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Rosneft's Board of Directors
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COMPANY STANDARD

NON-CORE AND INEFFICIENT ASSETS MANAGEMENT

No. PZ-01 S-0002

REVISION 2.00

(including amendments approved by Rosneft Board of Directors
(minutes of the meeting of 16.08.2021 № 5), put into effect by
Rosneft Order of 28.09.2021 № 492)

(E X T R A C T)

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INTRODUCTORY PROVISIONS

PURPOSE

This standard sets out the requirements to the non-core and/or inefficient assets management process in order to optimize the composition and structure of such assets, improve the efficiency of their use, reduce the maintenance costs, and ensure that resources of Rosneft Oil Company and the Group Subsidiaries are focused on the core activity types.

The standard has been developed following the Company Policy "Corporate Property Management Principles" PZ-01.02 P-02.

The standard complies with the requirements of the Civil Code of the Russian Federation, Federal Law No. 208-FZ "On Joint-Stock Companies" dated 26.12.1995, and Federal Law No. 14-FZ "On Limited Liability Companies" dated 08.02.1998.

<...>

VALIDITY AND AMENDMENT PROCEDURE

This Standard is a local normative document with permanent validity.

This Standard shall be approved and declared invalid in Rosneft Oil Company by the Rosneft Management Board resolution and brought into force in Rosneft Oil Company by a Rosneft order.

Changes to the Standard shall be introduced following the Rosneft Management Board resolution and are brought into force in Rosneft Oil Company by a Rosneft order.

1. TERMS AND DEFINITIONS

CORPORATE GLOSSARY TERMS AND DEFINITIONS

PROPERTY & TECHNOLOGY COMPLEX - analytically grouped immovable and movable property items (including the land plots, buildings, structures, installations, etc.) used when performing the comprehensive technological process within specific activity area.

<...>

INDEPENDENT APPRAISER – an individual being a member of a self-regulated organization of appraisers and having the insurance policy of his or her professional responsibility and according to Federal Law No. 135-FZ dated 29.07.1998 "On Valuation Activities in the Russian Federation" vested with the right to enter into the property valuation contacts.

Note: An independent appraiser may be a legal entity having on its staff at least two appraisers, which complies with the conditions established by Federal Law No. 135-FZ dated 29.07.1998 "On Valuation Activities in the Russian Federation".

NON-CORE ASSET – asset which does not directly participate in the business processes associated with the business areas and the key management processes of the Company and corresponds to the criteria of asset allocation to the non-core assets set forth in the local normative documents of the Company.

INEFFICIENT ASSET – asset (core or non-core), which maintenance costs exceed the earnings from its use, which meets the criteria of asset allocation to the inefficient assets set forth in the local normative documents of the Company.

<...>

TERMS AND DEFINITIONS FOR THE PURPOSE OF THIS DOCUMENT

TWO-SIDED TRANSACTION – contract concluded with a party selected as a result of targeted two-sided negotiations without using competitive procedures.

ASSET – tangible and intangible assets of the corporate property beneficially owned by the Company (immovable property; movable property which is the part of property and technology complexes; shares; participatory interest in commercial organizations), and property and technology complexes, legal entities with participatory interest of Rosneft or the Group Subsidiary.

Note: For the purposes of this Standard the asset also means a share in ownership right to the tangible asset of the corporate property / property and technology complex owned by the Company on the basis of shared ownership.

CERTIFICATION OF ASSET – procedure for identification of non-core/inefficient assets.

AUCTION – method of entering into a contract based on the competitive tendering results which is awarded to the bidder who offered the highest price.

Note:

Any entity is entitled to participate in an open auction. Only the entities specially invited for this purpose are entitled to participate in a closed auction.

For the purposes of this Standard the auction means an open auction, including the auction carried out in electronic format.

<...>

INFORMATION BASE – set of documents in electronic or paper format containing information on the non-core/inefficient asset sufficient for a potential buyer to form a comprehensive opinion on the non-core/inefficient asset.

<...>

COMPETITIVE TENDERING – method of entering into a contract through a competitive tendering process where based on the competitive tendering process results a contract is awarded to an entity which based on the conclusion of the tender commission previously assigned by the bidding process organizer offered the best terms.

Note:

Any entity is entitled to participate in an open competitive tendering. Only the entities specially invited for this purpose are entitled to participate in a closed competitive tendering.

For the purposes of this Standard the competitive tendering means an open competitive tendering, including the competitive tendering carried out in electronic format.

<...>

SALE OF NON-CORE/ INEFFICIENT ASSET – actions as a result of which the title of Rosneft or the Group Subsidiary to the non-core/inefficient assets goes over to third parties on a remuneration basis.

FAIR MARKET VALUE OF ASSET – value of the asset estimated by an independent appraiser and reflected in the report on the appraised market value of the asset.

TENDER (INVITATION OF BIDS) – method of entering into a contract when a potential buyer selection is based on review of proposals (offers) from the tender participants related to the price and/or other conditions of selling the respective asset.

Notes:

Any entity is entitled to participate in an open tender. Only the entities specially invited for this purpose are entitled to participate in a closed tender.

For the purposes of this Standard the tender procedure means an open tender, including the tender carried out in electronic format.

THIRD PARTY – a legal entity in which Rosneft does not have a direct and/or indirect share in the charter capital; a non-profit organization in which management bodies the Company does not have its representatives, and an individual who is not a member of the management bodies of Rosneft and/or Group Subsidiaries, public/governmental entity.

2. TERMS AND ABBREVIATIONS

NON-CORE/ INEFFICIENT ASSET CHECK LIST (NIA CHECK LIST) – document containing the summary of performance, financial and other indicators of the non-core/inefficient asset compiled based on the results of technical audit and/or the economic and legal expert review of non-core/inefficient asset.

<...>

ASSET OF THE GROUP SUBSIDIARY (ASSET OF THE GROUP SUB)– Asset owned by the Group Subsidiary; asset transferred for ownership and/or disposal, storage, maintenance, agent support to the Group Sub; asset, owned by Rosneft Oil Company, which was earlier owned and/or used by, stored, maintained or transferred for agent support purposes to the Group Sub and not transferred for ownership and/or disposal, storage, maintenance, agent support to another Group Sub; asset, purchased / established by Rosneft Oil Company for the Group Sub.

ASSET OF ROSNEFT OIL COMPANY (ASSET OF ROSNEFT) – asset owned by Rosneft Oil Company, which has no sign of an asset of Group Sub.

<...>

MOVABLE PROPERTY – movable property owned by the Company, which is the part of the property and technological complex subject to disposal.

<...>

SHARES – participatory interest in commercial organizations.

<...>

PTC – property and technological complex.

COMPANY – a group of legal entities of various forms of incorporation, including Rosneft Oil Company, for which the latter is directly and/or indirectly the principal or prevailing (participating) entity.

COMPETITIVE PROCEDURES – an open auction, open tender, including the tender held in electronic format.

CORPORATE RESOLUTION – resolution of Rosneft management body required as per the Charter of Rosneft Oil Company to sell NIA of Rosneft Oil Company.

<...>

LND – local normative document.

<...>

IMMOVABLE PROPERTY – property acknowledged as such in accordance with its domicile law.

NIA – non-core/inefficient asset.

NIA GS – non-core/inefficient asset of the Group Subsidiary.

NIA RONEFT – non-core/inefficient asset of Rosneft Oil Company.

NIA (SHARES/STAKES) – non-core/inefficient asset in the form of share/stakes.

NON-CORE/INEFFICIENT ASSET (IMMOVABLE PROPERTY) – non-core/inefficient asset in the form of immovable property/property and technological complex.

<...>

SUBSIDIARY OF THE GROUP (GROUP SUB) – business entity where Rosneft directly or indirectly holds shares or equity stakes of 20 percent and more.

MANAGEMENT BODY OF ROSNEFT – sole or collegiate management body of Rosneft authorized in accordance with the Charter of Rosneft to make a decision required to sell the asset belonging to Rosneft or the Group Sub.

<...>

POTENTIAL BUYER – individual or legal entity, government authorities, local government bodies and other persons willing to buy a non-core/inefficient asset.

<...>

BoD – Board of Directors of Rosneft.

<...>

3. GENERAL PROVISIONS

3.1. STAGES OF NON-CORE/INEFFICIENT ASSET MANAGEMENT PROCESS

The key stages of non-core/inefficient asset management process are:

- Stage 1 – certification of assets;
- Stage 2 – technical audit of NIA (immovable property) and economic and legal expert review of NIA;
- Stage 3 – preparation of NIA check lists;
- Stage 4 – preparation of NIA lists;
- Stage 5 – preparation of NIA registers;
- Stage 6 – sale of NIA (immovable property, shares/stakes)/ liquidation of NIA.

The additional stage of the NIA management process (immovable property) may be the disposal of the unsold NIA¹ as a result of the sales procedures provided by Subsection 3.1.6. of this Standard.
<...>

3.1.1. CERTIFICATION OF ASSETS

The certification of assets is performed with respect to all assets of the Company, including the assets included into NIA registers approved by the Board of Directors / CEO of Rosneft, considering the criteria of allocating assets to non-core/inefficient.

<...>

3.1.2. TECHNICAL AUDIT AND ECONOMIC/LEGAL ASSESSMENT OF NIA

The technical audit shall be carried out with respect to NIA (immovable property), and the economic/legal assessment – with respect to all NIA.

The purpose of the Technical audit and economic / legal assessment is as follows:

- determine NIA readiness for disposal;
- determine the optimum method of NIA sale.

<...>

Economic/legal expert review of NIA includes checking of economic and legal status of NIA, including:

- checking availability of other owners of NIA and their rights;
- checking availability of the required title documents with respect to NIA;
- checking availability of limitations, encumbrances, lawsuits with respect to NIA, enforcement

¹ The respective procedure is set out in the subsection 4.6 of this Standard.

documents, and unexecuted court orders, enforcement proceedings;

- checking availability of financial and social commitments related to NIA;
- determining the annual cost for the maintenance of NIA and the earnings from its operation/use;
- determining the expected financial result from the sale of NIA;
- checking the history of NIA selling if it was previously offered for sale (date, price, causes of failure to sale);
- evaluation of NIA condition (operation, temporary shutdown, etc.).

Based on the results of NIA technical audit and the economic/legal expert review adequate information and documents shall be obtained enabling the development of NIA checklist (sub-section 3.1.3 of this Standard).

3.1.3. PREPARATION OF NIA CHECKLISTS

The NIA checklist shall be compiled for each NIA.

<...>

3.1.4. PREPARATION OF NIA LISTS

The NIA lists shall be prepared based on the data received as a result of the technical audit and the economic/legal expert review of NIA.

<...>

3.1.5. PREPARATION OF NIA CHECKLISTS

The information contained in the NIA checklists is included in the NIA registers.

The following NIA registers are maintained in the Company:

- The register of immovable property planned for sale ([Attachment 7](#)).
- The register of shares and participatory interest in the business entities planned for sale ...
- <...>

<...>

3.1.6. SALE OF NIA (IMMOVABLE PROPERTY, SHARES/STAKES)...

3.1.6.1. SALE OF NIA (IMMOVABLE PROPERTY, SHARES/STAKES)

Methods of sale of NIA (immovable property, shares/stakes)

NIA (immovable property, shares/stakes) may be sold in the following ways:

- competitive procurement procedures;
- entering into a two-sided transaction.

The asset sale method shall be determined considering certain factors such as:

- NIA specifics;
- market specifics and expectations of potential buyers;
- availability of potential NIA buyers;
- NIA sale timing;
- NIA sale costs;
- risks associated with NIA;
- risks associated with the NIA sales process;
- other factors which may impact on selection of NIA sales method.

When selecting the NIA sales method, the preference is given to the competitive procedures.

The NIA sales method shall be proposed by the initiator of relevant process based on the results of technical audit and economic/legal expert review of NIA with justification of selected method. If the two-sided transaction is selected as the NIA sales method, the initiator of the respective process shall provide justification of the selected potential buyer in NIA checklist (section 5 Attachment 1, section 6 Attachment 2).

The method of NIA sales shall be indicated in the resolution of the management body.

The sale of NIA via competitive procedures may be carried out engaging a mediator (agent) for organization of competitive procedures.

- <...>

The mediator (agent) for organization of competitive procedures shall be selected in accordance with the Company Regulation "On Procurement of Goods, Works and Services", No. P2-08 R-0019.

The key stage of competitive procedures.

Stage 1. Preparing for auction/ competitive tendering/ tender.

At this stage shall be determined the method of publishing (placing) information on holding an auction/ competitive tendering/ invitation to make offers (for tender) <...>

Stage 2. The publishing (placing) of information notice on holding auction/ competitive tendering/ tender/ invitation to make offers (for tender).

<...>

Stage 3. Collection and review of requests from potential buyers for participation in auction/ competitive tendering/ tender.

The procedure for collection of requests from potential buyers for participation in auction/ competitive tendering/ tender held in electronic format shall be determined by the keeper of electronic trading site where the auction/ competitive tendering/ tender is held.

For other forms (other than electronic) of holding auction/ competitive tendering/ tender upon expiration of time-limit for acceptance of requests for participation in auction/ competitive tendering/ tender specified in the information notice about holding an auction/ competitive tendering/ tender/ invitation to make offers (for tender) a protocol on termination of acceptance of requests to participate in and auction/ competitive tendering/ tender shall be drafted ...

Based on the results of review of requests for participation in the auction/ competitive tendering/ tender a decision is made on the access of potential buyers to participation in the auction/ competitive tendering/ tender and acknowledgment of potential buyers as participants of the auction/ competitive tendering/ tender.

- <...>

The potential buyers shall be informed about recognition/non-recognition of them as participants of auction/ competitive tendering/ tender established by the organizer of auction/ competitive tendering/ tender in the written form within the time lines and in the form which ensure the receipt of relevant notification before the date of auction/ competitive tendering/ tender.

Stage 4. Holding an auction/ competitive tendering/ tender.

<...>

The conditions of auction/ competitive tendering/ tender, including the initial price² of NIA, the stages of auction/ competitive tendering/ tender (if any exist) shall be included in the corporate decision. In the event of transition from one stage of auction/ competitive tendering/ tender to the other stage of auction/ competitive tendering/ tender no additional corporate resolution is required. The initial price of NIA for the stage one of competitive tender is determined based on the report of individual appraiser in the amount equal to the NIA market price. If NIA book value exceeds its fair market price then initial NIA price (immovable property) is determined in the amount equal to the NIA book value as of the date of corporate decision.

<...>

Based on the results of auction/ competitive tendering/ tender a winner of auction/ competitive tendering/ tender shall be determined in accordance with the established competitive procedures.

Stage 5. Entering into the sales and purchase agreement on NIA with the participant of auction/ competitive tendering/ tender acknowledged as the winner of the auction/ competitive tendering/ tender³.

Two-sided transaction.

² Minimum price is set for NIA (immovable property).

³ <...>

The two-sided transaction as the method of NIA sale is performed in the following cases:

- if the demand for NIA is objectively limited;
- if there are risks associated with NIA;
- sale of NIA due to creation of ventures with partners;
- there are other factors objectively impeding or making it unfeasible to sell NIA via competitive procedures.

If for acquisition of NIA a potential buyer needs a consent or authorization from the government agency, a decision of the management bodies, or other consent, the sale of NIA may be completed only upon provision of confirmation of receipt of such consent, authorization, endorsement, or decision. The provision of documents confirming availability of such consents, authorizations, endorsements, decisions shall be obligatory for potential buyer under the contracts concluded in order to sell NIA⁴.

<...>

<...>

3.3. INFORMATION SUPPORT OF NIA MANAGEMENT PROCESS

In order to ensure the free access of potential buyers and subsidiaries to the information database on NIA proposed for sale, this information shall be posted on the official web-site of Rosneft (<http://tender.rosneft.ru/ncassets/>), on the web-site of Subsidiary (if available).

When NIA is put up for sale (immovable property) access to information on NIA shall be provided to the unlimited number of potential buyers and wide information campaign arranged (e.g.: news in the regional mass media; web site of specialized organization authorized by Rosneft to run NIA sale campaign; specialized advertising and information resources etc.). Besides, it is excepted to apply to individualized notification of entities who might be interested in buying NIA proposed for sale.

Placing information in the database and familiarizing potential buyers with it shall be performed in accordance with the requirements established by Federal Law No. 98-FZ 29.07.2004 "On Commercial Secret", and the Company's Standard "Protection of Confidential Information" No. PZ-11.03 S-0006.

The information on divestment of NIA shall be consolidated on a monthly basis ... and shall be sent ... to be posted on the interagency web-site for management of the state-owned property in accordance with the requirements of the government bodies of the Russian Federation.

<...>

4 <...>

3.5. REPORTING

<...>

At least once per year, if this term is not set by the Rosneft management bodies, ... the progress report on NIA sales providing information on the NIA sold in the reporting period [shall be submitted to BoD for review].

4. <...>

4.6. DIPOSAL OF THE UNSOLD NON-CORE AND INEFFICIENT ASSETS (IMMOVABLE PROPERTY)

The following ways of disposal of NIA (immovable property) unsold as a result of procedures envisaged by Subsection 3.1.6. of this Standard are possible:

- gratuitous transfer to third parties⁵;
- liquidation of NIA.

<...>

⁵The gratuitous transfer of NIA (immovable property) in accordance with the requirements of this Standard is the method of disposal of unsold assets in order to optimize the content and structure of assets, improvement of efficiency of their use and reduction of maintenance costs, ensuring concentration of Rosneft and Subs' resources intended for the main activity types. The Standard do not cover the charity activities of Rosneft and Group Subs.



8. REGISTRATION OF CHANGES TO THE LOCAL NORMATIVE DOCUMENT

Table1
List of changes of the Company standard

REVISION	TYPE AND NAME OF DOCUMENT	IDENTIFICATION CODE OF THE DOCUMENT	DATE APPROVALS	DATE INTRODUCTION	DETAILS OF DIRECTIVE DOCUMENT
1	2	3	4	5	6
1.00	Company Standard - Non-core and inefficient assets management	PZ-01 S-0002	30.12.2011	30.12.2011	Approved by Rosneft's Board of Directors resolution of 30.12.2011 (Minutes 11 of 30.12.2011) enacted by Rosneft Order dated 30.12.2011 No. 773.

<...>