

Sustainability and social responsibility

FESCO is one of Russia's oldest companies with an illustrious history. We put sustainability at the core of everything we do, always aiming to create the best possible conditions for every stakeholder to realise their needs and wants.



As part of its efforts to be a reliable and responsible partner for all stakeholders, the Company:

- creates additional value for shareholders;
- fosters engagement among employees and seeks to unlock their creative potential, including through their participation in social projects;
- ensures operational safety;
- closely follows Russian legislation and assists government authorities in matters of the society's sustainable development;
- champions fair, transparent and ethical cooperation in business dealings;
- cares for the environment, makes efficient use of resources, implements state-of-the-art technology and best practices to protect nature;
- contributes to social, economic and cultural development of local communities;

- bases dialogue and relationships with all stakeholders on mutual respect and trust, always making sure to follow through on commitments;
- improves corporate governance and ensures full and regular disclosure of the information on its decisions and activities.

Environment

FESCO makes it a priority to reduce its environmental footprint and comply with the Russian environmental legislation, which is why each of the Group's divisions has special services that are responsible for compliance with these laws. In 2019, the Port Division's health, safety and environment department was audited for compliance of the VMTP operations with the Russian environmental laws. The inspection was done by a third-party company accredited to conduct environmental audits. It included:

- assessment of compliance with applicable waste management requirements;
- assessment of compliance with applicable water use requirements;
- assessment of compliance with applicable air protection requirements;
- assessment of compliance with applicable sanitary and hygienic requirements;
- assessment of the environmental monitoring and industrial control system;
- assessment of compliance with the Russian environmental management laws.



The audit found VMTP's operations to be in compliance with the applicable Russian environmental laws, with certain recommendations being issued that as of today have all been fulfilled.

In order to ensure environmental protection, the Shipping Division:

- purchases modern, more fuel-efficient vessels;
- paints underwater hulls with silicone coatings that do not emit harmful substances into the sea water and cut down on friction, leading to average fuel savings of 6–8%;
- outfits ships with special equipment and substances (dispersants) for quickly eliminating any oil spills and preventing contamination of offshore areas;
- shifted its watercraft to low sulphur fuel oil;
- complies with the requirements of the International Convention for the Prevention of Pollution from Ships (MARPOL) on energy efficiency and monitors fuel consumption in accordance with the approved Ship Energy Efficiency Management Plans (SEEMP). All FESCO vessels are documented by the Register, confirming the correctness of data collection;
- complies with the EU MRV scheme that requires all vessels calling at EU ports to have a monitoring plan approved by a verifier, as well as to collect and submit data on fuel consumption, CO₂ emissions, and the voyage (amount of cargo, duration, distance);
- carried out preliminary studies on the selection of ballast water treatment systems and the possibility of their installation on specific vessels.

Social responsibility

As a socially-oriented company, FESCO invests heavily in personnel development, sponsorship and charity.

FESCO updated its corporate social responsibility strategy, making its main priority projects in the sphere of healthcare, education, culture and urban development in the Russian Far East. Because a substantial number of FESCO's assets is located in the Far East, the well-being of Vladivostok and other communities of the region has always been of great importance to the Company.

In furtherance of the strategy, FESCO:

- signed an agreement with Russia's largest charity foundation Rusfond to assist severely ill children in the Primorye Territory;
- repaired and furnished academic building No. 1 of Admiral Nevelskoy Maritime State University;
- created a co-working zone for student project teams at an academic building of the School of Economics and Management at Far Eastern Federal University (FEFU);
- continued cooperation with FEFU on student internships and practical training.

In 2019, VMTP carried out around 100 charity and social projects in the Primorye Territory, which included aid to orphanages in Yaroslavsky and Monastyrishche and to a Vladivostok boarding school for hearing-impaired children, Regional Children's Oncohematological Centre, Living Hope social support organisation, and Youth and Children's Home.



FESCO supports the families of employees with children, veterans, and sporting activities. VMTP helped form amateur football, hockey and volleyball clubs in Vladivostok and football and volleyball teams in Moscow. In addition, FESCO provides sponsorship support to the Karatenomichi Russian Federation and helps to promote hockey in the Primorye Territory. In particular, it sponsors the Admiral (Primorye) hockey club that includes teams from the Kontinental (KHL) and Junior (JHL) Hockey Leagues, as well as the Soyuz children's school.

FESCO implements the People of FESCO programme, with the following achievements in 2019:

- 100% fulfilment of development plans for employees on key positions;
- launch of the FESCO Leader programme geared towards continuing and consistent development of management at all levels based on FESCO's corporate competency model;
- launch of online education services (e-learning system, digital library) available to all employee categories;
- approval and implementation of 37 corporate training programmes (distance programmes and classroom sessions).

The Vladivostok branch of FESCO PLC and the trade unions of the Seafarers' Union of Russia and the Water Transport Workers Union signed a new collective agreement. The parties agreed to:

- raise salaries for ship personnel: by an average of 30% for ratings and by 5–10% for officers, keeping annual indexation;
- supplement the provisions on financial aid in the event of the birth of a child;
- double the financial aid in the event of the death of a close relative;
- introduce a new financial support payout (in addition to life insurance) to the family of an employee who died in an occupational accident;
- increase compensation for holiday trips of employees' children.

Federal social projects

Transgarant has a standalone unit in Novosibirsk – an industrial railway transport facility. It ensures uninterrupted and timely supply of coal to CHPP-4, which is a strategic element of the city's infrastructure that provides heat to most of Novosibirsk. More than 1 million tonnes of coal are supplied via the facility each year, making it a strategically important link in the life of Western Siberia's largest city.

FESCO ships deliver a year's worth of consumer goods to Russia's northern regions (to the ports of Pevek, Anadyr, Egvekinot and Provideniya) within the tight constraints of a five-month summer navigation period.