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of Rosneft**

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COMPANY POLICY

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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INTRODUCTORY PROVISIONS

PURPOSE

The Company Policy Risk Management and Internal Control System (hereinafter referred to as the Policy) establishes objectives, tasks, principles for operation of the risk management and internal control system of the Company and allocation of duties and powers of participants of the risk management and internal control system within the system.

The policy was developed in accordance with the Civil Code of the Russian Federation, Federal Law On Joint Stock Companies № 208-FZ dated December 26, 1995, the Guidelines for Preparation of Regulations on Risk Management System of the Ministry of Economic Development of the Russian Federation, approved by the Government of the Russian Federation as part of implementation of Instructions of the President of the Russian Federation № Pr-3013 dated December 27, 2014, the Code of Corporate Governance recommended by the Bank of Russia Letter № 06-52/2463 dated April 10, 2014, Order № 249 of the Federal Agency for State Property Management (Rosimuschestvo) dated April 4, 2014, On Approval of Recommended Practice for Organization of Internal Audit Work in Joint Stock Companies with Participation of the Russian Federation and other normative legal acts of the Russian Federation, the Charter of Rosneft, Rosneft Code of Corporate Governance № P3-01 KS-01 and Rosneft Code of Business and Corporate Ethics № P3-01.06 P-01, as well as federal regulations (standards) of audit activity, and taking into account recommendations of international professional organizations in the area of risk management and internal control, including the Committee of Sponsoring Organizations of the Treadway Commission (COSO), as well as other applicable statutory provisions.

SCOPE

This Policy is binding upon employees of:

- structural units of Rosneft
- Rosneft-controlled Entities of Rosneft Group (except for the Entities in which there is no payroll and/or for which decisions have been made to implement reorganization, liquidation or bankruptcy procedures) for which the Charters of these Entities, shareholder and other agreements with partner companies do not establish a special procedure for shareholders/participants to exercise their rights, including to manage the Entity.

VALIDITY AND AMENDMENT PROCEDURE

This Policy is a permanent local normative document.

This Policy shall be approved, recognized as invalid and amended at Rosneft by a Resolution of Rosneft Board of Directors and shall be put into effect at Rosneft by the order of Rosneft.

1. TERMS AND DEFINITIONS

CORPORATE GLOSSARY TERMS AND DEFINITIONS

BENCHMARKING - an independent, integrated and documented analysis containing an adequate evaluation of the Company's current technological level in comparison with similar companies in Russia and abroad, in terms of the best available analogues (in accordance with the world level of science, engineering and technology development).

BUSINESS AREA OF ACTIVITY (BUSINESS AREA) - a set of interrelated and interacting business processes and their results, combined according to certain criteria (achievement of a certain result of economic activity, use of resources, geographical indication, etc.) in order to increase the efficiency of activities in accordance with the adopted decisions on the development of the Company.

BUSINESS BLOCK - a group of Rosneft structural units, reporting directly to the top-manager of Rosneft, responsible for a business area; Entities of Rosneft Group and/or structural units of Entities of Rosneft Group, involved in business area activities.

BUSINESS PROCESS (PROCESS) - a set of interrelated or interacting activities that transform inputs into outputs.

Notes:

- 1. Inputs of a process are usually outputs of other processes.*
- 2. Processes of the organization are usually planned and implemented in a managed environment with the objective of adding value.*

BUSINESS PROCESS OWNER - an official who, in accordance with his/her official duties, is responsible for the implementation, improvement of a business process, and its results.

BUSINESS PROCESS RISK - a combination of probability of an event and its consequences, a threat of negative impact of an accidental event on achievement of business process objectives.

CONTROL ACTIVITIES - actions established through local normative documents and directive documents of the Company and related to performance of control procedures through segregation of duties and division of access rights, authorization (agreement, approval of documents / transactions), safeguarding of assets, reconciliation of data, evaluation of business processes effectiveness and providing reasonable assurance of achievement of the Company's objectives.

CONTROL PROCEDURES - activities, actions, automatic operations of information systems or a combination of these processes developed to provide reasonable assurance that a risk response is effective, timely and consistent at various levels of management and reduces the possibility and/or impact of risk or several risks simultaneously down to permissible level.

CORPORATE COMPLIANCE SYSTEM - set of preventive measures and actions to prevent violations of the legislation, requirements of the industry norms and regulatory documents of the Company, in order to ensure high professional and ethical standards, minimize the risks of non-compliance with the legislation and prevent the significant financial damages or loss of reputation.

CORPORATE-WIDE RISK MANAGEMENT SYSTEM is a set of interrelated components integrated into the various business processes of the Company, including the strategic and business planning processes implemented at all levels of management by all employees of the Company for:

- creation and preservation of the price (value) of the Company;
- effective achievement of the set objectives, including strategic objectives and indicators of the business plan.

The Corporate-Wide Risk Management System consists of two interrelated blocks: risk management infrastructure and risk management process.

CROSSFUNCTIONAL RISK - a risk that manifests itself in two or more business blocks / functional blocks.

EXTERNAL AUDITOR (AUDITOR) - commercial institution that is a member of one of the self-regulating organizations of auditors which has the right to check socially significant economic entities, as well as complying with the mandatory requirements of the procurement documentation to the performer.

FINANCIAL AND BUSINESS OPERATIONS - a set of financial and business operations.

INSIDER INFORMATION - precise and specific information that has not been distributed or provided by Rosneft (including information which constitutes commercial, official or other secret protected by law), distribution or provision of which may have a significant impact on the prices of Rosneft financial instruments, and included in the List of insider information of Rosneft.

INSPECTION - a form of control activities, through which the objectives, tasks, functions and powers of internal audit are realized. Types of inspections may include, but not be limited to:

- **AUDIT** - an inspection based on the preventive control method, aimed at assessing, analyzing and expressing opinion on the effectiveness of the implementation of business projects, business processes, business lines, risk management and internal control, corporate governance, in order to develop proposals for improving the efficiency of activities of the inspection object;
- **THEMATIC INSPECTION** - an inspection based on the follow-up control method, which involves examining the individual parties and sites of work of the inspection object most exposed to the risk, in order to identify the facts of good practice, violations, deficiencies, risk assessment, and proposals for improving the performance of the inspection object;
- **REVISION** - inspection based on a comprehensive method of follow-up control, providing for a comprehensive analysis of the financial and business operations of the inspection object in order to identify the facts of good practices, violations, deficiencies, risks and develop proposals to improve the efficiency of the revision object.
- **VERIFICATION OF FINANCIAL AND ECONOMIC ACTIVITIES** - inspection based on a comprehensive method of follow-up control, providing for a comprehensive analysis of the financial and business operations of the inspection object in order to identify the facts of good practices, violations, deficiencies, risks and develop proposals to improve the efficiency of the object of verification of financial and economic activities.

INTERNAL AUDIT - activity to provide independent and objective guarantees and consultations aimed at improving operations of an entity. Internal audit helps the Company to achieve its

objectives, including through employment of a systematic and consistent approach to assessment and improvement of effectiveness of risk management, internal control and corporate governance processes.

Note: The term Internal Audit is also used to define the corresponding function or structural units performing this function.

INTERNAL CONTROL - process carried out by participants of the risk management and internal control system aimed at providing reasonable assurance of achievement of the following objectives of the Company:

- effectiveness of the financing and operating activities;
- reliability of financial and non-financial reporting;
- compliance with applicable legislation and local normative documents.

INTERNAL CONTROL SELF-ASSESSMENT - analysis of business process risks and controls independently performed by business process owners in order to regularly verify appropriateness of control activities to reduce the business process risks, availability and proper execution of control procedures under their direct supervision, which results in maintaining and developing internal control.

INTERNAL CONTROL SYSTEM - a system of organizational measures, policies, instructions, and control procedures aimed at reducing business process risks, of corporate culture standards and actions taken by participants of risk management and internal control system to ensure proper conduct of business: to ensure financial stability of the Company, to achieve optimal balance between the its value growth, profitability and business process risks, to conduct operations in an orderly and effective manner, to ensure safeguarding of assets, to detect, correct and prevent violations, to comply with applicable legislation and local normative documents, to timely prepare reliable financial statements in order to improve investment attractiveness.

KEY ENTITY OF ROSNEFT GROUP - Entity of Rosneft Group, which has or may have a significant influence on financial, economic and other performance indicators of Rosneft and/or on implementation of Rosneft development strategy, included into the list of the Key Entities of Rosneft Group by decision of the Chief Executive Officer of Rosneft.

MATRIX OF RISKS AND CONTROL PROCEDURES - a list of business process risks, including assessment of expected impact of risks on business process objectives (level of risk), and description of control procedures aimed at reducing business process risks.

Note: A matrix of risks and control procedures may also include a description of control procedure deficiencies and of actions aimed at elimination of these deficiencies (including information on variation of control procedures from the standard ones and actions to bring control procedures in line with the standard), as well as a description of business process improvement areas and improvement actions.

OWNER OF CONTROL PROCEDURES - an official who, in accordance with his/ her official duties, is responsible for the establishment and proper execution of control procedures.

PARTICIPANTS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM OF THE COMPANY - participants of Rosneft risk management and internal control system, audit commissions,

management and employees of the Entities of Rosneft Group, security units of the Entities of Rosneft Group.

PARTICIPANTS OF ROSNEFT RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM - Rosneft Board of Directors, Rosneft Board of Directors Audit Committee, Chief Executive Officer of Rosneft, Management Board of Rosneft, Audit Commission of Rosneft, Risk Management Committee of Rosneft, management team and employees of Rosneft (including structural units of Rosneft performing specific risk management and internal control functions), Risk and Internal Control Methodology Department of Rosneft, Security Service of Rosneft, Internal and Personnel Security Division of Rosneft, Head of Internal Audit, Operational Audit Department of Rosneft, Corporate Audit Department of Rosneft, Regional Audit Department of Rosneft, Internal Audit Methodology and Organization Division of Rosneft, Economic and Organizational Analysis Division of Rosneft.

PERFORMER OF CONTROL PROCEDURES - participant of risk management and internal control system, an employee of the Company who personally performs control procedures.

REASONABLE ASSURANCE - a condition under which internal control cannot give an absolute guarantee of achievement of the Company's objectives due to inherent limitations of the internal environment (for example, human factor, force majeure situations, etc.)

REPORTING ON STRATEGIC RISKS (RESULTS OF THE SURVEY ON STRATEGIC RISKS) - reporting on the risks that have a significant impact on the Company's achievement of the declared strategic targets (risks of the Company's failure to achieve the declared strategic targets).

REPORTS ON RISKS OF CURRENT FINANCIAL AND BUSINESS OPERATIONS - reports on risks, which have a significant impact on the Company's financial and business operations, including on achievement of business plan indicators.

Note: Depending on the organizational level, following reports may be identified:

- *reports on Rosneft Group Entity level risks of current financial and business operations;*
- *reports on business block / functional block level risks of current financial and business operations;*
- *reports on corporate level risks of current financial and business operations .*

Depending on the reporting period, following reports may be identified:

- *reports on identification of risks of current financial and business operations;*
- *reports on monitoring of risks of current financial and business operations for Q1, Q2 and Q3 of the reporting year;*
- *reports on risk monitoring for Q4 of the reporting year (reporting on risks occurred in the reporting year).*

RISK is a combination of the likelihood of an undesirable event and its potential consequences, a threat of negative influence of an accidental event on the Company's accomplishments.

RISK AND INTERNAL CONTROL EXPERT - an employee of a structural unit of Rosneft / an Entity of Rosneft Group, who has passed a special training in risk management and internal control in the Company, has been appointed by management team of Rosneft / head of the Entity of Rosneft

Group, and who provides assistance to business process owner, risk owner, risk supervisor, owner of control procedures and performer of control procedures on the matters of risk management and internal control, in preparation of reports and coordination of work on risks and internal control in a structural unit of Rosneft / an Entity of Rosneft Group.

RISK APPETITE - the amount of risk in qualitative or quantitative terms that the Company is ready to accept in the process of creating value, achieving its objectives, fulfilling its mission or realizing its strategic vision.

Note: Risk appetite is equivalent to an acceptable level of risk

RISK APPETITE INDICATOR - a characteristic of risk appetite, which includes a statement (wording) on risk appetite and a set of qualitative and/or quantitative indicators and risk appetite thresholds (risk appetite assessments).

RISK ASSESSMENT - the process of analysis of identified risks in order to determine the level of impact and probability of risk.

RISK MANAGEMENT - a continuous process carried out by the participants of the Corporate-wide Risk Management System and aimed at identifying, analyzing and evaluating risks, as well as developing measures to reduce them.

RISK MANAGEMENT ACTION - an action taken by the Company in relation to an identified risk within the selected response method, which allows to eliminate the risk or reduce current level of risk.

Note: If risk acceptance has been selected as a risk response method, a risk management action is not developed.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM - a set of risk management and internal control processes carried out by the participants of the Risk Management and Internal Control System on the basis of existing organizational structure, internal policies and regulations, procedures and methods of risk management and internal control used at all levels of management and in all functional areas.

RISK MANAGEMENT INFRASTRUCTURE - normative field, organizational measures, organizational structure and related business processes, which make it possible to implement the process of risk management throughout the Company. The infrastructure ensures the integration of the risk management process with the rest of the Company's business processes, including business planning, internal control and audit.

RISK MAP - two-dimensional matrix, on the horizontal axis of which the probability of risk occurrence is displayed, and on the vertical axis - the scale of consequences.

RISK OWNER - an official (top manager of Rosneft, head of an Entity of Rosneft Group, head of a structural unit directly subordinate to the Rosneft Chief Executive Officer), who is responsible for managing a relevant risk.

Note: Risk owner is assigned to risks of the business block/functional block level and risks of the Group Entity level.

RISK SUPERVISOR - an official (top manager of Rosneft), responsible for achieving the Company's objectives and performance indicators affected by the risk. For risks that are not crossfunctional, a Risk Owner at the business block/functional block level shall be the Risk Supervisor. The scope of actions performed by a Risk Supervisor varies depending on risk, from general methodological support of Risk Owners and to organization and control of execution of all risk management work.

ROLE - a set of powers provided to a business process participant, necessary to carry out business tasks in the area of his/ her responsibility.

SECURITY HOTLINE - communication channels for receiving messages containing information about instances or indications of theft of the Company's property, corporate fraud, corruption, unfair competition, conflict of interest, other messages, including:

- electronic mail box;
- telephone of the Security Hotline for voice messages (24 hours a day, free of charge);
- Post of Russian post office box.

STRATEGIC RISK - a risk that has a negative impact on the ability to achieve strategic targets.

STRATEGIC TARGET (TARGET) - a strategic goal or strategic initiative expressed (set) as a quantitative and measurable indicator

STRATEGIC THREAT - the risk factor of strategic risk.

SURVEY ON STRATEGIC RISKS - a method of obtaining the opinion of the Company's management on strategic risks and threats by completing questionnaires (forms), the result of which is information on the assessment of the probability of occurrence and impact of strategic risks and strategic threats, as well as on measures to manage strategic threats. In addition to collecting opinions of the Company's management, opinions of the members of Rosneft Board of Directors may also be collected on significant threats that may have a negative impact on the achievement of the goals of Rosneft Development Strategy.

WORK PLAN FOR THE DEVELOPMENT OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (RMS&ICS) - a document containing a list of activities aimed at improving the risk management and internal control processes, the planned results of these activities, deadlines, responsible executors and participants.

2. DESIGNATIONS AND ABBREVIATIONS

COMPANY - a group of legal entities of various organizational and legal forms, including Rosneft, in respect to which the latter is a major or prevailing (participating) entity.

COMPANY MANAGEMENT TEAM - management team of Rosneft, as well as heads of Entities of Rosneft Group, deputy heads of Entities of Rosneft Group and heads of structural units of Entities of Rosneft Group, who are directly subordinate to the head of an Entity of Rosneft Group.

CWRMS - Corporate-Wide Risk Management System

ENTITY OF ROSNEFT GROUP (ERG) - a business entity, in which Rosneft directly or indirectly owns stocks or shares in charter capital in the amount of 20% or more.

EXECUTIVE BODIES OF THE COMPANY - executive bodies of Rosneft, executive bodies of the Entities of Rosneft Group.

EXECUTIVE BODIES OF ROSNEFT – Chief Executive Officer of Rosneft, Management Board of Rosneft.

FBO - current financial and business operations.

HEAD OF INTERNAL AUDIT - an official of the Company responsible for effective management of internal audit in accordance with the Company Policy On Internal Audit № P4-01 P-02, the Code of Ethics of the Institute of Internal Auditors and International Standards of Professional Practice of Internal Auditing. Head of Internal Audit of the Company is the vice-president - head of the Internal Audit Service of Rosneft.

ICS - Internal Control System

INTERNAL AUDIT SERVICE OF ROSNEFT (IAS) - a set of structural units of Rosneft including Operational Audit Department of Rosneft, Corporate Audit Department of Rosneft, Regional Audit Department of Rosneft, Economic and Organizational Analysis Division of Rosneft, Internal Audit Methodology and Organization Division of Rosneft, which are directly subordinate to the Head of Internal Audit.

KEY PARTICIPANTS OF CWRMS - risk supervisors, risk owners, risk and internal control experts.

KEY PARTICIPANTS OF ICS - business process owners, owners of control procedures, risk and internal control experts.

LND - local normative document.

MANAGEMENT TEAM OF ROSNEFT - top managers of Rosneft and heads of structural units of Rosneft.

MANAGEMENT BODIES OF ROSNEFT - General Shareholders Meeting of Rosneft, Board of Directors of Rosneft, Management Board of Rosneft, Chief Executive Officer of Rosneft.

ORGANIZATIONAL LEVELS OF THE COMPANY - three hierarchical levels, including the corporate level, level of business and functional blocks, and the level of the Entities of Rosneft Group.

REPORTING ON IDENTIFICATION OF CORPORATE LEVEL RISKS OF CURRENT FINANCIAL AND BUSINESS OPERATIONS - reporting, which shall include a Risk Map and an acceptable level of risk (risk appetite).

RM&ICS - risk management and internal control system.

STRUCTURAL UNIT (SU) - a structural unit of Rosneft or Entity of Rosneft Group with independent functions, tasks and responsibilities within the scope of its competence as defined by the Regulations on the structural unit.

STRUCTURAL UNIT OF ROSNEFT OF ROSNEFT PERFORMING SPECIFIC RISK MANAGEMENT AND INTERNAL CONTROL FUNCTIONS IN BUSINESS / FUNCTIONAL BLOCKS - a structural unit of Rosneft with independent functions, tasks and responsibilities in the area of risk management and internal control in a business / functional block within its competence as defined by the Regulations on the structural unit.

STRUCTURAL UNITS OF FINANCIAL AND ECONOMIC BLOCK OF ROSNEFT - Company managers and structural units subordinated to the Rosneft top manager responsible for economics and finance.

TOP MANAGER SUPERVISING THE RM&ICS - Strategic Planning and Investment Governance Advisor in the rank of the Vice President.

TOP MANAGERS OF ROSNEFT are first vice-presidents of Rosneft, vice-presidents of Rosneft, chief accountant of Rosneft, financial director of Rosneft, advisers and heads of structural units of Rosneft and services of Rosneft in the rank of vice-president.

UNIFIED RISKS AND CONTROL PROCEDURES REGISTER (UR&CPR) - a register of typical risks, risk factors and control procedures, as well as the interrelations among them.

3. OPERATION OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

3.1. OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Creation and effective operation of risk management and internal control system is aimed at providing reasonable assurance of achievement of the Company's objectives, which can be divided into four main categories:

- strategic objectives contributing to the fulfillment of the Company's mission;
- operational objectives related to the effectiveness of the Company's financial and business operations, as well as ensuring safety of assets;
- objectives in the area of compliance of the Company's activities with applicable legislative requirements and requirements of local normative documents, including requirements for industrial, information, environmental professional and personal safety;
- objectives in the area of timely preparation of reliable financial or non-financial reporting, internal and/or external reporting.

Effective operation of RM&ICS allows ensuring proper control over financial and business operations of the Company.

3.2. TASKS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Tasks of the RM&ICS include:

- identification, analysis and assessment of risks arising at all organizational levels of the Company, effective management of these risks, including effective allocation and use of available resources for risk management;
- improvement of infrastructure and risk management and internal control process of the Company;
- creation of a reliable information basis in the part of the RM&ICS for planning operations and taking informed managerial decisions (taking into account risk and existing internal control);
- creation of internal control mechanisms aimed at effective operation of business processes through reducing business process risks and at implementation of the Company business projects;
- standardization and regulation of key procedures in the area of risk management and internal control;
- ensuring development in the Company of an optimal organizational structure, corresponding to its needs and based on the principle of segregation of authority and duties between RM&ICS participants;
- ensuring safety of the Company's assets and efficient use of the Company's resources;
- ensuring an objective, fair and clear presentation of the current state and prospects of the Company's development, integrity and transparency of the Company's reporting, reasonableness and acceptability of the risks taken by the Company;

- ensuring effectiveness of control procedures¹ aimed at reducing the risks of the Company involvement in corrupt activities and of corporate fraud in the Company;
- protection of the interests of the Company's shareholders, verification of the counterparties and analysis of their anti-corruption procedures, as well as prevention and elimination of conflicts of interest;
- creation of conditions for timely preparation and submission of reliable reports for internal and external use, as well as other information subject to disclosure in accordance with the applicable legislation;
- ensuring compliance by the Company with the applicable legislation, local normative documents.

3.3. PRINCIPLES OF OPERATION OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Operation of the RM&ICS is based on the following principles:

- Principle of continuity. RM&ICS operates on an ongoing basis in the course of financial and business operations of the Company and in performance of managerial functions.
- Principle of integration. RM&ICS is a part of the Company's corporate governance, control procedures help ensure implementation of risk response measures aimed at elimination or reduction of risk.
- Principle of full responsibility. All RM&ICS participants are responsible for identification, assessment, analysis and continuous monitoring of risks within the scope of their activities, for development and implementation of necessary risk management actions and control activities, application of actions and activities within the scope of their competence, and continuous monitoring of the effectiveness of risk management actions and control activities.
- Principle of a reasonable approach to formalization of control procedures and documentation of RM&ICS. The Company seeks to formalize main control procedures and document the work within RM&ICS in such a way that volumes of documentation and formalization were necessary and sufficient for effective operation of RM&ICS and could be updated by the Company.
- Principle of methodological unity. Internal control (development, implementation and monitoring of effectiveness of control procedures) and risk management (identification, analysis, risk assessment, development and implementation of risk management actions, monitoring of the effectiveness of risk management actions) are carried out on the basis of the standards uniform for the entire Company.
- Principle of segregation of powers and duties. Duties and authority are distributed between RM&ICS participants in order to exclude or reduce the risk of error and/or corporate fraud by preventing assignment of functions to initiate, approve, execute, monitor and evaluate a transaction to one participant of RM&ICS.

¹ In accordance with the applicable legislation of the Russian Federation (the Criminal Code of the Russian Federation, the Code of Administrative Offenses of the Russian Federation, Federal Law No. 273-FZ of 25.12.2008 On Counteracting Corruption) and the Company's local normative documents, the UK Bribery Act 2010, the US Foreign Corrupt Practices Act 1977 and/or other applicable statutory provisions.

- Principle of risk-orientation. Effectiveness of internal control is achieved through prioritization of effort to improve RM&ICS, taking into account significance of risks related to various areas of the Company operations.
- Principle of optimality. The scope and complexity of risk management actions and internal control procedures shall be necessary and sufficient to fulfill the tasks and achieve the objective of eliminating and/ or reducing risks.
- Principle of adaptability and development of the RM&ICS. Management team ensures conditions for continuous development of RM&ICS, taking into account the need to meet new challenges arising from changes in internal and external operating environment of the Company.
- Principle of reasonable assurance. Employed risk management actions, including control procedures, are considered effective if they allow reducing the risk to an acceptable level. In this case, all employed actions combined together provide an acceptable, but not absolute assurance of achieving the objectives of RM&ICS.

Employees of the Company in carrying out their official duties within the limits of their competence shall be guided by these principles.

3.4. LIMITATIONS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

RM&ICS is aimed at providing reasonable assurance of achievement of the Company's objectives. The Company admits availability of certain limitations of the RM&ICS, which may affect achievement of the Company's objectives due to the influence of the following factors:

- subjectivity of judgments formed as a result of:
 - ◆ inadequate selection of control activities and measures aimed at managing risk;
 - ◆ misinterpretation of the requirements of legislation and / or local normative documents;
- lack of sufficient statistical data to perform risk assessment with the degree of accuracy required by the Company;
- collusion of two or more persons, presupposing deliberate actions of the Company's employees in violation of the control activities;
- errors of employees due to negligence and / or insufficient level of competence.

There are hardly manageable risks when Rosneft and the Entities of Rosneft Group cannot influence the risk sources and factors, and therefore cannot influence the probability and consequences of the risk occurrence.

3.5. PLANNING DEVELOPMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Planning of RM&ICS development is carried out to ensure consistent, continuous and integrated development of RM&ICS.

The work plan for the RM&ICS development includes activities aimed at improving risk management and internal control processes (for example, employing new methods and practices, development and updating of LND regulating risk management and internal control) and at organization of interaction and information exchange within the framework of RM&ICS (for example, education of the Company

employees, development of RM&ICS infrastructure) in accordance with RM&ICS development areas included in the Long-Term Development Program of Rosneft.

The work plan for the RM&ICS development is prepared by the Risk and Internal Control Methodology Department of Rosneft annually for the current and two succeeding years.

The work plan for the RM&ICS development may include proposals by top managers of Rosneft on their activities aimed at development of RM&ICS within the scope of their responsibility (if available), as well as proposals of internal audit resulting from assessment of RM&ICS reliability and effectiveness.

Activities falling within the scope of responsibility of Rosneft top managers, which are proposed for inclusion into the work plan for the RM&ICS development for the current and two succeeding years, shall be sent to the Risk and Internal Control Methodology Department of Rosneft not later than the last date of the previous calendar year.

The prepared work plan for the RM&ICS development shall be agreed by the Risk Management Committee of Rosneft and shall be consecutively submitted:

- for agreement by the Chief Executive Officer of Rosneft no later than the end of the 1st quarter of the current year;
- for review by the Audit Committee of Rosneft Board of Directors and subsequent approval by the Board of Directors of Rosneft no later than the end of the 1st half of the current year.

A report on implementation of the work plan for the RM&ICS development shall be annually prepared by Rosneft Risk and Internal Control Methodology Department in the current year for the previous calendar year, agreed by Rosneft Risk Management Committee and shall be consecutively submitted:

- for agreement by the Chief Executive Officer of Rosneft no later than the end of the 1st quarter of the current year;
- for review by the Audit Committee of Rosneft Board of Directors and subsequent approval by the Board of Directors of Rosneft no later than the end of the 1st half of the current year.

The procedure for interaction and functions of RM&ICS participants related to preparation, review and approval of the work plan for RM&ICS development and of the report on implementation of the work plan for the RM&ICS development are described in Section 5 and [Annex 1](#).

4. COMPONENTS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Company strives to systematize activities in the area of risk management and internal control in order to simplify monitoring and improvement of the RM&ICS and to monitor the dynamics of changes of the RM&ICS, taking into account changes in the external business environment and internal needs of the Company. RM&ICS represents a set of interrelated components, the structure of which has been developed taking into account generally accepted COSO methodology. Risk management and internal control system consists of eight interrelated components:

- control environment
- objective setting;
- identification of potential events;
- risk assessment;
- risk response;
- control activities;
- information and communication;
- monitoring.

4.1. CONTROL ENVIRONMENT

The control environment includes the view, awareness and actions of the management bodies regarding the Company's risk management and internal control system, as well as understanding the significance of such system for its activities. The Company's control environment influences awareness of employees with regard to control and serves a basis for maintaining discipline and order, ensuring effective operation of RM&ICS. Key components that influence the formation of a control environment are:

- Management style:
 - ♦ the management style of the management bodies of Rosneft and the management team of the Company form a proper understanding and perception of the RM&ICS by the Company's employees;
 - ♦ the principles and norms of implementation of activities forming a management style of the Company shall be consistent with the mission and corporate values of the Company, and shall also be aimed at achieving the strategic objectives of the Company.
- Strategy and objectives of the activities:
 - ♦ in the process of building and improving the RM&ICS, a continuous analysis of the achievement of the objectives of implementing the Company's strategic plans is conducted;
 - ♦ individual objectives of employees and structural units of Rosneft and the Entities of Rosneft Group shall be consistent and comply with the Development Strategy of Rosneft and its objectives.
- Organizational structure:

- ◆ ensures effective operation of RM&ICS of the Company through segregation of duties and assignment of responsibility for execution of control procedures between the Company employees at all levels of management, eliminating duplication and overlapping of functions that could potentially cause internal conflicts of interest, as well as a threat to continuity and safety of the business processes;
- ◆ meets the principle of independence and objectivity of internal audit.
- Culture and ethical values:
 - ◆ the Code of Business and Corporate Ethics of Rosneft № P3-01.06 P-01 has been approved and put into effect in the Company, which reflects the corporate values, ethical principles and defines expected behavior of the Company employees affecting operation of RM&ICS;
 - ◆ the Company considers any manifestations of the corporate fraud as unacceptable, regardless of the amount of the inflicted damage, and takes active measures to counteract the corporate fraud;
 - ◆ the Company adheres to the principle of non-acceptance of corruption in all forms and manifestations in implementation of not only of the operational, but also of the investment and other types of activities.
- Competence and development of the employees:
 - ◆ the Company specifies the requirements to the qualification and experience of the employees necessary for the performance of their duties, which enable effective implementation of the existing control procedures and risk management actions, timely identification of the new risks and introduction of the new control procedures and risk management activities;
 - ◆ within the framework of the programs of continuous professional development and advanced training of the employees necessary to achieve the Company's objectives, regular training, assessment of the employees and regular revision of requirements to the employees in accordance with changes in the Company's needs are carried out.

4.2. OBJECTIVE SETTING

Setting objectives of the Company is a prerequisite for identifying and assessing the risks. Objectives and tasks shall be in line with the strategic directions of the Company's development and facilitate their implementation. The objectives form the basis for introduction and implementation of the approaches to risk assessment and subsequent definition of the control procedures.

Management team of the Company considers the following issues when determining its objectives:

- compliance of set objectives and tasks with the Development Strategy of Rosneft and the Long-Term Development Program of Rosneft;
- determination of the acceptable level of risk (risk appetite);
- compliance of the set objectives and tasks of the Company with the applicable legislation and local normative documents;
- formulating objectives using indicators that are specific, measurable, achievable, relevant and time-bound;
- distribution of the objectives between Rosneft and the Entities of Rosneft Group.

Objectives and tasks shall be confirmed by the management team of the Company before they are used as a basis for risk assessment.

4.3. IDENTIFICATION OF POTENTIAL EVENTS

Identification of the potential events is the determination of the events that have an internal or external source of occurrence in relation to the Company and have an impact on achievement of the Company's objectives. Internal and external events are identified taking into account their division into risks or opportunities. The Company's management team is responsible for developing measures to respond to events that present risks in order to prevent or reduce the likelihood of their occurrence and / or reduce the impact of these events to an acceptable level (risk appetite). The Company's management team is responsible for identification and utilization of opportunities that can have a positive impact on achievement of the Company's objectives. Risks and opportunities are considered by the Company's management team in preparation of the Development Strategy of Rosneft and the Long-Term Development Program of Rosneft and in objective setting.

As part of CWRMS, the Company's management team is responsible for identifying the risks on a regular basis and reporting them in the reporting on risks of FBO. Risk identification is carried out at various organizational levels of the Company: the corporate level, level of business blocks / functional blocks and the level of the Entities of Rosneft Group. Management team of the Company is responsible for completeness of risk identification.

4.4. RISK ASSESSMENT

Risk assessment is the process of analyzing identified risks and their consequences in order to provide further management of risks, including their elimination or reduction and introduction of necessary control procedures. Formalized procedures for identifying and assessing risks allow obtaining comparable results of risk assessment in order to prioritize efforts to manage them and implement the necessary control procedures.

4.5. RISK RESPONSE

Based on the results of assessment of identified risks, the Company's management team is responsible for selecting the risk response method, developing and implementing risk management actions. The Company determines risk response method and specific risk management actions in accordance with the principle of optimality and in compliance with an acceptable level of risk (risk appetite). Information on response methods and risk management actions is also included into reporting on risks of FBO.

4.6. CONTROL ACTIVITIES

Control activities - actions established through local normative documents, directive documents and other internal documents of the Company and related to performance of control procedures.

Local normative documents, directive documents and other internal documents:

- shall be developed in accordance with the Development Strategy of Rosneft, operational objectives and tasks of the Company, shall be brought to the attention of employees and consistently applied in the framework of the Company's activities;
- shall be reviewed and updated on a regular basis in order to reflect changes in the activities of the structural units or the Company in general, as well as in the requirements of the applicable legislation. For this purpose the procedures for monitoring the changes in applicable legislation have been introduced.

Control procedures. Process of development and execution of control procedures is based on: the principle of risk-orientation and the principle of optimality. Execution of control procedures shall be carried out in accordance with local normative documents, directive, organizational and other internal documents of the Company, including matrices of risks and control procedures, and is aimed at achieving RM&ICS objectives. Following types of the control procedures are implemented in the Company:

- segregation of duties and division of access rights in the information systems. Control procedures shall be carried out by establishing requirements in job descriptions and local normative documents describing interaction of participants of the Company's RM&ICS that exclude duplication of the functions, as well as combination of the activities by one employee on initiation, execution and control of the operations. This method also provides for implementation of the principles of demarcation of critical powers in information systems and restriction of rights to access the confidential information depending on the level of approved powers;
- authorization (confirmation, approval of the documents/ operations). These control procedures shall be carried out by granting to the employees, in accordance with their job descriptions, the authorities to perform specific actions: obtaining permission to perform operations, confirming or approving the documents / operations. The employee who exercises control within the limits of his competence checks and confirms the accuracy, completeness and consistency of the information contained in the document / available for the operation, the correctness of the document / operation and compliance with the applicable laws and local normative documents, as well as availability of the necessary annexes and accompanying documents . Upon approval, the authorized person puts the document into effect or gives a final consent for the operation, assuming responsibility for its commissioning / enactment;
- physical control over safety of the assets. Control procedures shall be carried out by properly equipping commodity and material valuables (CMV) storage facilities, concluding material liability contract with the persons responsible for transactions with the CMV, conducting planned and unplanned inventories of the property and liabilities in accordance with the local normative documents and applicable legal requirements, as well as control over the security of intangible assets, including: verification of the correctness of registration of the primary legal and accounting documents and organization of accounting of the intellectual property;
- reconciliation of data and comparative analysis of the performance indicators, evaluation of performance. Control procedures shall be carried out to verify the accuracy, completeness, consistency and correctness of the information obtained from different sources, and authorization of the operations (for example, data entered into information systems shall be monitored with regard to their changes). Horizontal analysis of the indicators, comparison of actual performance indicators with budget figures, analysis of the key performance indicators, benchmarking, monitoring of implementation of the key initiatives such as improvement of the production processes, reduction of the costs, etc. shall be carried out.

The Company strives to maximize the automation of information input and conversion procedures, including the use of templates and data entry filters in electronic reporting forms and automatic calculation procedures embedded in the data processing programs, in order to reduce the risk of making mistakes when manually entering and processing the data.

4.7. INFORMATION AND COMMUNICATION

Information and communications create the conditions necessary for implementation of the managerial functions, adoption of the timely and informed decisions, performance of the official duties by the Company's employees.

The Company has the information exchange channels, including both vertical and horizontal links, which provide information to all participants of the Company's RM&ICS, including information on changes in the Company's business processes, risks, risk management actions, weaknesses in control procedures, and action plans for eliminating deficiencies in the control procedures. The Company has implemented the information systems. These systems support the exchange of information at all levels of management, bring to the attention of the Company's employees within the scopes of their competences the requirements of the Board of Directors and executive bodies of the Company.

Control over the information flows and provision of the information security shall be regulated by the approved local normative documents. The Company has established a system for disclosing information and communications with customers, suppliers, regulatory bodies, shareholders and employees.

The Company organizes the work of the Security Hotline, which is a safe, confidential and accessible way of informing the Audit Committee of the Board of Directors of Rosneft and the Internal Audit Service of Rosneft about violations of legislation, internal procedures of the Company, and is a tool for implementation of the policies to combat theft on the Company's objects, as well as to counteract the corporate fraud and corruption.

The Company ensures the operation of an effective system of reporting any suspicions of criminal conduct and (or) violations of current legislation, local normative documents, directive, organizational and other internal documents of the Company by the Company employees and third parties.

4.8. MONITORING

Monitoring of the RM&ICS is aimed at regular assessment of effectiveness of the RM&ICS in order to identify significant shortcomings of the RM&ICS, its ability to ensure the fulfillment of its objectives and tasks.

Monitoring of the RM&ICS is carried out through:

- continuous monitoring of operation of the control activities and implementation of risk management actions and their effectiveness by management team and employees of the Company under the scope of their competences;
- performing internal control self-assessment by RM&ICS participants;

- conducting inspections by the Internal Audit Service, as well as assessment of reliability and effectiveness of risk management and internal control system;
- review by Rosneft Board of Directors (Board of Directors Audit Committee) of the results of analysis and assessment of RM&ICS effectiveness;
- timely submission of the information on identified shortcomings of RM&ICS to the RM&ICS participants at the appropriate level, depending on the significance of the deficiencies.

Monitoring of RM&ICS, including assessment of reliability and effectiveness, shall be carried out by RM&ICS participants in accordance with guidelines established by local normative documents, directive, organizational and other internal documents of the Company.

Results of assessment of RM&ICS reliability and effectiveness are used in preparation of the section in Rosneft Annual Report and Sustainability Report covering the matters of risk management and internal control.

5. DISTRIBUTION OF RESPONSIBILITIES AND AUTHORITY WITHIN RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Risk management and internal control system of the Company is represented by participants of RM&ICS of the Company, roles of these participants are defined depending on their involvement in the processes of developing, implementing and monitoring the effectiveness of the RM&ICS.

Table 1
Participants of the Company's Risk Management and Internal Control System

STRATEGIC MANAGEMENT LEVEL	Board of Directors of Rosneft, Audit Committee of the Board of Directors of Rosneft determine the principles of operation and the main areas for development of the RM&ICS, control their implementation, organize the analysis and evaluate the effectiveness of the RM&ICS operation, influencing understanding of the value of the system by the Company's employees.
OPERATING MANAGEMENT LEVEL	Chief Executive Officer of Rosneft, Management Board of Rosneft, Risk Management Committee of Rosneft and Management Team of the Company create and maintain control environment that supports effective operation of the RM&ICS, ensure implementation of programs to improve the RM&ICS.
	Risk and Internal Control Methodology Department of Rosneft coordinates the processes of risk management and internal control, develops and updates methodology framework supporting risk management and internal control processes.
	Security Service of Rosneft and Internal and Personnel Security Division of Rosneft coordinate RM&ICS processes in the area of countering the corporate fraud and corruption.
	Structural units of Rosneft performing specific risk management and internal control functions in business / functional blocks arrange the work on implementation of RM&ICS elements in business/ functional blocks and business processes of business / functional blocks.
INDEPENDENT MONITORING AND ESTIMATION OF EFFICIENCY OF THE RM&ICS	Employees of the Company participate in identification and assessment of risks, development and implementation of risk management actions, development and execution of control procedures, and implementation of the programs to improve RM&ICS on an ongoing basis.
	Audit Commission of Rosneft supervises financial and business operations of Rosneft.
	Internal Audit Service of Rosneft carries out an independent assessment of reliability and effectiveness of RM&ICS at the corporate level and business process level.

RM&ICS participants of each level fulfill their role through implementation of the rights and obligations within the scope of their competence, as stipulated in the applicable legislation, the Charter of Rosneft and the Company's local normative documents and in accordance with the organizational, directive documents, job descriptions and regulations on the structural units.

Distribution of functions and authority between RM&ICS participants in the course of planning development of RM&ICS, determining the acceptable level of risk (risk appetite), preparation, review and approval of reporting on corporate-level risks of FBO and preparation of reporting on strategic risks is provided in Annex 1.

5.1. ROSNEFT BOARD OF DIRECTORS

The Board of Directors of Rosneft establishes principles and approaches to organization of the RM&ICS, approves key areas for development of RM&ICS, supervises their implementation, organizes analysis and evaluation of effectiveness of the RM&ICS activities, in accordance with its competence prescribed by the Charter of Rosneft.

Competence of the Board of Directors of Rosneft in relation to the RM&ICS includes:

- definition of the priority directions of activities;
- approval of a long-term development strategy and monitoring of its implementation;
- preliminary approval of the annual report of Rosneft;
- approval of plans of Rosneft financial and business operations (business plans, including an acceptable level of risk (risk-appetite), budgets) and monitoring their implementation;
- approval of key areas for development of the internal control and risk management system and supervising their implementation;
- arranging for analysis and operational effectiveness assessment of the internal control and risk management system;
- determination of key performance indicators of the members of the Management Board, Chief Executive Officer and top managers of Rosneft;
- making resolutions on audit by the Audit Commission of the financial and business operations of Rosneft, considering findings of such audits, and making resolutions on them as required;
- adopting resolutions on appointment and dismissal of the Head of Internal Audit of Rosneft;
- consideration of reports of the Internal Audit Service;
- approval of the internal documents of Rosneft:
 - ◆ Corporate Governance Code;
 - ◆ Code of Business and Corporate Ethics;
 - ◆ of the Policy level in the areas of:
 - determination of the business organization model (including determination of key managerial and business processes, principles for establishing and modifying Rosneft organizational structure);
 - corporate governance;
 - risk management and internal control system;
 - management of conflicts of interest;

- internal audit (Regulations on Internal Audit, which shall define the goals, objectives, and authorities of structural units performing internal audit functions in Rosneft);
- management of finances and reporting;
- countering involvement in corruption activities;
- information policy, including counteracting wrongful use of insider information;
- ◆ and other internal documents on issues under the competence of the Board of Directors;
- decision making on other issues related to operation of the RM&ICS.

Rosneft Board of Directors considers at least annually the issues of organization, operation and effectiveness of the risk management and internal control system and, if necessary, makes recommendations for its improvement. Information on results of consideration by Rosneft Board of Directors of the issues of effectiveness of the risk management and internal control system is provided to the shareholders as a part of the annual report of Rosneft.

5.2. ROSNEFT BOARD OF DIRECTORS AUDIT COMMITTEE

Functions of Rosneft Board of Directors Audit Committee related to RM&ICS include:

- control of effectiveness and reliability of RM&ICS by means of:
 - ◆ preliminary review of Rosneft internal document at the Policy level regulating risk management and internal control and assessment of the effectiveness of its implementation;
 - ◆ control of procedures ensuring compliance with legislative and stock exchange requirements to risk management and internal control by Rosneft;
 - ◆ review of proposals on improving RM&ICS;
 - ◆ preliminary review and development of recommendations to the Board of Directors on approval of acceptable level of risk (risk appetite);
 - ◆ regular interaction with executive bodies of Rosneft in order to review reports provided by them pertaining to assessment of RM&ICS effectiveness, including information on corporate level risks of current financial and financial and business operations and actions to manage such risks, reports on their implementation, and on the effectiveness of internal control and compliance procedures;
- control of completeness, accuracy and reliability of Rosneft accounts (financial statements);
- assurance of independence and objectivity of the external audit;
- assurance of independence and objectivity of the internal audit, including by reviewing the information it provides (action plans, performance reports, assessment of the effectiveness of the risk management and internal control system, audit findings including information on identified material gaps and non-compliance, and also action plans to improve the internal audit function);
- monitoring of the corporate governance system of Rosneft, assessment of corporate governance practices, development of recommendations on improving the corporate governance system of Rosneft;

- control of effectiveness of the system of notification about potential acts of bad faith by Rosneft employees (including the unfair use of confidential information) and third parties and other instances of non-compliance in activities of Rosneft;
- assurance of regular interaction of Rosneft Board of Directors with executive bodies of Rosneft, structural units of the financial and economic block of Rosneft, structural units of Rosneft responsible for risk management, internal control and internal audit, the Audit Commission, the external auditor.

The competence of the Audit Committee of the Board of Directors of Rosneft within the framework of the RM&ICS includes preliminary review and preparation of recommendations to Rosneft Board of Directors on the following issues:

- preliminary approval of the annual report of Rosneft within the scope of the Committee competence;
- approval of key areas for development of the internal control and risk management system and supervising their implementation;
- arranging for analysis and operational effectiveness assessment of the internal control and risk management system;
- decision making on the inspection by the Audit Commission of the financial and business operations of Rosneft, reviewing the results of such an inspection conducted under the decision of the Board of Directors, and making decisions on them, if necessary;
- adopting resolutions on appointment and dismissal of the Head of Internal Audit of Rosneft;
- consideration of reports of the Internal Audit Service;
- determination of the amount of payment for services of the external auditor of Rosneft;
- approval of the following internal documents of Rosneft:
 - ◆ Corporate Governance Code;
 - ◆ local normative documents of the Policy level, as well as any changes and additions to them on issues related the Committee competence in the area of:
 - corporate governance;
 - risk management and internal control system;
 - management of conflicts of interest;
 - internal audit (Regulations on Internal Audit, which shall define the goals, objectives, and authorities of structural units performing internal audit functions in Rosneft);
 - management of finances and reporting;
 - information policy, including counteracting wrongful use of insider information.

5.3. CHIEF EXECUTIVE OFFICER OF ROSNEFT

The Chief Executive Officer of Rosneft ensures implementation of the policy approved by the Board of Directors of Rosneft in the area of RM&ICS and formation of an effective risk management and internal control system.

The competence of the Chief Executive Officer of Rosneft in relation to the RM&ICS includes:

- ongoing management of the activities of Rosneft in accordance with the decisions of the General Meeting of Shareholders and the Board of Directors of Rosneft;
- provision of development of the financial and business plans for submission to the Board of Directors of Rosneft for approval, and preliminary (before the consideration of the Board of Directors of Rosneft) consideration and approval of expenses not provided by the financial and business operations plan;
- management of development of the annual reports, annual accounting (financial) statements to the Board of Directors of Rosneft, as well as reports on distribution of profits, including payment (declaration) of dividends, and losses based on the results of the fiscal year;
- provision of implementation of the internal control procedures;
- determination of the view of Rosneft on the issue of approval of performance indicators of the sole executive body of the Entities of Rosneft Group that are not key Entities of Rosneft Group;
- coordination of risk management processes and development of the risk management and internal control system;
- approval of the internal documents in the area of RM&ICS, the adoption of which is not within the competence of the General Meeting of Shareholders of Rosneft, the Board of Directors of Rosneft and the Management Board of Rosneft;
- approval of the internal audit plan of Rosneft;
- approval of proposals under the results of audits and inspections ;
- agreement of the work plan for the RM&ICS development and of the report on its implementation;
- agreement of reporting on strategic risks, of reporting on identification of corporate-level FBO risks included into plans of financial and business operations, including an acceptable level of risk (risk appetite), of reporting on monitoring of corporate level FBO risks for Q4 of the reporting year (reporting on occurrence of corporate level FBO risks);
- provision of creation and maintenance of functioning of an effective RM&ICS in the Company.

5.4. MANAGEMENT BOARD OF ROSNEFT

Competence of the Management Board of Rosneft in the area of the RM&ICS includes:

- determination of preliminary definition (before the Board of Directors of Rosneft) of the priority areas of activities of Rosneft;
- organization of work on implementation of priority activities of Rosneft;
- approval of the organizational structure of Rosneft;
- approval of performance indicators of the heads of independent structural units of Rosneft;
- determination of performance indicators of the Key Entities of the Group;
- approval of the internal documents at the Policy level, the approval of which is not within the competence of the Board of Directors of Rosneft, as well as internal documents of the Standard level and other internal documents, the approval of which is attributed by the Charter of Rosneft to the competence of the Management Board.

Management Board of Rosneft ensures the creation and maintenance of the functioning of an effective RM&ICS in the Company.

5.5. RISK MANAGEMENT COMMITTEE OF ROSNEFT

The Risk Management Committee of Rosneft is established as an advisory body under the Chief Executive Officer of Rosneft with its competence including:

- agreement of materials and preparation of opinion with an aim of submitting for approval to the Chief Executive Officer of Rosneft of the following items:
 - ♦ definition of key RM&ICS development areas (work plan for RM&ICS development) and review of the report on implementation of the work plan for RM&ICS development;
 - ♦ determination of risk appetite;
 - ♦ review of reporting on identification of the corporate level FBO risks, reporting on realized corporate level FBO risks and of reporting on strategic risks;
- review of materials on risk appetite monitoring;
- review of reports on the monitoring of the corporate level FBO risks;
- resolution of disputes arising in the course of CWRMS operation;
- review and approval of proposals on managing individual risks submitted by members of the Risk Management Committee of Rosneft (in accordance with current LND and directive documents of Rosneft regulating management of individual risks);
- other functions as provided by current LND and directive documents of Rosneft.

5.6. COMPANY MANAGEMENT TEAM

In order to ensure effective operation of the RM&ICS the Company management team provides within its competence:

- distribution of powers and responsibility for specific areas of internal control between subordinate employees (ways, methods of implementation) in accordance with the segregation of duties principle;
- inclusion into employee job descriptions of functions and responsibility for managing risks and performing control procedures;
- development of a uniform corporate culture that promotes effective operation of the RM&ICS, including establishing a process for informing, training, and periodically verifying knowledge and understanding by employees of the corporate culture standards and ethical principles, requirements and provisions of local normative documents affecting operation of the RM&ICS;
- monitoring compliance by the employees of the Company's structural units to requirements of local normative documents, administrative, organizational and other internal documents of the Company;
- risk management within its competence, including identification, analysis and assessment of risks, development of measures to eliminate or reduce risk, monitoring and reporting on the risks of FBO in accordance with the procedure established by the Company;

- development, performing control procedures and monitoring implementation of actions aimed at elimination of control procedure deficiencies;
- carrying out internal control self-assessment in business processes under its supervision;
- preparation and submission of a report on the effectiveness of control procedures on a regular basis, as well as at the request of a senior management, including timely informing the senior management about deviations in the implementation of control procedures;
- monitoring the consistency of the documents governing the operation of structural units and local normative documents governing the procedure for implementation of the Company's business processes in which this structural unit is involved;
- regular assessment of the employees' performance and periodic review of qualification requirements and training programs for personnel in the area of risk management and internal control in line with changes in internal and external operating conditions of the Company.²
- preparation of proposals (within the scope of own responsibility) regarding the activities aimed at the development of RM&ICS (if there are such proposals) for inclusion in the work plan for the development of RM&ICS.

5.7. RISK AND INTERNAL CONTROL METHODOLOGY DEPARTMENT OF ROSNEFT

Primary functions of the Risk and Internal Control Methodology Department of Rosneft related to RM&ICS include:

- ensuring a unified methodological framework for the risk management and internal control system in the Company;
- forming, updating and controlling the implementation of the work plan for the development of RM&ICS in the Company;
- updating and maintaining the UR&CPR, including strategic risks, FBO risks, business process risks, and control procedures;
- ensuring the functioning and development of a unified information database of risks and control procedures;
- preparing regular information about the Company's RM&ICS;
- training of the Company's employees on the RM&ICS, including the development of training materials;
- preparing corporate-level reporting on the identification and monitoring of FBO risks;
- expert review of reporting on the identification and monitoring of FBO risks at the level of business blocks / functional blocks;
- preparation of reporting on strategic risks;
- optimization and periodic testing of the adequacy of models for quantitative assessment of corporate level risks. Development and improvement of methods for quantitative assessment of corporate level risks;

² The Company management team performs all the above mentioned functions within its functional responsibilities, in accordance with Regulations on structural units and LND requirements.

- preparation of the Company's risk appetite parameters and reporting on its monitoring;
- other issues in the area of risk management and internal control, as provided by current LNDs and by directive documents of Rosneft.

5.8. SECURITY SERVICE OF ROSNEFT

The TOR of the Security Service of Rosneft in the framework of RM&ICS includes:

- participation in organization and operation of the corporate compliance system with regard to coordination of implementation of the Company Policy on Countering Corporate Fraud and Involvement in Corruption Activities № P3-11.03 P-04; in order to reduce risks arising in the course of business;
- development, updating and implementation of LND and directive documents of Rosneft in the area of countering corporate fraud and corruption in line with its competence;
- participation in organization of control over compliance with LND requirements and implementation of measures undertaken by executive bodies of Rosneft in the area of countering corporate fraud and corruption;
- organization of work of the Security Hotline;
- conducting inspection / investigations of the employees' and third parties' unfair/unlawful actions, including negligence, corporate fraud, corruption, abuse and various unlawful activities that are detrimental to the Company, and information received through the "Security Hotline".

These functions, except for organization of work of the Security Hotline, are also performed by the Internal and Personnel Security Division of Rosneft within the scope of its competence, as defined by Regulations on the structural unit.

The model of competences presented in this subsection is described for Rosneft and may be implemented at Entities of Rosneft Group taking into account specifics of their organizational structure.

5.9. STRUCTURAL DIVISIONS OF ROSNEFT PERFORMING SPECIFIC RISK MANAGEMENT AND INTERNAL CONTROL FUNCTIONS IN BUSINESS / FUNCTIONAL BLOCKS

The TOR of structural units of Rosneft performing specific risk management and internal control functions in business / functional blocks related to the RM&ICS includes:

- preparation of information and consolidation of reporting within the framework of the risk management and internal control process for business / functional blocks and the Entities of Rosneft Group;
- organization of work on implementation of RM&ICS elements and development of proposals on risk management methodology in business / functional blocks, including coordination of work on unified methodological approaches in the course development / update of LND in the area of risk management and internal control in business / functional blocks that do not contradict to current LND in the area of risk management and internal control;
- analysis of systemic deficiencies in control procedures and assistance in implementing control procedures in business / functional blocks;

- assistance to management in internal control self-assessment in a business / functional block;
- assistance to management in the process of interaction with IAS in accordance with the LND in the area of internal audit.

5.10. EMPLOYEES OF THE COMPANY

All employees of the Company, acting as performers of control procedures, shall within the framework of RM&ICS in line with their competence:

- be responsible for effective performance of control procedures and risk management actions in accordance with job descriptions and LND requirements, directive and other internal documents of the Company;
- assist the management team and heads of structural units of Rosneft and ERG in risk management, including identification, assessment of risks, development of measures to eliminate or reduce risks, monitoring and reporting on risks of current financial and business operations;
- provide timely information to direct supervisors about new risks, as well as about the cases when performance of control procedures for any reasons became impossible and / or changes in control procedures and risk management actions are required due to changes in internal and external operating conditions of the Company, including development and submission for consideration to the management team and heads of the structural units of Rosneft and the ERG of proposals on implementation of control procedures and risk management actions in their respective areas of activity;
- take part in internal control self-assessment in the Company;
- undergo training in risk management and internal control in accordance with the approved training program.

5.11. INTERNAL AUDIT SERVICE OF ROSNEFT

The competence of the Internal Audit Service of Rosneft in the framework of the RM&ICS includes:

- assistance to the executive bodies of Rosneft and the Company's employees in developing and monitoring the implementation of procedures and measures to improve the risk management and internal control system, corporate governance of Rosneft by assessing the reliability and effectiveness of the RM&ICS, corporate governance;
- conducting inspections in accordance with the internal audit activity plan approved by the Chief Executive Officer of Rosneft and agreed by the Rosneft Board of Directors Audit Committee;
- carrying out other inspections, performing other tasks on the instructions of Rosneft Board of Directors (Rosneft Board of Directors Audit Committee) and / or the Chief Executive Officer of Rosneft within its competence, including on the basis of information received through the Security Hotline;
- carrying out comprehensive inspections (revisions) of the activities of the objects of inspection, which have the form of documentary and physical verification of the legality of the performed financial and business operations, the reliability and correctness of their reflection

in the accounting (financial) statements, the subsequent control over the financial and business operations of the inspection object;

- advising the executive bodies of the Company on the risk management, internal control and corporate governance (subject to the independence and objectivity of the internal audit);
- monitoring implementation of proposals of internal auditors to improve the risk management and internal control system, corporate governance, eliminate violations and deficiencies identified during the inspections;
- assistance to the Company's executive bodies in investigating fraudulent/unlawful actions of employees and third parties, including negligence, corporate fraud, corruption, abuse and various unlawful actions that are detrimental to the Company;
- and other functions necessary to fulfill the tasks set for the internal audit of the Company.

Internal Audit Service of Rosneft conducts an assessment of the reliability and effectiveness of the RM&ICS at least once a year.

5.12. AUDIT COMMISSION OF ROSNEFT

Supervision over the financial and business operations of Rosneft is carried out by the Audit Commission of Rosneft.

The Audit Commission of Rosneft shall audit Rosneft operations, which shall include identification and assessment of risks arising as a result and in the course of financial and business operations.

Audit Commission carries out:

- inspection (revision) of financial and business operations of Rosneft, whereupon it shall draw up an opinion that shall include:
 - ♦ confirmation of reliability of the data included in the annual report and the annual accounting (financial) statements;
 - ♦ information on non-compliance with procedures established by the legislation of the Russian Federation with regard to accounting, financial reporting and conduct of financial and business operations.

Competence of the Audit Commission includes the execution of procedures for the analysis of:

- organization of activities of Rosneft, the composition and activities of its management bodies;
- activities and results of the internal control system of Rosneft;
- peculiarities of accounting in planning and financial analysis at Rosneft;
- operating activities of Rosneft and the procedure for accounting of the related operations;
- main components of the financial result and the specifics of their accounting;
- other aspects of Rosneft operations (technical equipment, information security, tax risks, organization of storage of basic documents, etc.);
- most significant risks of Rosneft operations identified by the control structural units of Rosneft, internal and external audit, external control and supervisory bodies, as well as the preparation of conclusions and recommendations on the results of inspections (revisions).

The model of competences presented in this subsection is provided for Rosneft and may be implemented at Entities of Rosneft Group taking into account specifics of their organizational structure.

6. ROLES OF BUSINESS PROCESS OWNER, OWNER AND PERFORMER OF CONTROL PROCEDURES, RISK OWNER AND SUPERVISOR, RISK AND INTERNAL CONTROL EXPERT

Business process owner within the scope of his/her competence ensures the following:

- effective operation of RM&ICS within the business process;
- performing analysis of supervised business processes to determine the need for its optimization in order to increase effectiveness and ensure compliance with changing conditions of external and internal environment;
- identification and assessment of risks of supervised business processes;
- continuous improvement and development of approaches, methods and tools for managing business process risks and coordination of activities of the performers of control procedures in order to achieve objectives of the relevant business process;
- analysis and improvement of the existing control procedures, including development of measures to implement proposals and recommendations received in accordance with the established procedure from the IAS and the Risk and Internal Control Methodology Department of Rosneft, the external auditor of the Company and other interested parties;
- conducting internal control self-assessment in supervised business processes.

Owner of control procedures within his/her competence:

- ensures development, formalization, implementation, performance and continuous monitoring of effectiveness of control procedures;
- initiates changes in control procedures and LND regulating these control procedures.

Performer of control procedures within the limits of his/her competence:

- executes control procedures in accordance with job descriptions and LND;
- participates in improvement of performed control procedures;
- provides management with proposals on implementation and improvement of control procedures;
- timely informs immediate and/or superior managers of cases when performance of control procedures for any reason became impossible and/or changes in control procedures are required due to changes in internal and/or external operating conditions of the Company.

Risk owner within the scope of his/her competence ensures the following:

- allocation of resources necessary for risk management in accordance with the risk management action plan;
- identification and assessment of the risks, development of risk management actions;
- if necessary, involvement in implementation of risk management actions of employees of other units (in agreement with the heads of these units);
- other functions prescribed by the Company LND.

Risk supervisor within the scope of his/ her competence provides:

- methodological expertise, development of LND for management of the relevant risks;
- coordination of work on management of crossfunctional risks with regard to: risk assessment, selection of risk response methods, development of risk management action plan;
- decision-making on disputes related to management of crossfunctional risks.

Risk and internal control expert within the limits of his/ her competence carries out:

- methodological support of the risk owner and supervisor on risk management issues (including on the issues of risk identification and assessment, development of risk management actions);
- methodological support of the owner of the business process, the owner and performer of control procedures on internal control issues;
- overall coordination of the risk management and internal control process (including organization of meetings, collection and distribution of information, preparation of reporting on risks and internal control);
- risk identification, risk assessment, development of risk management actions;
- development, implementation and maintenance of the up-to-date control procedures;
- development and monitoring of the implementation of measures to eliminate identified deficiencies in control procedures;
- coordination of internal control self-assessment;
- other functions in accordance with LND.

The model of functions and responsibilities presented in this section is provided for Rosneft and may be extended to the Entities of Rosneft Group taking into account their objectives and specifics of their organizational structure.

7. INTERACTION WITH EXTERNAL STAKEHOLDERS, GOVERNMENT SUPERVISORY AUTHORITIES, EXTERNAL AUDITORS, BANKS, INSURANCE COMPANIES, SHAREHOLDERS, INVESTORS AND OTHER STAKEHOLDERS

Rosneft provides free access to the information regarding the risk management and internal control facilities of the Company in accordance with the legislation of the Russian Federation, the Charter of Rosneft and internal documents of Rosneft on the Internet information and telecommunication network. The main source of information disclosure on the activities of Rosneft is the official website of Rosneft at: www.rosneft.ru / www.rosneft.com.

Interaction of structural units with external stakeholders (state supervisory authorities, external auditors, banks, insurance companies, shareholders, investors and other stakeholders) on matters of risk management and internal control in the course of their current activities is carried out in accordance with established authority, as prescribed by legislation and corresponding LND.

8. NORMATIVE DOCUMENTS REGULATING THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

1. The Civil Code of the Russian Federation (Part One) № 51-FZ dated November 30, 1994.
2. Federal Law On Joint Stock Companies № 208-FZ dated December 26, 1995.
3. Federal Law On Countering Corruption № 273-FZ dated December 25, 2008.
4. Federal Law On Accounting № 402-FZ dated December 06, 2011.
5. Decree of the Government of the Russian Federation № 193 dated March 17, 2014, On Approval of Rules for Implementation by Chief Controllers (Controllers) of Means of Federal Budget (Budget of State Off-Budgetary Fund of the Russian Federation), Chief Administrators (Administrators) of Incomes of Federal Budget (Budget of State Extra-Budgetary Fund of the Russian Federation), Chief Administrators (Administrators) of Sources of Financing of Federal Budget Deficit (Budget of State Extra-Budgetary Fund of the Russian Federation) of Internal Financial Control and Internal Financial Audit and on Introduction of Amendments to Item 1 of Rules for Implementation of Departmental Control in the Area of Purchases to Meet Federal Needs, approved by Decree of the Government of the Russian Federation № 89 dated February 10, 2014.
6. Order of the Agency for State Property Management (Rosimuschestvo) № 86 dated 20.03.2014 On Approval of Methodical Recommendations for Organization of Work of Audit Committee of Board of Directors in Joint Stock Company with Participation of the Russian Federation.
7. Order № 249 of the Federal Agency for State Property Management (Rosimuschestvo) dated April 4, 2014, On Approval of Recommended Practice for Organization of Internal Audit Work in Joint Stock Companies with Participation of the Russian Federation.
8. The Code of Corporate Governance recommended by the Bank of Russia Letter № 06-52/2463 dated April 10, 2014.
9. Guidelines for Preparation of Regulations on Risk Management System of the Ministry of Economic Development of the Russian Federation, approved by the Government of the Russian Federation as a part of implementation of Instructions of the President of the Russian Federation № Pr-3013 dated December 27, 2014.
10. Bank of Russia Regulations № 242-P, dated December 16, 2003, On Organization of Internal Control in Credit Institutions and Banking Groups.
11. Information of the Ministry of Finance of the Russian Federation No. PZ-11/2013 Organization and Execution of Internal Control over Business Activity, Accounting and Preparation of Accounting (Financial) Reports by an Economic Entity (Letter № 07-04-15 / 57289 of the Ministry of Finance of the Russian Federation dated December 26, 2013).
12. GOST R 51897-2011 Risk Management. Terms and Definitions.

13. GOST R ISO 31000-2019 Risk Management. Principles and Guidelines.
14. Risk management standards of the Federation of European Risk Managers Associations (FERMA).
15. The document (concept) COSO "Guidelines on monitoring internal control system" (2009).
16. Guidelines of the International Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal control. Integrated model, 2013.
17. International foundations of professional practice of internal auditors adopted by the International Institute of Internal Auditors (including the International Standards for the Professional Practice of Internal Auditing).
18. UK Bribery Act 2010 approved by the Parliament of Great Britain and Queen Elizabeth II on 08.04.2010 and enforced on 01.07.2011.
19. The US Foreign Corrupt Practices Act 1977.
20. The Charter of Rosneft approved by the General Shareholders Meeting of Rosneft Oil Company on June 27, 2014 (Minutes № n/n).
21. Rosneft Code of Corporate Governance № P3-01 KS-01 version 2.00 approved by the decision of Rosneft Board of Directors on November 15, 2017 (Minutes № 6 dated November 17, 2017).
22. Rosneft Code of Business and Corporate Ethics № P3-01.06 P-01 Version 1.00 approved by the decision of Rosneft Board of Directors on June 05, 2015 (Minutes № 35 dated June 05, 2015), and put into effect by the order of Rosneft dated September 28, 2015 № 428.
23. Company Policy on Internal Audit № P4-01 P-02 Version 1.00 approved by the decision of the Board of Directors of Rosneft on 30.01.2015 (Minutes № 20 dated 02.02.2015), enacted by the order of Rosneft of 8.02.2015 № 60.
24. Company Policy on Financial Control № P2-06.04 P-01 Version 1.00 approved by the decision of the Board of Directors of Rosneft on 29.12.2014 (Minutes № 17 dated 29.12.2014), enacted by the order of Rosneft from 24.02.2015 № 66.
25. Company Policy on Countering Corporate Fraud and Involvement in Corruption № P3-11.03 P-04 Version 1.00 approved by the decision of the Board of Directors of Rosneft dated May 21, 2018 (Minutes № 19 dated May 21, 2018), enacted by the Order of Rosneft № 373 dated June 27, 2018.
26. The Company Standard Enterprise-Wide Risk Management System № P4-05 C-0012 Version 2.00, approved by the Decision of the Management Board of Rosneft dated September 28, 2018 (Minutes № Pr-IS-36p of 28.09.2018), put into effect by the order of Rosneft № 660 dated October 22, 2018.
27. Company Standard Internal Control System № P4-05 S-0027 Version 2.00 approved by the

decision of the Board of Rosneft on 04.09.2018 (Minutes № Pr-IS-32p of 04.09.2018), enacted by the order of Rosneft of 22.10.2018 № 663.

28. Regulations on Rosneft Board of Directors without number Version 3.00 approved by the General Shareholders Meeting of Rosneft Oil Company (Minutes dated June 27, 2014 № n/n).
29. Rosneft Regulations On Rosneft Board of Directors Committees № P3-01 R-0105 YuL-001 Version 1.00 approved by the decision of Rosneft Board of Directors on September 11, 2020 (Minutes № 6 of 11.09.2020).
30. Regulations on the Audit Commission of Rosneft approved by the General Shareholders Meeting of Rosneft on June 27, 2014 (Minutes № n/n).

9. REGISTRATION OF AMENDMENTS TO LOCAL NORMATIVE DOCUMENT

Table 2
List of Amendments to the Company Policy

VERSION	TYPE AND NAME OF DOCUMENT	NUMBER OF DOCUMENT	DATE OF APPROVAL	EFFECTIVE DATE	DETAILS OF THE DIRECTIVE DOCUMENT
1	2	3	4	5	6
1.00	Company Policy “The Internal Control and Risk Management System”	P4-01 P-01	07.05.2013	22.07.2013	Approved by the decision of the Board of Directors of Rosneft (Minutes № 16 dated 07.05.2013), put into effect by the order of Rosneft dated 22.07.2013 № 311

ANNEXES

Table 3
List of Annexes to the Company Policy

ANNEX NUMBER	ANNEX NAME	NOTE
1	2	3
1	Distribution of functions and authority between RM&ICS participants in the process of planning RM&ICS development, determining an acceptable level of risk (risk appetite), reporting on corporate level risks of current financial and business operations, and preparation of reporting on strategic risks	Included into this file

ANNEX 1. DISTRIBUTION OF FUNCTIONS AND AUTHORITY AMONG RM&ICS PARTICIPANTS IN THE PROCESS OF PLANNING RM&ICS DEVELOPMENT, DETERMINING AN ACCEPTABLE LEVEL OF RISK (RISK APPETITE), PREPARATION OF REPORTING ON CORPORATE LEVEL RISKS OF CURRENT FINANCIAL AND BUSINESS OPERATIONS AND PREPARATION OF REPORTING ON STRATEGIC RISKS

DOCUMENT	RM&ICS PARTICIPANT	RISK AND INTERNAL CONTROL METHODOLOGY DEPARTMENT OF ROSNEFT	TOP-MANAGER OF ROSNEFT SUPERVISING RM&ICS **	RISK MANAGEMENT COMMITTEE OF ROSNEFT	CHIEF EXECUTIVE OFFICER OF ROSNEFT	ROSNEFT BOARD OF DIRECTORS AUDIT COMMITTEE	ROSNEFT BOARD OF DIRECTORS
RM&ICS DEVELOPMENT PLANNING							
	Work plan for the RM&ICS development	Preparation* (1)	Agreement (2)	Agreement (3)	Agreement (4)	Review (5)	Endorsement(6)
	Report on implementation of the work plan for RM&ICS development	Preparation (1)	Agreement (2)	Agreement (3)	Agreement (4)	Review (5)	Review (6)
REPORTING ON CORPORATE LEVEL RISKS OF FBO							
	Reporting on identification of corporate level risks of FBO (including determination of an acceptable level of risk (risk appetite))	Preparation*** (1)	N/A	Agreement (2)	Agreement (3)	Review (4)	Approval (5)
	Reporting on monitoring of corporate level risks of FBO for Q1, Q2, Q3 of the reporting year	Preparation (1)	Agreement (2)	Review (3)	N/A	N/A	N/A
	Reporting on monitoring of corporate level risks of FBO for Q4 of the reporting year (reporting on occurrence of corporate level risks of FBO)	Preparation (1)	N/A	Agreement (2)	Agreement (3)	Review (4)	N/A
REPORTING ON STRATEGIC RISKS							
	Reporting on strategic risks	Preparation (1)	N/A	Agreement (2)	Agreement (3)	Review (4)	N/A

N/A - not applicable

(x) - sequence of actions / stages

* - taking into account the proposals of the management team (in the area of its own responsibility) on measures aimed at the development of RM&ICS

** - scope of functions of the top manager of Rosneft supervising the RM&ICS in other respects corresponds to the functionality specified in Section 5.6 of this Policy

*** - taking into account the proposals of the management team (in the area of its own responsibility) on additional risk appetite parameters