

APPROVED

By decision of Rosneft Board of Directors

№ 20 as of 20 June 2013,

Put into effect on 27 February 2014.

By Order № 101 as of 27 February 2014.

POLICY OF THE COMPANY

IN THE FIELD OF HYDROCARBON RAW PROCESSING

№ P1-02.02 P-01

VERSION 1.00

(with amendments approved by the decision of Board of Directors Meeting (Minutes of the meeting dated 22.06.2017 № 29) effective as of 28.08.2017 by Order № 489)

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INTRODUCTORY PROVISIONS

INTRODUCTION

THE POLICY OF THE COMPANY IN THE FIELD OF HYDROCARBON RAW PROCESSING (*hereinafter referred as to the POLICY*) determines goals, objectives of the Company, the main ways of their solutions as well as the basic risks of the business direction “of Hydrocarbon raw processing”, and measures necessary for managing them. In the hierarchy of local internal regulations of the Corporate Regulations System of the Company, this **POLICY** is the basic document in the field of hydrocarbon raw processing.

This **POLICY** is developed in accordance with the Program of Innovation Development of Rosneft approved by Decision of Rosneft Board of Directors (minutes № 34 as of 01.04.2011).

GOALS

This **POLICY** is developed to formalize and describe goals and objectives of the Company, the main ways of their solutions for the business direction “Hydrocarbon raw processing”, and measures necessary for managing them.

OBJECTIVES

This **POLICY** is oriented to supporting of:

- Leadership in volume of hydrocarbon raw processing, technological level of production and petroleum products quality.
- Position of the leading manufacturer of polymers and quality oils in Russia.
- Operational leadership in efficient hydrocarbon raw processing both in Russia and Eastern Europe.
- Improvement and optimization of business processes, the management system and the management structure of hydrocarbon raw processing with implementing innovation processes.

SCOPE

This **POLICY** covers all Rosneft structural units and subsidiaries whose activities are connected, directly or indirectly, to the hydrocarbon raw processing in the regions where the Company operates.

This **POLICY** is not regulatory for employees of Rosneft affiliates.

The requirements of this **POLICY** become mandatory for Rosneft daughter companies, daughter companies of Rosneft daughter companies and for Rosneft affiliates after being put them into effect in a company in accordance with the Charter of a Company and a under prescribed procedure.

Organizational, administrative and local documents and regulations should not contradict this **POLICY**.

PERIOD OF VALIDATION AND PROCEDURE FOR MAKING AMENDMENTS

This **POLICY** is a local internal regulation (LIR) of continuous action.

This **POLICY** is approved by the decision of Rosneft Board of Directors and put into effect in Rosneft by Rosneft Order.

This **POLICY** is considered inoperative in Rosneft based on the decision of Rosneft Board of Directors.

Amendments to this **POLICY** are made based on the decision of Rosneft Board of Directors and put into effect in Rosneft by Rosneft Order.

Initiators of making amendments to this **POLICY** are as follows: Rosneft Chief Executive Officer, Rosneft Vice-President responsible for hydrocarbon raw processing, Rosneft structural units or subsidiaries, by agreement with Rosneft Vice-President responsible for hydrocarbon raw processing.

Amendments to this **POLICY** are made in the following cases: changes in RF Laws, changes of operational structure or powers of managers etc.

1. TERMS AND DEFINITIONS

TERMS AND DEFINITIONS OF CORPORATE GLOSSARY

KEY PERFORMANCE INDICATOR (KPI) – significant measurable quantitative or qualitative indicator determining the connection between results achieved and resources spent.

PETROLEUM PRODUCT – a finished product obtained while processing of oil, gas condensate, hydrocarbon and chemical raw.

PRODUCTION PLAN – a document containing expected production indicators of petroleum products, expressed in physical measurement units taking a planned period (year, quarter, month) into account, developed in accordance with the five-year plan, the oil delivery plan, Company's needs for petroleum products, a list of petroleum products produced in accordance with technological possibilities of oil and gas processing facilities.

RISKS – a probability of occurring events affecting the non-achievement of given goals (results) and as consequence the non-achievement of key performance indicators.

2. SYMBOLS AND ABBREVIATIONS

COMPANY – a group of legal entities of different organizational and legal form, including Rosneft in relation to which the latter acts, directly or indirectly, as a basic or dominant (participating) company.

CU TR – Custom Union technical regulation “Technical regulation on requirements for automotive and aviation gasoline, diesel and marine fuel, jet fuel and heating oil” (CU TR 013/2011, decision of the Commission of Custom Union № 826 as of 18 October 2011).

KPI – key performance indicators.

ROSNEFT DAUGHTER COMPANY – a company in relation to which Rosneft has the possibility to determine decisions made such a company due to prevailing direct participation in its authorized capital or in accordance with an agreement concluded between them or otherwise.

RF TR – technical regulation “Technical regulation on requirements for automotive and aviation gasoline, diesel and marine fuel, jet fuel and heating oil” (Decree of the Government of the Russian Federation № 118 as of 27 February 2008).

3. GENERAL PROVISIONS

Rosneft as the leader of the Russian oil sector and one of the largest public companies of the world, is aware of its responsibility for provision of the quality of petroleum products produced, observance of safe conditions of labor and preservation of the environment in the field of hydrocarbon raw processing.

Rosneft is a public and open company undertaking measures to increase its profit and capitalization that directly affects the growth of value of Company's shares. Sustentation of stable growth of Company's value and defense of shareholders' interests is one of key objectives of the Company.

To achieve the above- mentioned goals and to solve the above-mentioned objectives, the Company implements complex projects aimed at increasing the efficiency of hydrocarbon raw processing as well as decreasing risks of business.

The activity of the Company is oriented to satisfy market needs for petroleum products through the development of advanced technologies for complex processing of hydrocarbon raw.

The Company guarantees that the processes of hydrocarbon raw processing and risks connected to these processes are under Company's management. While planning any activity, a special attention is paid both to the efficiency of operating processes and observance of the requirements for protecting the environment.

Mission of the Company:

Innovative, ecologically safe and economically efficient satisfaction of needs of the society for products of hydrocarbon raw processing. Due to its unique resource base, a high technological level and professional team committed to a common goal, the Company ensures both a sustained increase both of business and that of shareholders' benefit. The activity of the Company encourages a social stability.

To fulfill this Mission from the point of view of hydrocarbon raw processing, the Company plans to realize the following **principles**:

1. Clear assignment of roles and functions of the departments responsible for the increase of the efficiency of Company's business.
2. Increase of manageability, optimization of organizational structure and efficiency of the personnel.
3. Implementation of KPI aimed at the increase of the efficiency of Company's business.
4. Good planning and optimization both of production and logistics with market orientation.
5. Conformity of Company's business to the nature and scopes of risks and observance of existing legislative and other regulatory requirements.
6. Systematic decrease of manufacturing expenditures and the increase of the efficiency of operational activity.
7. The increase of the efficiency of investments and compliance of new objects with prospective requirements.

4. GOALS AND OBJECTIVES

The **goal** of business-direction “Hydrocarbon raw processing” is the increase of the profitability of hydrocarbon raw processing.

The **basic objectives** of hydrocarbon raw processing are as follows:

1. Fulfillment of a production plan with observing regulations and safety rules;
2. Increase of the efficiency of processing including while commissioning of new objects and observing the quality of products;
3. Implementation and development of advanced technologies and business standards.

The development of hydrocarbon raw processing is carried out in the field of the increase of operational efficiency and modernization.

Objectives in the field of the increase of operational efficiency:

1. Increasing **utilization of production capacities** due to:
 - 1.1. Increase of hydrocarbon raw processing;
 - 1.2. Increase of loads of secondary process installations;
 - 1.3. Optimization of blending processes of petroleum products.
2. Decreasing **energy consumption** of production due to:
 - 2.2. Optimization of power consumption;
 - 2.3. Optimization of heat consumption;
 - 2.4. Optimization of heat exchange.
3. Increasing **operational reliability** due to:
 - 3.1. Reduction of nonfunctioning intervals of installations in the process of total overhaul;
 - 3.2. Implementation of the management system of risks and reliability;
 - 3.3. Reduction of nonfunctioning intervals of installations in the process of technological operations.
4. Increasing **the efficiency of the personnel** due to:
 - 4.1. Optimization of business processes;
 - 4.2. Optimization of organizational structure;
 - 4.3. Production automation.

Objectives in the field of optimization of production facilities

Provision of compliance of **the quality** of manufactured products with advanced and prospective requirements including RF TR/ CU TR due to:

1. Optimization of raw composition and components of commercial products, reduction of excess stock taking the quality into account;

2. Modification of existing production facilities providing hydrocarbon raw processing;
3. Construction of new production facilities providing hydrocarbon raw processing;
4. Implementation of the most efficient achievements in the field of advanced technologies for hydrocarbon raw processing.

5. BASIC RISKS IN THE FIELD OF HYDROCARBON RAW PROCESSING

This **POLICY** is aimed at determining risks of the Company in the field of hydrocarbon raw processing.

The basic risks are given in Table 1:

Table 1
Risk management for business direction "Hydrocarbon raw processing"

RISK DESCRIPTION	RISK MEASUREMENT INDICATORS	METHODS OF RISK MANAGEMENT
1	2	3
Non-compliance with the requirements of industrial safety, the environment and labor protection	Number of incidents, accidents and injuries	Timely analysis, forecasting and implementation of measures (current prevention, implementation appropriate organizational measures) aimed at preventing deviations
Non-fulfillment of a production plan by nomenclature and the quality of products including Non-fulfillment of RF TR/ CU TR requirements	Deviation from a plan by nomenclature and the quality (%)	Daily monitoring of plan fulfillment, optimization of a plan with using linear programming models
Delays of commissioning and budget deficit taking investment projects into account	Economic losses connected to delays of commissioning of capacities according to investment projects	Implementation of the best methods in the field of project management. Choosing reliable contractors.
Decreasing the efficiency of processing	Growth of manufacturing expenditures in % in comparison to the previous period taking normalization factor into account	Development and implementation of measures aimed at increasing the efficiency and decreasing expenditures
Cessation of developing the systems of management and personnel	Decrease of labor productivity	Program of development of personnel potential and training

6. REFERENCES

1. Technical regulation “Technical regulation on requirements for automotive and aviation gasoline, diesel and marine fuel, jet fuel and heating oil” (Decree of the Government of the Russian Federation № 118 as of 27 February 2008).
2. Custom Union technical regulation “Technical regulation on requirements for automotive and aviation gasoline, diesel and marine fuel, jet fuel and heating oil” (CU TR 013/2011).