

**APPROVED**

**by resolution of Rosneft Board of Directors**

**on "22" April 2021**

**Minutes No. 23 dated "22" April 2021**

**Put into effect by Rosneft Order No. 282**

**dated "16" June 2021**

## **COMPANY'S POLICY**

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### **INVESTMENT GOVERNANCE**

**No. P3-03 P-01**

**REVISION 2.00**

**Moscow  
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# 1. INTRODUCTORY PROVISIONS

## PURPOSE

This Policy is a fundamental document defining the goals (strategic priorities) of the Company's activity in the field of investment governance and the basic principles of investment governance for solving production and commercial tasks of the Company's activity.

This Policy complies with the requirements of the Federal Law No. 39-FZ dated 25.02.1999 "On Investment Activity in the Russian Federation in the Form of Capital Investments", the Charter of Rosneft and was developed taking into account international standards and world practices in the field of investment governance.

## SCOPE OF APPLICATION

This Policy is mandatory for employees of all structural units of Rosneft and Rosneft-controlled Entities of the Group registered in the Russian Federation that are implementing or planning to implement business projects/ investment programs (except for the Entities that have passed resolutions on liquidation and bankruptcy procedures) in respect of which the Charters of the Entities, shareholder and other agreements with partner companies do not specify a special procedure for shareholders/participants to exercise their rights, including those to manage the Entity.

## PERIOD OF VALIDITY AND PROCEDURE FOR MAKING CHANGES

This Policy is the local normative document of permanent effect.

This Policy shall be approved, amended and deemed invalid in Rosneft by resolution of the Board of Directors of Rosneft and put into effect in Rosneft by order of Rosneft.

## 2. GLOSSARY

### 2.1. CORPORATE GLOSSARY TERMS AND DEFINITIONS

<b><i>BUSINESS PROJECT</i></b>	A purposeful change implemented to create/improve a product and/or service with defined quality requirements under financial (capex and revex), time and other resource constraints, as well as the acquisition or disposal of a core asset or part thereof, with appropriate economic and/or strategic rationale.
<b><i>INVESTMENTS</i></b>	Cash, securities, other property, including property rights that have a monetary value, invested in business and/or other activities in order to make profit and/or obtain other useful effect; investments can be capitalized (capex) and non-capitalized (revex).
<b><i>INVESTMENT PROGRAM</i></b>	A set of business projects and possible accompanying measures, united into a single object of management and related to one goal, to achieve, within certain financial and time constraints, the results and business benefits that correspond to the strategic goals and objectives of the Company, which requires the adoption of a pre-investment or investment decision.
<b><i>INVESTMENT DECISION (FINAL INVESTMENT DECISION)</i></b>	Decision of Rosneft Investment Committee or its relevant subcommittees on the implementation of a business project or investment program and on entering into financial commitments.
<b><i>INVESTMENT PROJECT PORTFOLIO (PORTFOLIO)</i></b>	Register of business projects and investment programs representing the whole of the Company's investments required to achieve the Company's strategic goals and objectives.
<b><i>KEY PERFORMANCE INDICATORS OF THE BUSINESS PROJECT/ INVESTMENT PROGRAM (KPIs)</i></b>	Measurable indicators, the current value of which characterizes the achievement of the objectives of a business project or investment program.
<b><i>COMPANY</i></b>	A group of legal entities of various organizational and legal forms, including Rosneft, in respect of which the latter acts as the principal or predominant (participating) company.
<b><i>MACROECONOMIC ASSUMPTIONS FOR BUSINESS PROJECT EVALUATION</i></b>	The input data not related to a specific business project/ investment program and necessary to perform the economic evaluation of the business project/ investment program.
<b><i>GROUP ENTITY (GE)</i></b>	A business entity, in which Rosneft directly and/or indirectly owns 20% or more of the shares or stakes in the authorized capital.
<b><i>GROUP ENTITY CONTROLLED BY ROSNEFT</i></b>	An entity of the Group, in which Rosneft has the right to directly and/or indirectly (through persons under its control) manage by virtue of participation in such Group Entity and/or on the basis of agreements of trust management of property, and/or simple partnership, and/or assignment, and/or shareholder agreement, and/or

other agreement, the subject of which is the exercise of rights certified by shares (stakes) of such Group Entity, of more than 50 percent of the votes in the supreme management body, or the right to appoint (elect) the sole executive body and/or more than 50 percent of the collegial management body.

**PRE-INVESTMENT  
DECISION**

Decision of Rosneft Investment Committee or its relevant subcommittees on allocation of funds for preliminary study of business project/ investment program without making investment decision on implementation of business project/ investment program.

**REVENUE EXPENDITURE  
(REVEX)**

Part of the costs of the business project/ investment program that are not capitalized in accordance with the Corporate Accounting Policy for accounting purposes of the Company, nevertheless aimed at creating additional value in future periods and classified as Investments.

**BUSINESS PROJECT OR  
INVESTMENT PROGRAM  
RISK**

Unspecified event or condition, the occurrence of which negatively or positively affects the achievement of the goal and business benefits of the business project/ investment program.

**INVESTMENT  
GOVERNANCE**

The high level business process, which includes processes of identification and classification, evaluation and formalization, expert review, pre-investment and investment decisions on business projects and investment programs, processes of monitoring and control during the life cycle and post-project monitoring, investment portfolio management process, as well as assurance processes for regulation and methodological support, improvement and automation of these processes.

## 2.2. ROLES

### CORPORATE GLOSSARY ROLES

**ROSNEFT INVESTMENT  
COMMITTEE (IC)**

The permanent coordinating body of Rosneft established by the Chief Executive Officer of Rosneft, whose competence includes making pre-investment and investment decisions prior to approval of the business project/ investment program by Rosneft management bodies.

**SUPERVISOR OF THE  
BUSINESS PROJECT /  
INVESTMENT PROGRAM  
(PROJECT SUPERVISOR)**

Top manager of Rosneft responsible for ensuring high-quality planning, achieving the goals and results of the business project/ investment program and their compliance with the Rosneft Development Strategy, as well as for submitting the business project/ investment program for review by Rosneft Investment Committee or its relevant subcommittees.

**RELEVANT  
SUBCOMMITTEES OF THE  
INVESTMENT COMMITTEE**

Permanent coordinating bodies of Rosneft, whose functions include making pre-investment decisions and investment decisions with respect to business projects/ investment programs within their

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respective competencies.

**BUSINESS PROJECT / INVESTMENT PROGRAM MANAGER (PROJECT / PROGRAM MANAGER)**

An employee of the Company who manages the implementation of the business project and is responsible for obtaining the results of the business project or investment program within the established time, budget, quality and risk level constraints.

**2.3. TERMS AND DESIGNATIONS FOR THE PURPOSE OF THIS DOCUMENT****ROSNEFT'S INVESTMENT ACTIVITY**

A set of processes for making pre-investment and investment decisions and controlling their execution (Investment Governance business process) and taking practical steps to implement them (project management business processes) to achieve the Company's sustainable position in the market and maintain its competitive advantages.

**ROSNEFT'S INVESTMENT PROGRAM**

Mid-term plan (no more than 5 years) of the Company's development in terms of investments, which is formed on the basis of the consolidated investment portfolio of projects and is part of the Company's Business Plan.

**MONITORING**

The process of collecting and analyzing information on the implementation of the business project in comparison with the approved plan normalized for the external (non-controllable) factors in order to actively monitor investments and key indicators of projects aimed at timely management of changes in the course of project implementation.

**POST-PROJECT MONITORING**

The process of collecting and analyzing information after the implementation of the project in order to assess the achievement of key project indicators and other project objectives and improve the quality of future investment decisions.

### 3. GOALS (STRATEGIC PRIORITIES) OF THE COMPANY'S ACTIVITY IN THE SPHERE OF INVESTMENT GOVERNANCE

Efficient organization of "Investment Governance" business process contributes to solution of production and commercial tasks of the Company's activity, which allows the Company to be the leader of Russian oil industry (the Company is included in the list of strategic enterprises of the Russian Federation).

The main objectives of the Company's activity within the framework of implementation of the "Investment Governance" business process are:

- Steadily increasing the Company's efficiency in all lines of business by carefully determining the Company's investment needs, improving the qualifications and competence of the personnel involved in the investment governance process;
- Ensuring sustainable business growth and increase of the Company's capitalization by attracting investments into effective and competitive business projects and investment programs, systematic optimization of the investment project portfolio;
- Improving investment discipline through high-quality study and evaluation of the possibility to implement investment decisions from the standpoint of the main risks and uncertainties, the impact of external factors, improvement of the system for identifying and classifying business projects and investment programs, and building a system of bodies to make effective decisions on business projects and investment programs;
- Focus on contributing to the implementation of the sustainable development goals set by the United Nations, aimed at achieving significant progress in addressing global economic, social objectives and environmental protection, including carbon management issues, in the investment decision-making process;
- Adherence to the Company's principles of high social responsibility in the areas of industrial and environmental safety, ensuring safe working conditions, health protection, improving the quality of life of employees and their families, supporting education, and contributing to the socio-economic development of regions.

## 4. INVESTMENT GOVERNANCE PRINCIPLES

The organization of the "Investment Governance" business process with regard to ensuring the set goals is carried out in compliance with the following basic principles:

- ***Availability of an investment decision for each business project or investment program:*** each business project or investment program must go through a complete review and investment decision-making procedure in accordance with the corporate requirements.
- ***Standardization of the assessment and process documentation approaches:*** business projects and investment programs shall be assessed using standard economic models (for those types of business projects and investment programs for which economic assessment is possible) and unified macroeconomic assumptions for business project assessment, documented in standard formats in accordance with the type of business project or investment program, including taking into account the risk profile of the business project and its contribution to achieving the goals (strategic priorities) of the Company.
- ***Opening funding for any business project involves the use of "two-key mode":*** the allocation of funding for the implementation of the business project/ investment program occurs only if it is approved by the relevant management body and the relevant funds are available in the approved or adjusted business plan.
- ***The powers and responsibilities of those making decisions on business projects/ investment programs must be consistent with their significance:*** the system of bodies for making decisions on business projects and investment programs provides for a hierarchy of bodies authorized to make decisions on business projects and investment programs, depending on their capital intensity, strategic importance, and degree of elaboration.
- ***Existence of expert review:*** for each business project/ investment program, a thorough expert review (functional, technical, economic, methodological and for compliance with the Development Strategy of Rosneft) shall be carried out before review by the relevant bodies.
- ***Ensuring leadership and accountability for results:*** for each individual business project/ investment program a supervisor to ensure that goals and results are achieved, and a business project/ investment program manager responsible for obtaining results within the established time, budget, quality and risk level constraints shall be identified.
- ***Monitoring and control of the business project/ investment program implementation:*** after the approval of the business project/ investment program, mandatory regular monitoring and control shall be carried out during the project/program life cycle. After completion of the business project/ investment program implementation, post-project monitoring may be conducted (if its feasibility is confirmed).
- ***Staged investment decision-making:*** in order to improve the quality of investment decisions by consistently reducing uncertainties and minimizing risks, as well as increasing the efficiency of business projects/ investment programs, they may provide for staged decision-making.
- ***Management of Rosneft's investment program through optimization of investment portfolio:*** Rosneft's investment program for the medium term is based on the Company's investment portfolio, annually updated based on the results of ranking and balancing, taking into account resource and financial limitations and observance of balance of economic and technological effect, including compliance with regulatory requirements.
- ***Interrelation with the related process areas:*** investment governance is linked with other business processes of the Company: strategic and business planning, management reporting, financial control, project management, corporate governance and other processes.





## 5. SYSTEM OF BODIES FOR MAKING DECISIONS ON BUSINESS PROJECTS AND INVESTMENT PROGRAMS

The Company has a system of bodies for making decisions on business projects and investment programs, which ensures the achievement of investment governance objectives based on the principles set forth in Section 4 of this Policy:

- Rosneft management bodies: Rosneft Board of Directors, Rosneft Management Board, Rosneft Chief Executive Officer – make decisions and/or determine the position with regard to implementation of business projects and investment programs within the competence defined by Rosneft Charter.
- Coordinating investment bodies of Rosneft: Investment Committee and Relevant Sub-Committees – make pre-investment and investment decisions on business projects and investment programs and prepare recommendations to the Management Bodies of Rosneft for decision-making/ determining a position with respect to the implementation of business projects and investment programs.
- Investment Commissions of the Group Entities ensure comprehensive analysis and evaluation of business projects and investment programs, preparation of recommendations for pre-investment and investment decisions by the Rosneft investment coordinating bodies, and, within their competence, make pre-investment and investment decisions in respect of projects of the Group Entities.

The corporate system of bodies for making decisions on business projects and investment programs makes it possible to ensure timely and effective decision-making on business projects and investment programs.

Control of investments and key performance indicators of business projects and investment programs, aimed at timely management of changes in the course of their implementation, is carried out through regular monitoring of business projects and investment programs.

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## 6. REFERENCES

1. Federal Law No. 39-FZ of 25.02.1999 "On Investment Activity in the Russian Federation in the Form of Capital Investments".

## 7. REGISTRATION OF CHANGES TO THE LOCAL NORMATIVE DOCUMENT

**Table 1**  
**List of changes to the Company's Policy**

REVISION	TYPE AND NAME OF THE DOCUMENT	DOCUMENT NUMBER	DATE OF APPROVAL	DATE OF ENACTMENT	RESOLUTION DETAILS
1	2	3	4	5	6
1.00	Company's Policy Investment Governance	P3-03 P-01	07.02.2014	11.04.2014	Approved by resolution of Rosneft Board of Directors on 07.02.2014 (Minutes No. 24 dated 07.02.2014), put into effect by Rosneft Order No. 189 dated 11.04.2014