

Appendix 4

(Information on compliance with instructions issued by the President of the Russian Federation and the Government of the Russian Federation)

Information on compliance with instructions issued by the President of the Russian Federation and the Government of the Russian Federation

1. Non-core asset divestment

<p>Subparagraph j, paragraph 1 of Instruction of the President of the Russian Federation No. Pr-3668 dated 6 December 2011</p> <p>Subparagraph b, paragraph 1 of Instruction of the President of the Russian Federation No. Pr-1092 dated 27 April 2012</p> <p>Item 4, subparagraph c, paragraph 2 of Decree of the President of the Russian Federation No. 596 dated 7 May 2012 On the Long-Term National Economic Policy</p> <p>Instruction of the First Deputy Prime Minister of the Russian Federation Igor Shuvalov No. ISH-P13-6768 dated 13 November 2012</p> <p>Directives of the Government of the Russian Federation No. 4863p-P13 dated 7 July 2016</p> <p>Resolution of the Government of the Russian Federation No. 894-r dated 10 May 2017</p> <p>Directives of the Government of the Russian Federation No. 6604p-P13 dated 18 September 2017</p>	<p>Rosneft is continuously optimising the portfolio of assets owned by the Company and its subsidiaries.</p> <p>The Company has developed and is consistently implementing a non-core and non-performing asset divestment programme in accordance with the Company Policy on Corporate Property Management and the Company Standard on Non-Core and Inefficient Assets Management developed by the Company and approved by the Board of Directors.</p> <p>The programme outlines key principles of non-core and non-performing asset management, relevant procedures, stages and deadlines for implementation.</p> <p>The Company annually identifies assets conforming to the criteria of non-core and non-performing assets and performs their appraisal, technical audit, and economic and legal expert analysis.</p> <p>The registers of non-core and non-performing assets of Rosneft and the Group Subsidiaries are maintained and updated on a regular basis in compliance with the non-core and non-performing asset divestment programme.</p> <p>In 2019, Rosneft's Board of Directors approved the updated registers of the non-core and non-performing assets scheduled to be divested in 2019–2022 (Minutes No. 6 dated 1 October 2019).</p> <p>Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.</p>
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2. Procurement of goods, works and services

2.1. Approval of the Regulation on Procurement. Procurement transparency improvement

<p>Federal Law No. 223-FZ On Procurement of Goods, Works and Services by Certain Types of Legal Entities dated 18 July 2011</p> <p>Instruction of the Government of the Russian Federation No. ISH-P13-8685 dated 17 December 2012</p> <p>Paragraph 2 of List of Instructions of the Government of the Russian Federation No. DM-P9-8413 dated 12 December 2015</p> <p>Instruction of the Government of the Russian Federation No. DM-P13-1100 dated 1 March 2016 (paragraph 89 of the Government Action Plan for Stable Social and Economic Development of the Russian Federation in 2016)</p> <p>Directives of the Government of the Russian Federation No. 2793p-P13 dated 19 April 2016</p> <p>Directives of the Government of the Russian Federation No 7704p-P13 dated 11 October 2016</p> <p>Directives of the Government of the Russian Federation No. 1519p-P13 dated 20 February 2019</p> <p>Directives of the Government of the Russian Federation No. 10464p-P13 dated 18 November 2019</p>	<p>On 30 November 2018, Rosneft's Board of Directors resolved to approve a revised version of the Company's Regulations on Procurement of Goods, Works and Services (the full version of the Regulations is posted on the Company's official website at http://zakupki.rosneft.com/node/459132 and in the Integrated Information System at http://zakupki.gov.ru) that:</p> <ul style="list-style-type: none"> • sets out the Company's procurement principles: information openness and transparency, equality, fairness and non-discrimination, no unwarranted restrictions on bidders, targeted and cost-efficient expenditures, prevention of corruption or any abuse in the procurement process; • describes key elements of the procurement process for goods, works and services, including procedures for preparing and carrying out procurements and procedures for signing and performing procurement contracts; • sets out certain provisions regulating the participation of small and medium-sized enterprises (SMEs) in procurements; • provides for the possibility of online procurement. <p>In 2016, the Company developed procurement standards for goods, works and services to set price limits on, and define requirements for the quantity, consumer properties and other specifications of, the said goods, works and services. The list of products regulated by the corporate standards is posted on the Company's official website (the full version of the document is available at http://zakupki.rosneft.com). The Company also monitors the compliance with applicable standards and annually reviews procurement results for their compliance with the standards.</p> <p>Pursuant to Directives of the Government of the Russian Federation No. 7704p-P13 dated 11 October 2016, the Company's Regulations on Procurement of Goods, Works and Services provides for the possibility of factoring as a means of financing the procurement of goods, works or services (paragraph 10.4.7.6).</p> <p>Pursuant to Directives of the Government of the Russian Federation No. 10464p-P13 dated 18 November 2019, the Company updated its standard procurement documents to allow for specific means of securing vendor obligations under procurement contracts, including suretyship.</p> <p>Pursuant to Directives of the Government of the Russian Federation No. 1519p-P13 dated 20 February 2019, the Company developed and approved internal documents providing for a continuous improvement of procurement management procedures.</p> <p>Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.</p>
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2.2. Improving efficiency of procurements from small and medium-sized enterprises, including procurement of innovative and hi-tech products

<p>Resolution of the Government of the Russian Federation No. 867-r dated 29/05/2013</p> <p>Instruction of the Government of the Russian Federation No. DM-P13-77 dated 13 January 2018 to provide information under subparagraph c, paragraph 1 of Instruction of the President of the Russian Federation No. Pr-2763 dated 31 December 2017</p> <p>Directives of the Government of the Russian Federation No. 4252p-P13 dated 16 June 2016</p> <p>Directives of the Government of the Russian Federation No. 4111p-P13 dated 8 May 2019</p>	<p>The Company implemented a set of measures to improve procurement efficiency. These measures include:</p> <ul style="list-style-type: none"> • establishment of the standing Advisory Board; relevant information about the Board is posted on Rosneft's official website (more details are available at http://zakupki.rosneft.com/consult); • development and approval of the following internal documents: <ol style="list-style-type: none"> 1. Regulations on Procurement of Goods, Works and Services, 2. Regulations on Activity of Advisory Board Carrying Out Public Audit of Efficiency of Purchases From Small and Medium-Sized Business Entities, 3. Regulations on the Procedure and Rules of the One-Stop-Shop System for the Introduction of Innovative Products, 4. Innovation Classification Principles setting out uniform rules and criteria for classifying the Company's goods, works and services as innovations subject to Order of the Ministry of Energy of the Russian Federation No. 1026 dated 25 December 2015, 5. Rosneft's Guidelines for Assessing the Life Cycle of Procured Goods, Works and Services establishing the procedure for applying the 'product life cycle cost' assessment criterion; • amendments to the corporate procurement regulations specifying the procedure for SMEs to bid for procurement contracts of the Company; • invitation to vendors (including SMEs) to propose innovative solutions through the One-Stop-Shop System on Rosneft's website (more details are available at https://www.rosneft.com/Development/Scienceandinnovation/Innovation_management/One-Stop-Shop_System/); • development and approval of the Innovative Product Procurement Plan for 2018-2022 (the Plan is posted in the Integrated Information System at http://zakupki.gov.ru); • approval and introduction of KPIs (including the Share of Procurements from SMEs KPI) for the procurement service managers; • as provided for in applicable procurement laws of the Russian Federation, all procurements from SMEs are organised online on the TEK-Torg Electronic Trading Platform (and posted in Rosneft's section); • pursuant to Directives of the Government of the Russian Federation No. 4111p-P13 dated 8 May 2019, the Company's Regulations on Procurement of Goods, Works and Services was amended to provide for the possibility of factoring as a means of financing the procurement of goods, works or services from SMEs, regardless of how such procurements are organised. <p>Following 2019:</p> <ul style="list-style-type: none"> • the total value of contracts made between Rosneft and SMEs (including those made by the Group Subsidiaries on behalf of Rosneft), including payments due in 2019, amounted to RUB 16.3 bln, or 60.9%, (attributable to the 18% target) and RUB 4.1 bln, or 15.2% (attributable to the 15% target). • the total value of contracts for the procurement of innovative products amounted to RUB 2.47 bln (up 10.9% y-o-y), including RUB 0.67 bln (up 12.5% y-o-y) in procurements from SMEs. <p>Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.</p>
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2.3. Increasing procurements of Russian-made products

<p>Instructions of the President of the Russian Federation following the meeting of the State Council Presidium dated 20 February 2009</p> <p>Paragraph 4 of List of Instructions of the President of the Russian Federation No. Pr-2821 dated 5 December 2014</p> <p>Instructions of the Government of the Russian Federation No. AD-P9-9176 dated 8 December 2014 and No. ISh-P13-1419 dated 5 March 2015</p> <p>Instruction of the Government of the Russian Federation No. ISh-P13-1872 dated 1 April 2016</p> <p>Paragraph 4, section II of the Minutes of the Meeting of the Government Commission on the Use of Information Technologies for the Improvement of Welfare and Business Environment No. 1 dated 9 February 2018</p> <p>Directives of the Government of the Russian Federation No. 1346p-P13 dated 5 March 2015</p> <p>Directives of the Government of the Russian Federation No. 3425p-P13 dated 1 June 2015</p> <p>Directives of the Government of the Russian Federation No. 4972p-P13 dated 11 July 2016</p> <p>Directives of the Government of the Russian Federation No. 6558p-P13 dated 5 September 2016</p> <p>Directives of the Government of the Russian Federation No. 830p-P13 dated 6 February 2017</p> <p>Directives of the Government of the Russian Federation No. 2602p-P7 dated 17 April 2017</p> <p>Directives of the Government of the Russian Federation No. 7923p-P13 dated 26 September 2018</p> <p>Directives of the Government of the Russian Federation No. 10068p-P13 dated 6 December 2018</p> <p>Directives of the Government of the Russian Federation No. 584p-P13 dated 26 January 2019</p> <p>Directives of the Government of the Russian Federation No. 9984p-P13 dated 1 November 2019</p> <p>Directives of the Government of the Russian Federation No. 9712p-P13 dated 25 October 2019</p>	<p>The Company's Board of Directors developed and approved an action plan (a set of measures) aimed at consistent substitution of imported products (including works and services) with equivalent and technically similar products, works and services of Russian origin to be used in investment projects and day-to-day operations provided that such substitution is economically feasible and technologically justified (Minutes No. 35 dated 5 June 2015).</p> <p>The Company's Regulations on Procurement of Goods, Works and Services are fully compliant with Directives of the Government of the Russian Federation No. 3425p-P13 dated 1 June 2015, No. 4972p-P13 dated 11 July 2016 and No. 830p-P13 dated 6 February 2017, enable the Company to make long-term contracts for the supply of any products and provide for the procurement of competitive Russian software for Rosneft's activities.</p> <p>The Company's Regulations on Procurement of Goods, Works and Services contain section 13.1 Priority of Goods, Works and Services Supplied by Russian Vendors that provides for:</p> <ul style="list-style-type: none"> • the priority of goods, works and services supplied by Russian vendors as set out in the applicable laws; • the customer's discretion to specify certain priorities and conditions for the tendered contract if such conditions are expressly stated in the procurement documents or directly set out in applicable laws. <p>Additionally, the Company developed and implemented the Import Substitution and Equipment Localisation Programme for Rosneft's Needs for 2019-2021 with an outlook for 2028.</p> <p>Pursuant to Resolution of the Government of the Russian Federation No. 925 dated 16 September 2016 On Priority of Goods, Works and Services Supplied by Russian Vendors Over Goods, Works and Services Supplied by Foreign Vendors (Resolution No. 925), the Company amended its procurement documents accordingly and added Russian origin confirmation forms for the goods, works and services supplied by Russian vendors.</p> <p>The Company updated its action plan (a list of measures) for import substitution and localisation to comply with Directive of the Government of the Russian Federation No. 830p-P13 dated 6 February 2017 and the Guidelines approved by Order of the Russian Ministry of Economic Development No. 219R-AU dated 11 August 2016. Key actions (measures) were included in Rosneft's Long-Term Development Programme as updated and approved by resolution of the Board of Directors (Minutes No. 11 dated 23 December 2019).</p> <p>Relevant resolutions (Minutes No. 6 dated 24 August 2018) were made by the Company's Board of Directors to comply with Directives of the Government of the Russian Federation No. 2602p-P7 dated 17 April 2017.</p> <p>Pursuant to Directives of the Government of the Russian Federation No. 7923p-P13 dated 26 September 2018, the Board of Directors (Minutes No. 14 dated 25 January 2019) instructed the Management Board to inform, annually and in due time, federal executive bodies (Ministry of Industry and Trade, Ministry of Energy and Ministry of Economic Development) and the Government of the Russian Federation of the total value of contracts made by Rosneft and the Group Subsidiaries with defence industry companies for the procurement of civilian products (including works and services) for the Fuel Producing Industries, other than those under defence procurement contracts, no later than 30 days prior to Rosneft's Annual General Shareholders Meeting. Relevant reports were sent to the federal executive bodies on 15 May 2019.</p> <p>Provisions of Directives of the Government of the Russian Federation No. 584p-P13 dated 26 January 2019 and No. 9984p-P13 dated 1 November 2019 were incorporated into the Company's Regulations on Procurement of Goods, Works and Services, which provides, pursuant to Resolution No. 925, for the priority of Russian-made products, including (i) those used in the implementation of national projects and the trunk pipeline upgrade and expansion plan; and (ii) advanced Russian-made means of protection against radiation, chemical and biological hazards. Additionally, the Company adopted and regularly updates a list of goods to be stocked by Rosneft and the Group Subsidiaries for the purpose of civil defence and employee protection in case of natural and man-made disasters.</p> <p>Pursuant to Directives of the Government of the Russian Federation No. 10068p-P13 dated 6 December 2018 and No. 9712p-P13 dated 25 October 2019, the Board of Directors (Minutes No. 13 dated 3 February 2020) instructed the Management Board to report, annually and in due time, to the Ministry of Digital Development, Communications and Mass Media of the Russian Federation on the priority use of Russian software in a form approved by the Company. Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.</p>
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3. Dividend recommendations

<p>Resolution of the Government of the Russian Federation No. 774-r dated 29 June 2006 (as amended by Resolution of the Government of the Russian Federation No. 2083-r dated 12 November 2012)</p>	<p>According to the Dividend Policy approved by the Company's Board of Directors on 5 June 2015 (Minutes No. 35 dated 5 June 2015) as amended by Rosneft's Board of Directors (Meeting Minutes No. 15 dated 9 December 2016, No. 29 dated 22 June 2017 and No. 5 dated 31 August 2017), the Board of Directors, when recommending a dividend to the General Shareholders Meeting, is guided by the amount of net income as per Rosneft's Russian Accounting Standards (RAS) financial accounts and International Financial Reporting Standards (IFRS) consolidated financial statements.</p> <p>Rosneft's Board of Directors recommends a dividend based on Rosneft's annual financial performance. The target dividend is no less than 50% of Rosneft's net income as per IFRS; the target dividend frequency is no less than twice a year.</p> <p>The history of dividend payments is available on the Company's official website at https://www.rosneft.com/Investors/Dividends/</p>
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4. Annual Report structure

Resolution of the Government of the Russian Federation No. 1214 dated 31 December 2010 On Improvement of the Governance Procedures at Open Joint-Stock Companies in Federal Ownership and Federal State Unitary Enterprises

Paragraph 3 of List of Instructions of the President of the Russian Federation No. Pr-3013 dated 27/12/2014

Directives of the Government of the Russian Federation No. 2007p-P13 dated 6 April 2015

Paragraph 2 of Minutes of the Meeting Convened by First Deputy Prime Minister of the Russian Federation Igor Shuvalov No. ISh-P13-47pr dated 2 June 2015

Directives of the Government of the Russian Federation No. 5024p-P13 dated 31 July 2015

Rosneft's Annual Report 2019 was prepared in accordance with the annual reporting requirements of Regulations of the Bank of Russia No. 454-P dated 30 December 2014 and an annual report template for joint-stock companies in federal ownership as approved by Resolution of the Government of the Russian Federation No. 1214 dated 31 December 2010 On Improvement of the Governance Procedures at Open Joint-Stock Companies in Federal Ownership and Federal State Unitary Enterprises (Resolution No. 1214) and Directives of the Government of the Russian Federation No. 2007p-P13 dated 6 April 2015 and No. 5024p-P13 dated 31 July 2015.

As for specific sections of the annual report template for joint-stock companies in federal ownership approved by Resolution No. 1214, it should be noted that:

- Rosneft did not enter into any major transactions in 2019 (paragraph 10 of Resolution No. 1214);
- In compliance with paragraph 70.3 of Regulations of the Bank of Russia No. 454-P dated 30 December 2014, the list of related party transactions entered into by Rosneft in 2019 is posted on Rosneft's official website (the full version is available at <https://www.rosneft.ru/Investors/information/transactions/>) (paragraph 11 of Resolution No. 1214).
- Rosneft received no subsidies from the federal budget (paragraph 13 of Resolution No. 1214) in 2019.

5. Strategy development and update, efficiency, and long-term planning

5.1. Formulation and approval of the Innovation Development Programme

Subparagraph b, paragraph 1 of List of Instructions of the President of the Russian Federation No. Pr-307 dated 7 February 2011

Directives of the Government of the Russian Federation No. 1221p-P13 dated 24 March 2011

Presidential Address to the Federal Assembly dated 12 November 2010

Meeting Minutes of the Government Commission for Advanced Technology and Innovation No. 1 dated 30 January 2012

Subparagraphs 32, 33 and 34, paragraph 1 of List of Instructions of the President of the Russian Federation No. Pr-3086 dated 27 December 2013

Summary of the meeting of the Government of the Russian Federation dated 30 January 2014, Minutes No. 3

Subparagraph b, paragraph 2, section 2 of Minutes of the Meeting of the Presidential Council for Economic Modernization and Innovation Development No. 2 dated 17 April 2015

Instruction of the Government of the Russian Federation No. DM-P36-7563 dated 7 November 2015

Directives of the Government of the Russian Federation No. 1471p-P13 and No. 1472p-P13 dated 3 March 2016

Directives of the Government of the Russian Federation No. 3262p-P13 dated 27 April 2018

Pursuant to subparagraph b, paragraph 1 of List of Instructions of the President of the Russian Federation No. Pr-307 dated 7 February 2011 and Directives of the Government of the Russian Federation, the Board of Directors approved Rosneft's Innovation Development Programme for 2016–2020 with an outlook for 2030 (Minutes No. 13 dated 3 November 2016).

The Programme is structured to meet the requirements for innovative development programmes of state-owned joint-stock companies, state corporations and federal state unitary enterprises and the recommendations approved by resolution of the Government Commission for Advanced Technology and Innovation.

Major focus areas, key performance indicators and activities of the Innovation Development Programme are integrated in the updated Long-Term Development Programme approved by Rosneft's Board of Directors (Minutes No. 11 dated 23 December 2019).

The list of the Long-Term Development Programme KPIs and KPIs for Rosneft's top managers, including the Chief Executive Officer, were supplemented with an integrated KPI of innovation efficiency.

In 2018, the Company benchmarked its technology (innovation) level and relevant KPIs against peers (leading Russian and international companies) as recommended by the cross-department task group (Minutes No. 2 dated 19 September 2017).

The Ministry of Energy and the Ministry of Economic Development of the Russian Federation were presented with:

- benchmarking results for Rosneft's technology level;
- proposals for adjustments to Rosneft's Innovation Development Programme to be later incorporated into Rosneft's Long-Term Development Programme;
- proposals for the structure and values of the integrated KPI of innovation efficiency for 2019.

In 2019, the Board of Directors considered a report on the progress of Rosneft's Innovation Development Programme in 2019 (Minutes No. 23 dated 29 April 2019). The Company met its action plan and targets for innovation efficiency KPIs as set out in Rosneft's Innovation Development Programme for 2018.

Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.

5.2. Intellectual property rights management

Instruction of the Government of the Russian Federation No. ISh-P8-5594 dated 25 August 2017

Directives of the Government of the Russian Federation No. 9177p-P13 dated 12 December 2017

Instruction of the Government of the Russian Federation No. ISh-P13-1925 dated 5 April 2018

Directives of the Government of the Russian Federation No. 7050p-P13 dated 30 August 2018

Recommendations as to intellectual property rights management are fully integrated into the Company's Regulations on Intellectual Property Rights (Inventions, Utility Models, Software, Databases and Know-How) Management (approved and enacted by Order No. 429 dated 25 July 2017) and Rosneft's Innovation Development Programme for 2016-2020 (approved by the Company's Board of Directors).

These Regulations establish a general procedure and requirements for the following processes:

- creation and identification of protectable intellectual property;
- assignment of intellectual property rights in Rosneft's best interest
- patent research, including patent landscaping, to plan and conduct world-class research and development and to create new and upgrade existing technologies;
- registration of intellectual property rights and keeping records of exploration and development rights (patents, utility models, software and know-how).

As part of the Innovation Development Programme, Rosneft adopted an intellectual property rights management programme.

In 2018, Rosneft's Board of Directors considered matters related to intellectual property rights management as required by Directives of the Government of the Russian Federation No. 9177p-P13 dated 12 December 2017 and No. 7050p-P13 dated 30 August 2018.

Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.

5.3. Development and approval of the Company's strategy and Long-Term Development Programme

Recommendations for Innovation Development Programmes approved by resolution of the Government Commission for Advanced Technology and Innovation (Minutes No. 4 dated 3 August 2010)

Item 2, paragraph 2 of Minutes of the Meeting Convened by First Deputy Prime Minister of the Russian Federation Igor Shuvalov No. ISH-P13-98pr dated 3 October 2013

Subparagraphs 32 and 34, paragraph 1 of Instructions of the President of the Russian Federation No. Pr-3086 dated 27 December 2013

Instruction of the Government of the Russian Federation No. DM-P13-9589 dated 30 December 2013

Directives of the Government of the Russian Federation No. 4955p-P13 dated 17 July 2014

Directives of the Government of the Russian Federation No. 3984p-P13 dated 24 June 2015

Paragraph 6, section 2 of the Action Plan for Labour Productivity Improvement approved by Resolution of the Government of the Russian Federation No. 1250-r dated 9 July 2014

Directives of the Government of the Russian Federation No. 7389p-P13 dated 31 October 2014

Paragraph 2.3, section 1 of Minutes of the Meeting of the Military and Industrial Commission with the Government of the Russian Federation No. 4 dated 25 April 2014

Directives of the Government of the Russian Federation No. 3666p-P13 dated 11 June 2015

Subparagraph b, paragraph 2 of List of Instructions of the President of the Russian Federation No. Pr-1627 dated 1 July 2014

Instructions of the Government of the Russian Federation No. ISH-P8-6196 dated 15 August 2014 and No. OG-P8-5496 dated 22 July 2014

Directives of the Government of the Russian Federation No. 7439p-P13 dated 5 November 2014

Directives of the Government of the Russian Federation No. 4531p-P13 dated 28 June 2016

Directives of the Government of the Russian Federation No. 276p-P13 dated 17 January 2019

In 2017, Rosneft's Board of Directors approved the Rosneft-2022 Strategy (Minutes No. 8 dated 21 December 2017) aimed at major changes in the Company's business through advanced management approaches and new technologies while increasing returns on the Company's existing assets.

The Rosneft-2022 Strategy responds to all of the current challenges faced by the energy industry. The Strategy aims to improve business profitability and increase returns through a more intensive development of core assets, concentration on key projects, accelerated roll-out of new technology and new management models, and transformations necessitated by digital era challenges.

While developing the Rosneft-2022 Strategy, the Company conducted an in-depth analysis of external environment and challenges faced by each business segment. The Company formulated strategic initiatives across all business segments enabling development and accomplishment of its growth priorities. The fundamental messages of the Rosneft-2022 Strategy were announced by Rosneft's Chief Executive Officer Igor Sechin at the Annual General Shareholders Meeting on 22 June 2017 and posted on Rosneft's official website. For key information and provisions of the Rosneft-2022 Strategy, see section __ of the Annual Report.

In 2018, Rosneft's Board of Directors approved additional initiatives to support the Rosneft-2022 Strategy in view of the Address of President of the Russian Federation Vladimir Putin to the Federal Assembly (Minutes No. 17 dated 28 April 2018). In December 2018, the Board of Directors reviewed Rosneft's strategic performance and concluded that the goals of the Rosneft-2022 Strategy for 2018 were achieved.

Rosneft's Long-Term Development Programme was originally established in 2014 pursuant to Instruction of the President of the Russian Federation Vladimir Putin No. Pr-3086 dated 27 December 2013 and Directives of the Government of the Russian Federation No. 4955p-P13 dated 17 July 2014. On 9 December 2014 (Minutes No. 12), the Board of Directors approved the Long-Term Development Programme, Rosneft's Standard on the Long-Term Development Programme Implementation Audit and the Regulations on the Company's KPI System.

As provided for in the employment contract of Rosneft's Chief Executive Officer, he is obliged to ensure the implementation of the approved Strategy and Long-Term Development Programme of the Company.

Starting from 2015, the Company annually prepares a report on the implementation of the Long-Term Development Programme for the previous period and employs an independent auditor to audit its implementation. Audit results are annually reviewed by the Company's Board of Directors and presented at the Annual General Shareholders Meeting.

The Long-Term Development Programme is updated annually.

In 2019, the Long-Term Development Programme was updated to account for:

- the Company's performance in 2018 and an independent auditor's recommendations following a limited audit on the implementation of the Long-Term Development Programme in 2018;
- changes in the tasks and initiatives for the development of Rosneft's businesses and corporate functions under the influence of external factors, including the macro environment in global energy markets and its influence on long-term goals of the Company;
- resolutions made by the Board of Directors in respect of the Company's development plans.

The Long-Term Development Programme contains initiatives developed pursuant to the Directives of the Government of the Russian Federation (No. 4955p-P13 dated 17 July 2014, No. 7558p-P13 dated 12 November 2014, No. 1346p-P13 dated 5 March 2015 and No. 2303p-P13 dated 16 April 2015, No. 7389p-P13 dated 31 October 2014, No. 1472p-P13 dated 3 April 2016, No. 4531p-P13 dated 28 June 2016, No. 4750p-P13 dated 4 July 2016, No. 830p-P13 dated 6 February 2017) and includes a set of measures to increase labour productivity, information about demand for human resources, and a section dedicated to the development initiatives in the Russian Far East.

Efficiency improvement indicators aimed at introducing the lean production methodology are integrated into the existing KPI system for the Company's top managers and heads of business units. Provisions of the Long-Term Development Programme is aligned with key provisions of Russian government programmes pertaining to the Company's lines of business.

The Company met the requirements of Directives of the Government of the Russian Federation No. 276p-P13 dated 17 January 2019. Its current Long-Term Development Programme accounts for key provisions of the Address of President of the Russian Federation Vladimir Putin to the Federal Assembly and Decree of the President of the Russian Federation No. 204 of 7 May 2018. Provisions of strategic and national programmes of the Russian Federation are taken into account in annual updates of the Long-Term Development Programme (Minutes of the Meeting of Rosneft's Board of Directors No. 19 dated 1 April 2019).

For information on the Long-Term Development Programme and audited results of its implementation in 2019, see section __ of the Annual Report.

Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.

5.4. Reduction of operating expenses

Subparagraph 5, paragraph 1 of Instructions of the President of the Russian Federation No. Pr-2821 dated 5 December 2014

Directives of the Government of the Russian Federation No. 2303p-P13 dated 16 April 2015

Item 4, paragraph 2 of Minutes of the Meeting Convened by Prime Minister of the Russian Federation No. DM-P13-2pr dated 18 January 2016

Instruction of the Government of the Russian Federation No. ISH-P13-2047 dated 11 April 2016

Directives of the Government of the Russian Federation No. 4750p-P13 dated 4 July 2016

Rosneft fully complies with Instructions of the President of the Russian Federation and the Government of the Russian Federation regarding annual reduction of operating expenses.

The Company developed an action plan (a list of initiatives) aimed at reaching the expense (cost) reduction target and included this plan in Rosneft's Long-Term Development Programme.

The relevant indicator is integrated in the KPI system for Rosneft's top managers.

The progress of operating expense reduction initiatives was audited as part of the audit of the Long-Term Development Programme (independent auditor's opinion by LLC Ernst and Young dated 16 April 2019) and reviewed at the meeting of the Company's Board of Directors.

In 2019, operating expenses were reduced by 2.4% year-on-year through energy savings, improvement of procurement procedure efficiency, reduction of procurement and administrative costs, and optimisation of employee headcount¹.

Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.

5.5. Development of internal regulations

Paragraph 2 of List of Instructions of the President of the Russian Federation No. Pr-3013 dated 27 December 2014

Instructions of the Government of the Russian Federation No. ISH-P13-1818 dated 23 March 2015 and No. ISH-P13-4148 dated 24 June 2015

Directives of the Government of the Russian Federation No. 3984p-P13 dated 24 June 2015

Paragraph 2 of Instruction of the President of the Russian Federation No. Pr-769 dated 26 April 2016

Paragraph 6 of Instruction of the Government of the Russian Federation No. AD-P36-4292 dated 20 July 2016

Letter of the Federal Agency for State Property Management No. RB-11/9968 dated 20 March 2017

In accordance with the guidelines approved by the Government of the Russian Federation (No. ISH-P13-4148 dated 24 June 2015), the Company developed, approved and enacted the following documents:

- Policy on Internal Audit;
- Policy on Operational and Investment Efficiency Improvement;
- Policy on Risk Management and Internal Control System;
- Policy on Onshore Oil Production;
- Policy on Offshore Hydrocarbon Exploration and Production;
- Policy on Gas Business;
- the Company's Standard on the Corporate-Wide Risk Management System (CWRMS)
- Regulations on the Procedure for Developing (Updating) and Implementing Rosneft's Innovation Development Programme;
- Regulations on the Procedure and Rules of the One-Stop-Shop System for the Introduction of Innovative Products;
- Standard on Innovation Efficiency Management;
- Regulations on the Petroleum Product Quality Management System.

Rosneft complies with the provisions of the Directives in full.

Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.

Paragraph 2 of Minutes of the Meeting Convened by First Deputy Prime Minister of the Russian Federation Igor Shuvalov No. ISH-P13-47pr dated 2 June 2015

Directives of the Government of the Russian Federation No. 5024p-P13 dated 31 July 2015

As resolved by the Company's Board of Directors pursuant to Directives of the Government of the Russian Federation No. 5024p-P13 dated 31 July 2015 and in accordance with the guidelines approved by Resolution of the Ministry of Economic Development No. 400R-AU dated 22 December 2015 pursuant to Instruction of the Government of the Russian Federation No. ISH-P13-5231 dated 31 July 2015, the Company's Management Board approved and enacted the following documents:

- Regulations on the Procedure for Charitable Activities in Rosneft and Group Subsidiaries;
- Regulations on Sponsorship in Rosneft and Group Subsidiaries;

Information on compliance with instructions and directives of the President and the Government of the Russian Federation is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.

5.6. Performance optimisation through integration

Paragraph 4 of Minutes of the Meeting Convened by Deputy Prime Minister of the Russian Federation Dmitry Rogozin No. RD-P13-45pr dated 15 June 2012

Paragraph 1 of List of Instructions of the President of the Russian Federation No. Pr-1032 dated 7 May 2014, Instruction of the Government of the Russian Federation No. ISH-P13-3464 dated 13 May 2014 and Paragraph 4 of List of Instructions of the President of the Russian Federation No. Pr-2821 dated 5 December 2014

Directives of the Government of the Russian Federation No. 5110p-P13 dated 8 August 2014 and No. 1796p-P13 dated 26 March 2015

In 2015, treasury functions of Rosneft's Group Subsidiaries were centralised and merged into the Integrated Treasury supported by the Company's financial department and JSC Russian Regional Development Bank (RRDB).

Business processes pertaining to solvency management, budgeting and acceptance of financial transactions in the Group Subsidiaries were formalised and set out in respective policies and internal regulations of the Company.

Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.

¹ The figure is an estimate only and subject to change after the KPI achievement is audited by the Internal Audit Service.

5.7. Alignment of corporate activities with the Bank of Russia's Corporate Governance Code

Instruction of the Government of the Russian Federation No. DM-P36-46pr dated 28 August 2014	Based on the analysis of Rosneft's corporate governance standards and provisions of the Bank of Russia's Corporate Governance Code, the Company developed and approved an action plan (roadmap) to align its activities with key provisions of the Code. The roadmap was implemented consistently throughout 2019.
Instruction of the Government of the Russian Federation No. ISh-P13-5859 dated 31 July 2014	The basic principles of Rosneft's corporate governance framework are set out in Rosneft's Corporate Governance Code and aligned with the best global practices.
Directives of the Government of the Russian Federation No. 5667p-P13 dated 2 September 2014	The roadmap status was reviewed by Rosneft's Board of Directors on 20 December 2017 ((Minutes No. 9 dated 25 December 2017), 24 December 2018 (Minutes No. 13 dated 24 December 2018) and 13 December 2019 (Minutes No. 10 dated 16 December 2019).
Directives of the Government of the Russian Federation No. 989p-P13 dated 20 February 2015	All the initiatives scheduled for 2019 by the roadmap were implemented in full. Information on compliance with the principles and recommendations of the Bank of Russia's Corporate Governance Code, including the list of recommendations not incorporated in the Company's internal documents, reasons preventing the Company from implementing these recommendations and description of alternative mechanisms and instruments of corporate governance, is disclosed in the Company's annual report.

5.8. New export contracts providing for rouble as a settlement currency

Subparagraph 1, paragraph 1, section I of Minutes of the Meeting of the National Financial Stability Board No. 7 dated 10 April 2015	On 30 September 2016 (Minutes No. 7 dated 3 October 2016), the Company's Board of Directors considered that new export contracts should provide for the possibility of using Russian rouble as a settlement currency and decided on a reasonable minimum share of export transactions denominated in roubles in accordance with Directives of the Government of the Russian Federation No. 807p-P13 dated 23 July 2015.
Directives of the Government of the Russian Federation No. 4807p-P13 dated 23 July 2015	The possibility of rouble settlements is provided for in most of petroleum sale contracts signed by the Group Subsidiaries with buyers from the CIS countries. As for contracts with buyers from other jurisdictions, the possibility of rouble settlements is provided for with due assessment of customer loss and sales reduction risks (customers refusing to sign contracts due to extra costs associated with currency conversion) and the risk of Russian rouble devaluation that might lead to a reduction in total revenue from petroleum product exports.

5.9. Remuneration of the Company's management and employees and KPI system development

Instruction of the President of the Russian Federation No. Pr-825 dated 6 April 2009	The Company introduced a KPI-based incentive system for its management in 2009. Also enacted were the Regulations on Annual Bonuses for Rosneft's Top Managers and Heads of Independent Business Units.
Instructions of the Government of the Russian Federation No. VP-P13-1823 dated 6 April 2009, No. VP-P13-2099 dated 20 April 2009, No. VZ-P13-4252 dated 28 July 2009, No. ISh-P13-2232 dated 8 April 2010 and No. KA-P13-8297 dated 4 December 2010	On 9 December 2014 (Minutes No. 12), Rosneft's Board of Directors approved the Regulations on the Company's KPI System in strict compliance with the Guidelines of the Federal Agency for State Property Management on the Application of Key Performance Indicators by State Corporations, State Companies, State Unitary Enterprises and Business Entities Where the Aggregate Share of the Russian Federation or a Constituent Entity of the Russian Federation Exceeds 50%.
Item 3, paragraph 2 of Minutes of the Meeting Convened by First Deputy Prime Minister of the Russian Federation Igor Shuvalov No. ISh-P13-98pr dated 3 October 2013	Rosneft's KPI system includes: <ul style="list-style-type: none"> financial and economic indicators (EBITDA, ROACE, TSR, Net Debt / EBITDA, and cost reduction indicators); industry-wide indicators (hydrocarbon production, reserve replacement, light product yield, an integrated KPI of innovation efficiency, etc.).
Paragraph 5 of List of Instructions of the President of the Russian Federation No. Pr-1474 dated 05/07/2013	Management bodies of the Company (Board of Directors, Management Board and Chief Executive Officer) annually revise and approve performance indicators for each category of the Company's managers.
Directives of the Government of the Russian Federation No. 2579p-P13 dated 25 April 2014	Other employees of Rosneft's Head Office receive bonuses based on collective KPIs for Rosneft and its businesses, and personal performance evaluation (an individual performance factor).
Instruction of the Government of the Russian Federation No. ISh-P13-2043 dated 27 March 2014	Target KPIs and personal performance of the top management are reviewed annually and approved by the Board of Directors based on the recommendations of the HR and Remuneration Committee of the Board of Directors.
Directives of the Government of the Russian Federation No. 3984p-P13 dated 24 June 2015	As provided for in the employment contract of Rosneft's Chief Executive Officer, he is obliged to ensure the implementation of the approved Strategy and Long-Term Development Programme of the Company.
Subparagraph 5, paragraph 1 of List of Instructions of the President of the Russian Federation No. Pr-2821 dated 5 December 2014	Pursuant to Directives of the Government of the Russian Federation No. 9054p-P13 dated 2 October 2019, the Company analysed its Regulations on the Company's KPI System and Standard on Payments and Compensations to Top Managers, which set out key performance indicators and remuneration for Rosneft's top management, for compliance with the guidelines approved by Resolution of the Government of the Russian Federation No. 1388-r dated 27 June 2019. The analysis showed that the said documents did not need to be updated in 2019 (Minutes of the Meeting of Rosneft's Board of Directors No. 12 dated 30 December 2019).
Instruction of the Government of the Russian Federation No. DM-P13-9024 dated 4 December 2014	Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.
Directives of the Government of the Russian Federation No. 2303p-P13 dated 16 April 2015	
Directives of the Government of the Russian Federation No. 9054p-P13 dated 2 October 2019	

5.10. Fulfilment of Resolution of the Government of the Russian Federation No. 232 dated 6 March 2018 with regard to the procedure for approval of plans and programmes by the Ministry for development of the Russian Far East and approval of said documents by the Ministry

<p>Directives of the Government of the Russian Federation No. 8860p-P13 dated 29 October 2018</p>	<p>On 24 December 2018, pursuant to Directives of the Government of the Russian Federation No. 8860p-P13 dated 29 October 2018, Rosneft's Board of Directors considered the fulfilment of Resolution of the Government of the Russian Federation No. 232 dated 6 March 2018 that requires to introduce a procedure for approval of corporate plans and target programmes by the Ministry for Development of the Russian Far East and to have these documents approved by the said Ministry. It was noted, among other things, that the projects initiated by Rosneft in the Russian Far East as instructed by the President and Government of the Russian Federation are coordinated with the Ministry for Development of the Russian Far East.</p> <p>Pursuant to the said directive, Rosneft and the Ministry for Development of the Russian Far East signed an agreement on 26 October 2019 to establish a procedure for confidential information exchange. In addition, Rosneft developed and approved the Regulations on the Provision of Summary Information about the Company's Plans and Target Programmes to the Ministry for Development of the Russian Far East and enacted them on 1 January 2020.</p> <p>Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.</p>
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6. Sustainable development

6.1. Adoption of professional standards

<p>Paragraph 3, Section 1 of Minutes of the Meeting of the Government of the Russian Federation No. 9-dsp dated 24 March 2016 in accordance with Federal Law No. 122-FZ dated 2 May 2015 On Amendments to the Labour Code of the Russian Federation and Articles 11 and 73 of the Federal Law on Education in the Russian Federation</p> <p>Directives of the Government of the Russian Federation No. 5119p-P13 dated 14 July 2016 On the Adoption of Professional Standards in Joint-Stock Companies</p>	<p>In 2019, Rosneft and Group Subsidiaries took measures to adopt professional standards in accordance with the Action Plan approved by Rosneft's Board of Directors on 24 December 2018 (Minutes No. 13).</p> <p>Rosneft's Board of Directors was twice updated (as at 1 May 2019 and 1 November 2019) on the implementation of the Action Plan in Rosneft and the Group Subsidiaries (Minutes No. 2 dated 1 July 2019 and Minutes No. 12 dated 30 December 2019).</p> <p>By resolution of the Board of Directors, Rosneft approved the Action Plan for Adoption of Professional Standards at Rosneft and the Group Subsidiaries for 2020 (Minutes No. 12 dated 30 December 2019).</p> <p>Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.</p>
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6.2. Creation of professional and amateur sports organisations

<p>Subparagraph b, paragraph 2 of List of Instructions of the President of the Russian Federation No. Pr-2179 dated 09/11/2016</p> <p>Paragraph 1 of Instruction of the Government of the Russian Federation No. ISh-P13-8690 dated 26 December 2017</p> <p>Letter of the Federal Agency for State Property Management No. RB-11/1520dsp dated 22 January 2018</p>	<p>In accordance with paragraph 17.1, Article 65 of the Federal Law on Joint-Stock Companies, matters related to the establishment of, participation in, and withdrawal from commercial and non-commercial organisations fall within the remit of the board of directors or another executive body of a joint-stock company as is provided for in the company's charter.</p> <p>Rosneft places special emphasis on the support and development of sports and considers them one of the top priorities of its social policy.</p> <p>In particular, the Company supports sports through charitable activities under social and economic cooperation agreements with regional authorities and by delivering individual charity projects.</p> <p>For this purpose, the Company traditionally provides finance to support and develop sports organisations, develop and promote mass and children's sports, build and upgrade ice arenas, ice rinks and recreation centres, and buy sports equipment for children's sports schools and other educational institutions.</p> <p>As part of its sponsorship agenda, Rosneft also provides financial support to help organise and hold important international sports competitions. Its initiatives are aimed at supporting and developing hockey, football, biathlon, sambo, boxing, motor racing and other sports.</p>
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6.3. Advertising contracts between Rosneft and top russian athletes

<p>Instruction of the President of the Russian Federation No. Pr-223 dated 9 February 2018 and Instruction of the Government of the Russian Federation No. VM-P12-1271 dated 7 March 2018</p>	<p>Since Rosneft promotes sports, it provides finance to support and develop sports organisations. Rosneft is a title sponsor of the International SAMBO Federation (FIAS) and finances the official schedule of annual sambo competitions.</p> <p>The Company supports motor racing and prioritises national teams and car manufacturers, while intending to cover the maximum number of regions with the races organised.</p> <p>The Company also provides full financial support to the Russian ice hockey club CSKA.</p> <p>Since 2017, Rosneft has been a title sponsor of the Arsenal Tula Football Club in the Russian football championship.</p>
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