MESSAGE FROM THE CEO AND CHAIRMAN OF THE MANAGEMENT BOARD

Igor SECHIN
Chief Executive Officer and Chairman of the Management Board

DEAR SHAREHOLDERS AND INVESTORS,

In the reporting year’s challenging market environment, Rosneft was able to promptly react to and successfully tackle the external challenges.

This helped us maintain leadership in hydrocarbon production and keep operating production expenses per barrel at a low level.

However, unlike other players, we have not been scaling down investment in field development and continued with our new high-potential projects to ensure energy security in Russia. We are confident that their massive resource base will be key to making up for declining production at brownfields in Western Siberia to meet fast-growing energy demand.

Our promising projects boast low production costs per barrel and a minimal carbon footprint, which is 75% lower compared to other major greenfields.

We expect that this will be fully reflected in Rosneft’s equity valuation as the projects move forward. Further to our efforts to improve operating and financial performance, implement major oil and gas projects, and upgrade and expand our refineries, this will drive the Company’s share price growth in the years to come.

We pay special attention to environmental safety and always look to minimise our environmental impact. The Board of Directors has approved the Rosneft-2030: Reliable Energy and Global Energy Transition Strategy, which seeks to reduce our carbon footprint amid further improvements in operating and financial performance. Our status as a responsible energy supplier and one of Russia’s energy transition leaders is evidenced by our emission cut targets in the Strategy.

We have also developed an Environmental Development Concept. It complements the Carbon Management Plan for the period until 2035 as a key component of our long-term environmental agenda.

Our efforts in this realm have been praised internationally, with a number of global ESG rating providers placing Rosneft above its local industry peers. Rosneft became the only Russian oil and gas company announced as Global Compact LEAD in the area of sustainable development due to ongoing commitment to the United Nations Global Compact and its Ten Principles for responsible business.

In many regions of operation, from Eastern Siberia and the Russian Far East to the Volga Region and the Krasnodar Territory, Rosneft has been running large-scale social projects to reshape towns and settlements by providing access to modern healthcare, educational, sports, well-being, and utility services.

I am proud and happy to say that our team has risen to the challenges brought on by COVID-19.

Rosneft takes all necessary steps to protect its employees. We raced against the clock to arrange vaccine supplies and make sure all storage conditions were met. Some deliveries to remote and hard-to-reach locations across our footprint involved helicopters. We set up the logistics and facilitated smooth operation of medical teams and vaccination facilities, which helped us achieve herd immunity within the shortest time possible.

Employees are still tested regularly and revaccinated, while also strictly following health protocols.

Rosneft is progressing towards the goals and targets set by its strategy. The robust performance of our team and focus on major projects boost the Company’s financial strength and enable us to meet all commitments on shareholder returns, making Rosneft an industry leader and reliable energy producer and supplier.
Since the onset of the pandemic, All Group Subsidiaries developed plans of priority response measures to ensure business continuity and implemented a set of initiatives to ensure production stability and prevent the spread of COVID-19.

WE CARE FOR OUR PEOPLE

Ad-hoc remote working introduced for staff not involved in ensuring continuous production.

COVID-19 vaccination and revaccination among employees, with strong herd immunity achieved within the Company.

Providing employees with PPE and disinfectants: over 100 million pieces of personal protective equipment and 12 million litres of disinfectants and sanitisers.

Routine testing (more than 1.3 million tests administered) 1

Strict compliance with sanitary and hygienic requirements.

1 Since the onset of the pandemic.

Well aware of the life and health risks posed by COVID-19 and the production risks that come with anti-epidemic measures and restrictions, we took active steps to protect our staff and contractors and ensure continuous operation of our production facilities.

The Company continues with medical and anti-epidemic measures, which include providing employees with personal protective equipment, regular disinfection of premises and workplaces, special arrangements for shift workers (pre-shift observation, isolation facilities for those with symptoms at the field), testing employees for COVID-19, and daily monitoring of employee morbidity rates and overall changes in the epidemiological situation across the regions of operation.

In March 2021, Rosneft launched a large-scale COVID-19 vaccination programme for employees by engaging mobile medical teams across the Company’s operations, procuring the needed vaccine doses, and creating all other conditions required for the vaccination, including direct arrangements at production sites and in shift camps.

Our particular focus was on raising awareness among the Company’s employees about COVID-19 prevention, including efforts to promote vaccination uptake.

These measures helped promptly achieve a high level of herd immunity among the Company’s personnel, which reached 95% at Rosneft and 90% across the Group Subsidiaries.

Herd immunity

95% of Rosneft employees

90% of Group Subsidiaries employees

To maintain and strengthen the achieved immunity against the novel coronavirus infection in line with the relevant recommendations of the Russian Ministry of Health, the Company launched a revaccination programme for employees, which kicked off in September 2021.

Caring for our people is our top priority

Health, life and workplace safety of our employees have always been our highest priority.

Our comprehensive approach to epidemic prevention and response based on continuous status monitoring and control gives us ability to react promptly to new threats, including the pandemic, by protecting our employees’ lives and health while ensuring the continuity of Rosneft’s operations.

WE ENSURE BUSINESS CONTINUITY

All Group Subsidiaries developed plans of priority response measures to ensure business continuity and implemented a set of initiatives to ensure production stability and prevent the spread of COVID-19.

At the peak of the epidemic, over 270 observation facilities with more than 13,000 beds and over 200 isolation wards with 3,000 beds were arranged.

WE CARE FOR OUR CUSTOMERS

The Company ensured uninterrupted operation of its filling stations, while also maintaining high customer service standards. We took all the necessary measures to protect the health of our staff and customers at the filling stations:

• shops were systematically inspected to ensure there were enough sanitisers and health products;
• shops and cafes at Rosneft filling stations operated in compliance with the guidance on preventive and protective measures issued by the Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor). The priority remains to maintain social distance and minimise contact when communicating with retail customers and suppliers;
• Rosneft kept developing services allowing customers to pay for fuel and complementary goods from inside the car via mobile apps (Yandex.Fuel, Yandex.Navigator, Yandex.Maps).

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ROSNEFT–2030: RELIABLE ENERGY AND GLOBAL ENERGY TRANSITION

A NEW STRATEGY OF A RESPONSIBLE COMPANY AND THE INDUSTRY’S LEADER

Rosneft–2022

- Enhancing profitability
- Ensuring delivery
- Transforming culture and technological capabilities

Rosneft–2030

- HIGHER EFFICIENCY
- OPERATIONAL LEADERSHIP
- LOWER CARBON FOOTPRINT

STRATEGIC OBJECTIVES AND PRIORITIES

- Retaining leadership in terms of unit production costs
- Increasing production by 330 mmtoe
- Increasing gas share in total output by 25%
- Higher dividends and returns
- Prompt implementation of circular economy principles
- Biodiversity conservation
- Drive towards zero fatalities (FAR) and zero accidents (PSER-1)
- 100% waste disposal and remediation of heritage lands

ROSSNEFT ANNUAL REPORT 2021
CARBON NEUTRALITY

2025
- 5% reduction of absolute GHG emissions
- <0.2% methane emissions intensity
- 0 routine flaring of associated petroleum gas
- <20 kg of CO₂ eq. per boe specific GHG emissions in Upstream

2030
- >25% reduction of absolute GHG emissions

2035

2050

GHG reduction targets set against the base year of 2020. GHG reduction and carbon neutrality targets cover 100% of Scope 1 and 2 emissions in the Company’s reporting perimeter.
LONG-TERM DEVELOPMENT PROGRAMME AND PROGRESS REPORT

Originally developed in 2014; the Long-Term Development Programme (the Programme) is subject to annual updates.

In 2021, we revised the Programme, taking into account the Company’s performance, action plans to achieve certain strategic goals, and updated initiatives drafted pursuant to the Russian Government’s directives. The updated Programme was approved by the Company’s Board of Directors (Minutes No. 16 dated 20 December 2021).

The Programme details the Company’s strategic focus areas, targets and goals for all business areas and corporate functions. It also includes a list of key initiatives to achieve the Company’s strategic goals.

The main priorities, key performance indicators (KPIs) and action plans under the current Innovation Development Programme, Import Substitution and Equipment Localisation Programme, and Energy Saving Programme take into account the Programme provisions and are integrated into the current version of the document. The performance indicators include an integrated KPI for innovations. Rosneft’s Investment Programme aims to help the Company achieve its strategic objectives stipulated in the Strategy and the Programme (Investment Programme in 2021 section) for key business areas.

We completed the Programme’s key initiatives planned for core businesses and functional units in 2021. For the Programme outcomes in 2021, see the Operating Results section.

TSATR – Audit Services LLC, an independent auditor, has completed its engagement and provided assurance about Rosneft’s Programme Progress Report for 2021. The opinion was received on 21 April 2022.

KPI STRUCTURE

The Company’s KPI system seeks to decompose the Company’s Development Strategy and its Long-Term Development Programme into specific KPIs, cascade them to all management levels, evaluate progress against targets, and create incentives for efficient management decision-making. A strong motivation tool for employees, KPIs ensure a step-by-step achievement of the Company’s strategic goals.

Consolidated business plan
- Corporate KPIs
- Individual KPIs of the Chief Executive Officer
- Bonus disqualification (blocking) indicators

Business plans of business units
- Collective KPIs of businesses
- Individual KPIs of the Company’s top managers responsible for the performance of businesses

Business plans of Group Subsidiaries
- Collective KPIs of Group Subsidiaries
- Individual KPIs of Group Subsidiaries’ senior management

Assessment of progress against KPIs
The KPI system ensures:
- well-balanced integrated indicators motivating employees to achieve the Company’s main goals;
- transparency, measurability, minimum sufficiency, and consistency of KPIs;
- a top-down approach to cascading and breaking down KPIs.

The KPI system is aimed at:
- delivering on the Company’s Strategy and achieving the Programma’s targets;
- consistently improving the Company’s financial and operating (industry-specific) results;
- ensuring compliance with directives and instructions of federal executive bodies, including annual cost-cutting targets.

With both financial (economic) and operating (industry-specific) KPIs in place, the system breaks down relevant indicators into the following groups:
- corporate KPIs based on the key financial, economic, operating and industry-specific indicators from the Company’s consolidated business plan and business plans of its business units;
- individual KPIs based on individual strategic goals for each top executive.

Aside from that, for the purposes of motivating the Company’s top management and employees to deliver on Rosneft’s strategy and business plan, we introduced bonus disqualification (blocking) indicators. A failure to achieve targets under these indicators reduces the overall annual bonus amount in the reporting period.

KPIs, including targets for the senior management, are set by the Company’s Board of Directors on an annual basis subject to preliminary discussion by the relevant committee.

Based on the current business plan, the 2021 KPIs for Rosneft’s top managers were adopted by the Board of Directors on 15 March 2021 (Minutes No. 20 dated 17 March 2021).

Corporate KPIs and the individual KPIs of the CEO for 2021 include:
- return on average capital employed (ROACE);
- hydrocarbon production rate;
- accident rate;
- workforce productivity;
- cost reduction vs the previous reporting period on a comparable basis;
- financial leverage (net debt / EBITDA);
- integrated KPI for innovations;
- compliance ratio as regards instructions from Rosneft’s Board of Directors.

The bonus disqualification (blocking) indicators for the Company’s top managers and employees in 2021 included:
- financial leverage (net debt / EBITDA);
- workforce productivity;
- return on average capital employed (ROACE);
- hydrocarbon production rate;
- compliance ratio as regards instructions from the Company’s management.

To calculate annual bonuses for managers and employees, the Company analyses progress against KPIs following the review of the annual performance based on the management accounts and audited public financial statements.

The Company’s Internal Audit Service annually assesses the performance against corporate and individual KPIs set for calculating annual bonuses for the management of the Company and Group Subsidiaries. The audit results for top managers are subject to review by the Board of Directors’ HR and Remuneration Committee.

Top manager assessment results are discussed by the HR and Remuneration Committee of the Board of Directors. The Board of Directors makes resolutions regarding annual bonus payments and their size depending on the management’s progress against KPIs.

Target KPIs are normalised to reflect the factors beyond the management’s control, such as FX volatility and global market prices, in accordance with the Regulations on the KPI Normalisation Procedure Related to Management Performance Review and Assessment in the Reporting Period to Calculate Annual Bonuses1 and the Guidelines for KPI Normalisation Related to Performance Review against Business Plan2.

### Actual progress against Rosneft’s operating and financial (economic) KPIs and the individual KPIs of Rosneft’s CEO in 2020–2021

<table>
<thead>
<tr>
<th>KPI</th>
<th>2021 ACTUAL</th>
<th>PROGRESS IN 20213</th>
<th>PROGRESS IN 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydrocarbon production, mmtoe</td>
<td>245.3</td>
<td>Above target</td>
<td>Above target</td>
</tr>
<tr>
<td>Workforce productivity, RUB mln per person</td>
<td>10.8</td>
<td>Above target</td>
<td>Above target</td>
</tr>
<tr>
<td>Return on average capital employed (ROACE), %</td>
<td>16.1</td>
<td>Above target</td>
<td>Above target</td>
</tr>
<tr>
<td>Financial leverage (net debt / EBITDA)4</td>
<td>1.3</td>
<td>Above target</td>
<td>Above target</td>
</tr>
<tr>
<td>Injury rate, %</td>
<td>98</td>
<td>Above target</td>
<td>Above target</td>
</tr>
<tr>
<td>Integrated KPI for innovations5</td>
<td>100</td>
<td>On target</td>
<td>On target</td>
</tr>
</tbody>
</table>

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1 The Regulations were approved (Minutes No. 27 dated 6 April 2015) and amended (Minutes No. 10 dated 27 September 2021) by Rosneft’s Board of Directors.
2 Approved by Order No. 730 dated 12 December 2019.
3 The assessment is preliminary and can be updated once the KPI progress audit is completed.
4 In RUB terms.
5 Based on the management accounts.
INVESTMENT PROGRAMME IN 2021

Rosneft’s 2021 investment programme was approved as part of the 2021–2022 Business Plan at the Board of Directors on 17 December 2020 (Minutes No. 14 dated 21 December 2020).

In 2021, capex amounted to around RUB 1 trln in line with the Company’s strategic target. A favourable macroeconomic environment, coupled with efficiently implemented initiatives, enabled Rosneft to ramp up investment activities aimed at unlocking the production potential of new greenfields, upgrading and expanding oil refineries, and reducing environmental footprint.

To select and prioritise projects, we leverage and enhance our portfolio management toolkit that enables a proactive response to external and internal developments and quick optimisation or reallocation of investments between different business segments. We evaluate projects and investment opportunities within our portfolio on the basis of project profitability by taking into account project risk assessments and the Company’s financial capacity.

Our investment programme seeks to achieve key strategic goals, including an increase in business profitability, enhancing operational and investment efficiency, launching projects on time and on budget, and minimising the environmental footprint.

Around 98% of our investments are concentrated in Russia, with ca. 30% attributable to projects in Eastern Siberia and the Far East.

In 2021, Exploration and Production accounted for ca. 91% of our investments, including 6% spent on gas projects, with 6% invested in Refining, Commerce and Logistics.

≈ RUB 1.05 trln
Capex in 2021

Investment programme breakdown, %

- Exploration and Production: 91%
- Downstream: 6%
- Other: 3%

In 2021, E&P capex totalled RUB 956 bln. These investments help us maintain and develop mature and new oil and gas assets to meet the strategic goals related to hydrocarbon production and reserve replacement. In 2021, capital investments in mature onshore and offshore fields exceeded RUB 520 bln, or 50% of the Company’s capex.

Capital investments in major and new oil and gas projects in Russia amounted to more than RUB 407 bln, or more than 35% of the Company’s investment programme.

In 2021, Exploration and Production accounted for ca. 91% of our investments, including 6% spent on gas projects, with 6% invested in Refining, Commerce and Logistics.

In 2021, the Downstream capex totalled RUB 64 bln.

Investments focused on highly cost-effective projects to construct and upgrade production units and facilities at refineries, development of oil depots and refuelling complexes at major Russian airports, growth of the catalyst and additive business, and further implementation of the programme for renovation of the retail network and occasional construction and reconstruction of filling facilities.

We expect these projects to give a boost to our refining margins, light product yield and the output of high-quality petroleum products, while also increasing sales through the retail and B2B channels.

In 2021, Exploration and Production accounted for ca. 91% of our investments, including 6% spent on gas projects, with 6% invested in Refining, Commerce and Logistics.

Minimisation of the impact on climate and environment is a key strategic priority for Rosneft. To this end, the Company systematically implements a range of initiatives and investment projects aimed at reducing APG flaring, increasing pipeline reliability, enhancing waste and effluent management, and remediating land plots. In 2021, green investments amounted to ca. RUB 55 bln.
Investment process

Our investment process hinges on the following key principles:

- Availability of all required investment decisions
- Performance above the minimum threshold for each project
- Financing only in case of an investment decision and funds allocated in the business plan
- Standardising approaches to project assessment and documentation
- Authority delegation

Delegating: investment bodies and limitations

<table>
<thead>
<tr>
<th>Limits of authority</th>
<th>Investment bodies</th>
</tr>
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<tbody>
<tr>
<td>&gt;USD 1,500 mln</td>
<td>Board of Directors</td>
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<td>USD 200–500 mln</td>
<td>Investment Committee</td>
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<td>USD 0–200 mln</td>
<td>Dedicated committees</td>
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Rosneft’s investment governance process is integrated with all related processes, including strategic and business planning, budgeting, reporting and financial control, project management and corporate governance. It covers the following areas:

- discipline and responsibility: business projects are approved through decision-making delegation within the permitted limits as per the investment mandate following a regulated comprehensive project analysis process;
- investment decision-making: sound investment decisions, shorter periods of approval and review of investment memoranda, responsibility of investment project owners and supervisors for compliance with timeliness, budget, efficiency and performance criteria;
- monitoring and control: regular and thorough project monitoring at all levels, charge management process; IT-based control of investment decision availability when assuming financial obligations (the two-key principle) at all stages of project planning and implementation;
- portfolio analysis: building a balanced portfolio of the Company’s projects and flexible management, relying on principles of comprehensive project ranking and optimisation based on a list of criteria depending on the Company’s Development Strategy and current priorities, use of tools for portfolio scenario analysis;
- IT tools: automating investment project management, including the support of investment decision making, economic analysis and portfolio management.

Portfolio optimisation criteria:
- economic efficiency;
- materiality;
- readiness for implementation;
- compliance with the strategy.

Strategic objectives and priorities

- Ongoing projects
- Investment initiatives
- Individual project results
- Overall portfolio results
- Improvement recommendations

Macroeconomics and external environment

Resource and financing constraints

Investment distribution

Maximum efficiency and profitability

Project approval, cancellation, completion

Value creation (NPV)

Portfolio management

Strategic objectives and priorities

Ongoing projects

Investment initiatives

Individual project results

Overall portfolio results

Improvement recommendations

Maximising benefits in the investment portfolio

Portfolio optimisation criteria:
- economic efficiency;
- materiality;
- readiness for implementation;
- compliance with the strategy.

Delegating: investment bodies and limitations

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Refining, Commerce and Logistics

Exploration and Production

Functional
## KEY OPERATING AND FINANCIAL RESULTS

### METRIC

<table>
<thead>
<tr>
<th>METRIC</th>
<th>2021</th>
<th>2020</th>
<th>CHANGE</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proved SEC reserves of liquid hydrocarbons, mmt</td>
<td>3,458</td>
<td>3,489</td>
<td>-0.9%</td>
<td>3,935</td>
</tr>
<tr>
<td>Proved PRMS reserves of liquid hydrocarbons, mmt</td>
<td>3,752</td>
<td>3,891</td>
<td>-3.6%</td>
<td>4,383</td>
</tr>
<tr>
<td>Proved SEC reserves of marketable gas, bcm</td>
<td>2,093</td>
<td>2,106</td>
<td>-0.6%</td>
<td>2,119</td>
</tr>
<tr>
<td>Proved PRMS reserves of marketable gas, bcm</td>
<td>2,380</td>
<td>2,423</td>
<td>-1.8%</td>
<td>2,452</td>
</tr>
<tr>
<td>PRMS hydrocarbon reserves-to-production ratio, years</td>
<td>24</td>
<td>23</td>
<td>4.3%</td>
<td>23</td>
</tr>
<tr>
<td>Production of liquid hydrocarbons, mmt</td>
<td>192.1</td>
<td>204.5</td>
<td>-6.1%</td>
<td>230.2</td>
</tr>
<tr>
<td>Natural gas production, bcm</td>
<td>64.7</td>
<td>62.8</td>
<td>3.0%</td>
<td>67.0</td>
</tr>
<tr>
<td>Oil exports, mmt</td>
<td>108.4</td>
<td>115.5</td>
<td>-6.2%</td>
<td>149.4</td>
</tr>
<tr>
<td>Oil refining, mmt</td>
<td>106.1</td>
<td>104.0</td>
<td>2.1%</td>
<td>110.2</td>
</tr>
<tr>
<td>Petroleum product and petrochemicals output, mmt</td>
<td>103.3</td>
<td>101.4</td>
<td>1.9%</td>
<td>107.5</td>
</tr>
<tr>
<td>Petroleum product and petrochemicals exports, mmt</td>
<td>60.9</td>
<td>64.2</td>
<td>-5.3%</td>
<td>71.1</td>
</tr>
</tbody>
</table>

### METRIC

<table>
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<th>2020</th>
<th>CHANGE</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues and equity share in profits of associates and joint ventures, RUB bln</td>
<td>8,761</td>
<td>5,757</td>
<td>52%</td>
<td>8,667</td>
</tr>
<tr>
<td>EBITDA, RUB bln</td>
<td>2,330</td>
<td>1,209</td>
<td>93%</td>
<td>2,105</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>26.1%</td>
<td>20.4%</td>
<td>5.7 p.p.</td>
<td>24.3%</td>
</tr>
<tr>
<td>Taxes and customs duties, RUB trln</td>
<td>3.8</td>
<td>2.4</td>
<td>56%</td>
<td>3.7</td>
</tr>
<tr>
<td>Net income¹, RUB bln</td>
<td>883</td>
<td>132</td>
<td>569%</td>
<td>802</td>
</tr>
<tr>
<td>Net income margin</td>
<td>10.1%</td>
<td>2.3%</td>
<td>7.8 p.p.</td>
<td>9.2%</td>
</tr>
<tr>
<td>ROACE</td>
<td>16.1%</td>
<td>6.9%</td>
<td>9.2 p.p.</td>
<td>15.7%</td>
</tr>
<tr>
<td>ROA</td>
<td>14.9%</td>
<td>3.0%</td>
<td>11.9 p.p.</td>
<td>14.3%</td>
</tr>
<tr>
<td>Capex, RUB bln</td>
<td>1,049</td>
<td>785</td>
<td>34%</td>
<td>854</td>
</tr>
<tr>
<td>Unit capex in exploration and production, USD/boe</td>
<td>7.6</td>
<td>5.5</td>
<td>38%</td>
<td>6.1</td>
</tr>
<tr>
<td>Unit opex in production, USD/boe</td>
<td>2.7</td>
<td>2.8</td>
<td>-4%</td>
<td>3.1</td>
</tr>
<tr>
<td>Free cash flow, RUB bln</td>
<td>1,044</td>
<td>425</td>
<td>146%</td>
<td>941</td>
</tr>
<tr>
<td>Dividend per share, RUB</td>
<td>6.94</td>
<td>33.4</td>
<td>33.41</td>
<td></td>
</tr>
<tr>
<td>Total accrued dividends, RUB bln</td>
<td>73.6</td>
<td>354.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Proved reserves of liquid hydrocarbons, mmb

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<th>Year</th>
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<th>2020</th>
<th>2021</th>
</tr>
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<tbody>
<tr>
<td>Proved SEC reserves</td>
<td>29,114</td>
<td>25,816</td>
<td>25,576</td>
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<tr>
<td>Proved PRMS reserves</td>
<td>2,119</td>
<td>2,106</td>
<td>2,093</td>
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### Proved reserves of natural gas, bcm

<table>
<thead>
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### Oil and gas condensate reserve replacement ratio, SEC, %

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas condensate reserve replacement ratio</td>
<td>129</td>
<td>138¹</td>
<td>117¹</td>
</tr>
</tbody>
</table>

### Exploration and Production opex per barrel of produced oil equivalent, RUB

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration and Production opex per barrel of produced oil equivalent</td>
<td>199</td>
<td>200</td>
<td>196</td>
</tr>
</tbody>
</table>

### Natural gas production, bcm

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural gas production</td>
<td>230.2</td>
<td>204.5</td>
<td>192.1</td>
</tr>
</tbody>
</table>

### In 2021, the Company’s liquid hydrocarbon production was 192.1 mmt following the disposal of a number of low-margin assets. Excluding assets disposed of in 2020–2021, average daily output of liquid hydrocarbons increased by 1.5% year-on-year. At our existing assets as at the year-end (excluding assets disposed of in 2020), average daily output of liquid hydrocarbons rose by 2.3% year-on-year.

### In 2021, revenue increased by 52.2% year-on-year to RUB 8,761 bln on the back of rising global oil prices and a recovery of demand for crude oil and petroleum products in the global market.

### Operating expenses increased by 7.5% year-on-year to RUB 1,716 per tonne mainly due to higher tax rates of natural monopolies, wage indexation, and growth in scheduled maintenance costs.

### As a result of ongoing efficiency improvements and asset portfolio optimisation, unit operating expenses in hydrocarbon production were kept at a minimum level of RUB 196 per boe, down 2% vs 2020.

### Revenue, RUB bln

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>4,493</td>
<td>3,997</td>
<td>4,246</td>
</tr>
</tbody>
</table>

¹ Including divestments across the relevant assets
² Data has been revised.
HEALTH, SAFETY, ENVIRONMENT, CLIMATE CHANGE

**Strategic HSE guidelines and targets**

In December 2021, the Company's Board of Directors adopted Rosneft-2030: Reliable Energy and Global Energy Transition strategy. It envisages a breakthrough in the Company's health and safety management, prioritising the targets of zero FAR (fatal accident rate, including contracting) and zero PSER-1 (process safety events rate).

Rosneft-2030 Strategy also seeks to reduce the Company’s carbon footprint and boost its operational and financial efficiency. Moreover, Rosneft aims to achieve net carbon neutrality by 2050 with respect to Scope 1 and 2 emissions. To accomplish this goal, the Company plans to reduce emissions, leverage low-carbon energy generation techniques, develop energy-saving, carbon capture and storage technologies, and promote natural absorption.

In line with its strategy, the Company lays great emphasis on protecting the environment and biodiversity and fostering a circular economy. Rosneft also reaffirms its commitment to 100% waste disposal and remediation of heritage lands.

In 2021, Rosneft developed the List of 2035 Environmental Targets in line with the UN Sustainable Development Goals, national environmental goals of the Russian Federation through 2030, and the Company’s Environmental Vision to 2035 previously adopted by the Strategy and Sustainable Development Committee. Achieving these targets will ensure compliance with the environmental goals of Rosneft-2030: Reliable Energy and Global Energy Transition strategy.

**HSE management system and principles**

Resolutions adopted by the Board of Directors in 2018 ensure that Rosneft’s operating and strategic priorities conform to the 17 UN Sustainable Development Goals, with five of them defined as key focus areas: Good Health and Well-Being, Affordable and Clean Energy, Decent Work and Economic Growth, Climate Action and Partnership for Sustainable Development. The Company pursues its HSE objectives within the framework of the Integrated Health, Safety and Environment Management System (IMS).

The IMS is part of the Company’s governance system. It is a set of processes, procedures, rules and resources used to implement the Policy and achieve HSE targets by efficiently managing risks and opportunities, monitoring compliance and improving performance in this area.

The IMS covers all operations of Rosneft and Group Subsidiaries, and is mandatory for all employees of the Company.

In 2021, Rosneft-2030: Reliable Energy and Global Energy Transition strategy was extended from 2030 to 2035.

**Management in action**

In 2021, the Company’s HSE Committee held seven meetings. The top managers acting as its members considered a broad range of HSE issues, such as:

• managing preparedness for oil spill response and emergency rescue operations;
• improving aviation safety;
• reviewing performance of “safety barriers” based on HSE control procedures;
• analysing incident investigation reports;
• implementing HSE risk assessment tools in hazardous operations of the Group Subsidiaries;
• reviewing the list of environmental indicators under Rosneft’s 2035 Environmental Vision;

The Company is actively developing its HSE control system, as stipulated by the Regulations on HSE Control. The supervisory procedures serve to audit the Group Subsidiaries for:

• compliance with HSE requirements;
• HSE performance and efficiency;
• compliance with Environmental Management Systems and Occupational Health and Safety Management Systems standards;
• identification of critical and high HSE risks and their reduction to manageable levels.

The control system functions at two levels.

The number of certified Group Subsidiaries is constantly increasing. In 2021, Rosneft’s Moscow office and the Group Subsidiaries engaged an independent party to conduct an audit of the Company’s IMS for compliance with the above-mentioned standards, including the Environmental Management Systems and Occupational Health and Safety Management Systems. The accredited certification authority confirmed the system’s compliance with these standards, expanded the scope of certification, and increased the number of certified Group Subsidiaries from 66 to 76 under the Company general certificate.

In 2021, the Company’s IMS covers all operations of Rosneft and Group Subsidiaries, and is mandatory for all employees of the Company.

The Company’s IMS takes into account the internal and external factors (context) impacting its ability to reach the HSE targets, stakeholder attitudes and implementation of the commitments and principles under the Company’s HSE Policy.

Since 2006, the IMS has been attested for compliance with the relevant ISO (and/or GOST R ISO) standards on an annual basis by procuring relevant certificates.

The Company’s performance reports were reviewed discussed by the Strategy and Sustainable Development Committee and the Board of Directors. Quarterly meetings of the Carbon Management Committee were held in line with the internal procedures. The agenda focused on progress against the Company’s Carbon Management Plan for 2021.

As part of the HSE Committee’s target performance review, Vice Presidents within the Committee assisted with the implementation of the Group Subsidiaries’ plans and programmes aimed at attaining the HSE goals set out in the Rosneft-2022 strategy.
LEADERSHIP AND SAFETY CULTURE

The managers of Rosneft and Group Subsidiaries annually demonstrate their HSE leadership by undertaking to convince employees by personal example that compliance with the HSE requirements is a must. The leadership guidelines are set by employee communications emphasising the value of employees’ life and health. They are delivered by the CEO, Vice Presidents in charge of businesses units and the Vice President for Health, Safety and Environment.

The Golden Rules of Safety cover key operational safety requirements of the Company and are communicated on an ongoing basis. Given the COVID-19 restrictions, the Golden Rules training course was adapted to meet the needs of distance learning and made it available to all the Group Subsidiaries. In 2021, over 76 thousand employees were trained.

The Company sets great store by the quality of in-house HSE training and the education of internal trainers for the Group Subsidiaries’ personnel. To boost the trainers’ skills and qualifications, two conferences were held in 2021 to discuss Workshops for Internal HSE Trainers. They were attended by 70 internal trainers from 36 Group Subsidiaries.

The 8th Corporate Congress of Rosneft Ecologists was held in 2021. The participants included top management, leaders and environmental experts from more than 200 Group Subsidiaries, professionals from all business units of the Company’s Head Office, and Rosneft’s foreign partners. Global energy transition and circular economy were key issues in the reports presented by the Company’s experts and foreign partners. The participants took note of Rosneft’s achievements in implementing the Global Methane Initiative, and detecting and eliminating methane leakages. The Congress also discussed using natural reservoirs for carbon adsorption.

The event also focused on performance under the Rosneft-2022 strategy and the tools used to achieve strategic environmental goals. The Company maintains high volumes of green investments and shows considerable progress in reducing its impact on water bodies by curbing pollution discharges despite the global economic slowdown and waning demand for hydrocarbons.

One of the Congress highlights was the presentation of Rosneft’s 2030 Environmental Vision and Carbon Management Plan for the period until 2035. The participants discussed approaches to these fundamental documents, the Company’s long-term strategic goals in environmental and climate safety, and the ways to achieve them.

To raise awareness of the Company’s climate action among its employees, Rosneft continued to stage its Carbon Management corporate courses in 2021. In the reporting year, the Company provided training to 66 of its executive officers from various business units of the Company’s Head Office, as well as to 397 employees of Group Subsidiaries in Exploration and Production engaged in methane identification projects.

CONTRACTOR RELATIONS

Contractor relationship management in the context of operational safety is a major part of the safety culture and a driver of the Company’s sustainable development. The need to manage safety issues among contractors arises from the risk of adverse consequences for the Company in case of unsafe operational practices employed by the contractors.

The main objectives of the contractor relationship management strategy in the realm of HSE are:

- to reduce injury rates among the contractor employees performing their contractual operations for the benefit of the Company on its premises and属s areas,
- to reduce accident rates and bring operational damages inflicted on the Company to zero;
- to provide for consistent fulfilment of the Company’s production plans under the contract obligations in line with the Russian laws and Rosneft’s internal HSE regulations.

In an attempt to nurture safety culture, in 2021 the Company developed and introduced the Contractor Leadership Declaration as an indispensable part of the contractor agreement. The document sets forth key areas and activities that the contractor’s management undertakes to perform as part of its contractual dealings with the Company’s businesses. The measures are primarily aimed at ensuring the greater involvement of the contractor’s management in the safety process, building more efficient communications and controlling occupational health and safety on the ground.

RISK-ORIENTED APPROACH

The aim of HSE risk management is to introduce and maintain adequate and sufficient management actions regarding all identified risks that are:

- consistent with the level of the risk assessed;
- provided with the necessary resources allocated by priority;
- approved on the required management level of the Company.

HSE risk management is a set of tools helping managers at various levels, from senior executives to line managers, to make the best and most efficient comprehensive decisions on operational safety when having limited resources.

It is based on HSE risk analysis and assessment using a bow-tie diagram and single matrix of HSE risk assessment, with the findings being recorded in risk registers. These findings are a starting point in prioritising mitigation efforts.
and defining the governance level to resolve on the risk management strategy.

A bow-tie diagram provides a visually simple representation of the risk and overview of the current state of proactive and reactive barriers. It also offers the opportunity to prioritise potential corrective actions for the drawbacks identified (weak or missing barriers). The advantages of this method serve to develop common diagrams with varying levels of detail for the most significant and frequent risks. The Company has already developed diagrams for fire, road, blowout, and pipeline leakage risks, specifying a set of proactive and reactive barriers (actions) for each type of accident. Based on these common solutions, Group Subsidiaries develop programmes for barrier creation/consolidation. For example, a risk-oriented approach was used to develop and implement fall and road accident prevention programmes.

Along with the proactiveness of a risk-oriented approach, which implies risk assessment, analysis, and management based on global and industry-specific practices and forecasting, the Company uses a risk-oriented barrier approach to investigating HSE incidents and planning remedial actions. The barrier approach to investigation:

- is key to reducing occupational injury and accident rates.

Training courses were developed for heads and members of incident investigation commissions to enhance their competencies:

- a course titled "Procedure for the Internal Investigation of Incidents" is run at Gubkin Russian State University of Oil and Gas and internally by the Company’s coaches;
- an internal training course titled “Using a Risk-Oriented Barrier Approach to Investigating Incidents, Learning Lessons, and Planning Remedial Actions” was developed;
- the following interactive multimedia (distance) learning courses are being developed: “Using a Barrier Approach in Investigating Incidents Internally” and "Using a Risk-Oriented Approach to Falling and Stumbling Prevention”.

Our diverse learning formats cover as many employees involved in investigations as possible.

Since 2020, a risk-oriented approach has been used in carrying out comprehensive audits of targeted HSE audits. In 2021, 65 HSE audits were conducted at Group Subsidiaries (up 22% year-on-year), with inconsistencies and violations assessed based on the availability, lack, or inadequacy of safety barriers stipulated in current and planned operations, and recommendations issued to eliminate these inconsistencies and violations.

Taking into account the Rosneft-2030 strategy, a risk-oriented approach remains a major aspect of the Company’s health and safety efforts – from planning to auditing.

**PROCESS SAFETY**

The Company complies with federal and corporate regulations on process safety. Operational functions and HSE units of Group Subsidiaries oversee both the planning and implementation of necessary actions (in developing operational programmes and business plans at the Group Subsidiaries), while Rosneft exercises centralised control.

The Company plays an active role in improving legislation on process and fire safety, including the large-scale revision on the federal level. In 2021, the Company reviewed and finalised consolidated comments on, and additions to 214 draft regulations of the Russian Federation.

Rosneft is a regular participant in industry-specific meetings and conferences held by Rostekhnadzor’s R&D Council, the Ministry of Energy, and Industrial Safety Committee of the Russian Union of Industrialists and Entrepreneurs (including remote participation). The Company’s representatives contribute actively to Rostekhnadzor’s working groups on revision of key federal standards and rules dealing with oil and gas industrial safety.

Since January 2019, the Company has been extensively using a PSE methodology to keep record of and categorise industrial incidents. The risk-oriented (barrier) approach is accompanied by target programmes developed and implemented to ensure integrity of operational facilities, which is achieved primarily by including target checks and audits in action plans aiming to establish/strengthen barriers where the incidents have revealed inconsistencies.

In 2021, the Company performed the following actions under a pipeline integrity programme titled “Pipeline Reliability Improvement in 2020–2025”:

- revamp and repair of 1,400 km of oilfield pipelines;
- inhibition of more than 18,000 km of oilfield pipelines;
- in-line cleaning of 24,000 km of pipelines;
- diagnostics and safety reviews of 22,900 km of oilfield pipelines.

Since 2015, the Company has been analysing the causes of technical accidents in Oil Refining and Petrochemicals, identifying systemic failures of technical equipment. Based on the results of the analysis, the Company has developed nine integrity programmes aimed at improving the reliability of technical devices and equipment, earmarking RUB 1.23 bn for the implementation in 2021.

**ROAD TRAFFIC SAFETY**

In 2021, under its 2020–2022 Road Safety plan, the Company implemented the following preventive measures to reduce road safety risks and prevent accidents:

- assessing the equipment of the Company’s and contractors’ vehicles using in-vehicle monitoring systems and video recorders;
- identifying dangerous locations on oilfield, on-site, or industrial roads and installing warning systems, traffic signs, and cameras that could help detect violations;
- educating employees of Group Subsidiaries and contractors on compliance with traffic regulations and road safety management system requirements;
- running accident prevention campaigns “Safe road – 2021” and “We are for road safety – 2021” in the regions of operation,

in addition to a road safety campaign “Beware, Children!” held by the Company’s employees and transportation contractors in cooperation with the traffic police at the beginning of the school year;

- monitoring road infrastructure and maintenance (de-icing agents (sand and salt mixture) in stock, timely cleaning and treatment of road surfaces, placement of traffic signs, condition of ice and winter roads, readiness of utility vehicles);
- auditing vehicle operation safety in active parts of the Company’s licence areas;
- running the following training courses for drivers (machine or tractor operators):
  - “What to Do If Your Vehicle or Machine Has Been Exposed to Electric Current”;
  - “How to Escape From Your Vehicle If It Has Started to Plunge into Icy Water”;
  - “How To Do An Emergency Stop at Night”;
  - “What to Do If Your Gasoline Truck’s Tank Is on Fire”;
- making on-site visits in cooperation with the traffic police and private security companies (involved mobile drug testing).
Environmental responsibility

GREEN INVESTMENTS
The Company is implementing a number of initiatives and investment projects to improve its environmental performance, minimise its environmental footprint, and facilitate biodiversity conservation. In 2018–2021, green investments to reduce the flaring of associated petroleum gas (APG), improve pipeline reliability and wastewater treatment and waste management practices, and remediate contaminated land exceeded RUB 200 bln.

NON-GREENHOUSE GAS EMISSIONS
In 2021, the Company reduced gross pollutant emissions by 12%, with some of this reduction resulting from the continued implementation of the Gas Investment Programme.

WATER PROTECTION
One of the Company’s strategic priorities is to minimise the demand for fresh water in alignment with the United Nations Sustainable Development Goals. This is achieved through the implementation of infrastructure modernisation projects and the use of the best available technologies. In 2021, the Company continued to improve the quality of wastewater discharges through construction and renovation of treatment facilities. This was helped by the renovated facilities reaching their design capacity and existing ones being maintained to show the same efficiency as before.

IMPROVEMENT OF THE EFFICIENCY OF OIL SPILL MANAGEMENT
Rosneft seeks to improve and systematise response procedures related to oil spills and other incidents. In 2021, these efforts yielded a concept of how to strengthen our oil spill response and emergency rescue operations by 2030. It provides for the following:
• a tiered response taking into account the location of the Company’s facilities;
• revision/development of oil spill prevention and response plans;
• a review of the needs for response teams and equipment;
• creation, equipment, and training of local rescue teams.

DRILLING WASTE AND OILY WASTE HANDLING
In 2021, the Company processed around 4.5 mmt of drilling waste, which enabled it to reduce the previously accumulated waste by 23%. In addition, over 11 mmt of oily waste was processed in 2021. Rosneft works continuously to improve its waste management practices and thus maintain the high rates of waste management it has already achieved.

LAND REMEDIATION
The Company continued to implement measures for land protection and rehabilitation, including through establishment and development of ecological services (remediation units) at the key Group Subsidiaries. Over 470 hectares of oil-contaminated land were remediated in 2021 (more than 90% owing to the efforts of internal ecological services).

BIODIVERSITY CONSERVATION
The Company pays special attention to activities aimed at biodiversity conservation. In December 2019, Rosneft and the Ministry of Natural Resources and Ecology of the Russian Federation signed the Cooperation Agreement for a national project ‘Ecology’, which focuses on deeper cooperation on biodiversity conservation. The goal of the project is to assess the current natural state and population dynamics of key species in the marine and terrestrial ecosystems of the Arctic. These species are indicated in the Agreement and include wild reindeer, ivory gull, Atlantic walrus, and polar bear – all (except for the reindeer) listed in the Red Book of the Russian Federation.

Following up on the field work to study such species in 2020, further field studies were carried out in spring and summer 2021, focusing on polar bear and walrus populations on Alexandra Land, an island in Franz Josef Land, as well as the Orange Islands and Cape Zhelaniya, part of the Novaya Zemlya archipelago. Reconnaissance and aerial surveys were conducted in wild reindeer habitats near the Kheta and Khatanga rivers, with their migration routes studied in the Taimyrsky Dolgano-Nenetsky and Evenki districts, Krasnoyarsk Territory. An office analysis of the findings and ivory gull biological specimens offered insights about eight ivory gull colonies in the Kara Sea. The actual cost of activities performed under the Agreement in 2021 was more than RUB 116 mln.

Carbon management – risk and opportunity management
The Company takes into account the importance and impact of carbon management risks (including risks associated with climate change) on its operations. Our commitment to sustainability principles was further highlighted in the new Rosneft 2030 Strategy, which provides for a reduction of the Company’s carbon footprint while boosting its operational and financial efficiency.

Rosneft plans to achieve carbon neutrality by 2050 through a number of strategic initiatives to reduce emissions. These initiatives imply:
• a more than 25% reduction in Scope 1 and 2 emissions by 2035 as compared to 2020;
• achievement of zero routine APG flaring in line with the World Bank’s Zero Routine Flaring by 2030 initiative;
• a reduction of methane intensity to below 0.2%;
• a gradual transition of the Company’s vehicles to low-carbon fuels;
These initiatives will contribute to the goals set by Russia’s Long-Term Development Strategy with Low Greenhouse Gas Emissions to 2050 and will help Russia fulfill its obligations under the Paris Climate Agreement and UN Sustainable Development Goals.
CORPORATE GOVERNANCE

Key corporate governance principles and improvements in 2021

Rosneft’s leading market position, both domestically and globally, and its commitment to creating a long-term sustainable value make it of the utmost importance that our corporate governance framework ensures efficient communication and cooperation between the shareholders, Board members, top managers, employees, business partners, and local communities across the Company’s footprint.

Our corporate governance framework seeks to drive the long-term sustainable growth of the Company’s shareholder value.

Rosneft’s corporate governance framework relies on the Corporate Governance Code developed in line with internationally recognised standards.

Adhering to high corporate governance standards is a strategic priority that powers the long-term sustainable growth of Rosneft’s shareholder value.

GUIDING PRINCIPLES FOR THE COMPANY’S GOVERNING BODIES

Commitment to shareholders

Rosneft has adopted the world’s best corporate governance practices, complies with the Bank of Russia’s Corporate Governance Code to ensure the following:

- equal rights and opportunities for, and equitable treatment of all shareholders;
- professionalism and independence of the Board of Directors who act in the best interests of all shareholders;
- efficiency of the Risk Management and Internal Control System (RM&ICS);
- timely disclosure of complete, valid and up-to-date information on the Company’s activities that is most relevant to shareholders and investors for them to rely on in making informed decisions (references to Appendix 2 and the Corporate Governance Code).

A substantial share of the Company’s net income is distributed as dividends. In 2021, our shareholders received RUB 264.6 bln. We continue enhancing Shareholder’s Personal Account, a powerful tool for shareholders to stay in contact with the Company.

Innovation and global leadership

In the pursuit of continuous improvement and global leadership, we are developing and investing in cutting-edge technologies.
Key Achievements in 2021

The Board of Directors approved the Rosneft-2030: Reliable Energy and Global Energy Transition strategy.

Rosneft was ranked first in the oil and gas industry and among Top 5 Russian companies by the independent European rating agency Rating-Agentur Expert RA GmbH (RAEX-Europe), with its performance in corporate governance earning an especially high score.

The Board of Directors conducted its self-assessment and reviewed the results.

Favourable environment for sustainable growth

The Company cares for its employees, their families, and members of local communities across its footprint. We at Rosneft keep a clear focus on employee health, having adopted an integrated framework to respond to epidemic threats. Amid the pandemic, we supplied all production sites and offices with personal protective equipment and arranged for the regular testing of our employees and contractors for COVID-19.

The Company takes care of the environment by introducing carbon management initiatives and implementing best waste management practices. Commitment to environmental safety is an integral part of our corporate culture.

The Company supports scientific research, culture, and sports. Rosneft respects and honours human rights and freedoms in accordance with the Universal Declaration of Human Rights, Social Charter of the Russian Business, relevant generally accepted standards, and the laws of the Russian Federation and other countries where the Company operates.

Partnership with non-governmental organisations and cooperation with state institutions

The Company is a party to the UN Global Compact.

For several years running, Rosneft has been one of Russia’s largest taxpayers.

Protection of shareholders and key stakeholders

The Company implements best internal control and risk management practices, develops technologies for industrial safety and information security, and ensures product safety, protecting its customers and contractors.

Corporate governance plans for 2022

- Enhancing the Shareholder’s Personal Account as part of digitalising communications with shareholders.
- External assessment of the Board of Directors’ efficiency.
- Review of the corporate governance framework for compliance with the Rosneft-2030: Reliable Energy and Global Energy Transition strategy as regards the climate agenda and reliable supplies of affordable and clean energy.

Rosneft maintains compliance with the Bank of Russia’s Corporate Governance Code at a high level. For evaluation of compliance with the Bank of Russia’s Code, see Appendix 3 to this Annual Report. The internal documents regulating corporate governance are available on the Company’s official website.

Energy and Global Energy Transition strategy as regards the climate agenda and reliable supplies of affordable and clean energy.
Governance and control structure

The Company operates a two-tier management model where management functions are split between the Board of Directors and executive bodies.

**BOARD OF DIRECTORS**
The Board of Directors performs the two key functions:
- strategic management of the joint-stock company, which includes approving strategic documents and material transactions;
- oversight of the executive bodies.

**EXECUTIVE BODIES**
- Rosneft has established a collective executive body (Management Board) chaired by the Chief Executive Officer.
- Strategic management of the joint-stock company, which includes making decisions on key matters of the Company’s business.

*General Shareholders Meeting*
Rosneft’s supreme governing body responsible for decision-making on key matters of the Company’s business.

*Board of Directors*
Provides strategic management of the Company’s activities; it reports to the General Shareholders Meeting and acts on behalf and for the benefit of all shareholders within its remit.

*Committees of the Board of Directors*
- Audit Committee: Reviews and then issues recommendations for overseeing the Company’s business; preparing complete and accurate accounting (financial) statements and other reports; and ensuring reliability and effectiveness of risk management and internal control systems, compliance, internal audit, and corporate governance.
- Strategy and Sustainable Development Committee: Assists in defining the Company’s strategic goals and growth targets, including ESG goals, and issues strategic and business planning recommendations.
- HR and Remuneration Committee: Reviews and then issues recommendations for assessing effectiveness of the Company’s HR and succession policies and the appointment and remuneration system; evaluating Board and management candidates; reviewing independence of independent directors; and conducting performance assessments of the Board of Directors, the executive bodies, and top managers of the Company.

*Executive bodies* (Chief Executive Officer and Management Board)
Chief Executive Officer
Sole executive body
Management Board
Collective executive body

*Internal Audit Service*
Assesses the robustness and effectiveness of the Company’s business processes, identifies internal potential for improving its financial and business performance, including that of the Group Subsidiaries.

*Corporate Secretary*
Ensures the governing bodies’ compliance with the applicable laws, the Company Charter and internal regulations, which guarantee protection of shareholders’ rights and legitimate interests. Organises the work of the Board of Directors and is responsible for efficient communication between the Company’s shareholders, governing and supervisory bodies, and management.

*External auditor*
A commercial organisation selected through a procurement process and approved by the General Shareholders Meeting upon recommendation of the Board of Directors based on the Audit Committee’s assessment.

*Audit Commission*
Oversees the Company’s financial and business operations and performance of its governing bodies, executives, business units and functions, branches and representative offices.
ANTI-CORRUPTION EFFORTS

Rosneft works to maintain compliance with the requirements of the anti-corruption laws of the Russian Federation, including through a set of measures aimed at building an organisational structure and elements of corporate culture, and establishing rules and procedures to prevent corporate fraud and corruption.

The effort was also aligned with the National Anti-Corruption Plan for 2021–2024 approved by Presidential Executive Order No. 478 dated 16 August 2021.


All of the Company’s governing bodies contributed to these efforts within their remit:

1. Rosneft’s Chief Executive Officer ensures the implementation of the Company’s Policy on Combating Corporate Fraud and Involvement in Corruption Activities, and approves the relevant internal regulations.

2. In 2021, the Group implemented the following measures:
   • updated the Company’s Regulations No. P3-11.03 R-0077 version 2.00 on Coordinating Anti-Fraud and Anti-Corruption Processes, approved by Order No. 488 dated 28 September 2021,
   • revised the Company’s Regulations No. P3-11.03 R-0020 version 1.00 on Managing Conflicts of Interest, approved by the Rosneft’s Board of Directors (Minutes No. 5 dated 16 August 2021), enacted by Order No. 488 dated 28 September 2021,
   • updated the Company’s Regulations on Reviewing Information Received Through the Security Hotline, approved by Order No. 97 dated 3 March 2021,
   • developed the Company’s Standard Requirements “Regulations No. P3-11.03 R-0025 version 4.00 on Reviewing Information Received Through the Security Hotline”, approved by Order No. 235 dated 24 May 2021.


In the reporting period, Rosneft:
• updated its employees on typical violations of anti-fraud and anti-corruption rules (including management of conflicts of interest) on a quarterly basis,
• on an ongoing basis informed the relevant units about new regulations and government initiatives aimed at combating corruption,
• assessed/assessed the risk of corporate fraud and corruption on a quarterly basis in line with the approved methodology,
• conducted ongoing anti-corruption audits of draft internal regulations,
• published the quarterly All about Compliance information bulletin, and distributed the bulletin devoted to the International Anti-Corruption Day to all Rosneft employees on 9 December 2021.

The Company manages conflicts of interest at all levels.

The rules for the avoidance and prevention of conflicts of interest are set forth in the Corporate Governance Code, the Code of Business and Corporate Ethics, the Company’s Policy on Combating Corporate Fraud and Involvement in Corruption Activities, and the Regulations on Managing Conflicts of Interest.

The Regulations set out a framework to classify conflicts of interest, including conflicts of interest between shareholders and members of the Company’s governing bodies (e.g. decisions made by corporate governing bodies that might adversely affect the Company’s financial and operating performance; the Company failing to make a statutory disclosure or members of corporate governing bodies underreporting on their positions in governing bodies of other entities, on interests (stake) held in other entities, or other information required to be disclosed by the applicable laws, the Company’s Charter or internal regulations).

The Board members’ obligations to disclose a conflict of interest are set out in the Regulation on the Holding by Members of Rosneft Board of Directors of Rosneft Shares, Shares of and Equity Stakes in Group Subsidiaries.

Apart from that, the Company collects annual declarations on property and property-related obligations of its officers and employees, as well as on income, property and property-related obligations of their spouses and minor children who are included in the list of persons required to submit such declarations. It also carries out an annual campaign to collect ethical declarations of the Company’s officers and employees in order to monitor their compliance with restrictions, prohibitions and requirements of anti-corruption laws. When hiring new employees and appointing to new positions we sign an anti-corruption clause, which forms part of their employment contracts and includes the restrictions, prohibitions and requirements aimed at preventing the conflict of interest.

All Group Subsidiaries have set up conflict of interest commissions.

The Company runs ongoing corporate training programmes in the field of countering corporate fraud and corruption for its employees, including those whose job responsibilities include participation in combating corruption, and new hires.

We worked to introduce anti-corruption compliance requirements at joint ventures with Norway’s Equinor.

The Company operates a 24/7 Security Hotline to report on suspected, proven and potential cases of corporate fraud, corruption and conflict of interest.

In 2021, the Security Hotline received 23,851 reports.

Identified/prevented damage amounted to RUB 75.3 mln. The Company terminated 49 employment contracts, took disciplinary action against 134 employees, and submitted findings of 18 audits to law enforcement authorities.

Members of the Company’s Board of Directors are updated on the Security Hotline operation on a quarterly basis.

The Corruption Control section on the official corporate website has:
• the Company’s statement on its zero tolerance for corruption;
• key provisions of Russian and applicable international anti-corruption laws;
• internal corruption control regulations of the Company (Rosneft’s Code of Business and Corporate Ethics and Policy on Combating Corporate Fraud and Involvement in Corruption Activities);
• Security Hotline contact details;
• information on cooperation with law enforcement authorities.
The Audit Commission monitors the Company’s financial and business activities and comprises five members elected on an annual basis by the Annual General Shareholders Meeting. The Audit Commission audits the Company’s financial and business operations, verifies the accuracy and reliability of data included in Rosneft’s annual reports and annual accounting (financial) statements, and prepares proposals and recommendations for improving the asset management efficiency and RM&ICS.

In 2021, the Audit Commission held two meetings that, among other things, adopted its action plan and approved an audit programme. The findings of the Audit Commission following the audit were communicated as part of the materials for the General Shareholders Meeting in the form of an opinion of the Audit Commission on the accuracy and reliability of data included in Rosneft’s Annual Report and annual accounting (financial) statements as at 31 December 2021.

On 1 June 2021, the Annual General Shareholders Meeting resolved to elect the Audit Commission as follows:

### CHAIRMAN

**Zakhar Sabantsev**

- Born in 1974.
- Graduated from the Moscow State University of Economics, Statistics, and Informatics.

The Audit Commission is governed by the Regulations on Rosneft’s Audit Commission.

MEMBERS OF THE AUDIT COMMISSION

#### Olga Andrianova

- Born in 1958.
- Graduated from the All-Russian State Distance-Learning Institute of Finance and Economics.
- Chief Accountant – Head of Finance and Economics at JSC ROSNEFTGAZ.

#### Sergey Poma

- Born in 1959.
- Graduated from Nakhimov Black Sea Higher Naval School and St Petersburg State University.
- Vice President of the National Association of Securities Market Participants (NAUFOR).

#### Pavel Buchnev

- Born in 1986.
- Graduated from the Russian State University for the Humanities.
- Head of the Investment Relations Department of the Federal Agency for State Property Management.

#### Aleksey Kulagin

- Born in 1986.
- Graduated from Lomonosov Moscow State University and Tula State University.
- Deputy Director of Department – Head of Economic Analysis Unit, Deputy Director of the Department for Consolidated State Policy and Digital Transformation of the Russian Ministry of Energy.

On 1 June 2021, the Annual General Shareholders Meeting resolved to pay the following amounts to the following members of the Audit Commission pro rate to the time served:

- Olga Andrianova: RUB 220,000;
- Tatyana Zobkova: RUB 55,452.05;
- Sergey Poma: RUB 220,000;
- Pavel Buchnev: RUB 220,000;
- Aleksey Kulagin: RUB 220,000;

No compensation was paid to public officers serving on the Audit Commission.

The total compensation to members of the Audit Commission for 2021 totalled RUB 495,452.05. The procedure for calculating and paying remunerations and compensations to the members of the Audit Commission is described in Rosneft’s Regulations on Remunerations and Compensations Payable to Rosneft’s Audit Commission Members.

ROSNEFT ANNUAL REPORT 2021 About the Company Corporate governance
RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Rosneft has established and is continuously improving its Risk Management and Internal Control System (RM&ICS) aimed at proactive identification and analysis of risks that may impact the Company’s long-term targets as well as its ongoing financial and business operations.

To develop a well-structured and integrated risk management and internal control system, the Company has put in place a multi-level regulatory framework for RM&ICS which outlines key RM&ICS principles at various stages.

1 Rosneft’s Policy on the Risk Management and Internal Control System No. P4–01 P-01 approved by the Company’s Board of Directors, Minutes No. 8 dated 16 November 2015.
RM&ICS stakeholders

Rosneft’s Risk Management and Internal Control System (RM&ICS) has various stakeholders whose roles are distributed depending on their involvement in developing, introducing and monitoring the performance of the system. The RM&ICS has three management levels.

<table>
<thead>
<tr>
<th>Strategic level</th>
<th>Operational level</th>
<th>RM&amp;ICS independent monitoring and performance assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board of Directors and Audit Committee of the Board of Directors</strong></td>
<td><strong>Management</strong></td>
<td><strong>Internal Audit Service</strong></td>
</tr>
<tr>
<td>▪ Approve RM&amp;ICS focus areas and follow up on their progress</td>
<td>▪ Develops, updates, and introduces internal anti-fraud and anti-corruption regulations and implementing documents</td>
<td>▪ Monitor the RM&amp;ICS reliability and performance</td>
</tr>
<tr>
<td>▪ Approve corporate reports on financial and operational risks</td>
<td>▪ Manages the Risk Management Committee</td>
<td>▪ Conducts audits</td>
</tr>
<tr>
<td>▪ Approve risk appetite</td>
<td>▪ Ensures the establishment and operation of an effective RM&amp;ICS</td>
<td>▪ Monitors the implementation of RM&amp;ICS improvement proposals made by internal auditors</td>
</tr>
<tr>
<td>▪ Monitor the RM&amp;ICS reliability and performance</td>
<td><strong>Risk and Internal Control Methodology Department</strong></td>
<td>▪ Assists the Company’s executive bodies in investigating abusive/unlawful practices by the Company’s employees and third parties</td>
</tr>
<tr>
<td><strong>Chief Executive Officer</strong></td>
<td>▪ Plans RM&amp;ICS focus areas</td>
<td><strong>Audit Commission</strong></td>
</tr>
<tr>
<td>▪ Validates RM&amp;ICS focus areas</td>
<td>▪ Develops, implements and updates Company-wide RM&amp;ICS guidelines</td>
<td>▪ Audits the Company’s financial and business operations, verifies the accuracy and reliability of data included in Rosneft’s annual reports and annual accounting (financial) statements</td>
</tr>
<tr>
<td>▪ Validates RM&amp;ICS reports</td>
<td>▪ Prepares reports on risks and internal controls</td>
<td></td>
</tr>
<tr>
<td>▪ Validates risk appetite</td>
<td>▪ Manages the RM&amp;ICS roll-out and operation across Rosneft’s business units and Group Subsidiaries</td>
<td></td>
</tr>
<tr>
<td><strong>Management Board</strong></td>
<td>▪ Conducts self-assessment of internal controls</td>
<td></td>
</tr>
<tr>
<td>▪ Ensures the establishment and operation of an effective RM&amp;ICS</td>
<td>▪ Conducts inspections/investigations into abusive/unlawful practices by the Company’s employees and third parties</td>
<td></td>
</tr>
<tr>
<td><strong>Risk Management Committee</strong></td>
<td>▪ Validates the RM&amp;ICS issues reported to the Chief Executive Officer</td>
<td></td>
</tr>
<tr>
<td>▪ Validates RM&amp;ICS issues reported to the Chief Executive Officer</td>
<td>▪ Resolves RM&amp;ICS operational disputes</td>
<td></td>
</tr>
<tr>
<td>▪ Validates RM&amp;ICS operational disputes</td>
<td>▪ Assists the Company’s management in conducting self-assessment of internal controls</td>
<td></td>
</tr>
<tr>
<td><strong>Business Units Providing Certain RM&amp;ICS Functions</strong></td>
<td>▪ Assists the Company’s management in managing risks</td>
<td></td>
</tr>
<tr>
<td>▪ Prepare and consolidate RM&amp;ICS reports</td>
<td>▪ Helps identify, assess and report on risks and internal controls, and conduct assessment of internal controls</td>
<td></td>
</tr>
<tr>
<td>▪ Manage the roll-out of RM&amp;ICS elements and develop proposals for the risk management methodology</td>
<td>▪ Helps identify, assess and report on risks and internal controls, and conduct assessment of internal controls</td>
<td></td>
</tr>
<tr>
<td>▪ Participates in ensuring compliance with internal regulations and implementing anti-fraud and anti-corruption initiatives taken by Rosneft’s executive bodies</td>
<td>▪ Helps identify, assess and report on risks and internal controls, and conduct assessment of internal controls</td>
<td></td>
</tr>
<tr>
<td>▪ Manages the Security Hotline</td>
<td>▪ Provides guidelines to key RM&amp;ICS stakeholders, trains them in risk management and internal controls</td>
<td></td>
</tr>
<tr>
<td>▪ Manages the Security Hotline</td>
<td>▪ Develops, updates, and introduces internal anti-fraud and anti-corruption regulations and implementing documents</td>
<td></td>
</tr>
<tr>
<td>▪ Conducts inspections/investigations into abusive/unlawful practices by the Company’s employees and third parties</td>
<td>▪ Manages the Security Hotline</td>
<td></td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td>▪ Manages the Security Hotline</td>
<td></td>
</tr>
<tr>
<td>▪ Implement risk management controls and initiatives</td>
<td>▪ Conducts inspections/investigations into abusive/unlawful practices by the Company’s employees and third parties</td>
<td></td>
</tr>
<tr>
<td>▪ Assist the Company’s management in managing risks</td>
<td>▪ Manages the Security Hotline</td>
<td></td>
</tr>
<tr>
<td>▪ Help identify, assess and report on risks and internal controls, and conduct assessment of internal controls</td>
<td>▪ Conducts inspections/investigations into abusive/unlawful practices by the Company’s employees and third parties</td>
<td></td>
</tr>
</tbody>
</table>

**Security Service**

- Develops, updates, and introduces internal anti-fraud and anti-corruption regulations and implementing documents
- Manages the roll-out and operation across Rosneft’s business units and Group Subsidiaries
- Provides guidelines to key RM&ICS stakeholders, trains them in risk management and internal controls
- Conducts inspections/investigations into abusive/unlawful practices by the Company’s employees and third parties
Enhancing the risk management and internal control system

Owing to ongoing improvements in its RM&ICS, the Company can promptly respond to changes in the external environment and internal business processes, achieve better performance, and increase its shareholder value.

Key targets and objectives of the RM&ICS enhancement, as well as critical steps to achieve them, are set out in the RM&ICS Enhancement Plan.

The RM&ICS Enhancement Plan for 2021–2023 was endorsed by the Company’s Risk Management Committee and Chief Executive Officer and approved by Rosneft’s Board of Directors.

To achieve the ICS objectives, the Company needs to:

1. Define and update key ICS focus areas in alignment with the Company’s needs and stakeholder requirements
2. Assess business process risks, develop, adopt and follow controls, including the development of uniform guidelines to support efficient ICS operations
3. Identify shortcomings in existing controls, develop and implement initiatives to address the same; streamline and upgrade controls
4. Develop and implement tools to facilitate communication and information sharing among all RM&ICS stakeholders, including via information systems

The Company’s management and employees ensure the ICS efficiency by managing the relevant functions and performing their job duties.

RM&ICS enhancement highlights for 2021

<table>
<thead>
<tr>
<th>RM&amp;ICS ENHANCEMENT INITIATIVES</th>
<th>RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development and improvement of guidelines on the Risk Management and Internal Control System</td>
<td>The Policy on Risk Management and Internal Control System was updated and approved by the Board of Directors. Methodological guidelines have been developed and approved to assess corporate financial and operational risks, including the risk of default / cross-default, litigation risk, and risk of accumulation of unclaimed liquid and non-liquid inventories.</td>
</tr>
<tr>
<td>Development and implementation of an RM&amp;ICS training programme for the employees of Rosneft and Group Subsidiaries</td>
<td>Employees and risk and internal control experts of Rosneft and Group Subsidiaries were trained in the RM&amp;ICS. A distance course on the basics of strategic risk management was developed. The existing risk management and internal control distance course was updated.</td>
</tr>
<tr>
<td>Enhancement of the risk assessment framework leveraging economic and mathematical models and expert reviews</td>
<td>The Company’s quantitative risk assessment models were verified (back-tested). Approaches were proposed to cascade the financial and economic indicators of the Company’s risk appetite (financial covenants) down to key company-wide risks associated with the current financial and business operations.</td>
</tr>
<tr>
<td>Implementing and maintaining the Internal Control System</td>
<td>A self-assessment of the Company’s internal control was carried out, including the evaluation of control procedures conducted as part of the 2021 plan for testing their implementation. A plan for developing, implementing and maintaining the Internal Control System was drawn up and approved.</td>
</tr>
<tr>
<td>Improving the RM&amp;ICS processes across Group Subsidiaries</td>
<td>The corporate-wide risk management system was implemented by 10 Group Subsidiaries. The criteria for including Group Subsidiaries in the RM&amp;ICS framework were updated.</td>
</tr>
</tbody>
</table>
Risk management at Rosneft is governed by the Company’s Policy on the Risk Management and Internal Control System and Standard on the Corporate-Wide Risk Management System.

The CWRMS is a combination of interrelated elements embedded into various business processes of the Company (including strategic and business planning processes) and implemented at all management levels by all employees of the Company.

As part of CWRMS management at various organisational levels, including the Group Subsidiaries and the Company, we regularly identify and assess risks and develop response measures covering, among others, risks that affect the Company’s long-term goals (strategic risks) along with financial and operational risks. Risk reports including all the information on risks, their assessment and description of mitigants are submitted to the Board of Directors, its Audit Committee, Company’s top management and employees.

Heads of the Company’s business units arrange for, and steer risk management processes within their remit. When choosing a risk response and specific mitigants, risk owners seek to find an optimal trade-off while maintaining an acceptable risk level (risk appetite).

Key CWRMS components

- **Risk management process**: A combination of risk management elements supported by the existing organisational structure, internal policies and regulations, risk management procedures and techniques that are applied across all management levels and functions of the Company to make its risks acceptable in the context of achieving Rosneft’s strategic goals.

- **Risk management infrastructure**: A set of elements that provide a Company-wide basis, tools, and framework for risk management.

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**CORPORATE-WIDE RISK MANAGEMENT SYSTEM (CWRMS)**

**Key CWRMS components**

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**ROSNEFT’S RISKS**

**Industry-wide risks**

- Risk of occupational injuries
- Risk of lower quality of refinery feedstock
- Risk of failure to comply with the repair plan in Oil Refining and Petrochemicals
- Risk of failure to achieve natural gas and gas condensate production targets
- Risk of accumulation of unclaimed liquid and non-liquid inventories
- Risk of accidents
- Risk of failure to achieve oil and gas condensate production targets
- Risk related to rising purchase prices for electric power
- Risk of failure to achieve natural gas price targets
- Risk of penalties for the quality of gas fed into transportation systems

**Financial risks**

- Market risks
- Credit risk related to crude oil, petroleum products, natural gas, petrochemicals and gas processing products supply contracts
- Risk of tax claims and risk of losing tax benefits
- Counterparty risk related to long-term advance payment crude oil and petroleum products supply contracts
- Risk of default/cross-default
- Counterparty risks related to changes in advance payment schedules under long-term crude oil and petroleum products supply contracts

**Legal and country risks**

- Risk of breach of competition laws
- Litigation risk

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1 Rosneft’s Policy on the Risk Management and Internal Control System No. РУ–01–P-01 approved by Resolution of the Company’s Board of Directors, Minutes No. 8 dated 16 November 2015.

2 Rosneft’s Standard on the Corporate-Wide Risk Management System No. РУ–01–P-01 put into effect by order No. 660 dated 22 October 2018.

3 For Rosneft’s key risks in 2022, see Appendix 2 to this Annual Report.
External constraints
Since 2014, the USA, EU and some other countries have been imposing various economic constraints in the Russian Federation, among other things, affecting operations of certain companies in the Russian energy and other industries (including Rosneft and some of its subsidiaries). Rosneft factors in and continuously monitors existing constraints to minimise their adverse effects, and consistently implements its Import Substitution and Equipment Localisation Programme in Russia.

Changes in legislation and regulatory environment
The Company’s operating results are very sensitive to changes in the applicable laws, including tax, currency and customs regulations, etc. Rosneft continuously monitors and assesses such changes, and makes projections as to their likely effect on the Company’s operations. Rosneft’s experts are regular members of working groups drafting bills in various fields of law.

COVID-19 pandemic
In 2020 and 2021, the COVID-19 pandemic affected Rosneft’s operations and key markets. The Company’s management factors in the epidemiological situation when assessing the impact of financial, operational and strategic risks on the achievement of the Company’s mid- and long-term goals, develops and implements measures to reduce such impact, as well as initiatives to protect employees.

RISK APPETITE OF THE COMPANY
In 2021, Rosneft’s Board of Directors approved the Company’s risk appetite for 2022:

Financial and economic performance
The Company strictly complies with its financial covenants. The Company ensures that all its short- and long-term commitments are fulfilled as they fall due.

Health, safety, environment
Recognising the nature and scale of the footprint of its business, products and services, the Company feels responsible for safe and accident-free operation and protects health and safety of its employees and local residents in regions of its operation. As part of its commitment to prevent any potential adverse impact on the environment, the Company makes every effort to protect, preserve and restore natural resources.

Corporate governance
The Company has zero tolerance for any form or manifestation of corporate fraud and corruption. Rosneft’s management evaluates the impact of strategic threats (including those related to sustainable development) on the Company’s strategic targets using expert analysis and statistical approaches. The assessment horizon and the metrics used depend on the way specific targets are set out in the Strategy. The results are then consolidated using the probability theory and mathematical statistics methods to identify the key strategic threats, assess strategic risks and develop measures to mitigate them.

ESG RISKS
Rosneft is fully aware of the importance and impact of sustainability risks, including ESG, on the Company’s business. Our commitment to sustainable business principles was further highlighted in the new Rosneft-2030 strategy. It seeks to reduce the Company’s carbon footprint and boost its operational and financial efficiency. The Strategy will help solidify Rosneft’s position in the global hydrocarbon market as a reliable producer and supplier of energy, minimising its environmental and climate impact. Rosneft aims to achieve net carbon neutrality by 2050 with respect to Scope 1 and 2 emissions. To accomplish this goal, the Company plans to reduce emissions, leverage low-carbon generation, develop energy-saving, carbon capture and storage technologies, and promote natural absorption.

We analyse sustainability risks as part of the effort to identify and assess risks that can affect the Company’s long-term goals (strategic risks and threats). The annual process to identify and assess (prioritise) strategic risks and threats takes into account Russian and international research on the oil and gas industry development, and is based on the Company’s strategic targets as set out in its development strategy. Following this analysis, we determine a list of strategic threats that can potentially impact the Company’s ability to achieve its strategic goals. This list includes threats related to various aspects of sustainable development, including the following strategic threats:

Environmental
- Changes in the structure/volume of energy consumption
- Energy saving and efficiency
- Fast advance of alternative energy
- Climate change in the regions where the Company operates
- Business restrictions stemming from climate initiatives
- Carbon regulation

Corporate Governance
- Tighter regulation and requirements in the industry
- Deterioration of the tax regime

Employee safety, HR and social policy
- Accidents and environmental damage
- Natural disasters
- Armed conflicts, terrorism, civil disturbance
- Cyber security
- HR and social risks
- Epidemics and diseases
- Safety of critical facilities

Based on the 2021 strategic risks and strategic threats assessment, the Company’s management specified the following strategic sustainability threats: tighter regulation and requirements in the industry, accidents and environmental damage.
Internal audit

In 2021, Rosneft’s Internal Audit Service was governed by the Company’s Policy on Internal Audit, Code of Ethics of the International Institute of Internal Auditors and international professional standards of internal audit.

The Internal Audit Service assists Rosneft’s Board of Directors and its executive bodies in enhancing the Company’s management efficiency and improving its financial and business performance, including through a systematic and consistent approach to the analysis and evaluation of the Risk Management and Internal Control System (RM&ICS) as well as corporate governance, therefore providing reasonable assurance that the Company will achieve its goals. It also helps ensure:

- accuracy, reliability, and integrity of information on the Company’s financial and business operations, including those of Group Subsidiaries;
- efficiency and effectiveness of the Company’s operations, including those of Group Subsidiaries;
- room for improvement available across the Company’s financial and business operations, including those of Group Subsidiaries;
- integrity of the Company’s assets, including those of Group Subsidiaries.

Rosneft’s internal audit function is performed by the Vice President – Head of Internal Audit and the Company’s functional units, specifically the Operational Audit Department, the Corporate Audit Department, the Internal Audit Methodology and Management Division, and the Economic and Organisational Analysis Division. In accordance with Rosneft’s organisational structure approved by the Board of Directors, units of the Internal Audit Service report directly to the Head of Internal Audit.

Rosneft’s internal audit function is performed by the Vice President – Head of Internal Audit and the Company’s functional units, specifically the Operational Audit Department, the Corporate Audit Department, the Internal Audit Methodology and Management Division, and the Economic and Organisational Analysis Division. In accordance with Rosneft’s organisational structure approved by the Board of Directors, units of the Internal Audit Service report directly to the Head of Internal Audit.

Rosneft’s Internal Audit Service is mainly responsible for:

- developing an internal audit plan based on the risk-oriented approach;
- assessing the RM&ICS reliability and performance as well as its adequacy given the scale and complexity of the Company’s business;
- assessing corporate governance;
- conducting audits and activities in line with the internal audit plan approved by Rosneft’s Chief Executive Officer and endorsed by the Board’s Audit Committee;
- performing other inspections and tasks as instructed by Rosneft’s Board of Directors (its Audit Committee) and/or the Company’s Chief Executive Officer;
- analysing audit targets to look into, and evaluate specific aspects of their activity;
- developing recommendations for streamlining business processes, including their integrity, risk management and internal controls;
- advising the Company’s executive bodies on risk management, internal controls, and corporate governance (provided that the internal audit remains independent and impartial);
- monitoring the Company’s progress in addressing breaches and shortcomings identified during internal audits;
- assisting the Company’s executive bodies in investigating abusive or unlawful practices by the Company’s employees and third parties, including negligence, corporate fraud, corrupt practices, abuses and various wrongdoings detrimental to the Company;
- cooperating with the Company’s business units on internal audit matters;
- implementing the Internal Audit Quality Assurance and Improvement Programme;
- performing other functions essential to meet the tasks assigned.

Functionally, the Internal Audit Service reports to Rosneft’s Board of Directors. This implies:

- approving Policy-level internal regulations on internal audit (specifically, the Policy on Internal Audit that sets out its goals, objectives, and roles),
- deciding on the appointment and removal of the Head of Internal Audit;
- reviewing internal audit plans and performance reports;
- approving the Internal Audit’s budget and remuneration of the Head of Internal Audit;
- the Board’s Audit Committee reviewing material limitations of authority and other restrictions likely to adversely affect performance of the Internal Audit Service.

Administratively, the Internal Audit Service reports to Rosneft’s Chief Executive Officer. This implies:

- allocating necessary funds within the approved budget;
- reviewing internal audit plans;
- reviewing internal audit performance reports;
- facilitating the cooperation with Rosneft’s and Group Subsidiaries’ business units;
- administrating internal audit policies and procedures.

The existing reporting lines whereby the Head of Internal Audit reports to the Board of Directors and the Company’s executive bodies provide sufficient independence for performing internal audit functions.

Heads of the Internal Audit functional units do not participate in managing functional areas of the Company’s business requiring management decisions on audited entities.

In 2021, the Head of Internal Audit additionally acted as a member of the Board of Directors at Bashneft (from 2 December 2021). For that reason, the Company provided for ongoing monitoring of potential conflicts of interest. To ensure independence and impartiality of internal audit, the Head of Internal Audit did not vote on matters requiring management decisions on audited entities and affecting the impartiality of internal audit.

The internal auditors provide written confirmation of their personal impartiality to the Heads of the Internal Audit functional units and to the Head of Internal Audit at least once a year; thereby raising awareness among the Internal Audit employees about potential conflicts of interest and related issues, as well as response procedures to situations which may influence the independence and impartiality of internal audit.

The Head of Internal Audit provides Rosneft’s Chief Executive Officer, Board of Directors (its Audit Committee) with confirmation of the organisational independence of the Internal Audit Service and individual impartiality of internal auditors at least once a year, as part of the internal audit performance report.
External assessment of the Internal Audit Service

In September 2021, our Internal Audit Service underwent assessment by a qualified independent auditor – KPMG. The Internal Audit Service of Rosneft is generally in line with the International Standards for the Professional Practice of Internal Audit and the Code of Ethics of the International Institute of Internal Auditors.

KPMG experts benchmarked Rosneft’s internal audit practice against global natural resources peers to conclude that the Company’s Internal Audit Service conforms to the best international practices.

The internal audit plan is based on an audit model and uses information and requests received from Rosneft’s executive bodies and Board of Directors, as well as its risk evaluation results. It includes audits and other activities and is subject to approval by Rosneft’s Chief Executive Officer and endorsement by the Board’s Audit Committee. Details of the plan are presented to the Company’s Board of Directors as part of the internal audit report for the previous period.

At least twice a year, the Head of Internal Audit procures to prepare and submit this report to Rosneft’s Board of Directors and its executive bodies (including information about material risks, breaches and shortcomings, follow-up monitoring of their elimination, performance against the internal auditors’ proposals following the check of progress in remedial actions, delivery of the internal audit plan, and assessment of reliability and performance of the Company’s RM&ICS and corporate governance).

Internal Audit Performance in 2021

The internal audit reports for the first six months and the full year of 2021 were reviewed by the Chief Executive Officer, the Board’s Audit Committee and the Board of Directors of Rosneft.

The Internal Audit Service completed all planned activities in line with its internal audit plan for 2021.

Supporting processes:

Following the 2021 assessment of the risk management and internal control system, the Internal Audit Service concluded that the RM&ICS ensured overall support of the risk management process and efficient internal control system, providing reasonable assurance that the Company would achieve its goals.
SHAREHOLDER RELATIONS, KEY EVENTS IN 2021

The Company has established a multi-level system to protect the rights of its shareholders.

Shareholder rights guaranteed by law

Pursuant to the Russian laws, the Company’s shareholders have the right to:
• vote at the General Shareholders Meeting on a one-share-one-vote basis;
• propose items for the agenda of the General Shareholders Meeting and nominate candidates to the Board of Directors (if a shareholder owns at least 2% of voting shares);
• exercise pre-emptive right to buy shares in any future issue and issue-grade securities convertible into shares;
• receive dividends declared by the Company, in proportion to the number of shares held;
• review information and materials provided in preparation for the General Shareholders Meeting;
• obtain information on the Company’s operations upon request and as established by the Russian laws;
• freely dispose of Rosneft’s shares;
• exercise other rights granted under the Russian law.

Additional rights guaranteed by the Company’s Charter and internal regulations

The Company offers equal and fair opportunities for its shareholders to exercise their legal rights by securing additional rights and procedures in the Charter and internal regulations, including the right to:
• receive part of the Company’s profit as dividend;
• receive necessary information on the Company on a timely and regular basis;
• participate in managing the Company’s operations.

Independent and professional Board of Directors

The composition of the Board of Directors and the number of Board members reflect the Company’s shareholding structure. Electing Board members by cumulative voting guarantees the rights and legitimate interests of shareholders.

The Board of Directors consists of four independent directors of internationally recognised business standing.

Official channels of communication with shareholders

The Company has established efficient means of communicating with its shareholders.

The Company has several communication channels in place to facilitate the exercise of corporate rights and promote efficient shareholder relations, including:
• Shareholder account on the Company’s website;
• 24 hour shareholder Hotline (a multichannel phone line to receive and handle calls): 8,800,500 1100 (toll-Free within Russia); +7,495,987 3060; mailing address for letters: 26/1 Sofiyskaya Embankment, Moscow, 117997, Russia;
• e-mail for requests: shareholders@rosneft.ru;
• fax: +7,499,517 8653.

Shareholder’s Personal Account

Shareholder’s Personal Account put into operation in 2019 enables Rosneft’s shareholders, regardless of where their shares are kept, to take part in the General Shareholders Meeting online:
• register, vote on the agenda items, review information for the meeting, and ask their questions to the speakers.

All Rosneft shareholders of record also can:
• receive updates on their accounts in the register of shareholders online;
• use the registrar’s services remotely (request and receive certificates, extracts, and notices) and pay for them online;
• monitor accrued dividends;
• request and receive 2-NDFL earnings certificates in a convenient way;
• exercise their rights in relation to several Shareholder’s Personal Accounts within one session (one account).

In 2021, the Corporate Governance Department handled 5,483 applications, including:
• 4,212 phone calls;
• 640 letters;
• 183 emails;
• 448 requests claiming unpaid dividends for prior periods.

To gain access to their Shareholder’s Personal Account, shareholders need to request login and password from the Moscow Head Office or regional branches of the Company’s registrar, LLC Reestr-RN.

The rules governing the procedure of registering a Shareholder’s Personal Account can be found on the website of LLC Reestr-RN or on the Company’s website.

Any questions concerning access to the Shareholder’s Personal Account can be addressed to:
• LLC Reestr-RN call centre by phone: +7,495,411 7911 (email: support@reestr-rn.ru);
• Hotline for Rosneft shareholders at: 8,800,222 222 (toll-free within Russia) and +7,495,987 3060 (email: shareholders@rosneft.ru).

Answers to frequently asked questions can be found on the Company’s website.
Protecting shareholders’ title to shares

The Company practices reliable and safe methods of recording title to its shares and has engaged a professional registrar to maintain its Shareholder Register.

The registrar is LLC Reestr-RN acting under a perpetual licence to register security holders.

LLC Reestr-RN has been operating in the registrar services market for over 20 years and ranks among the top ten Russian registrars. The company keeps registers for more than 1.6 thousand issuers, with an inventory of 530.7 thousand personal accounts to record the rights of their shareholders. Shareholder service offices and transfer agent offices of LLC Reestr-RN operate in the regions where the majority of Company shareholders reside and include the Head Office, 13 branches, 44 transfer agent offices at regional branches of LLC Reestr-RN’s partner registrars, 5 transfer agent offices at Rosneft’s partner banks, and a contact and service centre for Rosneft shareholders.

The Company, together with LLC Reestr-RN, regularly notifies its shareholders of the need to update their personal data recorded in the Shareholders Register of Rosneft.

Protecting shareholders’ title to shares

The Company practices reliable and safe methods of recording title to its shares and has engaged a professional registrar to maintain its Shareholder Register.

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The Company, together with LLC Reestr-RN, regularly notifies its shareholders of the need to update their personal data recorded in the Shareholders Register of Rosneft.
CONSOLIDATED FINANCIAL STATEMENTS ROSNEFT OIL COMPANY FOR THE YEAR ENDED DECEMBER 31, 2021

Consolidated balance sheet (in billions of Russian rubles)

<table>
<thead>
<tr>
<th>NOTES</th>
<th>AS OF DECEMBER 31, 2021</th>
<th>2020 (RESTATED)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>18</td>
<td>659</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>18</td>
<td>14</td>
</tr>
<tr>
<td>Other short-term financial assets</td>
<td>19</td>
<td>921</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>20</td>
<td>698</td>
</tr>
<tr>
<td>Bank loans granted</td>
<td>21</td>
<td>188</td>
</tr>
<tr>
<td>Inventories</td>
<td>22</td>
<td>498</td>
</tr>
<tr>
<td>Value added tax, excise and other taxes receivable</td>
<td>23</td>
<td>921</td>
</tr>
<tr>
<td>Prepayments and other current assets</td>
<td>24</td>
<td>698</td>
</tr>
<tr>
<td>Total current assets</td>
<td></td>
<td>3,535</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>24</td>
<td>10,585</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>25</td>
<td>143</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>26</td>
<td>86</td>
</tr>
<tr>
<td>Other long-term financial assets</td>
<td>27</td>
<td>332</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>28</td>
<td>877</td>
</tr>
<tr>
<td>Bank loans granted</td>
<td>29</td>
<td>524</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>30</td>
<td>39</td>
</tr>
<tr>
<td>Goodwill</td>
<td>31</td>
<td>82</td>
</tr>
<tr>
<td>Other non-current non-financial assets</td>
<td>32</td>
<td>254</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td></td>
<td>12,922</td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td>16,457</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NOTES</th>
<th>AS OF DECEMBER 31, 2021</th>
<th>2020 (RESTATED)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES AND EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>30</td>
<td>1,634</td>
</tr>
<tr>
<td>Loans and borrowings and other financial liabilities</td>
<td>31</td>
<td>906</td>
</tr>
<tr>
<td>Income tax liabilities</td>
<td>32</td>
<td>16</td>
</tr>
<tr>
<td>Other tax liabilities</td>
<td>33</td>
<td>32</td>
</tr>
<tr>
<td>Provisions</td>
<td></td>
<td>56</td>
</tr>
<tr>
<td>Prepayment on long-term oil and petroleum products supply agreements</td>
<td>34</td>
<td>431</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>35</td>
<td>7</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td></td>
<td>3,683</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and borrowings and other financial liabilities</td>
<td>36</td>
<td>3,801</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>37</td>
<td>1,048</td>
</tr>
<tr>
<td>Provisions</td>
<td>38</td>
<td>342</td>
</tr>
<tr>
<td>Prepayment on long-term oil and petroleum products supply agreements</td>
<td>39</td>
<td>953</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>40</td>
<td>141</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td></td>
<td>6,285</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>41</td>
<td>1</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>42</td>
<td>(370)</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>43</td>
<td>1,291</td>
</tr>
<tr>
<td>Reserve for foreign exchange differences on translation of foreign operations</td>
<td>44</td>
<td>(55)</td>
</tr>
<tr>
<td>Other funds and reserves</td>
<td>45</td>
<td>27</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>46</td>
<td>4,638</td>
</tr>
<tr>
<td>Rosneft shareholders' equity</td>
<td>47</td>
<td>5,532</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>48</td>
<td>957</td>
</tr>
<tr>
<td>Total equity</td>
<td></td>
<td>6,489</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td></td>
<td>16,457</td>
</tr>
</tbody>
</table>

* Certain amounts have been restated to reflect the effects of finalized purchase price allocation of 2020 acquisitions (Note 7).

Chief Executive Officer ______________________ I. I. Sechin February 11, 2022
## Consolidated statement of profit or loss

(in billions of Russian rubles, except earnings per share data, and share amounts)

<table>
<thead>
<tr>
<th>NOTES</th>
<th>FOR THE YEARS ENDED DECEMBER 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
</tr>
</tbody>
</table>

### REVENUES AND EQUITY SHARE IN PROFITS OF ASSOCIATES AND JOINT VENTURES

- **Oil, gas, petroleum products and petrochemicals sales**: 8,561
- **Support services and other revenues**: 112
- **Equity share in profits of associates and joint ventures**: 88

### COSTS AND EXPENSES

- **Production and operating expenses**: 654
- **Cost of purchased oil, gas, petroleum products, goods for retail and refining costs**: 1,572
- **General and administrative expenses**: 149
- **Transportation costs and other commercial expenses**: 640
- **Exploration expenses**: 8
- **Depreciation, depletion and amortization**: 668
- **Taxes other than income tax**: 3,103

### Income before income tax

1,252

### Income tax (expense)/benefit

(229)

### Net income

1,012

### Equity share in profits of associates and joint ventures

129

### Weighted average number of shares outstanding (millions)

9,500

### Notes

1 Certain amounts have been restated to reflect the effects of finalized purchase price allocation of 2020 acquisitions (Note 7).

---

## Consolidated statement of comprehensive income

(in billions of Russian rubles)

<table>
<thead>
<tr>
<th>NOTES</th>
<th>FOR THE YEARS ENDED DECEMBER 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
</tr>
</tbody>
</table>

### Net income

1,012

### OTHER COMPREHENSIVE INCOME/(LOSS) – TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS

- **Foreign exchange differences on translation of foreign operations**: 11
- **Foreign exchange cash flow hedges**: -2
- **Income tax related to other comprehensive loss – to be reclassified to profit or loss in subsequent periods**: 6

### Total other comprehensive income – to be reclassified to profit or loss in subsequent periods, net of tax

2

### OTHER COMPREHENSIVE INCOME – NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS

- **Income from changes in fair value of equity financial assets at fair value through other comprehensive income**: 2

### Total other comprehensive income – not to be reclassified to profit or loss in subsequent periods, net of tax

2

### Total comprehensive income, net of tax

1,014

### Equity share in profits of associates and joint ventures

129

### Weighted average number of shares outstanding (millions)

9,500

### Notes

1 Certain amounts have been restated to reflect the effects of finalized purchase price allocation of 2020 acquisitions (Note 7).

---

## Consolidated statement of changes in equity

(in billions of Russian rubles, except share amounts)

<table>
<thead>
<tr>
<th>NUMBER OF SHARES (MILLIONS)</th>
<th>SHARE CAPITAL</th>
<th>TREASURY SHARES</th>
<th>ADDITIONAL PAID-IN CAPITAL</th>
<th>RESERVE FOR FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS</th>
<th>OTHER FUNDS AND RESERVES</th>
<th>OTHER FUNDS AND RESERVES</th>
<th>RETAINED EARNINGS</th>
<th>ROSNEFT SHAREHOLDERS' EQUITY</th>
<th>NON-CONTROLLING INTERESTS</th>
<th>TOTAL EQUITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1, 2020</td>
<td>10,598</td>
<td>1</td>
<td>635</td>
<td>(185)</td>
<td>31</td>
<td>4,032</td>
<td>4,514</td>
<td>635</td>
<td>5,149</td>
<td>166</td>
</tr>
</tbody>
</table>

### Notes

1 Certain amounts have been restated to reflect the effects of finalized purchase price allocation of 2020 acquisitions (Note 7).
Other comprehensive income – – – – 119 3 – 122 – 122

Total comprehensive income (restated) – – – – 119 3 132 254 34 288

Dividends declared (Note 37) – – – – – – (172) (172) (63) (235)

Acquisition of treasury shares (Note 37) 1,098 – (370) – – – – (370) – (370)

Change of interest in subsidiaries (Note 16) – – – 469 – – – 469 174 643

Disposal of subsidiaries – – – – – – – – 1 1

Other movements (Note 16) – – – (4) – – – (4) – (4)

Balance at December 31, 2020 (restated) 9,500 1 (370) 1,100 (66) 34 3,992 4,691 781 5,472

Net income – – – – – – 883 883 129 1,012

Other comprehensive income/(loss) – – – – 11 (7) – 4 – 4

Total comprehensive income/(loss) – – – – 11 (7) 883 887 129 1,016

Dividends declared (Note 37) – – – – – – (237) (237) (66) (303)

Change of interest in subsidiaries (Note 16) – – – 207 – – – 207 91 298

Disposal of subsidiaries – – – – – – – – 1 1

Other movements (Note 16) – – – (16) – – – (16) 21 5

Balance at December 31, 2021 9,500 1 (370) 1,291 (55) 27 4,638 5,532 957 6,489

NOTES FOR THE YEARS ENDED DECEMBER 31, 2021 (RESTATED)

OPERATING ACTIVITIES

Net income/(loss) 1,012 – 166

ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Depreciation, depletion and amortization 24–26 668 24–26 663

Loss on disposal of non-current assets 13 – 19 15

Dry hole costs 4 – 8

Offset of prepayments received on oil and petroleum products long term supply agreements 34 (374) (300)

Offset of prepayments made on oil and petroleum products long term supply agreements including interests 12 9

Foreign exchange (loss)/gain 27 252

Realized foreign exchange differences on hedge instruments 6 – (2)

Offset of other financial liabilities (143) (160)

Equity share in profits of associates and joint ventures 28 (88) (52)

Non-cash loss/(income) from acquisitions and sales, net 1 (512)

Changes in provisions for financial assets 2 14

Loss from changes in reserves and impairment of assets 110 3 388

Finance expenses 12 229 220

Finance income 11 (299) (95)

Income tax expense/(income) 15 (240) (19)

CHANGES IN OPERATING ASSETS AND LIABILITIES

Increase/decrease in accounts receivable, gross 180 46

Increase/decrease in inventories 146 48

Decrease/(increase) in restricted cash 3 7

Increase/(decrease) in prepayments and other current assets 150 58

Increase in long-term prepayments made on oil and petroleum products supply agreements including current portion 182 (12)

Increase/(decrease) in accounts payable and accrued liabilities 81 (58)

Increase/(decrease) in other tax liabilities 345 78

Increase/(decrease) in other current reserves 3 (3)

Decrease in other current liabilities (1) (3)
### FOR THE YEARS ENDED DECEMBER 31, 2021 (RESTATED)

<table>
<thead>
<tr>
<th>NOTES</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in other non-current liabilities</td>
<td>3</td>
<td>–</td>
</tr>
<tr>
<td>Proceeds under long-term oil and petroleum products supply agreements</td>
<td>–</td>
<td>1,004</td>
</tr>
<tr>
<td>Interest paid on long-term prepayment received on oil and petroleum products supply agreements</td>
<td>4</td>
<td>(14)</td>
</tr>
<tr>
<td>Net increase in operating assets of subsidiary banks</td>
<td>(224)</td>
<td>(34)</td>
</tr>
<tr>
<td>Net increase in operating liabilities of subsidiary banks</td>
<td>182</td>
<td>227</td>
</tr>
<tr>
<td>Net cash provided by operating activities before income tax and interest</td>
<td>1,260</td>
<td>1,741</td>
</tr>
<tr>
<td>Income tax payments</td>
<td>(238)</td>
<td>(126)</td>
</tr>
<tr>
<td>Interest received</td>
<td>103</td>
<td>98</td>
</tr>
<tr>
<td>Dividends received</td>
<td>41</td>
<td>32</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>1,166</td>
<td>1,745</td>
</tr>
</tbody>
</table>

**INVESTING ACTIVITIES**

| Capital expenditures | (1,049) | (785) |
| Acquisition of licenses and auction fee payments | (24) | (4) |
| Acquisition of short-term financial assets | (482) | (378) |
| Proceeds from sale of short-term financial assets | 382 | 100 |
| Proceeds from sale of long-term financial assets | 17 | 13 |
| Acquisition of long-term financial assets | (100) | (31) |
| Acquisition of interest and additional capital contribution to the associates and joint ventures | (3) | (4) |
| Proceeds from sale of interest in subsidiaries, net of disposal cash | 4 | 31 |
| Proceeds from sale of joint operations | 7 | 38 |
| Proceeds from capital repayment by associates | 15 | – |
| Acquisition of interest in subsidiaries, net of cash acquired, and joint arrangements | 7 | (111) |
| Proceeds from sale of property, plant and equipment | 15 | 17 |
| Net cash used in investing activities | (1,298) | (1,694) |

### FOR THE YEARS ENDED DECEMBER 31, 2020 (RESTATED)

<table>
<thead>
<tr>
<th>NOTES</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in other non-current liabilities</td>
<td>(3)</td>
<td>–</td>
</tr>
<tr>
<td>Proceeds under long-term oil and petroleum products supply agreements</td>
<td>–</td>
<td>1,004</td>
</tr>
<tr>
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</tr>
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<td>126</td>
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<td>Interest received</td>
<td>103</td>
<td>98</td>
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<tr>
<td>Net cash provided by operating activities</td>
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<td>1,745</td>
</tr>
</tbody>
</table>

**INVESTING ACTIVITIES**

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| Acquisition of licenses and auction fee payments | 24 | 4 |
| Acquisition of short-term financial assets | 482 | 378 |
| Proceeds from sale of short-term financial assets | 382 | 100 |
| Proceeds from sale of long-term financial assets | 17 | 13 |
| Acquisition of long-term financial assets | 100 | 31 |
| Acquisition of interest and additional capital contribution to the associates and joint ventures | 3 | 4 |
| Proceeds from sale of interest in subsidiaries, net of disposal cash | 4 | 31 |
| Proceeds from sale of joint operations | 7 | 38 |
| Proceeds from capital repayment by associates | 15 | – |
| Acquisition of interest in subsidiaries, net of cash acquired, and joint arrangements | 7 | 111 |
| Proceeds from sale of property, plant and equipment | 15 | 17 |
| Net cash used in investing activities | 1,298 | 1,694 |

### FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from short-term loans and borrowings</td>
<td>243</td>
<td>93</td>
</tr>
<tr>
<td>Repayment of short-term loans and borrowings</td>
<td>(579)</td>
<td>(797)</td>
</tr>
<tr>
<td>Proceeds from long-term loans and borrowings</td>
<td>672</td>
<td>1,218</td>
</tr>
<tr>
<td>Repayment of long-term loans and borrowings</td>
<td>(534)</td>
<td>(588)</td>
</tr>
<tr>
<td>Proceeds from other financial liabilities</td>
<td>177</td>
<td>54</td>
</tr>
<tr>
<td>Repayment of other financial liabilities</td>
<td>(32)</td>
<td>(107)</td>
</tr>
<tr>
<td>Distributions to non-controlling shareholders of subsidiaries</td>
<td>(4)</td>
<td>–</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(262)</td>
<td>(256)</td>
</tr>
<tr>
<td>Other financing received</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Repurchase of bonds</td>
<td>–</td>
<td>(29)</td>
</tr>
<tr>
<td>Proceeds from sale of non-controlling share in subsidiaries</td>
<td>16</td>
<td>299</td>
</tr>
<tr>
<td>Dividends paid to non-controlling shareholders</td>
<td>(41)</td>
<td>(63)</td>
</tr>
<tr>
<td>Dividends paid to shareholders</td>
<td>37</td>
<td>(237)</td>
</tr>
<tr>
<td>Net cash (used in)/provided by financing activities</td>
<td>(19)</td>
<td>530</td>
</tr>
<tr>
<td>Net (decrease)/increase in cash and cash equivalents</td>
<td>(51)</td>
<td>581</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>806</td>
<td>806</td>
</tr>
<tr>
<td>Effect of foreign exchange on cash and cash equivalents</td>
<td>4</td>
<td>(3)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>659</td>
<td>806</td>
</tr>
</tbody>
</table>
REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

This report on compliance with the principles and recommendations of the Corporate Governance Code (the Report) was reviewed by Rosneft’s Board of Directors at a meeting held on ___________ 2022 (Minutes No. __ dated __ April 2022) as part of the 2021 Annual Report.

The Board of Directors certifies that this Report contains complete and reliable information on Rosneft’s compliance with the principles and recommendations of the Corporate Governance Code in 2021.


<table>
<thead>
<tr>
<th>NO.</th>
<th>CORPORATE GOVERNANCE PRINCIPLES</th>
<th>CRITERIA FOR COMPLIANCE WITH A CORPORATE GOVERNANCE PRINCIPLE</th>
<th>STATUS¹ OF COMPLIANCE WITH A CORPORATE GOVERNANCE PRINCIPLE</th>
<th>EXPLANATIONS² ON THE FAILURE TO MEET CRITERIA FOR COMPLIANCE WITH A CORPORATE GOVERNANCE PRINCIPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>THE COMPANY SHALL ENSURE EQUITABLE AND FAIR TREATMENT OF ALL SHAREHOLDERS EXERCISING THEIR RIGHT TO PARTICIPATE IN MANAGING THE COMPANY.</td>
<td>1.1.1 The Company provides the best possible conditions for shareholders to participate in General Shareholders Meetings, make informed decisions on agenda items, coordinate their actions and express their opinions on matters under consideration</td>
<td>[ ] Complied with [ ] Complied with in part [ ] Not complied with</td>
<td>To maintain effective relations with shareholders, Rosneft provides the following communication channels: a shareholder hotline, mail and email, fax. The Company does not consider setting up a dedicated online forum, as it has other communication channels in place, as well as provides for the opportunity to discuss agenda items at General Shareholders Meetings and, if relevant, using Rosneft’s social networks, which are mentioned on Rosneft’s official website</td>
</tr>
</tbody>
</table>

¹ The “complied with” status is assigned only if the Company’s corporate practice meets all the criteria for compliance with a corporate governance principle set out in the third column of the form to be used for reporting on compliance with the Code’s principles. If the Company’s corporate practice meets only some of the compliance criteria or none of them, the “complied with in part” or “not complied with” status is assigned in the fourth column of the form to be used for reporting on compliance with the Code’s principles.

² Explanations are given for each criterion for compliance with a corporate governance principle (assessment criterion) if the Company meets only some of the criteria or none of them.
### 1.1.5 Each shareholder is able

1. In the reporting year, the notice of a General Shareholders Meeting was posted (published) on the Company’s website at least 30 days prior to the date of the Meeting, unless the applicable law established a longer period.

2. The notice specified the documents required for admission to the Meeting.

3. Shareholders were informed about the persons who proposed agenda items and nominated candidates to the Company’s Board of Directors and Audit Commission (if the Company’s Charter required establishing such Commission).

### 1.1.3 When preparing for and participating in a General Shareholders Meeting, shareholders have unrestricted and timely access to any relevant information and materials, and are able to put questions to the Company’s executive bodies and directors, as well as communicate with each other

1. In the reporting period, shareholders had the opportunity to put questions to the Company’s executive bodies and directors both before and during the General Shareholders Meeting.

2. The Board of Directors’ opinions (including dissenting opinions, if any) recorded in the minutes on each of the agenda items of the General Shareholders Meetings held in the reporting period were added to the Meeting materials.

3. The lists of persons entitled to participate in each General Shareholders Meeting in the reporting period were made available to the shareholders eligible to review such lists as soon as the Company received the lists.

### 1.1.4 There are no unjustified difficulties preventing shareholders from exercising their rights to convene a General Shareholders Meeting, nominate candidates to the governing bodies and propose items for the agenda

1. The Charter enables shareholders to propose items for the agenda of the Annual General Shareholders Meeting during at least 60 days after the end of the respective calendar year.

2. In the reporting period, the Company rejected no item proposed for the agenda and no candidate to the Company’s bodies due to misprints or other minor flaws in shareholders’ proposals.

### 1.1.6 The procedure for holding a General Shareholders Meeting established by the Company provides all persons present at the Meeting with equal opportunities to express their opinions and ask questions

1. In the reporting period, sufficient time for reporting on and discussing agenda items was provided at General Shareholders Meetings held in the form of a meeting (joint presence of shareholders), with shareholders having an opportunity to express their opinions and ask questions on agenda items.

2. The Company extended invitations to the candidates nominated to the Company’s governing and supervisory bodies and took all the necessary steps to make sure they participate in the General Shareholders Meetings convened to vote on their candidacies. During the Meeting, candidates to the Company’s governing and supervisory bodies were available for questions from the shareholders.

3. The sole executive body, the officer in charge of accounting, the Chairman or other members of the Board’s Audit Committee were all available for questions from the shareholders during the General Shareholders Meetings held in the reporting period.

4. In the reporting period, the Company used telecommunications equipment to provide shareholders with remote access to participate in the General Shareholders Meetings, or the Board of Directors made a well-informed decision to abstain from using such equipment in the reporting period due to its irrelevance (unavailability).

### Status of Compliance

<table>
<thead>
<tr>
<th>No.</th>
<th>Corporate Governance Principle</th>
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</thead>
<tbody>
<tr>
<td>1.1.2</td>
<td>The procedure to notify shareholders of a General Shareholders Meeting and provide them with relevant materials enables them to get well-prepared</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>In the reporting year, the notice of a General Shareholders Meeting was posted (published) on the Company’s website at least 30 days prior to the date of the Meeting, unless the applicable law established a longer period.</td>
<td>Complied</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>The notice specified the documents required for admission to the Meeting.</td>
<td>Complied</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Shareholders were informed about the persons who proposed agenda items and nominated candidates to the Company’s Board of Directors and Audit Commission (if the Company’s Charter required establishing such Commission).</td>
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<td>The Board of Directors’ opinions (including dissenting opinions, if any) recorded in the minutes on each of the agenda items of the General Shareholders Meetings held in the reporting period were added to the Meeting materials.</td>
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1.2. SHAREHOLDERS ARE PROVIDED WITH AN EQUITABLE AND FAIR OPPORTUNITY TO RECEIVE A SHARE OF THE COMPANY’S PROFITS IN THE FORM OF DIVIDENDS

1.2.1 The Company ensures fair treatment of each shareholder by its governing bodies and controlling persons, specifically allowing no abuse of minority shareholders by major shareholders.

1.2.2 The Company does not resolve to pay out dividends if such resolution, though not in breach of the legislation, is not economically viable and may lead to false assumptions about the Company’s operations.

1.2.3 The Company does not allow any negative changes in the dividend rights of its current shareholders.

1.2.4 The Company makes every effort to prevent shareholders from receiving profit (gain) from the Company other than in the form of dividends and liquidation value.

1.4. SHAREHOLDERS ARE PROVIDED WITH RELIABLE AND EFFECTIVE METHODS OF REGISTERING THEIR OWNERSHIP OF SHARES AND THE OPPORTUNITY TO DISPOSE OF THEIR SHARES FREELY AND WITHOUT HINDRANCE

1.4.1 Shareholders are provided with reliable and effective methods of registering their ownership of shares and the opportunity to dispose of their shares freely and without hindrance.

1.5. CORPORATE GOVERNANCE FRAMEWORK AND PRACTICES ENSURE EQUALITY OF ALL SHAREHOLDERS OWNING SHARES OF THE SAME CLASS TYPE, INCLUDING MINORITY AND FOREIGN SHAREHOLDERS, AND THEIR EQUITABLE TREATMENT BY THE COMPANY

1.5.1 The Company ensures fair treatment of each shareholder by its governing bodies and controlling persons, specifically allowing no abuse of minority shareholders by major shareholders.

1.5.2 The Company does not perform any actions that will or may result in artificial redistribution of corporate control.

1.5.3 The Company has no quasi-treasury shares, or no quasi-treasury shares were used in voting during the reporting period.

1.5.4 Pursuant to the Russian Government’s resolution, Rosneft signed an agreement with a 100% government-owned company to sell all of Rosneft’s interests and cease participation in all of its projects in Venezuela, including the joint ventures of Petromaragas, Petropetro, Boqueron, Petromiranda and Petrovictoria, as well as oilfield services companies and commercial and trading operations. Based on the agreement, all of the Company’s assets and trading operations in Venezuela and/or those connected to Venezuela have been disposed of, terminated or liquidated. The agreement and the sale of assets resulted in Rosneft’s wholly-owned subsidiary receiving a 9.6% stake in its parent company. In addition, the Company’s Open Market Share Buyback Programme, which also covers OFOs, its wholly-owned subsidiary acquired a further 0.76% stake in the Company. None of these shares were used in voting during the reporting period.
2.1. THE BOARD OF DIRECTORS IS RESPONSIBLE FOR THE STRATEGIC MANAGEMENT OF THE COMPANY, FORMULATING KEY PRINCIPLES OF AND APPROACHES TO THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM IN THE COMPANY, SUPERVISING THE WORK OF THE COMPANY’S EXECUTIVE BODIES AND PERFORMING OTHER CORE FUNCTIONS.

2.1.1 The Board of Directors

The Board of Directors has the powers stated in the Charter to appoint and dismiss members of executive bodies and to determine the terms and conditions of their contracts.

2.1.2 The Board of Directors also ensures that the Company’s executive bodies act in accordance with the approved development strategy and the Company’s business profile.

2.2. THE BOARD OF DIRECTORS IS ACCOUNTABLE TO THE COMPANY’S SHAREHOLDERS.

2.2.1 Information on the performance of the Board of Directors is disclosed and provided to shareholders.

2.2.2 The Chairman of the Board of Directors is available for contact with the Company’s shareholders.

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**Table: Corporate Governance Principles**

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<tr>
<td>2.1.4</td>
<td>The Board of Directors determines the Company’s policy on remuneration and/or reimbursement of expenses (compensations) to its directors, executive bodies and other key managers.</td>
<td>1. The Company has developed and implemented the policy (policies) approved by the Board of Directors on remuneration and reimbursement of expenses (compensations) to its directors, executive bodies and other key managers.</td>
<td>Complied</td>
<td>Not complied with</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. In the reporting period, the Board of Directors addressed matters related to the above policy (policies).</td>
<td>Complied with in part</td>
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<tr>
<td>2.1.5</td>
<td>The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts between the Company’s bodies, shareholders and employees.</td>
<td>1. The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts.</td>
<td>Complied</td>
<td>Not complied with</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. The Company has developed a framework for identifying transactions involving a conflict of interest and a set of measures for resolving such conflicts.</td>
<td>Complied with in part</td>
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<tr>
<td>2.1.6</td>
<td>The Board of Directors oversees the Company’s corporate governance practices and plays a key role in the Company’s material corporate events.</td>
<td>1. The Board of Directors reviewed the results of self-assessment and/or external assessment of the Company’s corporate governance practices.</td>
<td>Complied</td>
<td>Not complied with</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. In the reporting period, the Board of Directors addressed matters related to the above policy (policies).</td>
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<tr>
<td>2.1.7</td>
<td>The Board of Directors determines the Company’s risk management and internal control system are set out in the Company’s internal regulations.</td>
<td>1. The Company has developed and implemented the policy (policies) approved by the Board of Directors on remuneration and reimbursement of expenses (compensations) to its directors, executive bodies and other key managers.</td>
<td>Complied</td>
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<tbody>
<tr>
<td>2.2.1</td>
<td>Information on the performance of the Board of Directors is disclosed and provided to shareholders.</td>
<td>1. The Company has developed and implemented the policy (policies) approved by the Board of Directors on remuneration and reimbursement of expenses (compensations) to its directors, executive bodies and other key managers.</td>
<td>Complied</td>
<td>Not complied with</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. The Company’s Annual Report for the reporting period includes information on attendance of meetings of the Board of Directors and Committees by each of directors.</td>
<td>Complied with in part</td>
<td>Not complied with</td>
</tr>
</tbody>
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</thead>
<tbody>
<tr>
<td>2.2.2</td>
<td>The Chairman of the Board of Directors is available for contact with the Company’s shareholders.</td>
<td>1. The Chairman of the Board of Directors (or senior independent director, if applicable) communicates its shareholders to submit requests to the Chairman of the Board of Directors.</td>
<td>Complied</td>
<td>Not complied with</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. The Chairman of the Board of Directors is available for contact with the Company’s shareholders.</td>
<td>Complied with in part</td>
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</table>
## Corporate Governance Principles

1. **The Board of Directors manages the Company in an effective and competent manner, and is able to make objective and independent judgements and decisions in the best interests of the Company and its shareholders.**

### 2.3. The Company's directors

#### 2.3.1 Elected to the Board

- In the reporting period, the Board of Directors (or its Nomination Committee) assessed candidates to the Board of Directors in terms of their required experience, knowledge, business reputation, lack of conflict of interest, etc.

#### 2.3.2 The composition of the Board of Directors

- In cases where the agenda of a General Shareholders Meeting included election to the Board of Directors, the Company provided shareholders with biographical details of all candidates to the Board of Directors, results of assessment carried out by the Board of Directors (or its Nomination Committee) to determine whether the members had the necessary professional qualification, skills and expertise to meet the current and expected needs of society, information on their compliance with the independence criteria as per Recommendations 102–107 of the Code, and their written consent to be elected to the Board of Directors.

#### 2.3.3 The number of directors

- In the reporting period, the Board of Directors reviewed whether the number of directors was in line with the Company’s needs and shareholders’ interests.

#### 2.3.4 The number of directors

- In the reporting period, the Board of Directors reviewed whether the number of directors was in line with the Company’s needs and shareholders’ interests.

## Criteria for Compliance with a Corporate Governance Principle

### 2.4. The Board of Directors includes a sufficient number of independent directors.

#### 2.4.1 An independent director

- An independent director is a person with sufficient professional skills, experience and independence to form their own opinions and make objective and fair judgements not influenced by the Company’s executive bodies, certain groups of shareholders or other stakeholders. Under normal circumstances a candidate (elected director) may not be considered independent if they are related to the Company, its substantial shareholder, its substantial counterparty or competitor, or the government.

#### 2.4.2 Candidates to the Board

- Candidates to the Board of Directors are assessed for compliance with the independence criteria, with independent directors being regularly checked against these criteria. Such assessments is in line with the substance over form principle.

#### 2.4.3 Independent directors

- Independent directors make up at least one third of the elected directors.

#### 2.4.4 Independent directors play a key role in preventing internal conflicts

- Independent directors play a key role in preventing internal conflicts in the Company and taking material corporate actions by the Company.

### Explanations on the Failure to Meet Criteria for Compliance with a Corporate Governance Principle

![Explanations on the Failure to Meet Criteria for Compliance with a Corporate Governance Principle]

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**Appendix 2**

ROSNEFT / ANNUAL REPORT 2021
2.5. THE CHAIRMAN OF THE BOARD OF DIRECTORS ENSURES THAT THE BOARD OF DIRECTORS PERFORMS ITS FUNCTIONS IN THE MOST EFFECTIVE WAY.

2.5.1 The Chairman of the Board of Directors has been elected from among independent directors, or a senior independent director has been appointed from among the elected independent directors to coordinate their work and liaise with the Chairman of the Board of Directors.

2.5.2 The Chairman of the Board of Directors ensures constructive atmosphere during meetings, facilitates open discussion of agenda items and oversees implementation of the Board of Directors' resolutions.

2.5.3 The Chairman of the Board of Directors ensures that directors are provided with information required to make informed decisions on agenda items in a timely manner.

2.6. DIRECTORS ACT REASONABLY AND IN GOOD FAITH IN THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS, BASED ON SUFFICIENT AWARENESS AND WITH DUE DILIGENCE AND CARE.

2.6.1 Directors make decisions, taking into account all available information, having no conflict of interest, ensuring equitable treatment of the Company's shareholders and keeping within the limits of common business risks.

2.6.2 Directors' rights and responsibilities are clearly stated and set forth in the Company's internal regulations.

2.6.3 Directors have sufficient time to perform their duties.

2.6.4 All directors have equal access to the Company's documents and information. Newly elected directors are provided with sufficient information on the Company and the Board of Directors' activities as soon as practicable.

2.7. MEETINGS OF THE BOARD OF DIRECTORS, PREPARATION FOR AND ATTENDANCE OF THESE MEETINGS ARE KEY TO THE EFFECTIVENESS OF THE BOARD OF DIRECTORS.

2.7.1 Meetings of the Board of Directors are held as necessary, given the Company's scope of operations and objectives at any given time.

2.7.2 The Company's internal regulations set out a procedure to prepare and hold meetings of the Board of Directors enabling directors to make proper preparations.

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1 The Company specifies which of the two suggested approaches it uses.
2.8. FOR PRELIMINARY CONSIDERATION OF THE MOST IMPORTANT MATTERS RELATED TO THE COMPANY’S OPERATIONS.

2.8.1 For preliminary consideration of matters related to the monitoring of the Company’s financial and business operations, an Audit Committee composed of independent directors has been established.

2.7. RESOLUTIONS ON THE MOST IMPORTANT MATTERS RELATED TO THE COMPANY’S OPERATIONS ARE ADOPTED AT MEETINGS OF THE BOARD OF DIRECTORS BY A QUALIFIED MAJORITY VOTE OR BY A MAJORITY VOTE OF ALL ELECTED DIRECTORS.

2.7.3 The format of a meeting of the Board of Directors is determined taking into account the importance of agenda items. Resolutions on the most important matters are adopted at in-person meetings.

2.8. THE BOARD OF DIRECTORS ESTABLISHES COMMITTEES FOR PRELIMINARY CONSIDERATION OF THE MOST IMPORTANT MATTERS RELATED TO THE COMPANY’S OPERATIONS.

2.8.2 For preliminary consideration of matters related to the development of an effective and transparent remuneration framework, a Remuneration Committee composed of independent directors and chaired by an independent director not being the Chairman of the Board of Directors has been established.

Paragraph 10.5.5 of Rosneft’s Charter specifies the range of matters to be resolved by the Board of Directors by a qualified majority vote. Given the scope of Rosneft’s operations, the number of matters reviewed by the Board of Directors, the composition of the Board of Directors and the economic sanctions the Company is exposed to, expanding this range to include all matters set out in Recommendation 170 of the Code may materially impede or prevent the resolution of matters material to the Company. Therefore, setting a higher quorum as recommended by the Code may result in the Board of Directors not being able to resolve a number of key matters. At the same time, the number of directors, the structure of the Board of Directors, including four independent directors, the procedure to prepare for meetings, discuss matters at them and disclose information on them guarantee the protection of rights of all shareholder groups and reflect the Company’s shareholding structure. The Company has no intention to change its approach in the medium term.

The principle is not complied with inasmuch as the HR and Remuneration Committee of the Board of Directors is not exclusively composed of independent directors.

The HR and Remuneration Committee of the Board of Directors is mainly made up of independent directors. The elected Chairman of the HR and Remuneration Committee of the Board of Directors is an independent director.

The remit of the HR and Remuneration Committee of the Board of Directors includes matters reserved for a Nomination Committee and a Remuneration Committee by the Corporate Governance Code. Given the Company’s three standing committees (the Audit Committee, HR and Remuneration Committee, and Strategic Planning Committee), the recommendations and restrictions set out in the Code (on the minimum number of Committee members (three), on the maximum number of Committees a director may sit on, on the minimum number of independent directors on an Audit Committee, and on an HR and Remuneration Committee, and on the composition of Committees based on directors’ relevant expertise), compliance with the recommendation to have all Committees chaired by independent directors is impracticable.

At the same time, the Company’s internal regulations, including the Regulations on the Board of Directors, specify procedures to prevent any conflict of interest and eliminate the risk of recommendations by the committee of the Board of Directors being affected by the controlling shareholder or executive bodies.

The Company has no intention to change its approach in the medium term.

2.8. THE BOARD OF DIRECTORS ESTABLISHES COMMITTEES FOR PRELIMINARY CONSIDERATION OF THE MOST IMPORTANT MATTERS RELATED TO THE COMPANY’S OPERATIONS.
2.8.3 For preliminary consideration of matters related to human resources (succession) planning, expertise and performance of the Board of Directors, a Nomination Committee mostly composed of independent directors has been established.

2.8.4 Given the scope of the Board of Directors, the Company's corporate governance committees include, among others, those set out in Recommendation 186 of the Code.

2.8.5 The composition of Committees enables comprehensive discussion of matters subject to preliminary consideration with due regard to varying opinions.

2.8.6 Committee Chairmen regularly reported on their Committees’ performance to the Board of Directors.

2.9.1 The Board of Directors’ performance is aimed at evaluating the effectiveness of the Board of Directors, its Committees and directors, checking their performance against the Company’s development needs, enhancing their activities and identifying areas for improvement.

2.9.2 Performance assessment of the Board of Directors, its Committees and directors is carried out on a regular basis at least once a year. To assess the Board of Directors’ performance on an independent basis, an external organization (consultant) is engaged at least once every three years.

2.9.3 The Board of Directors arranges performance assessment of the Board of Directors, its Committees and directors.

3.1. The Company’s Corporate Secretary ensures effective day-to-day interaction with shareholders, coordinates the Company’s efforts to protect shareholder rights and interests, and contributes to the Board of Directors’ efficient work.

3.1.1 The Corporate Secretary has sufficient knowledge, experience and expertise to perform their duties, as well as impeccable reputation, and enjoys shareholders’ trust.

3.1.2 The Company’s website and Annual Report provide biographical details of the Corporate Secretary (including the age, education, qualification and expertise) and positions the Corporate Secretary held in governing bodies of other legal entities at least over the last five years.

4.1.1 The functions of the nomination committee are performed by another committee, the company specifies its name.

4.1.2 The composition of the nomination committee includes members being independent directors.

4.1.3 The functions of the nomination committee are performed by HR and Remuneration Committee.

4.1.4 The composition of the nomination committee includes members being independent directors.
### 4.1.2 The Company’s remuneration policy provides for transparent mechanisms to determine the amount of remuneration payable to its directors, executive bodies and other key managers, and covers all types of payments, benefits and privileges provided to them.

### 4.1.4 The Company develops a policy on reimbursement of expenses (compensations) specifying reimbursable expenses and service levels that its directors, executive bodies and other key managers are entitled to. This policy may form part of the Company’s remuneration policy.

### 4.2. REMUNERATION SYSTEM FOR DIRECTORS ENSURES ALIGNMENT OF THEIR FINANCIAL INTERESTS WITH THE LONG-TERM FINANCIAL INTERESTS OF SHAREHOLDERS.

#### 4.2.1 The Company pays fixed annual remuneration to its directors. The Company does not pay remuneration for participation in individual meetings of the Board of Directors or its Committees. The Company does not offer short-term motivation plans and additional financial incentives to the members of its Board of Directors.

#### 4.2.2 Long-term ownership of the Company’s shares ensures best alignment of directors’ financial interests with the long-term interests of shareholders. At the same time, the Company does not link the right to sell shares to achieving certain performance indicators, and directors do not participate in options plans.
4.3. The Company does not provide any additional payments or compensations to directors in the event of early termination of office due to a transfer of control over the Company or any other circumstances.

4.3.1 Remuneration paid to members of executive bodies and other key managers of the Company links their remuneration to the Company’s performance and their personal contribution thereto.

4.3.2 The Company has introduced a long-term incentive plan for members of its executive bodies and other key managers involving its shares (options or other derivatives with its shares as underlying assets).

4.3.3 The amount of severance pay (golden parachute) payable by the Company to members of its executive bodies or key managers in the event of early termination of office, provided that such termination is initiated by the Company with no misconduct on the part of the respective employee, does not exceed twice the size of the fixed component of their annual remuneration.

5. The Company has put in place an effective risk management and internal control system to provide reasonable assurance that it will achieve its goals.

5.1 The Board of Directors has formulated the principles of and approaches to the risk management and internal control system in the Company.

5.1.1 The Board of Directors has ensured that the Company’s risk and internal control system is effective and is in line with the principles and approaches formulated by the Board of Directors.

5.1.2 The Company’s executive bodies have ensured the establishment and maintenance of an effective risk management and internal control system in the Company.

5.1.3 The Company’s risk management and internal control system provides an accurate, fair and clear view of the Company’s current situation and prospects, and ensures integrity and transparency of the Company’s statements as well as a reasonable and acceptable level of risk-taking.

5.1.4 The Company’s Board of Directors has taken the necessary steps to ensure that the Company’s Risk Management And Internal Control System functions effectively and is in line with the relevant principles and approaches formulated by the Board of Directors.

5.1.4.1 In the reporting period, the Board of Directors reviewed the findings from the assessment of reliability and effectiveness of the risk management and internal control system.
### 5.2. THE COMPANY CONDUCTS INTERNAL AUDITS TO ASSESS THE RELIABILITY AND EFFECTIVENESS OF ITS RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND CORPORATE GOVERNANCE ON A REGULAR AND INDEPENDENT BASIS.

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<tr>
<td>5.2.1</td>
<td>For the internal audit purposes, the Company has established a dedicated internal audit unit functionally accountable to the Board of Directors, or engaged an independent external organisation. Functional accountability and administrative accountability of the internal audit unit are separated. The internal audit unit is functionally accountable to the Board of Directors.</td>
<td>Complied with</td>
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</tr>
</tbody>
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### 6.1. THE COMPANY AND ITS OPERATIONS ARE TRANSPARENT TO SHAREHOLDERS, INVESTORS AND OTHER STAKEHOLDERS.

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<tr>
<td>6.1.1</td>
<td>The Company has developed and implemented an Information Policy ensuring effective exchange of information between the Company, its shareholders, investors and other stakeholders.</td>
<td>Complied with</td>
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### 6.2. THE COMPANY DISCLOSES COMPLETE, UP-TO-DATE AND ACCURATE INFORMATION ON THE COMPANY IN A TIMELY MANNER TO ENSURE THAT ITS SHAREHOLDERS AND INVESTORS ARE ABLE TO MAKE INFORMED DECISIONS.

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<tr>
<td>6.2.1</td>
<td>The Company discloses information on a regular basis and in a consistent and timely manner, in line with the principles of data accessibility, accuracy, completeness and comparability.</td>
<td>Complied with</td>
<td></td>
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### 6.3. THE COMPANY DISCLOSES COMPLETE, UP-TO-DATE AND ACCURATE INFORMATION ON THE COMPANY IN A TIMELY MANNER TO ENSURE THAT ITS SHAREHOLDERS AND INVESTORS ARE ABLE TO MAKE INFORMED DECISIONS.

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<tbody>
<tr>
<td>6.3.1</td>
<td>The Company has in place a procedure streamlining the work of all the Company’s structural subdivisions and employees involved in disclosing information, which activity may lead to the need for disclosing information.</td>
<td>Complied with</td>
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### 6.4. THE COMPANY DISCLOSES COMPLETE, UP-TO-DATE AND ACCURATE INFORMATION ON THE COMPANY IN A TIMELY MANNER TO ENSURE THAT ITS SHAREHOLDERS AND INVESTORS ARE ABLE TO MAKE INFORMED DECISIONS.

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<tr>
<td>6.4.1</td>
<td>The Company discloses information on its corporate governance system and practices, including detailed information on its compliance with the principles and recommendations of the Code.</td>
<td>Complied with</td>
<td></td>
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### 6.5. THE COMPANY AND ITS OPERATIONS ARE TRANSPARENT TO SHAREHOLDERS, INVESTORS AND OTHER STAKEHOLDERS.

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<tr>
<td>6.5.1</td>
<td>The Company’s Board of Directors has in place a procedure streamlining the work of all the Company’s structural subdivisions and employees involved in disclosing information, which activity may lead to the need for disclosing information.</td>
<td>Complied with</td>
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### 6.6. THE COMPANY AND ITS OPERATIONS ARE TRANSPARENT TO SHAREHOLDERS, INVESTORS AND OTHER STAKEHOLDERS.

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### 6.2.3 As a key communication tool to liaise with shareholders and other stakeholders, the Annual Report provides information needed to assess the Company’s performance for the year.

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<tr>
<td>6.2.2</td>
<td>The Company avoids formal approach to information disclosures and discloses material information on its operations even if such disclosures are not required by law.</td>
<td>☐ Complied with ☐ Complied with in part ☐ Not complied with</td>
<td>Explanation on item 3. The Company discloses information on its material controlled legal entities, including their key business areas and mechanisms for ensuring their accountability. Rosneft’s Board of Directors oversees the development of the strategy and performance assessment at controlled legal entities using the following mechanisms: 1. control over executive bodies whose remit includes the approval of the Group Subsidiaries’ plans as per Rosneft’s Charter; 2. corporate procedures governed by Rosneft’s internal regulations, which ensure alignment of all strategic planning documents of Rosneft and the Group Subsidiaries with Rosneft’s Strategy approved by the Board of Directors. The powers of the Board of Directors to approve Rosneft’s Strategy and monitor its implementation, and the powers of the Chief Executive Officer and the Management Board to approve the planning documents of the Group Subsidiaries are set forth in Rosneft’s Charter. The powers of the Strategy and Sustainable Development Committee of Rosneft’s Board of Directors to define the Company’s policy with respect to the Group Subsidiaries are set forth in the Regulations on Rosneft Board Committees and disclosed on the corporate website. Detailed information on internal procedures for approval of strategic documents of the Group Subsidiaries and control over their implementation by the Board of Directors (its committees) is not disclosed. The Company has no intention to change its approach in the medium term.</td>
<td></td>
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</table>

### 6.3. The Company provides shareholders with equal and unhindered access to information and documents as per their request.

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<tbody>
<tr>
<td>6.3.1</td>
<td>No unreasonable difficulties prevent the shareholders from exercising their right to access the Company’s documents and information.</td>
<td>☐ Complied with ☐ Complied with in part ☐ Not complied with</td>
<td>1. The Company’s information policy (internal regulations setting forth the information policy) defines the procedure ensuring unhindered access to the Company’s information and documents at the shareholders’ request. 2. The Company’s information policy (internal regulations setting out the information policy) contains provisions stipulating that the Company shall take all necessary steps to obtain the information on its controlled entities from the relevant controlled entities, as may be requested by the shareholders.</td>
<td></td>
</tr>
<tr>
<td>6.3.2</td>
<td>When providing information to shareholders, the Company maintains a reasonable balance between the interests of individual shareholders and those of the Company, as it is in the Company’s best interests to keep confidential any sensitive commercial information that may have a material effect on its competitive position.</td>
<td>☐ Complied with ☐ Complied with in part ☐ Not complied with</td>
<td>1. In the reporting period, the Company did not refuse to provide shareholders with requested information, or such refusals were justified. 2. If and when required by the Company’s Information Policy, shareholders are informed of the sensitive nature of the information provided and undertake to keep it confidential.</td>
<td></td>
</tr>
</tbody>
</table>

### 7.1. Actions that have or may have a material effect on the Company’s shareholding structure and financial position and, consequently, on the shareholders’ position (material corporate actions) are taken on fair terms ensuring that rights and interests of the shareholders and other stakeholders are respected.

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<tr>
<td>7.1.1</td>
<td>Material corporate actions include reorganisation of the Company, acquisition of 30% or more of the Company’s voting shares (dokazovki), major transactions made by the Company, increase or reduction in the Company’s charter capital, listing and delisting of the Company’s shares, and other actions that may result in a material change in the rights of shareholders or be against their interests. The Company’s Charter sets out a list (criteria) of transactions or other actions deemed to be material corporate actions and reserved to the Company’s Board of Directors.</td>
<td>☐ Complied with ☐ Complied with in part ☐ Not complied with</td>
<td>The Company’s Charter sets out a list (criteria) of transactions or other actions deemed to be material corporate actions. As per the Company’s Charter, decision-making with regard to material corporate actions is reserved to the Board of Directors. If and when the law expressly reserves such corporate actions to the General Shareholders Meeting, the Board of Directors provides shareholders with relevant recommendations.</td>
<td></td>
</tr>
</tbody>
</table>
**APPENDIX 3**

(Information on core internal regulations that serve as a basis for the preparation of this annual report, including key internal documents regulating the internal audit function and the functioning of the IC&RMS)
This Annual Report has been prepared based on the following local (internal) regulations of Rosneft:

- Rosneft’s Corporate Governance Code;
- Code of Business and Corporate Ethics of Rosneft;
- Regulations on the General Shareholders Meeting;
- Regulations on the Board of Directors;
- Regulations on Rosneft Board Committees;
- Regulations on Remunerations and Compensations Payable to Members of the Board of Directors;
- Regulations on the Collective Executive Body (Management Board);
- Regulations on the Sole Executive Body (Chief Executive Officer);
- Standard on Payments and Compensations to Top Managers;
- Regulations on the Audit Commission;
- Regulations on Remuneration and Compensations Payable to Rosneft’s Audit Commission Members;
- Regulations on the Corporate Secretary;
- Regulations on Information Policy;
- Regulations on Provision of Information to Rosneft Shareholders;
- Regulations on Internal Control Rules for the Prevention, Detection and Suppression of Illegal Use of Insider Information in Rosneft and/or Market Manipulation;
- Rosneft’s Dividend Policy;
- Company Policy on Combating Corporate Fraud and Involvement in Corruption Activities;
- Company Policy on Internal Audit;
- Company Policy on Risk Management and Internal Control System;
- Company Policy on Health, Safety and Environmental Protection.

APPENDIX 4

(Financial statements and auditor’s report)
General information about Rosneft

- Date of state registration and registration number of Oil Company Rosneft:
  - Date of state registration of the Company as a Legal entity: December 7, 1995;
  - Number of State Registration Certificate of the Company: 024.537;
  - Date of entry in the Uniform State Register of Legal Entities about a legal entity established prior to July 1, 2002: August 12, 2002;
  - Series and number of Certificate of Entry in the Uniform State Register of Legal Entities about a legal entity established prior to July 1, 2002: Series 77 No. 004856711;
  - Primary State Registration Number under which entry about establishment of the Company is made in the Uniform State Register of Legal Entities: 1027700043502.

- Constituent entity of the Russian Federation in whose territory the Company is registered: Moscow.

- Main types of operations of the Company: geological prospecting and geological exploration work aimed at oil, gas, coal and other minerals search; extraction, transportation and processing of oil, gas, coal and other minerals and timber; production of oil products, petrochemicals and other products, including electric power, woodworking products, fast moving consumer goods and provision of services to the public; storage and sale (including sale in the domestic market and export sale) of oil, gas, oil products, coal, electric power, woodworking products, and other hydrocarbon and other derivatives.

- Pursuant to Decree of the Government of the Russian Federation dated August 20, 2009, No. 1226-r, Rosneft has been included into the list of strategic enterprises charged with implementation of uniform public policy in those branches of economy where such entities operate.

- Pursuant to Decree of the President of the Russian Federation dated May 21, 2012, No. 688, Rosneft has been included into the list of strategic enterprises and strategic joint stock companies.

Rosneft’s accounting (financial) statements and the independent auditor’s report are available at:

Contact details

FULL NAME:
Public Joint-Stock Company
Rosneft Oil Company

ABBREVIATED NAME:
PJSC Rosneft Oil Company

LOCATION OF THE COMPANY:
26/1 Sofiyskaya Embankment,
Moscow, 117997, Russia

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Moscow, 117997, Russia

INFORMATION SERVICE:
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Facsimile: +7 (499) 517–72–35
Telex: 114405 DISVO.RU
E-mail: postman@rosneft.ru

FOR INSTITUTIONAL INVESTORS:
Investor Relations Department,
Rosneft
Telephone: +7 (495) 411–05–04
E-mail: ir@rosneft.ru

RAS AUDITOR OF THE COMPANY:
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77 Sadovnicheskaya Embankment,
Bldg. 1, Moscow, 115035, Russia
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+7 (495) 755–97–00
Facsimile: +7 (495) 755–97–01

FOR SHAREHOLDERS:
Shareholder Relations Division,
Corporate Governance Department,
Rosneft
Telephone: +7 (495) 987–30–60;
8–800–500–11–00
(calls from Russia toll-free)
Facsimile: +7 (499) 517–86–53
E-mail: shareholders@rosneft.ru

REGISTRAR OF THE COMPANY:
LLC Reestr-RN
2/6 Podkopaevsky Lane,
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+7 (495) 987–31–09
Facsimile: +7 (495) 987–31–10

MOSCOW OFFICE:
10 Butyrsky Val, Bldg. A,
13th Floor, Moscow,
125047, Russia
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