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of Rosneft**

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POLICY OF THE COMPANY

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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VERSION 3

**MOSCOW
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1. INTRODUCTORY PROVISIONS

PURPOSE

This Policy establishes goals, objectives, and principles of the Company's risk management and internal control system and the distribution of duties and powers of the subjects of the risk management and internal control system within this system.

The Policy was developed in accordance with the Civil Code of the Russian Federation, Federal Law dated 26.12.1995 No. 208-FZ "On Joint-Stock Companies", the Methodological Guidelines for Preparation of the Regulations on Risk Management System approved by the Government of the Russian Federation as part of the implementation of instructions of the President of the Russian Federation dated 27.12.2014 No. Pr-3013, the Corporate Governance Code recommended by the letter of the Bank of Russia dated 10.04.2014 No. 06-52/2463, recommendations of Bank of Russia dated 01.10.2020 No. IN-06-28/143 on organization of risk management, internal control, internal audit, work of the Audit Committee of the Board of Directors (Supervisory Board) in public joint-stock companies, and other regulatory legal acts of the Russian Federation, Rosneft Charter, Corporate Governance Code of Rosneft No. P3-01 KS-01 and Code of Business and Corporate Ethics of Rosneft No. P3-01.06 P-01, and taking into account recommendations of international professional organizations in the area of risk management and internal control, and other applicable legal norms.

SCOPE

This Policy is binding upon the employees of Rosneft and Rosneft-controlled Entities of Rosneft Group in accordance with the perimeter of implementation of this Policy.

The perimeter of implementation of this Policy shall be approved by a directive document of Rosneft in accordance with the procedure established by Standard of the Company No. P3-12.02 S-0001 "Normative Regulation".

Access to this Policy shall not be restricted. An electronic copy of this Policy is available on Rosneft official website: www.rosneft.ru and www.rosneft.com.

VALIDITY PERIOD AND ENFORCEMENT PROCEDURE

This Policy is a permanent local normative document.

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

2. GLOSSARY

2.1. CORPORATE GLOSSARY TERMS

This Policy uses the terms of the Corporate Glossary: *Acceptable Level of Business Process Risk, Business Process, Business Process Risk, Business Stream, Company, Control Environment, Control Procedure, Corporate Compliance System, Corporate Governance, Corporate Wide Risk Management System, Current Financial and Business Operations Risk (CFBO Risk), Entity of Rosneft Group (ERG), Financial and Business Operations, Inspection, Internal Audit, Internal Audit Service (IAS) of Rosneft, Internal Control, Internal Control Self-Assessment, Internal Control System, Local Normative Document (LND), Reasonable Assurance, Risk, Risk and Control Matrix, Risk Appetite (acceptable risk level), Risk Appetite Parameter, Risk Assessment, Risk Identification, Risk Management, Risk Management Action, Risk Management and Internal Control System, Risk Management Infrastructure, Risk Map, Security Hotline, Strategic Goal, Strategic Risk, Strategic Risk Survey, Strategic Target (Target), Structural Unit (SU), Work Plan for Development of Risk Management and Internal Control System (RM&ICS).*

2.2. CORPORATE GLOSSARY ROLES

This Policy uses the roles of the Corporate Glossary: *Risk and Internal Control Expert, Top manager of the Entity of Rosneft Group.*

2.3. ABBREVIATIONS

CFBO	–	current Financial and Business Operations.
CWRM	–	corporate Wide Risk Management System.
ICS	–	internal Control System.
RM&ICS	–	risk Management and Internal Control System.
UR&CPR	–	unified Risk and Control Procedure Register.

3. OPERATIONS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

3.1. PURPOSE OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The purpose of RM&ICS is to provide reasonable assurance of achieving the Company's goals, which can be classified into four main categories:

- strategic goals that contribute to the implementation of the Company's strategic plans;
- operational objectives related to the effectiveness of the Company's financial and business operations, as well as ensuring safeguard of assets;
- objectives in the area of compliance of the Company's activities with applicable legal requirements and the LND requirements, including occupational, industrial, informational, environmental and personal safety requirements;
- objectives in the area of timely preparation of reliable financial and other reporting, internal and/or external reporting.

Effective operation of RM&ICS allows General Shareholders Meeting of Rosneft, Board of Directors of Rosneft, Management Board of Rosneft, the Chief Executive Officer of Rosneft and the Company's Management have an objective, fair and clear view of the current state and prospects of the Company, the integrity and transparency of the Company's reporting, and the reasonableness and acceptability of the risks taken by the Company.

3.2. TASKS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The tasks of RM&ICS are:

- identification, assessment of risks arising at all organizational levels of the Company¹, effective management of these risks, including the effective allocation and use of available resources for risk management;
- improving the Company's risk management and internal control infrastructure and process, including by standardizing and regulating business processes in the area of risk management and internal control;
- creating a reliable information basis as related to RM&ICS for planning operations and making balanced (taking into account the risk and existing internal control) management decisions;
- ensuring that the Company builds an optimal organizational structure that meets its needs, based on the principle of segregation of powers and duties among the subjects of RM&ICS;
- ensuring the efficiency of financial and business operations and the safeguard of the Company's assets, as well as their economical use;
- ensuring the effectiveness of control procedures² aimed at reducing the risks of involvement of Company employees in corrupt activities and corporate fraud in the Company;
- protecting the interests of the Company's shareholders, carrying out anti-corruption procedures, as well as preventing and eliminating conflicts of interest;
- ensuring the completeness, timely preparation and presentation of accurate financial and other reporting for internal and external use, as well as other information subject to disclosure in accordance with applicable law;

¹ Corporate level, Business Stream/ Function level and Entity of Rosneft Group level.

² In accordance with the legislation of the Russian Federation (RF Criminal Code, RF Administrative Code, Federal Law dated 25.12.2008 No. 273-FZ "On Combating Corruption"), LNDs, international legislative practices (UK Bribery Act 2010, U.S. Foreign Corrupt Practices Act 1977) and other applicable laws.

- ensuring the Company's compliance with applicable laws and LNDs.

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

RM&ICS operates in accordance with the following principles:

- Principle of continuity. The RM&ICS operates on an ongoing basis when the Company conducts financial and business operations and makes management decisions.
- Principle of integration. The RM&ICS is part of the Company's corporate governance ensuring the implementation of measures to respond to risks in order to eliminate or mitigate them.
- Principle of full responsibility. All subjects of RM&ICS are responsible for identifying, assessing and continuously monitoring risks within their activities, developing and implementing the necessary risk management actions, their application within their competence, and continuous monitoring of the effectiveness of risk management actions.
- Principle of a reasonable approach to formalization of control procedures and documentation of RM&ICS. The Company seeks to formalize main control procedures and document the work within RM&ICS in such a way that volumes of documentation and formalization were necessary and sufficient for effective operation of RM&ICS and could be updated by the Company.
- Principle of methodological unity. The Company uses unified approaches to development and operation of RM&ICS.
- Principle of segregation of powers and duties. Duties and powers are distributed among the subjects of RM&ICS in order to exclude or reduce the risk of error and/or corporate fraud by preventing the assignment of the functions of development, approval, application, monitoring and evaluation of operations to one subject of RM&ICS.
- Principle of risk-orientation. This principle is achieved through prioritizing the RM&ICS improvement efforts with due consideration of the severity of risks inherent to a particular business area of the Company.
- Principle of optimality. The scope and complexity of risk management actions and internal control procedures development and implementation shall be necessary and sufficient to fulfill the tasks and achieve the objective of RM&ICS.
- Principle of adaptability and development of RM&ICS. The Company provides conditions for the continuous development of RM&ICS, taking into account the need to address new challenges arising from changes in internal and external operating environment of the Company.
- Principle of reasonable assurance. Employed risk management actions, including control procedures, are considered effective if they allow reducing the risk to an acceptable level. In this case, all employed actions combined together provide an acceptable, but not absolute assurance of achieving the objectives of RM&ICS.

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

3.4. LIMITATIONS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Company admits availability of certain limitations of RM&ICS, which may affect achievement of the Company's objectives due to the influence of the following factors:

- peculiarities of the organization of corporate governance, in which a number of corporate governance issues are outside the scope of RM&ICS, but may have a direct impact on its operation and limit the capabilities of RM&ICS;
- subjectivity of judgment, when decisions regarding risks are made based on human judgment, taking into account time constraints, based on available information, which may be subject to distortion by employees and under internal and external pressure (deadlines, requirements, established key performance indicators);
- lack of sufficient statistical data to carry out risk assessment with the degree of accuracy required by the Company;
- collusion of two or more persons to commit fraudulent acts;
- lack of personal responsibility of the Company's Management and employees (in addition to civil, administrative, and criminal responsibility) for the implementation of significant projects carried out by the Company;
- other failures of RM&ICS, which may be caused both by misinterpretation of legal requirements and/or LNDs, and by errors made by employees due to negligence and/or insufficient level of their competence;
- risks that are difficult to manage when Rosneft and ERGs cannot influence the sources and factors of risk and, therefore, cannot influence the probability and consequences of risk occurrence.

4. COMPONENTS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Company seeks to systematize the risk management and internal control activities in order to simplify monitoring and improvement of RM&ICS, tracking the dynamics of changes in RM&ICS, taking into account changes in the external business environment and internal needs of the Company. RM&ICS consists of five interrelated components:

- corporate governance and culture;
- strategy and goal setting;
- operational efficiency;
- information, communications and reporting;
- analysis and revision.

The interrelated components of RM&ICS are integrated into all stages of the risk management process, such as:

- risk identification (component “Performance”, item “Identification of Potential Events”);
- risk assessment (component “Performance”, item “Risk Assessment”);
- determination by the Company’s management of the way to respond to risks and development of risk management actions (component “Performance”, item “Response to Risks”);
- monitoring of risks and tracing the status of implementation of risk management actions (component “Analysis and Revision”),

and establish the general approach to the risk management process in the Company.

4.1. CORPORATE GOVERNANCE AND CULTURE

Corporate governance and culture comprise the position, awareness and actions of Rosneft management bodies with respect to the Company’s RM&ICS, as well as understanding of the importance of such system for its activities. Corporate governance and culture of the Company are the basis for maintaining discipline and order, ensuring effective operation of RM&ICS through influencing the awareness of employees regarding their understanding of the importance and involvement in risk management and internal control. The main constituents of this component are:

- Control Environment:
 - ♦ a set of processes that form the basis for the functioning of RM&ICS and influence other components of RM&ICS;
 - ♦ LNDs;
 - ♦ actions of the Company’s Executive bodies³ and Management aimed at ensuring the effective operation of RM&ICS.⁴
- Management Style:
 - ♦ the management style of Rosneft governing bodies and the Company’s management, which forms proper understanding and perception of RM&ICS by the Company’s employees;

³ The Executive bodies of the Company shall include the executive bodies of Rosneft, including the Chief Executive Officer of Rosneft and the Management Board of Rosneft; the executive bodies of ERGs, including the sole executive body (President, Director, and General Director) and the collective executive body (Management Board) of the ERG.

⁴ The Management of the Company shall include the Management of Rosneft, including vice-presidents of Rosneft, Heads of Services, advisors and other leaders of Rosneft in the rank of vice-president, chief accountant of Rosneft, financial director of Rosneft, press secretary of Rosneft, heads of structural units of Rosneft, chief metrologist of Rosneft, top managers of ERGs.

- ◆ principles and norms of activity, which form the management style in the Company, consistent with the corporate values of the Company and aimed at achieving the strategic goals of the Company.
- Organizational Structure:
 - ◆ distribution of duties and assignment of responsibility for risk management among employees of the Company at all levels of management, excluding duplication and overlapping of functions, in order to avoid corporate fraud or error;
 - ◆ compliance with the principle of independence and objectivity of internal audit.
- Culture and Ethical Values:

The Company has approved and enacted:

 - ◆ Code of Business and Corporate Ethics of Rosneft No. P3-01.06 P-01, which reflects corporate values, ethical principles, and defines expected patterns of behavior of the Company's employees that affect the RM&ICS functioning;
 - ◆ Policy of the Company No. P3-11.03 P-04 "On Combating Corporate Fraud and Involvement in Corruption", one of the main principles of which is the inadmissibility of any manifestations of corporate fraud, regardless of the amount of damage caused and the rejection of corruption in any form or manifestation in the implementation of both operational, investment and other types of activities.
- Competence and Development of Employees:
 - ◆ definition of requirements to qualifications and experience of employees of the Company, necessary to perform their duties, allowing to effectively implement risk management actions, timely identify and assess risks, as well as introduce new risk management actions;
 - ◆ regular training, assessment of employees, as well as revision of requirements to employees in accordance with the changing needs of the Company, carried out within the framework of implementation of programs of continuous professional development and advanced training of employees necessary to achieve the Company's goals.

4.2. STRATEGY AND GOAL SETTING

Setting goals of the Company is a prerequisite for the identification and assessment of risks. Goals and objectives should correspond to strategic directions of the Company development and promote their realization. The goals form a basis for introduction and realization of approaches to the assessment of risks and the subsequent definition of risk management actions.

When setting objectives, the Company's management takes into account the following:

- compliance of the set goals and objectives with Rosneft Development Strategy and Rosneft Long-Term Development Program;
- determining the risk appetite (acceptable level of risk);
- compliance of the Company's goals and objectives with applicable laws and the requirements of LNDs;
- formulation of goals using indicators that are unambiguously interpretable, measurable, achievable, relevant and time-bound;
- distribution and interconnectivity of Rosneft and ERG objectives.

The risk appetite (acceptable level of risk) is linked to the Company's goals, is determined centrally and is approved annually by Rosneft Board of Directors.

4.3. OPERATIONAL EFFICIENCY

The Company's operational efficiency depends on the timely identification and assessment of risks and the development of risk management actions.

Awareness of potential events enables management to promptly react to internal and external changes in business environment and make risk-based decisions.

- Identification of Potential Events.

Identification of potential events consists of identifying events that have an internal or external source of occurrence in relation to the Company and have an impact on the achievement of the Company's goals. The Company's Management is responsible for developing measures to respond to events that represent risks which may have a negative impact on the achievement of the Company's goals. Risks are taken into account by the Company's Management when forming Rosneft Development Strategy and Rosneft Long-Term Development Program and setting goals.

- Risk Assessment.

Risk assessment is the analysis of identified risks and their consequences in order to ensure further risk management through the implementation of necessary risk management actions. Formalization of risk identification and assessment allows obtaining comparable results of risk assessment for prioritization of risk management efforts and implementation of necessary risk management actions.

- Risk Response.

Based on the results of the assessment of identified risks, the Company's Management is responsible for selecting a way to respond to risks, developing and implementing risk management actions. Risk management actions include actions to manage strategic risks, actions to manage financial and business operations risks and control procedures, which are actions to manage the risks of business processes.

Implementation of control procedures is carried out in accordance with the LNDs, directives, organizational and other internal documents of the Company, including risk and control matrices, and is aimed at achieving the RM&ICS goals.

When selecting methods of response to risk and specific risk management actions, the Company is guided by the principles of optimality and risk-orientation with respect to risk appetite (acceptable level of risk).

4.4. INFORMATION, COMMUNICATIONS AND REPORTING

Information and communications create conditions necessary for implementation of management functions, making timely and reasonable decisions, and performance of job duties by employees of the Company.

The Company has information exchange channels, including both vertical and horizontal communications, which ensure informing all subjects of the Company's RM&ICS, including informing about changes in the Company's business processes, risks, risk management actions, deficiencies in control procedures, action plans to eliminate deficiencies in control procedures and are the basis both for preparing information for the Executive bodies and Rosneft Board of Directors, and in external sources (in the Annual Report and Rosneft Sustainability Report).

Reporting is one of the tools for informing the Company's Management in a timely manner to enable them to make informed risk-based decisions.

The Company generates the following reports in the field of RM&ICS:

- Report on the implementation of the Work Plan for the development of RM&ICS;

- Risk reporting, including:
 - ♦ Strategic risk reporting (results of the strategic risk survey)⁵;
 - ♦ Reporting on the financial and business operations risks⁶.

In terms of reporting on the financial and business operations risks, depending on the organizational level, there are corporate level, business Stream/Function level and ERG level reporting.

The Company has implemented information systems to support information exchange at all levels of management and to bring to the attention of the Company's employees within their competence the requirements of the Board of Directors and executive bodies of the Company.

Control over information flow management and information security is regulated by the respective LNDs. The Company has an established system of information disclosure and communication with customers, suppliers, regulators, shareholders, and employees.

The Company has set up the Security Hotline, which is a tool for implementing its policy on combating corporate fraud and corruption. The Security Hotline is a safe, confidential and accessible way to inform Rosneft Security Service, Rosneft Board of Directors Audit Committee and Rosneft IAS about facts of violation of applicable laws, LNDs, including Code of Business and Corporate Ethics of Rosneft No. P3-01.06 P-01, regulatory, organizational and other internal documents of the Company by any employee and/or any member of Rosneft's governing or controlling body of Rosneft/ Group Subsidiaries.

The Company's interaction with external stakeholders, state supervisory authorities, external auditors and other relevant parties on risk management and internal control issues shall be carried out in accordance with the established competencies in accordance with the procedure stipulated by Russian legislation, Rosneft Charter and relevant LNDs and shall be provided by the Company via access to information in the information and telecommunications network Internet.

The main source for disclosure of information on Rosneft activities is the official website of Rosneft www.rosneft.ru / www.rosneft.com.

4.5. ANALYSIS AND REVISION

In order to ensure consistent, continuous and integrated development of RM&ICS, the Company plans the development of RM&ICS through annual preparation of the Work Plan for the development of RM&ICS for the current and two subsequent years.

The Work Plan for the development of RM&ICS includes activities aimed at improving the risk management and internal control processes (e.g., application of new methods and practices, development and updating of LNDs in the field of risk management and internal control) and organization of interaction and information exchange within RM&ICS (e.g., training of Company employees, RM&ICS infrastructure development) in accordance with the RM&ICS development areas included in the Rosneft Long-Term Development Program.

Analysis and revision of the risk management and internal control practices shall be carried out in the course of RM&ICS monitoring aimed at regular assessment of the RM&ICS efficiency in order to identify significant deficiencies of RM&ICS and its ability to ensure achievement of its goals and objectives.

⁵ Reporting on the risks that have a significant impact on the Company's achievement of its stated strategic targets (risks of the Company's failure to achieve its stated strategic targets).

⁶ Reporting on the risks that have a significant impact on the financial and business operations of the Company, including the achievement of business plan indicators, and, depending on the period of its preparation, divided into:

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

Monitoring of RM&ICS is carried out by:

- constant monitoring of the implementation of risk management actions and their effectiveness by the management and employees of the Company within their competence;
- conducting internal control self-assessment by the subjects of RM&ICS;
- IAS inspections and evaluation of the reliability and effectiveness of RM&ICS;
- review by the Rosneft Board of Directors (Audit Committee of the Board of Directors) of the results of the analysis and assessment of the efficiency of RM&ICS;
- timely communication of information on identified RM&ICS deficiencies to the subjects of RM&ICS of the appropriate level, depending on the significance of deficiencies.

Monitoring of RM&ICS, including assessment of reliability and effectiveness, is carried out by the subjects of RM&ICS in accordance with the LNDs, directives, organizational and other internal documents of the Company.

The results of assessment of reliability and effectiveness of RM&ICS are used when preparing the section in the Annual Report and Sustainability Report of Rosneft reflecting the risk management and internal control issues.

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

The subjects of the risk management and internal control system of Rosneft, including Rosneft Board of Directors, Audit Committee of Rosneft Board of Directors, Rosneft Chief Executive Officer, Rosneft Audit Commission, Rosneft Risk Management Committee, Rosneft management and employees (including structural units of Rosneft, which perform certain functions on risk management and internal control for Business Streams/ Functions), Rosneft Risk and Internal Control Methodology Department, Rosneft Security Service, Rosneft Internal and HR Security Division, Rosneft Internal Audit Service, as well as audit commissions, management and employees of the Entities of Rosneft Group, security units of the Entities of Rosneft Group are the subjects of the risk management and internal control system of the Company.

Functions of the Company’s RM&ICS subjects are delineated depending on their participation in the processes of development, implementation and monitoring of RM&ICS effectiveness.

Table 1
Subjects of the Company’s Risk Management and Internal Control System

LEVEL	MAIN FUNCTIONALITY OF RM&ICS SUBJECTS
STRATEGIC LEVEL OF MANAGEMENT	Rosneft Board of Directors and the Audit Committee of Rosneft Board of Directors shall define principles and approaches to organization of RM&ICS, approve key RM&ICS development areas, control their implementation, and organize analysis and evaluation of RM&ICS performance
OPERATIONAL LEVEL OF MANAGEMENT	Rosneft Chief Executive Officer, Rosneft Risk Management Committee and the Company Management shall, within their functional responsibility, create and maintain the control environment contributing to the efficiency of RM&ICS activities, ensure the implementation of the Work Plan for the development of RM&ICS actions
	Risk and Internal Control Methodology Department of Rosneft shall coordinate risk management and internal control processes, develop and update the methodological framework in the field of risk management and internal control processes
	Rosneft Security Service shall coordinate processes in the field of combating corporate fraud and corruption. Rosneft Internal and HR Security Division shall, within its competence, take measures in the field of combating corporate fraud and corruption
	Structural units of Rosneft, exercising separate functions of risk management and internal control for Business Streams/ Functions in the framework of RM&ICS, shall organize work on implementation of RM&ICS elements in Business Streams/ Functions, and in the Business processes of Business Streams/ Functions
	Employees of the Company are continuously involved in identifying and assessing risks, developing and implementing measures to manage risks, and implementing measures to improve the risk management and internal control system

LEVEL OF INDEPENDENT MONITORING AND EVALUATION OF RM&ICS EFFICIENCY	Rosneft IAS shall perform an independent assessment of reliability and effectiveness of RM&ICS
	Audit Commission of Rosneft shall exercise control over Rosneft financial and business operations

The subjects of RM&ICS of each level shall perform their functions by exercising their rights and obligations within the competence set forth in the applicable laws, Rosneft Charter and respective LNDs, as well as in accordance with the organizational and regulatory documents, job descriptions and regulations on structural units.

The procedure for organization of RM&ICS presented in this section is described at the level of Rosneft and may be extended to the Entities of Rosneft Group, taking into account their organizational specifics.

5.1. ROSNEFT BOARD OF DIRECTORS

The Board of Directors of Rosneft shall exercise its powers within the framework of RM&ICS, in accordance with the Charter of Rosneft, and shall also take decisions on other issues related to the functioning of RM&ICS, including consideration of the opinion on the results of the external assessment of RM&ICS effectiveness (if a decision is taken to conduct it).

In addition, Rosneft Board of Directors shall, at least annually, review the organization, operation and effectiveness of RM&ICS and, if necessary, make recommendations for its improvement. Information on the results of consideration by Rosneft Board of Directors of the issues of RM&ICS effectiveness shall be provided to shareholders as part of Rosneft Annual Report.

5.2. ROSNEFT BOARD AUDIT COMMITTEE

The Audit Committee of Rosneft Board of Directors shall, as part of its assistance to Rosneft Board of Directors in protecting the interests of Rosneft shareholders, monitor the completeness and accuracy of Rosneft financial and other reports, the reliability and effectiveness of RM&ICS, compliance, internal audit and corporate governance system.

The authority of the Audit Committee of Rosneft Board of Directors in relation to RM&ICS is set forth in Regulation of Rosneft No. P3-01 R-0105 UL-001 “On Rosneft Board Committees”.

5.3. ROSNEFT CHIEF EXECUTIVE OFFICER

Rosneft Chief Executive Officer shall ensure implementation of RM&ICS policy approved by Rosneft Board of Directors, form and maintain effective RM&ICS functioning in accordance with the competence set forth in Rosneft Charter, as well as provides agreement of:

- The Work Plan for the development of RM&ICS and the report on its implementation;
- reporting on strategic risks, reporting on identification of the corporate level financial and business operations risks, including risk appetite (acceptable risk level), reporting on monitoring of the corporate level financial and business operations risks for Q4 of the reporting year (reporting on realized corporate level financial and business operations risks).

5.4. ROSNEFT RISK MANAGEMENT COMMITTEE

Rosneft Chief Executive Officer shall have a coordinating body, Rosneft Risk Management Committee, whose terms of reference shall include:

- agreement of materials and formation of a position to be submitted for agreement to Rosneft Chief Executive Officer on the following issues:

- ◆ determining the main directions of RM&ICS development (Work Plan for the development of RM&ICS) and review of the report on the implementation of the Work Plan for the development of RM&ICS;
- ◆ determining the risk appetite (acceptable risk level);
- ◆ consideration of reporting on identification of the corporate level financial and business operations risks, reporting on realized corporate level financial and business operations risks, and reporting on strategic risks;
- review of materials on risk appetite monitoring (acceptable risk level);
- review of reports on the monitoring of the corporate level financial and business operations risks;
- resolution of disputable situations arising in the course of RM&ICS functioning;
- review and approval of proposals for individual risk management from members of Rosneft Risk Management Committee (in accordance with applicable Rosneft LNDs and directives, which regulate individual risk management processes);
- other functions established by applicable LNDs and directives of Rosneft.

5.5. COMPANY MANAGEMENT

In order to ensure the effective operation of RM&ICS, within its competence, the Management of the Company⁷ shall ensure:

- appointment of responsible employees in supervised structural units who perform the functions of risk and internal control experts, and inclusion of the standard RM&ICS functionality into their job descriptions;
- distribution of powers and responsibilities among the employees under their administrative subordination in accordance with the principle of separation of powers and responsibilities;
- development of a unified corporate culture, which contributes to the effective functioning of RM&ICS, including organization of the process of informing, training and periodic confirmation of employees' knowledge and understanding of corporate culture norms and ethical principles, requirements of the LNDs, which affect the order of RM&ICS functioning;
- control over compliance by the Company's structural unit employees with the requirements of LNDs, directives, organizational and other internal documents of the Company;
- risk management within their competencies and in accordance with the Company's procedures, including risk identification, analysis and assessment, development and implementation of measures to eliminate or mitigate risks, risk monitoring, and monitoring the implementation of risk management actions;
- developing, implementing control procedures and monitoring the implementation of measures to eliminate deficiencies in control procedures;
- carrying out internal control self-assessment of in business processes under their management;
- preparing and submitting on a regular basis, as well as at the request of senior management, a report on the effectiveness of control procedures, including timely reporting to senior management on deviations in the implementation of control procedures;
- regular assessment of employee performance and periodic review of qualification requirements and training programs for risk management and internal control in connection with changes in internal and external conditions of the Company;

⁷ The Company's Management implements all the above functions within the framework of its functional responsibilities, in the manner and in accordance with the regulations on the structural unit and the requirements of the LNDs and other internal documents.

- formation of proposals (in the area of its own responsibility) on measures aimed at the development of RM&ICS (if there are such proposals) for inclusion in the Work Plan for the development of RM&ICS.

5.6. ROSNEFT RISK AND INTERNAL CONTROL DEPARTMENT

The main functions of the Rosneft Risk and Internal Control Department within RM&ICS are as follows:

- providing a unified methodological framework for RM&ICS in the Company;
- forming, updating and controlling the implementation of the Work Plan for the development of RM&ICS in the Company;
- updating and maintenance of the Unified Risks and Control Procedure Register (URCPR), including strategic risks, financial and business operations risks, business process risks, and control procedures;
- ensuring the functioning and development of a unified information base of risks and control procedures;
- preparing regular information about the Company's RM&ICS;
- training of the Company's employees in RM&ICS, including the development of training materials;
- reporting on the identification and monitoring of the corporate level financial and business operations risks;
- expert review of reporting on the identification and monitoring of financial and business operations risks at the Business Stream/ Function level;
- preparation of reports on strategic risks;
- optimization and periodic verification of the adequacy of models for quantitative assessment of corporate level risks. Development and improvement of methods for quantitative assessment of corporate level risks;
- formation of parameters of the Company's risk appetite and reporting on its monitoring;
- other issues in the field of risk management and internal control established by applicable LNDs and directive documents of Rosneft.

5.7. ROSNEFT SECURITY SERVICE

The competence of Rosneft Security Service within the framework of RM&ICS includes:

- participation in the organization and functioning of the corporate compliance system in order to reduce the risks in carrying out activities in terms of coordinating the implementation of the Policy of the Company No. P3-11.03 P-04 "On Combating Corporate Fraud and Involvement in Corrupt Activities";
- development, updating and implementation of LNDs and directive documents of Rosneft in the field of combating corporate fraud and corruption in accordance with the competence;
- participation in the organization of control over compliance with the Company's LNDs and implementation of measures taken by Rosneft executive bodies in the field of corporate fraud and corruption prevention;
- organization of work of Security Hotline;
- checks/investigations into unfair/illegal actions of employees and third parties, including negligence, corporate fraud, corrupt practices, abuses and various unlawful actions, which cause damage to the Company, and information received via the Security Hotline.

The above functions, except for the organization of the Security Hotline, shall also be performed by Rosneft Internal and HR Security Division within its competence defined by the Regulations on the Structural Units.

5.8. ROSNEFT STRUCTURAL UNITS, WHICH PERFORM CERTAIN FUNCTIONS OF RISK MANAGEMENT AND INTERNAL CONTROL FOR BUSINESS STREAMS/ FUNCTIONS

The competence of Rosneft structural units performing certain functions of risk management and internal control for Business Streams/ Functions⁸ within the framework of RM&ICS shall include:

- preparation of information and consolidation of reporting as part of the risk management and internal control process for the Business Streams/ Functions and the Entities of Rosneft Group;
- organizing the implementation of RM&ICS elements and the development of proposals for the methodology of risk management in the Business Streams/ Functions, including the coordination of work in terms of unified methodological approaches in the development/updating of the Company's LNDs in the field of risk management and internal control in the Business Stream/ Function, not contrary to the current LNDs of the Company in the field of risk management and internal control;
- analyzing the key weaknesses of control procedures and assisting in the implementation of control procedures in the Business Stream/ Function;
- coordination of actions during the internal control self-assessment in the Business Stream/ Function;
- other functions established by applicable LNDs and directive documents of Rosneft in the field of risk management and internal control.

5.9. COMPANY EMPLOYEES

All employees of the Company within the framework of RM&ICS as related to their competence:

- are responsible for the effective implementation of risk management actions in accordance with their job descriptions and the LND requirements, directives and other internal documents of the Company;
- assist the Company's Management in risk management in accordance with the established procedure in the Company: identify, assess risks, develop and implement risk management actions, monitor risks and monitor the implementation of risk management actions;
- ensure timely notification of their immediate supervisors of new risks, as well as cases where the implementation of risk management actions for any reason has become impossible and/or requires their revision due to changes in internal and external conditions of the Company, including the development and submission to the Company's management of proposals for the implementation of risk management actions in the relevant business areas;
- take part in the internal control self-assessment in the Company;
- must undergo training in risk management and internal control in accordance with the approved training program.

⁸ Structural units of Rosneft with independent functions, tasks and responsibilities in the field of risk management and internal control in Business Stream/ Function within their competence defined by the Regulations on Structural Unit.

5.10. ROSNEFT INTERNAL AUDIT SERVICE

The IAS competence within RM&ICS includes assessing the reliability and effectiveness of RM&ICS in accordance with the IAS authority as set forth in the Policy of the Company No. P4-01 P-02 “On Internal Audit”.

The IAS evaluates the reliability and effectiveness of RM&ICS at least once a year. Based on the results, the IAS forms an internal audit opinion on the reliability and effectiveness of RM&ICS.

5.11. ROSNEFT AUDIT COMMISSION

Control over Rosneft financial and business operations shall be exercised by the Audit Commission of Rosneft in accordance with the powers set forth in the Charter of Rosneft and the Regulations on the Audit Commission of Rosneft⁹.

The Audit Commission of Rosneft shall audit the activities of Rosneft, including the identification and assessment of risks arising as a result of and in the process of its financial and business operations.

⁹ Approved by decision of the General Shareholders Meeting of Rosneft on 27.06.2014 (Minutes, no number).

6. REFERENCES

1. Civil Code of the Russian Federation (Part One) dated 30.11.1994 No. 51-FZ.
2. Federal Law dated 26.12.1995 No. 208-FZ “On Joint-Stock Companies”.
3. Federal Law dated 25.12.2008 No. 273-FZ “On Counteracting Corruption”.
4. Federal Law dated 06.12.2011 No. 402-FZ “On Accounting”.
5. Corporate Governance Code recommended by the letter of the Bank of Russia dated 10.04.2014 No. 06-52/2463.
6. Methodological Guidelines for Preparation of the Regulations on the Risk Management System approved by the Government of the Russian Federation as part of the implementation of the instructions of the President of the Russian Federation dated 27.12.2014 No. Pr-3013.
7. Information letter of the Bank of Russia dated 01.10.2020 No. IN-06-28/143 “On Recommendations for Organization of Risk Management, Internal Control, Internal Audit, and Work of the Committee of the Board of Directors (Supervisory Board) as Related to the Audit In Public Joint-Stock Companies”.
8. Corporate Governance Code of Rosneft No. P3-01 KS-01.
9. Code of Business and Corporate Ethics of Rosneft No. P3-01.06 P-01.
10. Policy of the Company No. P4-01 P-02 “On Internal Audit”.
11. Policy of the Company No. P3-11.03 P-04 “On Countering Corporate Fraud and Involvement in Corrupt Practices”.
12. Standard of the Company No. P3-12.02 S-0001 “Normative Regulation”.
13. Regulation of Rosneft No. P3-01 R-0105 UL-001 “On Committees of Rosneft Board of Directors”.