

**APPROVED BY**

**Rosneft Board of Directors**

**On 30 June 2014.**

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## **COMPANY POLICY**

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### **ON CORPORATE PROPERTY MANAGEMENT**

**№ P3-01.02 P-02**

**VERSION 1.00**

(With amendments approved by the decision of Board of Directors Meeting (Minutes of the meeting dated 22.06.2017 № 29), effective as of 28.08.2017 by Order № 489)  
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**MOSCOW  
2014**

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# INTRODUCTORY PROVISIONS

## INTRODUCTION

Company Policy *On Corporate Property Management* (hereinafter referred to as "Policy") determines general management principles and serves as guidelines for managing the corporate property of Rosneft and Group Entities.

## POLICY GOALS

The Policy expresses the Company's position on corporate property management and formalizes uniform approaches and principles in this area.

## POLICY OBJECTIVES

The Policy has the following objectives:

- Establish the Company's goals and objectives and determine principles for managing corporate property.
- Determine the framework for managing corporate property (including objects of corporate property management; corporate property asset managers and allocation of their roles and responsibilities; corporate property management processes; performance indicators to monitor efficiency of corporate property management).
- Determine key risks inherent to corporate property management and relevant response measures.
- Define the structure and hierarchy of internal regulations governing corporate property management.

## SCOPE OF APPLICATION

This Policy is binding on employees:

- structural units of PJSC NK Rosneft;
- Group Subsidiaries controlled by PJSC NK Rosneft and other Group subsidiaries (except for Group Subsidiaries for which decisions have been made to implement liquidation, bankruptcy procedures), in respect of which the Charters of the Subsidiaries, joint stock and other agreements with partner companies do not define a special procedure for the exercise by shareholders / participants of their rights, including the management of the Subsidiary,

whose activities are directly or indirectly related to the management of corporate property.

## VALIDITY AND AMENDMENT PROCEDURE

This Policy is a permanent internal regulation.

This Policy shall be deemed to have lost effect and shall be amended at PJSC NK Rosneft on the basis of a decision of the Management Board of PJSC NK Rosneft and shall come into effect with PJSC NK Rosneft order.

# 1. TERMS AND DEFINITIONS

## TERMS AND DEFINITIONS FROM THE CORPORATE GLOSSARY

**BUSINESS LINE** - a set of interrelated and interacting business processes and their deliverables united by common parameters (delivery of a certain business result, use of resources, geography, etc.) aimed at enhancing performance in accordance with decisions made regarding the Company's development.

*Note: business lines include upstream, midstream, downstream.*

**COMPANY** – means a group of legal entities with different forms of business ownership, including PJSC NK Rosneft, in respect of which the latter acts as the main or dominant (participating) company.

**CORE ACTIVITY TOP MANAGER** is a top manager of PJSC NK Rosneft responsible as to his/her competency for a core activity of the Company, endowed with independent duties, tasks and responsibilities.

**CORPORATE PROPERTY** – property materially significant for the Company, including:

- Corporate property assets requiring registration of property rights, their restriction, origination, transfer and termination with registration authorities or issuers (real estate, stock (interest); exclusive intellectual property rights).
- Construction-in-progress subject to registration.
- Immovable corporate property assets under lease.
- Movable corporate property assets owned or leased by the Company which is included in property and technology complexes.

Corporate property does not include assets which according to law may not be owned by business entities (e.g., subsoil plots containing resources, land plots with limited transferability, etc.), and/or may not be subject to a separate sale or purchase (e.g., licenses for certain activities).

**CORPORATE PROPERTY MANAGEMENT EFFICIENCY MONITORING** – a regular process of monitoring the achievement of performance indicators of corporate property management in order to make reasonable managerial decisions on activities with corporate property facilities.

**DEDICATED STRUCTURAL UNIT OF PJSC NK ROSNEFT** – structural unit of PJSC NK Rosneft, which is responsible within its competence for the dedicated business activity in accordance with the organizational structure of PJSC NK Rosneft and the Regulations on Structural Unit of PJSC NK Rosneft.

**DIRECTIVE ISSUE** – issues pertaining to the activities of Group Subsidiaries, on which the Company's position is determined by the governance bodies of PJSC NK Rosneft, as stipulated in PJSC NK Rosneft Charter.

**GROUP ENTITY (GE)** - business entity in which Rosneft, directly and/or indirectly, holds 20 or more per cent of ownership interest.

**GROUP SUBSIDIARY CONTROLLED BY PJSC NK ROSNEFT** is a Group Subsidiary in which PJSC NK Rosneft has the right to dispose directly and/or indirectly (through persons controlled by it) by virtue of participation in such a Group Subsidiary and/or on the basis of trust management agreements, and/or a simple partnership, and/or an assignment, and/or a shareholder agreement, and/or another agreement, the subject of which is the exercise of rights certified by shares (stakes) of such a Group Subsidiary, more than 50 percent of votes in the supreme executive body, or appoint (elect) a sole executive body and/or more than 50 percent of the members of the collegial executive body.

**INEFFICIENT CORPORATE PROPERTY** – corporate property, whose maintenance costs exceed income generated from its use, and the retention of which within the Company can be considered unreasonable, based on monitoring.

**INTELLECTUAL PROPERTY** - protected results of intellectual activity and means of personalization similar to them.

**NON-CORE CORPORATE PROPERTY** – corporate property which is not directly involved in business processes related to the Company's business lines and key management processes; which meets the general and/or specific criteria set by Company's internal regulations, and the retention of which within the Company can be considered unreasonable.

**PROPERTY & TECHNOLOGY COMPLEX** – analytically grouped facilities of movable and immovable property (including land plots, buildings, structures, etc.) used in the implementation of an integrated technological process within a certain discipline (for example, exploration, production, transportation, recycling, oil sales, etc.).

**SUPERVISOR** – means a PJSC NK Rosneft top manager or another person, who, in accordance with his/her functional responsibilities, by the decision of the Chief Executive Officer of PJSC NK Rosneft, is in charge of a business entity with a direct and/or indirect share of PJSC NK Rosneft in the authorized capital, and who is responsible for efficient management and control over this business entity for the purpose of the Company's strategic objectives and business plan implementation.

**SUPERVISING BUSINESS UNIT** - a Rosneft business unit with the competency to support the Supervisor in organizing efficient management and control of the business entity under his/her supervision in which Rosneft holds direct and/or indirect interest for such entity to achieve strategic goals and fulfil the Company business plan.

## TERMS AND DEFINITIONS FOR THE PURPOSE OF THIS DOCUMENT

**ANALYTICAL ASPECT OF CORPORATE PROPERTY (ASPECT)** - a set of specific functional attributes characterizing an object of corporate property in terms of various types of reporting.

**ASSESSMENT OF CORPORATE PROPERTY** - the procedure of determining whether a corporate property asset is efficient and core to business in order to assess whether such property should be retained by Company, and developing measures to improve overall corporate property management efficiency.

**CENTER OF EXCELLENCE FOR CORPORATE PROPERTY MANAGEMENT (CENTER OF COMPETENCE)** – the Rosneft business unit responsible for integrated guidance and administration of corporate property management processes, and for providing information analysis support.

**CLASSIFICATION ARCHITECTURE OF CORPORATE PROPERTY** – a model of interrelated elements which determines the approach and details principles for classifying corporate property assets.

**CRITERIA FOR CLASSIFYING CORPORATE PROPERTY AS NON-CORE/ INEFFICIENT** – parameters used to classify corporate property as non-core and/or inefficient.

**INVESTMENT COMMITTEE Of PJSC NK ROSNEFT** is a permanent coordinating body of PJSC NK Rosneft, created by the Chief Executive Director of PJSC NK Rosneft, whose competence includes making pre-investment and investment decisions before approving a business project/investment program by management bodies PJSC NK Rosneft.

**LIFE CYCLE OF A CORPORATE PROPERTY ASSET**– the period of time from acquisition or construction to disposal of a corporate property asset by a specific entity. The life cycle stages include: acquisition or construction, use/ operation, disposal of/ liquidation.

**MANAGEMENT BODY** – a management body of PJSC NK Rosneft (Chief Executive Director, Management Board, Board of Directors), entitled as to PJSC NK Rosneft Chapter to make decisions on implementation of business-projects by PJSC NK Rosneft/investment programs or determination of PJSC NK Rosneft position on implementation of business-projects/investment programs of Group Subsidiaries.

**OPERATIONS WITH CORPORATE PROPERTY** - operations with corporate property, including transactions at all stages of the life cycle of the corporate property asset.

Operations with corporate property at the stage of 'generation':

- Acquisition
- Lease-in
- Creation: construction, creation of intellectual property, establishment of a legal entity and/or its subdivision
- Other

Operations with corporate property at the stage of 'use/ operation':

- Reconstruction/ upgrading/ performance improvement
- Lease-out
- Conservation
- Technical maintenance/ storage
- Providing intellectual property rights to Group Entities
- Reorganization of Group Entities
- Share capital changes
- Prolongation of exclusive intellectual property rights
- Other

Operations with corporate property at the stage of 'disposal of/ liquidation':

- Sale
- Free transfer
- Liquidation / write-off
- Termination (for intellectual property)
- Other

**OTHER ISSUES** - issues pertaining to the activities of Group Entities, which, according to their Charters, are within the competence of their General Assembly of shareholders/ participants, assembly of other superior supervisory bodies, Board of Directors (Supervisory Board) of Group Entities, as well as within the competence of collective executive bodies of the foreign Group Entities, the Company's position on which is not determined by Rosneft governance bodies as stipulated in Rosneft's Charter.

**PROPERTY** – things and property rights that, in accordance with the legislation of the Russian Federation, are the subject of ownership and/or use and/or disposal of a legal entity.

**RELEVANT SUBCOMMITTEES OF INVESTMENT COMMITTEE OF PJSC NK ROSNEFT** are permanent coordinating bodies of PJSC NK Rosneft, whose function is to make pre-investment decisions and investment decisions in relation to business projects/investment programs within their respective competencies.



## 2. DESIGNATIONS AND ABBREVIATIONS

**PTC** – property and technology complex.

**CP** – corporate property.

**IR** – internal regulation.

**IP** – intellectual property.

**TOP MANAGER of PJSC NK ROSNEFT** – means PJSC NK Rosneft First Vice-Presidents, PJSC NK Rosneft Vice-Presidents, PJSC NK Rosneft Chief Accountant, PJSC NK Rosneft Chief Financial Officer, PJSC NK Rosneft Press Secretary, advisers and heads of PJSC NK Rosneft structural units having the rank of Vice Presidents, heads of PJSC NK Rosneft services having the rank of Vice Presidents.

### 3. COMPANY'S GOALS AND OBJECTIVES IN CORPORATE PROPERTY MANAGEMENT

CP management is an integral part of the overall Company management framework, which should be in line with the Company's development strategy and interests of PJSC NK Rosneft shareholders; it should be integrated into the Company's operating model and business processes.

Achievement of the Company's goals related to CP management involves long-term objectives and measures, including those related to developing a system for monitoring the effectiveness of CP management on the basis of an integrated IT solution.

**Table 1**  
**Goals and objectives of CP management**

NO.	CP MANAGEMENT GOALS	CP MANAGEMENT OBJECTIVES
1	2	3
1	Increase the shareholder value of the Company and maximize the return on invested capital	<ul style="list-style-type: none"> <li>▪ Ensure timely and economically justified decision-making on CP operations; in particular, minimize investments in low-margin CP in order to invest further in more profitable CP.</li> <li>▪ Protect the Company's and shareholders' property interests through effective management of risks related to forfeiture of rights to CP.</li> </ul>
2	Improve the performance of CP and optimize the CP structure	<ul style="list-style-type: none"> <li>▪ Implement and maintain centralized automated solution to collect, store, update and organize data on CP rights and other information on CP in all required aspects from various IT systems of the Company.</li> <li>▪ Effectively manage non-core and/or inefficient CP: reduce expenses related to their maintenance, receive additional income from their disposal.</li> <li>▪ Create and maintain an optimal corporate structure of the Company.</li> </ul>
3	Make optimal use of the Company's resources involved in CP management processes by setting up an effective framework and enhancing CP management processes.	<ul style="list-style-type: none"> <li>▪ Set up a shared center of excellence dealing with complex methodological, information and analysis support issues, and administer CP management processes.</li> <li>▪ Design end-to-end CP management processes with clear segregation of roles and responsibilities of CP managers to ensure effective interaction and eliminate duplication of functions.</li> <li>▪ Accelerate decision-making and implementation of CP operations.</li> <li>▪ Develop and refine a uniform corporate CP management methodology: develop and update Internal Regulations regarding all types of CP and at all levels of CP management.</li> </ul>

## 4. CORPORATE PROPERTY MANAGEMENT PRINCIPLES

The following key principles of CP management are the basis for achieving the goals of CP management:

- ***Economic justification of decisions and operations concerning CP:*** decisions concerning operations with CP on terms optimal for the Company by virtue of complete and accurate information, including all expert analysis required for decision making.
- ***Methodological and information analysis support*** as well as administration of CP management via a ***shared center of excellence***.
- ***Interconnection and integration of CP management processes with related processes:*** CP management processes are closely linked to other Company business processes, including budgeting, management reporting, investment management and corporate governance, and end-to-end CP management processes must be formed with a clear allocation of roles and responsibilities among all those involved in CP management and taking into account all interconnected processes.
- ***Timely and high-quality performance*** of operations with CP by all participants in CP management processes.
- ***Integration of data*** from various Company information systems: complete, accurate and timely automated recording and monitoring of CP management from all necessary aspects.
- ***Continuous performance monitoring*** of CP management: regular control over the achievement of target performance indicators for CP use as well as performance monitoring of operations with CP at all stages of the CP asset's life cycle.
- ***Social responsibility*** in making decisions on operations with CP, including non-core and/or inefficient CP.
- ***Use of industry best practices*** in CP management for purposes of updating and optimizing the Company's approaches to CP management as well as optimizing processes and performance indicators.

CP management also follows general corporate principles:

- Compliance with Russian law, applicable rules and standards of Russian and international law, industry documents and corporate requirements.
- Transparent operations and accurate management reporting.
- Prevention of conflicts of interest and corruption.
- Prevention of corporate fraud.
- Targeted and cost-effective spending.
- Cost cutting measures in CP management processes.
- Strict control over compliance with procedures; control procedures in place.

## 5. CORPORATE PROPERTY MANAGEMENT FRAMEWORK

### 5.1. CORPORATE PROPERTY ASSETS

Managed CP includes CP assets in PJSC NK Rosneft and/or Group Subsidiaries' possession and/or use and/or disposal:

- Immovable property.
- Stock (shares).
- Exclusive intellectual property rights.
- Movable property included in property and technology complexes.

Property facilities, property belonging to immovable or movable items, the legal regime of property are determined in accordance with the legislation of the Russian Federation, and if the property is located outside the Russian Federation – in accordance with the legislation of the country where this property is located.

For management purposes, CP may be combined into analytical hierarchical groups, including based on CP classification principles and approaches.

#### 5.1.1. CORPORATE PROPERTY ASSET CLASSIFICATION PRINCIPLES

All CP shall be classified based on the following key principles:

- All CP is accounted for.
- Duplicate accounting is eliminated.
- Procedures to control CP asset use are in place.
- Classification detail is sufficient and relevant, and the description of CP attributes for CP management purposes is comprehensive.

Based on these principles, the following classification approaches shall be used for CP management purposes:

- An analytical and methodological base is formed for CP accounting, ensuring that such accounting is complete, accurate and timely.
- Each CP item is treated as a separate unit and as part of a hierarchical structure.
- Transparent principles are used in establishing CP managers' responsibility for CP management processes.
- CP items are monitored and compared, in terms of their effective use, as individual units and in hierarchical groups.
- Reports necessary for CP decisions are generated in the required analytical aspects.
- Individual parts and elements of the classification may be revised without changing the classification's overall architecture and principles.
- The classification is adapted to meet the Company's current business needs.

The purpose of analytical aspects is to summarize information required to support CP management processes at all stages of the CP assets' life cycle.

Analytical aspects shall be formed in accordance with the following principles:

- Account is taken of features necessary and sufficient for CP management at all stages of the CP asset's life cycle.
- Analytical aspects are consistent with each other.
- The list of analytical aspects and their data content must meet the requirements of Russian law and the Company's business needs.

The following main aspects are singled out; the list of such aspects may be expanded to include those that meet the Company's current business needs:

**Table 2**  
**Main analytical aspects of CP**

NO.	ASPECT	DESCRIPTION OF ASPECT
1	2	3
1	Legal	Summarized information on title to CP and other information on the legal requirements for such CP
2	Accounting	Summarized CP information collected in the process of financial accounting
3	Tax	Summarized CP information collected in the process of tax accounting
4	Technical/economic	Summarized information collected by Rosneft business units on the economic, physical and qualitative characteristics of CP

### **5.1.2. CRITERIA FOR CLASSIFYING CORPORATE PROPERTY AS NON-CORE/ INEFFICIENT**

For CP management purposes, CP asset groups are determined on the basis of their profile and performance.

In certain cases, a CP asset that does not fully meet the criteria of non-core/ inefficient may be classified as non-core and/or inefficient by a decision made by an authorized Rosneft governance body on an individual basis.

**General criteria** for selecting and assessing CP asset as non-core and/or inefficient are as follows:

- The CP asset is inconsistent with the Company's development strategy.
- The CP asset performs and/or is used to perform non-core activities, i.e. activities unrelated to the Company's business lines and key management processes.
- It is inexpedient for the Company to invest in the development of certain non-core and/or inefficient types of activity.
- The Company would retain its competitive advantages without the CP asset in its portfolio.
- The Company has no strategic interests in the CP asset's location.
- The CP asset's market price is expected to exceed the economic effect of the Company's investments in its development.
- To control the CP asset's activities, the Company would need to divert management resources incomparable with the CP's rate of return.

- Continued ownership/lease by Rosneft or Group Entities could have a substantial negative impact, both economically and in terms of reputation.

**Special criteria** include an assessment of whether target/threshold performance indicators for CP use have been achieved. Special criteria are determined by the Company's IR concerning CP management.

## 5.2. CORPORATE PROPERTY ASSET MANAGERS: ALLOCATION OF ROLES AND RESPONSIBILITIES

CP asset managers are Rosneft governance bodies and senior executives, the Investment Committee/core subcommittees, business units and Group Entities that are involved to one extent or another in CP management processes.

Depending on their functions, CP asset managers may perform the following roles:

1. *Center for Decision Making (Rosneft governance bodies, the Investment Committee/core subcommittees):*

Rosneft governance bodies make decisions/determine the position on transactions execution (modification, termination) in accordance with Rosneft's Charter and the Company's IR.

In certain cases Rosneft governance bodies may delegate authority to make decisions on CP to Rosneft senior executives.

Group Entities may make independent decisions on CP that they own in accordance with the Charters of these Group Entities and Rosneft's Charter.

The Investment Committee/core subcommittees are responsible for preliminary consideration and recommendations for Rosneft governance bodies on the approval of involvement/termination of involvement in business projects (operations with CP) within the scope of their investment authority.

2. *Center of competency (PJSC NK Rosneft structural unit – CP Department PJSC NK Rosneft):*

Rosneft's CP Department is responsible for comprehensive guidance and integration of CP management processes: the department develops and updates Rosneft's IR governing CP management processes, monitors the IR of Rosneft and Group Entities concerning CP management to ensure that they comply herewith, organizes information and analysis support and administers CP management processes.

In certain situations Rosneft's CP Department may act as a Supervising business unit, e.g. for non-core and/or inefficient CP that Rosneft governance bodies have decided to dispose of/liquidate.

In the role of an Enabler, the CP Department participates in the processes of CP management in accordance with the functions assigned to it: it is responsible for registering property rights to the CP facilities, it is responsible for registration of intellectual property rights (trade-marks, industrial samples), analyzes transactions within its area of competence, etc.

3. *Supervising executives and supervising structural units:*

Supervising executives approve all directive issues concerning the activities of Group Entities and approve Rosneft's position on other issues concerning Group Entities, taking into account the opinions of Core vice-presidents and Rosneft Core business units.

Supervising structural units, within their area of competence, ensure that Supervising executives effectively manage and monitor the Group Subsidiary assigned to them.

4. *Core vice-presidents and Core business units:*

Rosneft's position on core other issues concerning the activities of Group Entities and the business need for operations with Rosneft CP must be approved by Core vice presidents, who also monitor the execution of operations with CP.

Core vice-presidents may make decisions on operations with CP in cases where the appropriate authority has been delegated to them by Rosneft governance bodies.

Core business units are responsible for determining the business need for operations with CP owned by Rosneft and for ensuring the execution of such operations. Core business units are responsible for verifying the business need for operations with CP owned by the Group Entities that they supervise.

Core business units take measures so that Core vice-presidents can perform their duties in CP management processes within their area of competence.

5. *Enablers (Rosneft senior executives and subordinate business units):*

Enablers are involved in CP management processes as participants, experts and approvers of operations with CP within their area of competence<sup>1</sup>, including timely and correct accounting for CP. An enabler's role does not involve initiating execution (modification, termination) of operations with CP.

6. *CP Operators (Group Entities and Rosneft business units that use/exploit CP in their activities):*

CP Operators use/exploit CP in the course of their activities, take measures to maintain CP in a good condition, initiate and execute operations with CP (including CP owned or leased by Group Entities) as prescribed by Rosneft's Charter, the Charters of Group Entities and the Company's IR.

Group Entities may act as Enablers in CP management processes in their area of competence<sup>2</sup>.

CP asset managers and their roles may change depending on the type of CP, the operations taken (including transactions) and the participants.

In certain cases, a CP asset manager may perform several roles simultaneously. For example, the Supervising business unit for certain operations may be a Core business unit and an Enabler at the same time. The following key principles should be followed in order to minimize duplication of functions and clearly delineate the tasks of CP asset managers:

<sup>1</sup> In carrying out support or management processes, e.g. financial management, legal support, accounting and reporting, corporate governance, security, etc.

<sup>2</sup> Registration of property rights, accounting for CP and other support or management processes.

- For Supervising executives and Supervising business units: the composition of Group Entities supervised by senior executives and business units shall be set down in a Rosneft administrative document, and Supervising executives' functions shall be set down in Rosneft's IR governing matters involving supervision.
- For Core senior executives and core business units: the role performed depends on the ability to identify and the necessity of verifying the business need for a transaction.
- For Enablers: the role depends on the need to carry out support or management processes<sup>3</sup>.

The roles of CP asset managers at all stages of the CP asset's life cycle are shown in Table 3.

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<sup>3</sup> Registration of property rights, accounting for CP and other support or management processes.



**Table 3**  
**CP asset managers: matrix of roles**

LIFE CYCLE STAGE	ITEM	OPERATIONS WITH CORPORATE PROPERTY	ASSET MANAGERS OF CS	PJSC NK ROSNEFT GOVERNANCE BODIES INVESTMENT COMMITTEE/ CORE SUBCOMMITTEES	PJSC NK ROSNEFT CP DEPARTMENT	PJSC NK ROSNEFT SENIOR EXECUTIVES AND THEIR SUBORDINATE STRUCTURAL UNITS	GROUP SUBSIDIARIES
1	2	3		4	5	6	7
1. Commission	1.1	Acquisition	IMMOVABLE PROPERTY*	CDM**	CE / S / E***	S / C / E	O
	1.2		STOCK (INTEREST)	CDM**	CE / E***	C / E	O
	1.3		IP	CDM**	CE / E***	S / C / E	O
	1.4	Lease from third parties, covenant	IMMOVABLE PROPERTY*	CDM**	CE / S / E***	S / C / E	O
	1.5 <sup>4</sup>	Construction	IMMOVABLE PROPERTY	CDM**	CE / E***	S / C / E / O****	O
	1.6 <sup>5</sup>	Creation	IP	CDM**	CE / E***	S / C / E	O
	1.7	New entity establishment / branch opening	STOCK (INTEREST)	CDM**	CE / E***	C / E	O
2. Use / operation	2.1	Reconstruction/ upgrading	IMMOVABLE PROPERTY*	CDM**	S / E***	S / C / E / O****	O
	2.2	Lease-out		CDM**	CE / S / E***	S / C / E	O
	2.3	Conservation, technical maintenance/ storage		CDM**	CE / S / E***	S / C / E / O****	O
	2.4	Providing IP rights to GS, prolongation of IP rights	IP	CDM**	CE / S / E***	S / C / O / E	O
	2.5	Reorganization of GS, change of share capital	STOCK (INTEREST)	CDM**	CE / S / E***	S / C / E	O
3. Disposal / liquidation	3.1	Sales	IMMOVABLE PROPERTY*	CDM**	CE / S / E***	S / C / E	O
	3.2		STOCK (INTEREST)	CDM**	CE / S / E***	S / C / E	O
	3.3	Free transfer	IMMOVABLE PROPERTY*	CDM**	CE / S / E***	S / C / E	O
	3.4	Liquidation / write-off	IMMOVABLE PROPERTY*	CDM**	S / E***	S / C / E	O
	3.5	Liquidation of Group Subsidiary/branch	STOCK (INTEREST)	CDM**	CE / S / E***	S / C / E	O
	3.6	Termination of IP rights (non-extension of IP rights)	IP	CDM**	CE / E***	S / C / O / E	O

<sup>4</sup> For this action with CP, the CP Department of PJSC NK Rosneft acts as Enabler only with regard to due diligence of construction projects (approval of documents to be submitted to the Investment Committee/Subcommittees and PJSC NK Rosneft governance bodies) and registration of constructed facilities and construction-in-progress. The CP Department of PJSC NK Rosneft acts as a Center of competency only with respect to registering Company's CP property rights.

<sup>5</sup> For this operation with CP, the CP Department of PJSC NK Rosneft acts as Enabler with regard to registering PJSC NK Rosneft IP rights. The CP Department of PJSC NK Rosneft acts as a Center of competency only with respect to registering the Company's IP rights.

Legend:*Roles of CP asset managers:*

**CDM** - Center for Decision Making (depending on the transaction/operation type/amount according to the Charter of Rosneft and Company Internal Regulations)

**CE** - Center of Excellence

**E** - Enabler

**O** - CP Operator

**S** – Supervising executive and supervising business units

**C** - Core vice-president and core business units

\* - including movable property included in PTC

\*\* - Rosneft governance bodies may delegate decision-making powers to Rosneft senior executives; powers to take independent decisions with regard to CP belonging to Group Entities are stipulated in the respective Charters of the Group Entities and Rosneft.

\*\*\* - the functions and tasks of Enablers can also be performed within Group Entities; for example, when a Group Entity purchases a CP asset, it enters data on such asset into IT systems and registers the property right.

\*\*\*\* - where the CP Operator is a business unit of Rosneft, e.g. the Administrative Department with regard to the administrative building on Sofiyskaya Embankment in Moscow.

*Note: one and the same role for several CP asset managers does not mean duplication of roles and responsibilities: generally, depending on the substance of the transaction/operation and its participants, one role (e.g., Supervising executive) will be applicable to one senior executive or business unit only. In certain cases, in the course of the operation with a CP asset the role is 'transferred' from one CP asset manager to another (e.g., at the stage of planning the liquidation of a legal entity, the GE may be under supervision of a Rosneft senior executive; after the decision to liquidate the GE is taken, it is placed under supervision of the Corporate Property Department).*

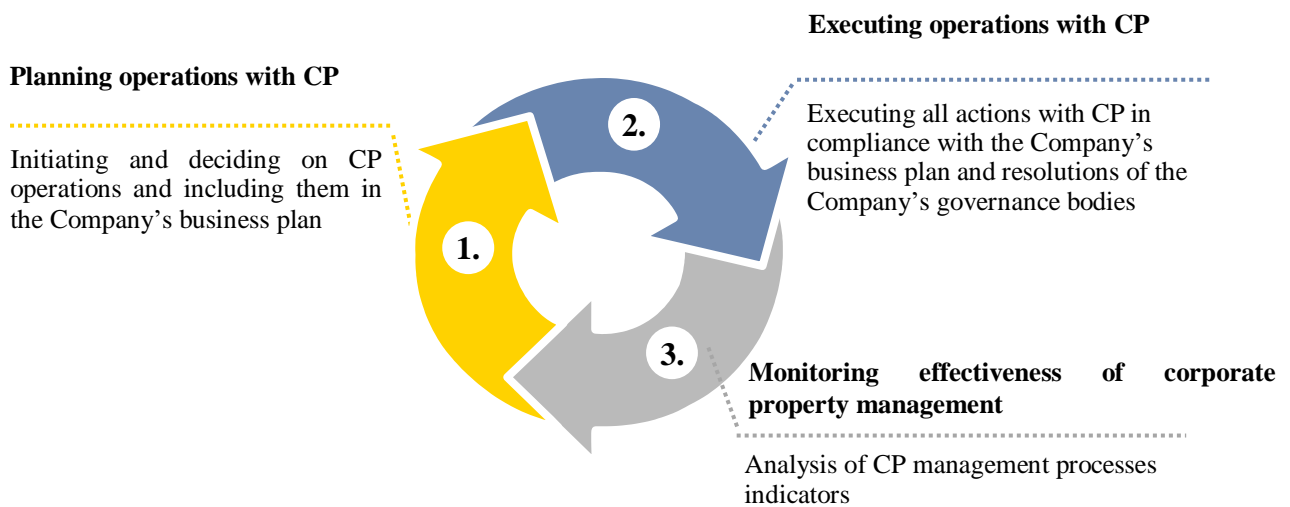
## 5.3. CORPORATE PROPERTY MANAGEMENT PROCESS

### 5.3.1. APPROACH TO CORPORATE PROPERTY MANAGEMENT

CP management is a process encompassing the entire CP assets' life cycle.

The following cyclic processes are performed at each stage of the CP asset's life cycle (Fig. 1):

1. Planning operations with CP.
2. Executing operations with CP.
3. Monitoring effectiveness of CP management.



**Fig. 1 CP management process**

These processes are performed with respect to core and non-core CP, whether efficient or not.

All operations with CP are designed to increase the effectiveness of its use, optimize the CP structure, maximize the return on invested capital and increase the Company's shareholder value.

### 5.3.2. DESCRIPTION OF CORPORATE PROPERTY MANAGEMENT PROCESSES

#### Process: Planning operations with CP

Goal: Sound decisions on CP operations by the governance bodies of Rosneft and Group Entities, inclusion of CP management income and expenditures in the business plan.

Key activities:

- Initiate/develop CP transaction documents: propose economically sound transaction options (acquisition, lease, etc.)<sup>6</sup>, prepare and approve relevant operation plans and budgets, determine the fair value of CP assets/ lease rates.
- Assess the economic feasibility and legality of proposed transactions.

<sup>6</sup> In the absence of any regulatory or other restrictions or requirements that may apply to CP transactions.

- Obtain all necessary state permits and corporate approvals (both from Rosneft and Group Entities) relating to CP operations, including non-core and/or inefficient CP, for their inclusion in the Company's business plan.
- Notify Group Entities of Rosneft's position on transactions/operations involving non-core and/or inefficient CP that are planned to be executed/modified/terminated.
- Ensure that accurate details of any planned CP operations are included in the Company's business plan.
- Develop and approve target PI's to measure the effectiveness of CP management.

Deliverables:

- Decisions by the corporate governance bodies of Rosneft and Group Entities relating to a given CP, approved implementation plans.
- Income and expenses relating to planned CP operations are included in the Company's business plan.
- A list of target PI's to measure the effectiveness of CP management.

**Process: Executing operations with CP**

Goal: Promptly and diligently take all measures that are required to execute CP operations included in the Company's business plan, protect the Company's property interests.

Key activities:

- Execute transactions: Sign legally binding documents to enable performance of operations, take preparatory measures for disposal of, liquidation, reorganization of CP asset or other operations, and perform settlements under legally binding documents.
- Introduce changes to documents of CP asset's title and other documents certifying rights for CP.
- Add data on legally binding documents and documents of title to the Company's IT systems.

Deliverables:

- Contracts with counterparties and other legally binding documents pertaining to CP transactions signed.
- Changes to documents of title and other documents certifying rights for CP assets drawn up/ extended/ introduced.
- New or updated CP data added to the Company's IT systems.

**Process: Monitoring effectiveness of CP management**

Goal: Provide comprehensive, reliable and relevant information about CP assets, changes in title, CP assets' performance; propose measures to improve CP assets' performance and optimize CP management processes.

Key activities in terms of the process implementation:

- Conducting economic and legal expertise, stock-taking, technical audit.
- Enter/ update data on CP assets and their performance in the Company's IT systems.

- Analysis of indicators of the CP management processes, including the term, cost, compliance with the requirements of the LND and regulatory framework, etc.
- Perform assessment of the Company's CP including collecting and organizing relevant information.
- Propose measures to optimize CP management processes.

Deliverables:

- Results of the economic and legal due diligence, inventory count, and technical audit entered in the Company's IT systems.
- Proposals on operations with core/non-core and efficient/inefficient CP assets drafted.
- Proposals on optimizing CP management processes drafted.

## 5.4. KEY CORPORATE PROPERTY MANAGEMENT RISKS

The Company understands that CP management is exposed to risks.

The Company manages CP management risks in accordance with the procedure established by applicable laws and the Company's Internal Regulations.

Senior executives of Rosneft, heads of Group Entities and Company employees involved in CP management assume responsibilities for risk management and ensure:

- Timely risk identification and assessment.
- Planning of activities considering the effect of risks on achievement of goals and target indicators.
- Implementation of measures aimed at risk mitigation and/or minimization of adverse consequences related to risks.
- Timely communication of information regarding risk exposure and/or risk occurrence to all stakeholders.

This Policy outlines key risks arising in the course of CP management, their possible impact and risk management measures (Table 5).

**Table 4**  
**Key risks, their impact and management measures**  
**with regard to CP**

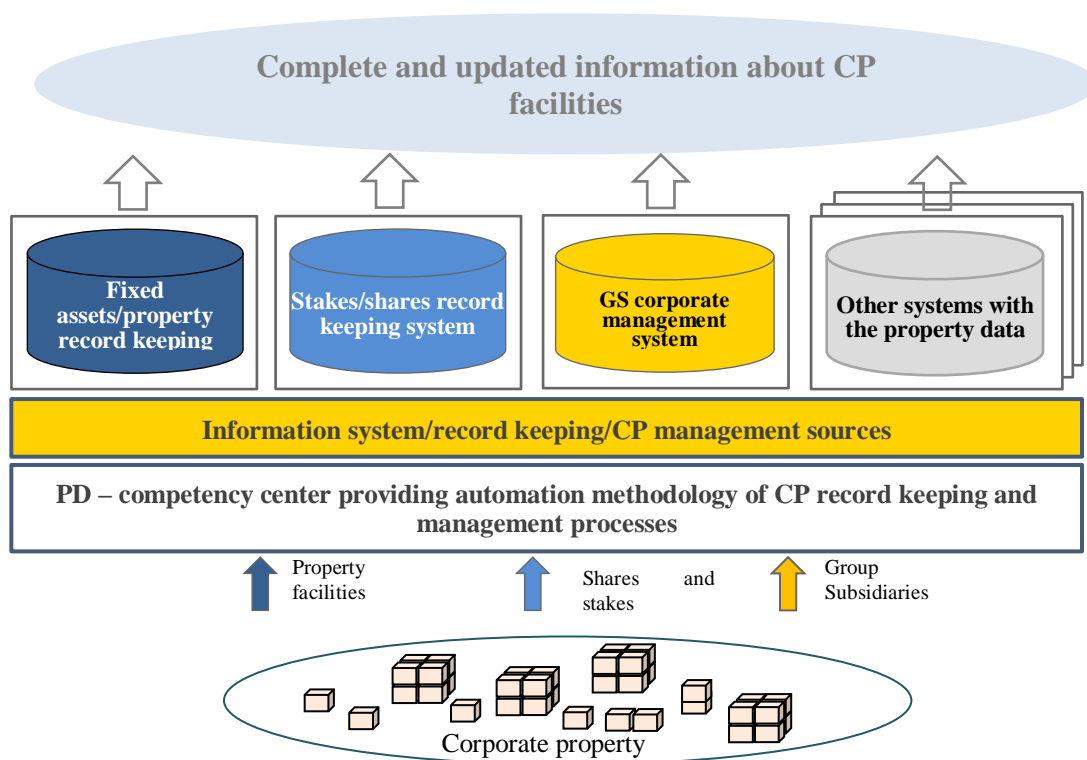
NO.	RISK DESCRIPTION	RISK IMPACT	RISK MANAGEMENT MEASURES
1	2	3	4
1	Loss of rights/inability to register CP rights due to: <ul style="list-style-type: none"> <li>▪ Inconsistency of the rights certifying documents with the relevant applicable legislation</li> <li>▪ Incorrect/ incomplete rights certifying documents</li> </ul>	<ul style="list-style-type: none"> <li>▪ Withdrawal of CP from possession / operation</li> <li>▪ Limited CP transferability</li> <li>▪ Expenses related to CP re-registration and/or litigation</li> <li>▪ Material loss</li> <li>▪ Reputational consequences</li> </ul>	<ul style="list-style-type: none"> <li>▪ Perform legal due diligence</li> <li>▪ Develop a plan for registering CP rights and monitor its execution</li> <li>▪ Provide methodological and legal support on registration of CP rights by core business units</li> <li>▪ Implement IRs aimed at prevention of fraud</li> </ul>

NO.	RISK DESCRIPTION	RISK IMPACT	RISK MANAGEMENT MEASURES
1	2	3	4
	<ul style="list-style-type: none"> <li>▪ Fraud</li> </ul>		
2	CP management does not ensure maximization of cash flows due to inefficient use of CP (including non-core/ inefficient CP)	<ul style="list-style-type: none"> <li>▪ Cash gap (loss) from investment in CP</li> <li>▪ Loss of potential profit due to retaining non-core/ inefficient CP assets within the Company</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implement an integrated IT solution that allows maintaining centralized, reliable and relevant accounting and monitoring of CP assets' usage</li> <li>▪ Monitor CP assets' usage efficiency</li> <li>▪ Monitoring of timely execution of operations with CP</li> </ul>
3	Making decisions on operations with CP assets and their execution on conditions inappropriate for the Company, including due to incompleteness/ inadequate quality of due diligence and CP valuation	<ul style="list-style-type: none"> <li>▪ Non-achievement of target return on invested capital</li> <li>▪ Loss of potential profit</li> <li>▪ Misstatement of the financial statements</li> <li>▪ Reputational consequences</li> <li>▪ Expenses on eliminating the consequences of risk events</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provide methodological support on due diligence and CP valuation</li> <li>▪ Monitoring the completeness of due diligence, including CP valuation</li> </ul>

## 6. AUTOMATION OF CORPORATE PROPERTY MANAGEMENT PROCESSES

To ensure the implementation of the provisions of this Policy, PJSC NK Rosneft and the Group Subsidiaries use information solutions that make it possible to establish a uniform approach to automation of the accounting and management processes of the CP, including through the use of:

- Uniform rules for determining and classifying CP facilities;
- Uniform identifiers of CP facilities;
- Uniform normative reference books and classifiers.



**Fig. 2 Approach to CP automation**

The integrated solution ensures automation of CP management processes in respect of:

- Accounting for CP assets based on information in various formats: scanned documents and electronic documents relating to specific corporate properties.
- Keeping and updating CP asset registers, which allow recording and integrating the required and sufficient information for the purpose of CP management. The following registers shall be included: immovable property, intellectual property, legal entities, CP valuation results, CP transactions, etc.
- Monitoring changes in the use of CP assets and monitoring the status of operations with CP assets.
- Preparing regular management reports on the efficiency of CP management containing information in all required aspects necessary for managerial decision-making.

## 7. POLICY COMMUNICATION AND ROLLOUT

This Policy is a public one.

This Policy is subject to mandatory translation into the English language.

Communication, rollout and accessibility hereof shall be arranged in due order by informing Company employees and publishing the Policy in-house and in external IT resources.

The senior executive of Rosneft in charge of CP management shall be responsible for implementing this Policy and monitoring that it stays in line with the Company's activities.

Control over compliance with the requirements of the Policy shall be exercised at two levels:

- Control exercised by senior executives of Rosneft, heads of Rosneft business units, and heads of Group Entities involved in CP management processes.
- Independent control (internal and external audit).

As a result of the above measures, the Policy can be duly amended.