

6. INFORMATION ON THE RESULTS OF IMPLEMENTING ORDERS OF THE RUSSIAN PRESIDENT AND THE RUSSIAN GOVERNMENT

- orders and decrees of the Russian President;
- orders of the Russian Government.

1. Information regarding the establishment of specialised committees under the Board of Directors (Supervisory Board) of the Company in accordance with Russian Government Order No. VZ-P13-6294 dated 23 July 2009.

In accordance with the PAO Sovcomflot Board of Directors decision dated 5 February 2009 (Minutes No. 95), the following committees of the PAO Sovcomflot Board of Directors have been established: the Strategy Committee, the Audit Committee, and the HR and Compensation Committee.

In accordance with the PAO Sovcomflot Board of Directors decision of 25 February 2011 (Minutes No. 109 dated 28 February 2011), the Committee for Innovative Development and Technical Policy was created at PAO Sovcomflot.

2. On implementing the energy conservation and energy efficiency strategy of the joint-stock company in accordance with Clause 8 of Russian Government Order No. ISh-P9-3772 dated 18 June 2008 on the implementation of Russian Presidential Decree No. 889 dated 4 June 2008 "On Certain Measures to Increase the Energy and Environmental Efficiency of the Russian Economy".

To implement Russian Presidential Decree No. 889 dated 4 June 2008 "On Certain Measures to Increase the Energy and Environmental Efficiency of the Russian Economy", the PAO Sovcomflot Board of Directors considered on 17 December 2008 whether it was necessary to draft an energy conservation programme for PAO Sovcomflot. The energy conservation programme was included as an independent section of the PAO Sovcomflot Development strategy.

3. On the sale of non-core assets in accordance with Russian Presidential Decree No. 596 "On the Long-Term State Economic Policy" dated 7 May 2012 and Russian Government Order No. 894-r dated 10 May 2017.

On 19 May 2011 the PAO Sovcomflot Board of Directors approved the Programme for the Sale of Non-Core Assets of Sovcomflot Group (Minutes No. 110). To implement this decision, the Board of Directors and the Executive Board of PAO Novoship (a subsidiary of PAO Sovcomflot) adopted respective decisions on the alienation of non-core assets.

In accordance with the methodological guidelines for identifying and disposing of non-core assets developed by the Federal Agency for State Property Management, the company has developed the following updated and new regulatory documents, which were approved by the PAO Sovcomflot Board of Directors on 11 October 2016 (Minutes No. 157 dated 13 October 2016):

- Non-Core Asset Disposal Programme,
- Regulations on the Sale of Non-Core Assets,
- Non-Core Asset Register.

In pursuance of Russian Government Order No. 894-r dated 10 May 2017, on 31 October 2017 (Minutes No. 167) the PAO Sovcomflot Board of Directors adopted a decision on amending the employment contract with the Company's Chief Executive Officer to include provisions on personal responsibility for the disclosure of information about sale of non-core assets on the Interdepartmental Portal for State Property Management and a decision on conducting an analysis of the company's non-core asset disposal programme and register by 1 January 2018.

On 31 January 2018 (Minutes No. 169) the PAO Sovcomflot Board of Directors approved the revised non-core asset disposal programme and the updated non-core asset register.

Information contained in the Non-Core Asset Register is provided in a separate appendix to this annual report.

4. Information about activities aimed at drafting innovative development programmes in joint-stock companies included in the list of organisations that draft innovative development programmes, approved by Russian Government Order No. DM-P36-7563 dated 7 November 2015.

The PAO Sovcomflot Innovative Development Programme for the period 2011–2015 was approved by the PAO Sovcomflot Board of Directors on 19 May 2011 (Minutes No. 110 dated 23 May 2011), and was submitted to and approved by the Russian Ministry of Economic Development. PAO Sovcomflot has been annually submitting a report on the implementation of actions of the Innovative Development Programme to the Russian Transport Ministry, the Ministry of Education and Science of Russia, and the Russian Ministry of Economic Development.

Based on the results of the meeting of the Presidium of the Russian Presidential Council for Economic Modernisation and Innovative Development, PAO Sovcomflot, among other infrastructure and transport sector companies, is not included in the list of organisations that are required to draft innovative development programmes (Minutes No. 2 dated 17 April 2015).

At present the monitoring of the indicator of the company's innovative development is included in the list of mandatory KPIs of the company, which is approved and assessed by the PAO Sovcomflot Board of Directors on an annual basis and is implemented by the company management.

5. On proposals and recommendations to stimulate the development of environmental liability mechanisms based on international standards, including non-financial reporting and voluntary certification and marking systems subject to an independent audit and assurance, in accordance with Sub-clause m, Clause 1 of the List of Orders of the President of the Russian Federation, No. Pr-1640 dated 6 June 2010.

On 30 May 2012 the PAO Sovcomflot Board of Directors (Minutes No. 119 dated 31 May 2012) adopted a decision to instruct the PAO Sovcomflot Executive Board, in cooperation with the Committee for Innovative Development and Technical Policy of the Board of Directors, to ensure the annual publication of the non-financial reports of PAO Sovcomflot in accordance with the principles of the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI Guidelines), and also with due account of the basic performance indicators developed by the Russian Union of Industrialists and Entrepreneurs recommended for use when preparing corporate non-financial reports, with the mandatory inclusion of the following information:

- Performance indicators related to inputs (raw materials, energy, water);
- Performance indicators related to outputs (emissions, discharges, waste);
- Information on environmental protection actions and expenses;
- A corporate chart of responsibility for environmental aspects of operations;

To implement these decisions, PAO Sovcomflot publishes annual non-financial reports related to sustainable development as one of the sections of the annual report.

6. On the advisability of applying recommendations on managing intellectual property rights in accordance with Russian Government Order No. ISH-P8-5594 dated 25 August 2017.

PAO Sovcomflot specialists participated in preparing and assessing draft recommendations on the management of intellectual property in organisations with state participation at the stage of drafting by the Russian Ministry of Economic Development.

On 30 May 2014 the PAO Sovcomflot Board of Directors (Minutes No. 135) adopted a decision a decision to consider it advisable to apply recommendations on the management of intellectual property rights, taking into account the specifics of PAO Sovcomflot's operations.

On 31 January 2018 the PAO Sovcomflot Board of Directors (Minutes No. 169) adopted a decision to conduct an analysis of the management of intellectual property rights in the company in accordance with the recommendations on managing intellectual property rights in organisations (the "Recommendations") approved by Russian Government Order No. ISH-P8-5594; develop a programme (an internal document) for managing intellectual property rights in the company in accordance with the Recommendations and have it approved at a meeting of the Company's Board of Directors; publish and subsequently update information on the implementation of the programme (internal document) from managing intellectual property rights on the Interdepartmental Portal for State Property Management.

7. On the drafting and approval of the long-term development programme of the Company, and also the audit of the implementation of the long-term development programme (in the event of its implementation in the reporting year) as well as approval of the standard for performing such an audit in accordance with Sub-clauses 32, 33 and 34, Clause 1 of Russian Presidential Order No. Pr-3086 dated 27 December 2013.

The PAO Sovcomflot Board of Directors considered the issue "On the Action Plan to Prepare the Long-Term Development Programme of PAO Sovcomflot, the Standard on Its Audit, and Amending the Internal Regulations on the Compensation of the Sole Executive Body" on 30 September 2014 (Minutes No. 138 dated 3 October 2014).

The Long-Term Development Programme developed by PAO Sovcomflot in 2014 underwent an expert evaluation at the Russian Ministry of Transport and the Federal Agency for State Property Management, was considered and recommended for approval by the Strategy Committee of the PAO Sovcomflot Board of Directors, was reviewed at the meeting held with the participation of representatives of the Government of the Russian Federation, and was recommended for approval by the PAO Sovcomflot Board of Directors (Minutes No. AD-P9-179pr dated 12 November 2014).

Based on the model standard developed by the Russian Ministry of Economic Development, the draft Standard for the Audit of the Implementation of the Long-Term Development Programme of PAO Sovcomflot was prepared, as well as corresponding amendments to the Regulations on the Wages and Material Incentives of the Employees of PAO Sovcomflot ensuring that the compensation of the PAO Sovcomflot sole executive body is linked to the attainment of PAO Sovcomflot performance targets.

The PAO Sovcomflot Board of Directors approved the Long-Term Development Programme and Standard for the Audit of the Implementation of the Long-Term Development Programme of PAO Sovcomflot at the meeting held on 19 November 2014 (Minutes No. 139 dated 24 November 2014).

In 2016 the PAO Sovcomflot Board of Directors reviewed the report and the auditor's opinion on the implementation of the PAO Sovcomflot Long-Term Development Programme in 2015 (Minutes No. 152).

In 2017 the PAO Sovcomflot Board of Directors reviewed the report and the auditor's opinion on the implementation of the PAO Sovcomflot Long-Term Development Programme in 2016 (Minutes No. 162).

In 2018 the PAO Sovcomflot Board of Directors reviewed the report and the auditor's opinion on the implementation of the PAO Sovcomflot Long-Term Development Programme in 2017 (Minutes No. 171).

8. On including the main parameters of requirements for labour resources in the long-term development programme of the Company, including for engineering-technical professions, in accordance with Sub-clause b, Clause 2 of the List of Orders of the President of the Russian Federation, No. Pr-1627 dated 1 July 2014.

On 19 November 2014 the PAO Sovcomflot Board of Directors considered the issue "On Approval of the Long-Term Development Programme of the Company" (Minutes No. 139) and adopted the required decisions for the execution of this Order of the President of the Russian Federation.

9. On including in the Company's Long-Term Development Programme a list of actions aimed at the planned and phased replacement of the procurement of foreign products (work, services) with the procurement of Russian products (work, services) equivalent in terms of technical characteristics and consumer attributes, in accordance with Russian Government Orders No. AD-P9-9176 dated 12 December 2014 and No. ISH-P13-1419 dated 5 March 2015.

On 7 April 2015 the PAO Sovcomflot Board of Directors considered the issue "On Amending the Long-Term Development Programme of the Company" (Minutes No. 143 dated 9 April 2015) and adopted the required decisions for the execution of Russian Government Orders.

10. On improving the system of key performance indicators of the Company in accordance with Clause 5 of the List of Orders of the President of the Russian Federation, No. Pr-1474 dated 5 July 2013.

The system of key performance indicators (KPIs) adopted at PAO Sovcomflot, which are used to assess the annual performance of Executive Board members, was modified in accordance with the requirements arising from the PAO Sovcomflot Long-Term Development Programme (LDP). In particular, the list of KPIs and KPI targets has been brought in line with the LDP. Furthermore, in accordance with Russian Government Order No. ISH-P13-2043 dated 27 March 2014, the PAO Sovcomflot Board of Directors approved amendments to the Regulations on Wages and Material Incentives of Employees of PAO Sovcomflot at its meeting on 19 November 2014 (Minutes No. 139 dated 24 November 2014).

11. On increasing labour productivity in accordance with Clause 6, Section 2 of the action plan to ensure an increase in labour productivity and establish and modernise highly productive working places, approved by Russian Government Order No. 1250-r dated 9 July 2014.

On 10 December 2014 the PAO Sovcomflot Board of Directors considered the issue "On Increasing Labour Productivity at PAO Sovcomflot" (Minutes No. 140 dated 12 December 2014) and adopted the necessary decisions.

12. On introducing a system of paying bonuses to managers based on key performance indicators of their activity, considering the need to reduce operating expenses (expenditures) by at least 2-3 percent (by 10 percent in 2016) in accordance with Sub-clause 5, Clause 1 of the List of Orders of the President of the Russian Federation No. Pr-2821 dated 5 December 2014, Clause 4, Section 2 of the minutes of the meeting held by the Prime Minister of the Russian Federation, No. DM-P13-2pr dated 18 January 2016 and Russian Government Order No. ISH-P13-2047 dated 11 April 2016.

The system of key performance indicators (KPIs) adopted at PAO Sovcomflot, which are used to assess the annual performance of Executive Board members, was modified in accordance with the requirements arising from the PAO Sovcomflot Long-Term Development Programme (LDP).

On 19 May 2015 the company's board of directors (Minutes No. 144) made a decision on developing a set of measures aimed at the attainment of the indicator for reduction of operating expenses (expenditures) of at least 2-3 percent annually, and determining the target indicators of implementation of these measures; including the list of measures, indicators of implementation of these measures, and OpEX reduction indicators, starting from its value in 2015, in the Company's long-term development programme, taking into account the provisions of the methodological guidelines on drafting long-term development programmes; including the target OpEX reduction indicator in the list of key performance indicators for management, that must be taken into account when making decisions on staff compensation and HR decisions, and linking the achievement of the OpEX reduction indicator with the amount of compensation of the Company's management team; amending the employment agreement (contract) with the Company's sole executive body so as to include therein an obligation to achieve the OpEX reduction indicator determined in the Company's long-term development programme.

On 25 August 2016 the PAO Sovcomflot Board of Directors (Minutes No. 156 dated 25 August 2016) made a decision on developing a set of measures to reduce operating expenditures by at least 10%, with consideration of this issue at a meeting of the Board of Directions on a quarterly basis and quarterly submission of reports on the implementation of these measures to the Ministry of Transport.

13. On introducing an integral KPI of innovative activities in accordance with Russian Government Orders No. AD-P36-6296 dated 15 September 2015 (Clause 5), No. DM-P36-7563 dated 7 November 2015 and No. AD-P36-8381 dated 10 December 2015 (Clause 1).

On 25 August 2016 the PAO Sovcomflot Board of Directors (Minutes No. 156) made a decision on developing a set of measures to ensure the inclusion of an integral key performance indicator of innovative activities developed in accordance with the recommendations approved by Russian Government Order No. DM-P36-7563 dated 7 November 2015, starting from 2016.

On 6 December 2016 (Minutes No. 158) and on 12 December 2017 (Minutes No. 168) the PAO Sovcomflot Board of Directors approved the lists of target KPIs for the Company's management, which include an integral KPI of innovative activities.

14. On introducing systems of lean manufacturing in accordance with Clause 2.3, Section I of the Minutes of the Russian Government Military-Industrial Commission meeting No. 4 dated 25 April 2014 (this order does not apply to the company).
15. On developing and approving a list of internal regulations governing activities of a joint-stock company and on ensuring that reports on the implementation of long-term development programmes and approval of key performance indicator are provided in accordance with Clauses 2 and 3 of Russian Presidential Order No. Pr-3013 dated 27 December 2014.

On 7 August 2015 the PAO Sovcomflot Board of Directors (Minutes No. 147) made decisions on drafting the following internal documents: Regulations on increasing the investment and operating efficiency and reduction of costs; Regulations on internal audit; Regulations on the quality management system; Regulations on the risk management system; Regulations on the preparation and implementation of the innovative development programme; and submitting information on the implementation of the guidelines concerning key performance indicators (KPIs) and long-term development programmes (LDPs) to the Federal Agency for State Property Management.

The respective internal documents have been drafted and approved by authorised governing bodies. The Company regularly updates information about the implementation of above documents on the Interdepartmental Portal for State Property Management and reports thereon to the Federal Agency for State Property Management and Russian Ministry of Transport.

16. On implementing the Corporate Governance Code at joint-stock companies in accordance with Russian Government Order No. ISh-P13-5859 dated 31 July 2014.

On 7 April 2015 the Company's Board of Directors (Minutes No. 143) considered and approved an action plan (road map) developed by PAO Sovcomflot to implement the Corporate Governance Code.

In accordance with the above plan, in 2017 the company continued work to improve the corporate governance model and practice; in particular, key internal documents that set forth the principles of corporate governance were approved and implemented (in whole or in part), such as the PAO Sovcomflot Charter, Regulations on the PAO Sovcomflot Board of Directors, Regulations on the General Meeting of Shareholders of PAO Sovcomflot, Regulations on the Corporate Secretary of PAO Sovcomflot, Regulations on the Audit Committee of the PAO Sovcomflot Board of Directors, Regulations on the HR and Compensation Committee of the PAO Sovcomflot Board of Directors, and Regulations on the Internal Audit Department of PAO Sovcomflot. These documents have been updated in accordance with the approved road map by taking into account the recommendations of the Corporate Governance Code recommended by the Bank of Russia and the specifics of the Company's operations.

17. On establishing a unified treasury at a joint-stock company, its subsidiaries and associates in accordance with Russian Presidential Order No. Pr-1032 dated 7 May 2014.

On 9 September 2014 the PAO Sovcomflot Board of Directors considered the issue "On Establishing a Unified Treasury at PAO Sovcomflot, its Subsidiaries and Associates" (Minutes No. 137 dated 12 September 2014) and adopted the necessary decisions to implement Russian Presidential Order No. Pr-1032 dated 7 May 2014.

On 19 May 2015 the Company's Board of Directors (Minutes No. 144) decided to perform an analysis of the results of creating a unified treasury of the Company, its subsidiaries and associates on an annual basis, submitting a report on the results of the analysis to the Russian Ministry of Finance and the Federal Financial Monitoring Service, and increasing the return on investment of free financial resources.

18. Information about activities aimed at amending the procurement regulations of the company, including taking into account Russian Government Orders No. DM-P9-38pr dated 14 June 2016 and No. DM-P13-1100 dated 01 March 2016, the minutes of the Government Import Substitution Commission meeting No. 2 dated 25 April 2016 "On the drafting and implementation of import substitution plans in the energy sector" (this order does not apply to the company).

19. On amending the procurement policy of a joint-stock company as regards competitive domestic software in accordance with Russian Government Order No. ISh-P13-1872 dated 1 April 2016.

On 25 August 2016 the Company's Board of Directors (Minutes No. 156 dated 25 August 2016) made a decision on making amendments to the Regulations on the Procurement of Goods, Works and Services for the Needs of PAO Sovcomflot concerning implementation of Russian Government Order No. ISh-P13-1872 dated 1 April 2016.

20. On amending the procurement policy of a joint-stock company as regards innovative building materials in accordance with Clause 7 of the Minutes of the meeting held by Prime Minister of the Russian Federation No. DM-P9-38pr dated 14 June 2016.

On 6 December 2016 the Company's Board of Directors (Minutes No. 158 dated 9 September 2016) made a decision on making amendments to the Regulations on the Procurement of Goods, Works and Services for the Needs of PAO Sovcomflot concerning implementation of Russian Prime Minister Order No. DM-P9-38pr dated 14 June 2016.

21. On expanding the practice of using factoring when performing agreements for the supply of goods (performance of work, rendering of services) in accordance with Russian Government Order No. DM-P13-1100 dated 1 March 2016 (Clause 89 of the Russian Government's action plan aimed at ensuring sustainable socio-economic development of the Russian Federation in 2016).

On 6 December 2016 the Company's Board of Directors (Minutes No. 158 dated 9 December 2016) made a decision on making amendments to the Regulations on the Procurement of Goods, Works and Services for the Needs of PAO Sovcomflot concerning implementation of Russian Government Order No. DM-P13-1100 dated 1 March 2016.

22. On developing and approving regulations to ensure rationing of procurement and introduction of procurement norms in joint-stock companies in accordance with Clause 2 of the List of Russian Government Orders No. DM-P9-8413 dated 12 December 2015.

On 31 May 2016 the Company's Board of Directors (Minutes No. 153 dated 31 May 2016) made a decision on developing norms for procurement of goods, works and services providing for ceiling prices on such goods, works and services and/or requirements for their quantity, consumer properties and other characteristics ensuring that the customers' needs are met and preventing the procurement of goods, works and services with excessive consumer properties; posting them on the company's website; their mandatory application; monitoring them on an annual basis; and ensuring that they are updated each year.

An internal document, "Norms for Procurement of Certain Goods, Works and Services by PAO Sovcomflot", was approved by the PAO Sovcomflot Executive Board on 5 July 2017.

23. On monitoring the results of procurement activities of joint-stock companies, including as regards compliance with the approved procurement plan and relevant norms for procurement of goods, works and services for the needs of joint-stock companies and as to whether the intended use of goods, works and services procured by joint-stock companies corresponds to their chartered activities, and also on adjusting (updating) norms for procurement of goods, works and services for the needs of joint-stock companies.

On 31 May 2016 the Company's Board of Directors (Minutes No. 153 dated 31 May 2016) made a decision on developing norms for procurement of goods, works and services providing for ceiling prices on such goods, works and services and/or requirements for their quantity, consumer properties and other characteristics ensuring that the customers' needs are met and preventing the procurement of goods, works and services with excessive consumer properties; posting them on the company's website; their mandatory application; monitoring them on an annual basis; and ensuring that they are updated each year.

An internal document, "Norms for Procurement of Certain Goods, Works and Services by PAO Sovcomflot", was approved by the PAO Sovcomflot Executive Board on 5 July 2017.

24. Information on the implementation of occupational standards in joint-stock companies in accordance with Clause 3, Section I of the Minutes of the Russian Government meeting No. 9 dated 24 March 2016, taking into account the provisions of Federal Law No. 122-FZ dated 2 May 2015 "On Amendments to the Labour Code of the Russian Federation" and Articles 11 and 73 of the Federal Law "On Education in the Russian Federation" regarding the mandatory application of requirements for employee qualifications needed to perform a specific job.

On 25 August 2016 the Company's Board of Directors (Minutes No. 156 dated 25 August 2016) made a decision on developing a set of measures to ensure that occupational standards are implemented in PAO Sovcomflot with due regard for the provisions of Federal Law No. 122-FZ dated 2 May 2015 "On Amendments to the Labour Code of the Russian Federation" and Article 73 of the Federal Law "On Education in the Russian Federation" through approval and implementation of the relevant plans and taking into consideration the work on implementation of occupational standards in assessing and rewarding HR management at PAO Sovcomflot.

The company reports on the implementation of professional standards via the Interdepartmental Portal for State Property Management.