2017)