

MOST SIGNIFICANT RISKS FOR NCSP GROUP'S BUSINESS

Risk description	Risk management measures
Risk of increase in interest rate on credit agreement (growth of LIBOR)	Control cash flow to ensure sufficient liquidity reserve Centralized placement of NCSP Group deposits to achieve best interest rate performance Continuous monitoring of LIBOR
Risk of changes in currency exchange rates	Consider entering into a loan agreement in RUB Place deposits in foreign currency
Risk of loss of cargo volumes in case of sanctions being imposed against customers	Analyze workload and use of handling facilities to assess capacity made available in the event of sanctions and suspension of cargo traffic Find an alternative cargo base in case cargo traffic is suspended Hold negotiations with customers to quickly replace lost volumes
Risk of decrease in NCSP Group cargo traffic as a result of construction of new port facilities in the Azov-Black Sea basin	Work with customers: sign strategic agreements and memorandums to maintain volumes; offer advantageous terms for cooperation, flexible pricing; provide best service Timely implementation of investment projects
Operating risks related to breakdown of or damage to handling equipment and hydraulic works	Highly skilled workers are hired to operate equipment, and handling equipment is regularly serviced and updated. Scheduled repairs and latest certifications of hydraulic works are carried out
Publication of negative, distorted information that can hurt the business reputation of Group companies	Regularly monitor mentions of Group companies in the media and on the Internet; proactively work with journalists; comply with regulations for approval and disclosure of information at all levels

Key measures to manage risks and develop risk management system in 2018

- › Extension of the PJSC NCSP Risk Management Methods that were approved on June 10, 2015 to subsidiaries and affiliates in order to standardize the risk management system within NCSP Group
- › Preparation of corporate risk maps
- › Insurance of company assets and third party liability
- › Analysis of existing local regulations for effectiveness and consistency with the Company's goals and business environment

3.7.3.1. Country and regional risks

- › Redirection of substantial amounts of Russian oil exports from western and southern routes to eastern destinations
- › Decrease in demand for certain traditional export cargo traffic due to overproduction and surplus supply of certain goods / cargo (oil, iron ore, coal) on world markets with the discovery of new deposits and reduction of production costs with the application of new technologies

3.7.3.2. Political risks

- › Escalation of tensions in the Bab-el-Mandeb and Aden straits due to fighting in Yemen
- › Erosion of solvency of countries involved in local conflicts (Middle East)
- › Imposition and/or expansion of sectoral and economic sanctions against Russia by the United States, European Union and a number of other countries
- › Unstable military and political situation in countries of the former Soviet Union and the Balkan Peninsula, resumption of active operations in frozen conflicts in Russia's sphere of interest (Ukraine, Armenia, Azerbaijan, Georgia, Serbia, Moldova)

3.7.4. Anti-corruption policy

PJSC NCSP's efforts to combat corruption comply fully with current Russian legislation. The Company's employees conform to Federal Law No. 273-FZ, dated December 25, 2008, on Combating Corruption; Russian presidential Order No. 309, dated April 2, 2013, on Measures to Implement Certain Provisions of the Federal Law on Combating Corruption; and the Methodological Recommendations for Development and Adoption of Organizational Measures to Prevent and Combat Corruption approved by the Labor and Social Security Ministry of Russia on November 9, 2013.

PJSC NCSP approved an Anti-corruption Policy to Counter Involvement in Corrupt Practices in January 2015. The main goals of this policy are to:

- › Minimize the risk of the Company, its management and employees becoming involved in corrupt practices
- › Instill a common understanding of the policy of zero tolerance for corruption in all forms and manifestations in Company employees, regardless of their position, as well as business partners and other parties
- › Summarize and clarify the main requirements of Russian legislation against corruption applied at the Company

PJSC NCSP is implementing a plan of action aimed at preventing corrupt practices that includes procedures for reporting signs of corruption, responding to red flags and making the Company's counterparties aware of the requirements of the anti-corruption policy.

In 2015, PJSC NCSP approved a Code of Ethics and Conduct for employees, and drafted and approved a Regulation governing the procedure for employees to report situations if they are induced to commit corruption violations, cases of other company employees committing corruption violations and cases of conflicts of interest. These documents apply to all PJSC NCSP employees, regardless of their position, the duration of their employment and the nature of their work.

3.7.5 Insider information

The Company takes steps to prevent the unlawful use of insider information. PJSC NCSP maintains a list of insiders; monitors internal documents and events in order to control the implementation of measures prescribed by Russian and foreign legislation, including disclosure of insider information; and carries out other associated measure to prevent the unlawful use of insider information, in accordance with Federal Law No. 224-FZ of July 27, 2010 "On prevention of unlawful use of insider information and market manipulation and on amendments to certain legislative acts of the Russian Federation."

3.8. Disclosure of Information

The Company is committed to promptly and regularly disclosing information to all stakeholders that they need for making balanced decisions on relations with the Company.

Information disclosed by NCSP is objective and balanced.

Corporate documents, information about management and control bodies, as well as information subject to disclosure under current legislation and the Company's internal documents are posted on the Company's website at <http://nmtп.info/ncsp/> . NCSP also discloses information on the website of the authorized agency, Interfax-CIDC LLC, at: <http://www.e-disclosure.ru/portal/company.aspx?id=3900> .