

ENVIRONMENT AND ENERGY EFFICIENCY

In its environmental protection efforts, FESCO is committed to reducing the negative impact of its operations.

“As FESCO continues to rapidly ramp up its operations, we strive to integrate energy saving and environmental protection into all business processes across the board. To stay true to sustainable development principles, FESCO is expanding the portfolio of tools at its disposal to reduce the carbon footprint of cargo transportation and handling, with a focus on digitalisation and solutions that ensure unbiased monitoring of energy consumption and the state of the environment”.

Boris Ivanov,

Vice President,
Production Development



As one of Russia's largest private transportation and logistics companies with port, railway, and integrated logistics assets, FESCO is aware of its responsibility for future generations in the regions where it operates. In line with that, we:

- implement cutting-edge environmental protection technologies (innovative fire sprinkler system and modern dust monitors);
- install and upgrade treatment facilities. This way we can guarantee that water returning into the environment is safe and meets all the applicable quality criteria;
- on an ongoing basis, monitor noise levels at control points in adjacent housing premises during the day and at night;
- engage in continuous environmental monitoring of atmospheric air at the production sites and at the borders of sanitary protection zones (data received from monitoring devices is then quickly made available on a dedicated website of the Primorye Territory Division of the Federal Service for Hydrometeorology and Environmental Monitoring);

- analyse marine biota (organisms that live in the same habitat), including examinations of the state of aquatic biological resources near FESCO's sites;
- analyse bottom sediments in the waters of the Golden Horn Bay to control potential contamination resulting from Port Vladivostok operations.

FESCO prioritises separate waste collection and sorting, aiming to maximise volumes that are recycled or reused. In 2022, we had 3,070 tonnes of waste (85% of total waste generation) sent to treatment, neutralisation and recycling, which is an increase of 382 tonnes compared to 2021. In line with existing environmental laws and regulations and sanitary and hygienic requirements, FESCO has temporary waste storage facilities in place.

FESCO engages in consistent efforts to reduce its waste generation.

3,070
TONNES
of waste sent for treatment, neutralisation and recycling in 2022

Waste management process	Hazard class, tonnes				
	Class 1	Class 2	Class 3	Class 4	Class 5
Waste generated during the year	0.25	0.03	188.2	856.2	2,718.9
Waste transferred to the regional operator	0.0	0.0	0	93.9	190.0
Waste transferred for neutralisation	0.02	0.03	128.4	475.1	0.9
Waste transferred for recycling	0.23	0	59.8	90.6	130.7
Waste transferred for disposal	0	0	0	196.6	212.2
Waste transferred for treatment	0	0	0	0	2,185.1

Key provisions governing the safety and quality of the environment and environmental protection are set out in FESCO's Occupational Health and Industrial, Environmental and Fire Safety Policy. It applies to all branches, standalone and structural units within FESCO Group, as well as its subsidiaries and affiliates.

To implement the Policy's priorities, the Company has in place the 087-02-09-2022 environmental management system (EMS), which covers documented procedures, plans, SOPs, internal, external and regulatory inspections, self-assessment, and management analysis exercises.

In September 2022, the Russian Maritime Register of Shipping conducted a compliance audit to certify the Company's EMS to ISO 14001.

In 2022, inspections confirmed that FESCO Group complies with the requirements of Eurasian Economic Commission certification under the following standards:

GOST R ISO 9001–2015 (ISO 9001:2015) Quality management systems. Requirements, GOST R ISO 14001–2016 Environmental management systems. Requirements with guidance for use and GOST R 54934–2012/OHSAS 18001:2007 Occupational health and safety management systems. Requirements.

ENVIRONMENTAL TARGETS IN 2022

Indicator	Goal	Target	Actual		Result
			2021	2022	
Minimisation of sea and cost line contamination with oil products, and minimisation of adverse impact on microorganisms and ecosystems in general	Prevention of vessel accidents related to fuel transportation and spillage	Number of vessel accidents resulting in leaks of oil products to sea	None	None	Achieved
Minimisation of sea and cost line contamination with oil products, and minimisation of toxic impact on microorganisms and ecosystems in general	Prevention of leaks of fuel and lube oil to sea	Number of leaks of fuel and lube oil to sea	None	None	Achieved
Ballast water treatment in line with international requirements. Minimisation of changes to the marine environment as a result of transfer of harmful or unwanted new aquatic organisms and pathogens	Prevention of any violations during deballasting or reballasting	Number of violations of the procedure for reballasting or deballasting	0	0	Achieved
Reduction in the volume of garbage and solid waste discharged to sea	Improvement by 2% YoY	Delivery of waste to onshore receiving facilities, cu m / vessel	42.75	53.9	Achieved. Improvement by 26%
Reduction in freshwater consumption	Reduction by 1% YoY	Freshwater consumption by onshore units, litres	4,588	4,262	Achieved. Reduction by 7.1%
Reduction in paper usage	Reduction by 3% YoY	Paper usage by the Company's offices, kg	1,488	1,300	Achieved. Reduction by 12%
Reduction in heat energy consumption by the consumer	Reduction in heat energy consumption by 1% YoY	Heat energy consumption by the Company's offices, Gcal	1,279	1,247	Achieved. Reduction by 2.5%

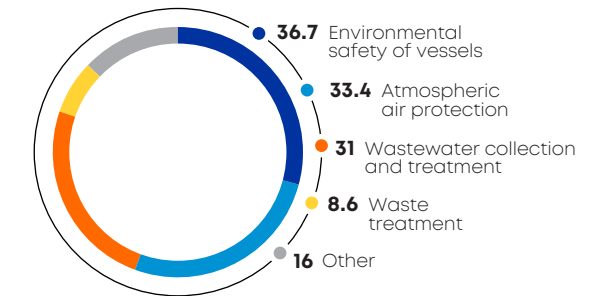
ENVIRONMENTAL SAFETY

In 2022, our environmental safety expenses doubled to reach RUB 126 million compared to RUB 66 million in 2021.

To reduce the environmental footprint, the following additional steps were taken in 2022:

- an innovation fire sprinkler system was put in place at the retaining wall of the bulk cargo warehouse at berth 13, in addition to four sprinkler units. The system is designed to create a fine liquid mist in the air in order to fight dust more effectively;
- an E-BAM PLUS dust monitoring gauge by Met One was installed at the border of the adjacent housing premises area to ensure ongoing automated measurements of air emissions;
- Port Vladivostok employees and the Public Spaces Department of Vladivostok planted trees and shrubs in the Geroyev-Damantsev Square at the intersection of Nizhneportovaya and Avramenko streets in Vladivostok;
- to protect the waters of the Golden Horn Bay, regular cleaning was carried out by the Company and external contractors. Lab tests were conducted quarterly for sea water and cleaned stormwater discharged to the Golden Horn Bay.

ENVIRONMENTAL SAFETY EXPENSES, RUB MLN



Source: Company data

In 2022, we laid the foundation for instilling a safety culture in operating processes across all levels of FESCO Group, which will help ensure that employees feel the need to build the necessary professional and psychological skills and understand their responsibility when carrying out any operations that affect safety.

In 2022, environmental watchdogs identified no violations of applicable Russian regulations by FESCO. A positive opinion of the state environmental review was obtained for the project "Environmental feasibility study of Port Vladivostok's business operations carried out in the inland sea waters of Russia with an environmental impact assessment (EIA) to be conducted".

REDUCTION IN GREENHOUSE GAS EMISSIONS

FESCO strives to make active use of mechanisms that aim to decrease greenhouse gas (GHG) emissions, including through reductions in fuel and energy consumption.

In 2022, FESCO developed and started applying the Greenhouse Gas Emission Calculation Methodology based on Order No. 330 of the Russian Ministry of Natural Resources and the Environment dated 29 June 2017 On Approval of Methodology Guidelines for Quantification of Energy

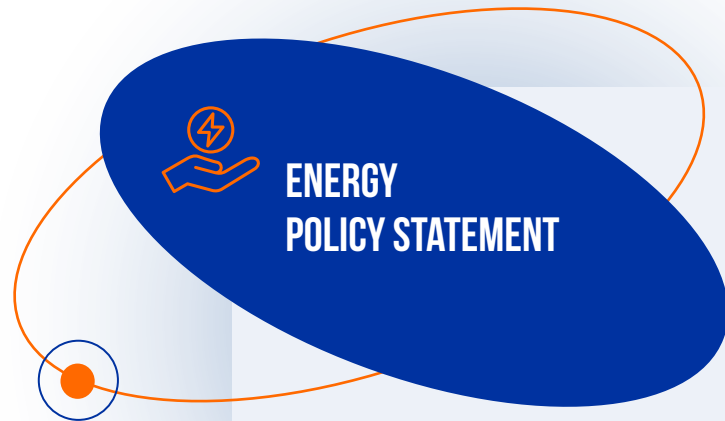
Indirect Emission of Greenhouse Gases, and based on preliminary national standard of Russia PNST 646–2022 "Green" standards. "Green" products and "green" technologies. Methodology for the estimate of reduction of a carbon footprint.

Despite FESCO's increased scope of operations in 2022, there was a relative reduction in GHG emissions of 13.7 thousand tonnes of CO₂-e, or 4%.

FESCO GROUP'S ENERGY POLICY

In 2022, FESCO developed and adopted a fundamental document governing its energy management efforts, the Energy Policy of FESCO Group.

The Policy is based on ISO 50001, which also informed FESCO Group's **Energy Policy Statement**.



ENERGY POLICY STATEMENT

Aware of the role of FESCO Group in the Russian market for transportation and logistics services, shipments in the Far East leveraging international sea routes and rail network to/from Asia and domestic sea lines, the management of FESCO Group considers energy saving and energy efficiency improvement measures to be among the key priorities in what we do.

The Policy is the basis for FESCO Group to analyse and set its energy goals and objectives and to select prioritised energy saving and energy efficiency improvement measures.

The Policy's key principles:

- alignment with FESCO Group's strategy;
- availability of information and resources required to deliver against energy goals and objectives;
- unified methodology platform, relevance and expediency, reasonable degree of formalisation;
- promotion within the Group, integration and transparency;
- compliance with (and adherence to) applicable regulatory and other requirements;
- ongoing improvement of energy metrics and energy management;
- support for procurement that is efficient in terms of consumption of energy, products and services that have an impact on energy metrics;
- support for projects that take into account improvements in energy metrics;
- ongoing adaptation and development, training and motivation;
- reasonable distribution of responsibilities and powers as part of the energy management system.

FESCO Group's Energy Policy aims to create and develop an energy management system as well as conditions and opportunities that foster ongoing monitoring of, and use of potential opportunities for, energy saving and energy efficiency improvement.

To implement the Energy Policy, FESCO set up a working group on the energy management system, with its members including the Company's leading engineers led by Vice President, Production Development.

In 2022, we developed and put in place a corporate system of reporting on fuel and energy consumption and the Energy Analysis Methodology for Operating Activities to assess consumption amounts and the efficiency of fuel and energy use.

At FESCO Group, fuel and energy resources are mainly consumed in transportation operations, with fuel used in cargo transportation by sea, road, and rail, and in terminal operations, where fuel is required for the handling of container and non-container cargoes.

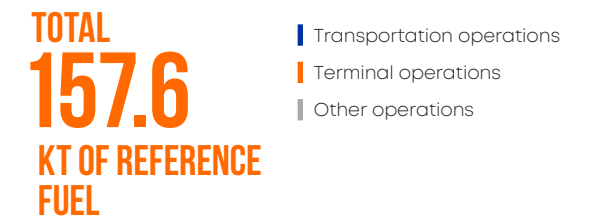
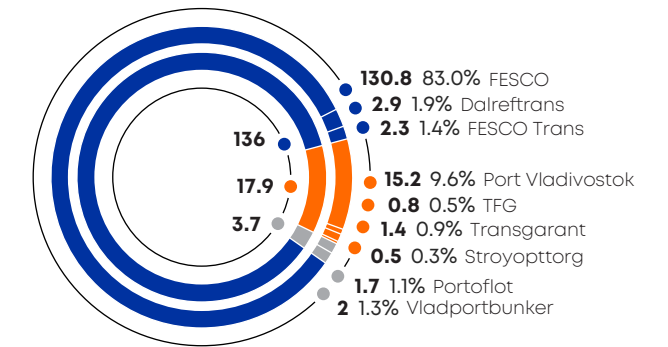
In 2022, FESCO Group consumed a total of 157.6 thousand tonnes of reference fuel, of which transportation and terminal operations accounted for 86.3% and 11.3% respectively.

ENERGY CONSUMPTION

In 2022, FESCO Group demonstrated a fairly strong reduction in specific fuel and energy consumption required for its operations.

Energy intensity of container handling at FESCO Group's terminals stood at 22.4 kg of reference fuel per HCC, which is a 6.4% reduction vs 2021,

FUEL AND ENERGY CONSUMPTION ACROSS ALL TYPES OF OPERATIONS (BROKEN DOWN BY FESCO GROUP FACILITY, KT OF REFERENCE FUEL, %)



with Port Vladivostok's energy intensity coming in at 25.0 kg of reference fuel per HCC, a 5.3% reduction YoY.

Energy intensity of non-container cargo handling at Port Vladivostok totalled 6.6 kg of reference fuel per tonne, down by 7.6% YoY.

Indicator	Fuel consumption, kt of reference fuel		Energy intensity of operations, kg of reference fuel / volume of operations		Energy intensity YoY change, %
	2021	2022	2021	2022	
Terminal operations					
including container cargo handling	13.42	13.11	24.0	22.4	(6.4)
non-container cargo handling	3.65	3.21	7.1	6.6	(7.6)
Transportation operations					
Cargo transportation by sea	102.4	126.8	69.3	66.1	(4.6)
Cargo transportation by road	1.9	2.3	47.3	44.2	(6.6)
Cargo transportation by rail	2.2	2.9	147.8	133.7	(9.5)

ENERGY SAVING ACTIVITIES

In pursuance of its Energy Policy, FESCO Group developed the Energy Saving and Energy Efficiency Improvement Programme for 2023, which describes organisational and technical initiatives planned by the Group in this area.

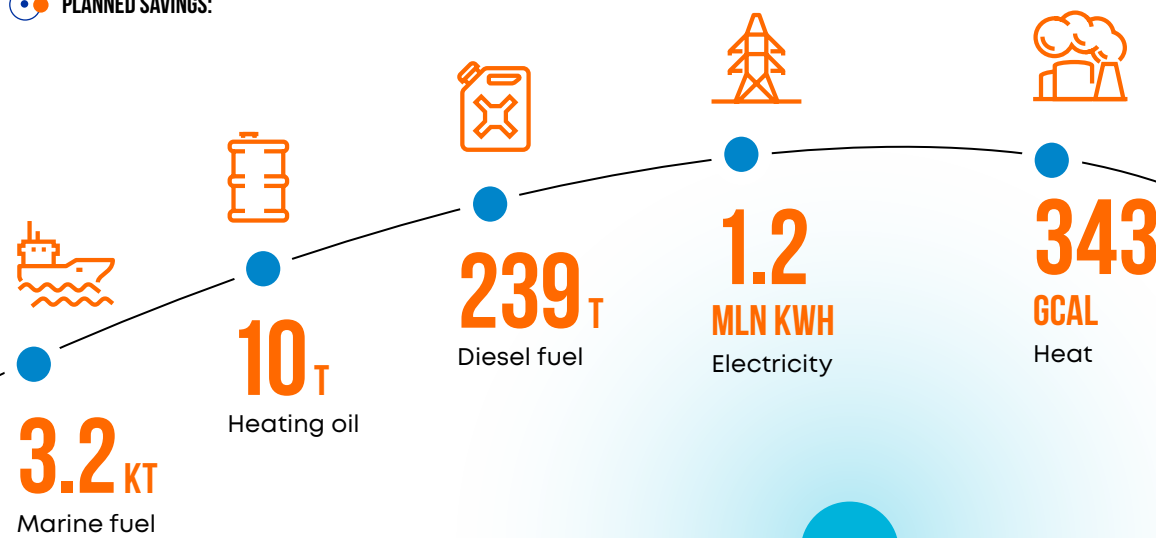
The Energy Saving Programme includes activities with the following focuses:

- improvement in the efficiency of resource use in shipping operations;
- improvement in the efficiency of resource use in heat generation facilities and other heat supply system facilities;
- improvement in the efficiency of resource use in the maintenance of buildings and structures;

- improvement in the efficiency of resource use in operations of loading and unloading, special and motor transport vehicles and equipment;
- improvement in the efficiency of resource use in railway operations;
- improvement in energy efficiency of lighting systems;
- improvement in the efficiency of resource use in operational processes.

In 2023, total fuel and energy savings are planned at 5.3 thousand tonnes of reference fuel, which is in line with the 3% savings target set by FESCO's Executive Board taking into account changes in the volume of activities.

PLANNED SAVINGS:



FESCO vessels comply with the requirements of the International Convention for the Prevention of Pollution from Ships (MARPOL) in terms of energy efficiency of ships. Fuel consumption is monitored in accordance with the approved Ship Energy Efficiency Management Plan (SEEMP). All of the Company's vessels are certified by the Register confirming correct data collection.

The Group's vessels operated in Europe comply with the EU MRV¹ Regulation, which requires them to have an approved energy efficiency plan and collect and submit data on fuel consumption, greenhouse gas emissions and activities completed to date. These measures are also designed to reduce GHG emissions into the air.

¹ Monitoring, reporting and verification.

SOCIAL PROJECTS

OUR APPROACH

Implementation of initiatives contributing to sustainable development in the regions of operations is one of the key priorities of FESCO's strategy.

FESCO's definition of "corporate social responsibility" is based on ISO 26000 Guidance on social responsibility: "Responsibility of an organisation for the impacts of its decisions and activities on society and the environment through transparent and ethical behaviour that:

- contributes to sustainable development, including health and the welfare of society;
- takes into account the expectations of stakeholders;
- is in compliance with applicable law and consistent with international norms of behaviour;
- is integrated throughout the organisation and practised in its relationships".



FESCO also shares the position on corporate social responsibility set out in the Social Charter of the Russian Business. The document expands the concept of corporate social responsibility to include responsible business practices, respect for human rights, responsible labour practices, responsibility for sustainable use of natural resources and environmental protection, and responsibility to consumers and local communities.

FESCO pursues its corporate social responsibility strategy relying on the Sustainable Development Goals (SDGs) set out in the Resolution of the UN General Assembly adopted on 25 September 2015.

The Company places emphasis on the following SDGs where it can make the greatest difference as part of its daily operations:



17 PARTNERSHIPS FOR THE GOALS
Goal 17: partnership for sustainable development – FESCO pays all due taxes in a timely manner and pursues comprehensive partnerships with government and international organisations as a way to ensure social

3 GOOD HEALTH AND WELL-BEING
Goal 3: good health and well-being – FESCO has never ceased to take care of its employees' lives and health by improving occupational health and safety technologies;

prosperity;
8 DECENT WORK AND ECONOMIC GROWTH
Goal 8: decent work and economic growth;

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Goal 12: responsible consumption and production;

10 REDUCED INEQUALITIES
Goal 10: reduced inequalities – FESCO offers decent remuneration, honours all its social commitments, and closely cooperates with trade unions;

16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Goal 16: peace, justice and strong institutions – FESCO implements best anti-corruption practices and sticks to high business ethics standards;