

PJSC RussNeft. Annual Report 2020

DRIVEN BY SOCIAL LOGIC



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Sympathy is the kindly participation in the fate of other people

In 2020, these words by Immanuel Kant were especially relevant. During the COVID-19 pandemic, many businesses were tempted to default on their obligations to their employees, clients, and partners. Tempted to not participate in the fate of other people, in order to stay afloat.

They can hardly be blamed for that. Yet it is hard to accept.

Surprisingly, the modern world – so technologically advanced, robotised and digitalised – now depends on people like never before. Technologies do not give us a long-term competitive edge: they are too easy to copy. The truly effective players are those who are able to attract, nurture, and keep the best people. Who try and maintain a balance between the interests of the employee and of their own business. Who have enough empathy to see the person behind the professional. And the pandemic has not weakened these principles: in fact, it has made them vital for businesses to survive.

Finding ourselves in such a dire economic and epidemiologic situation, we moved from the classical post-industrial management approach to a person-centred one. To become stronger, we shifted our focus to the inner self even as the outer world was trying to undermine us.

That is why we are socio-logical.

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CHAPTER 1

GOING OUR OWN WAY

*Obstacles are those frightful things you see
when you take your eyes off your goal.*

Henry Ford
Industrialist

The market won't adjust to us – it's up to us to adjust to the market. To be able do that, we are improving our skills and flexibility, all the while staying focused on the Company's goals. We are developing our talent pool to continue getting closer to them and together push through whatever obstacles we face along the way.

Business model

EXPLORATION

RESERVES

PRODUCTION

PROCESSING

SALES

RussNeft operates in the upstream segment, meaning the focus is on the prospecting, production, and sale of hydrocarbons. We aim to both maintain existing production volumes and increase production over the mid-term horizon.


Also, driven by today's macro environment, we invest in projects with the best returns on invested capital, produce greater amounts of high-margin oil, and reduce costs by applying state-of-the-art technologies and efficient technical and economic solutions.



6.400
Oil production, mt

2.768
Oil exported, mt

2.182
Gas production, bcm



+32.74
Mineable ABC1+ABC2 oil reserves
(Russian-classified) growth, mt

Strategy

We aim to ensure long-term, sustainable development and forecast a 2-4% annual increase in production over the next 5 years. In order to achieve this target, we focus on the following key areas for development:

- Maintenance of brownfield crude oil production at current levels using efficient drilling techniques, sidetracking and well interventions, and better formation pressure maintenance
- Active development of (high-margin) reserves of the Tagrinskoye and Verkhne-Shapshinskoye fields under preferential tax treatment
- Development of the abundant Vostochno-Kamennoye field
- Implementation of our greenfield exploration (GE) programme to expand development of 3P reserves across our fields and licenced areas (GE projects) while improving macro parameters

Every year, in addition to development drilling of our licensed greenfields, we implement an intensive GE programme. Our resource base will be built up in the mid-term with hard-to-recover and unconventional reserves. This way, we will be able to promptly prioritise projects to select the most attractive and promising ones.



Key milestones

2002–2005

Extensive growth

- Resource base successfully created (70% production increase over 3 years)
- RussNeft becomes one of Russia's Top 10 oil and gas companies by production volume
- Glencore becomes RussNeft's partner through equity participation in its subsidiaries.

2006–2007

Organic growth

- Drilling volumes quickly increased
- RussNeft's resource base grows
- RussNeft stabilises production volumes and increases refining volumes
- Well interventions completed at mature fields in the Volga Region

2008–2009

Anti-crisis development

- Production costs stabilised with expenditures significantly cut down
- Significant resource base growth
- Retail oil sales up by ca. 11%

2010–2012

Resuming expansion

- Investments up by 60% vs. 2009 plans
- New fields brought online and exploration of reserves continues
- Hydrocarbon production continues to grow

2013–2016

Asset portfolio optimisation

- Leverage significantly decreased
- Glencore's debt converted into equity, with its stake in RussNeft down to 25%
- Gas programme successfully implemented, with APG utilisation reaching 95% as a result

2016

IPO on the Moscow Exchange

- First IPO of an oil company in Russia since 2006
- RussNeft's ordinary shares included into the Level 1 quotation list
- Offer price of RUB 550 per share
- Issue more than 30% oversubscribed
- More than 2,000 bids from retail investors
- Free float of 15% of RussNeft's share capital

2017

Shares included in stock indices

- As of 22 September 2017, RussNeft's securities were included in the MOEX Index, RTS Index, MOEX Broad Market Index and the MOEX Oil & Gas Index.

2018

New technologies

- Resource base grows significantly
- New production technologies actively introduced
- Well stock and costs optimised

2019

Low footprint as a leadership factor

- Low footprint production technologies scaled up
- Mid-term development programme implemented
- Leader by share of commercially recoverable reserves

2020

Social focus as a sustainability factor

- RussNeft remains socially sustainable, in spite of the extraordinary pressure from negative external factors
- Anti-crisis measures successfully scaled up across the management structure.



Statement by the Chairman of the Board of Directors

Dear Shareholders,

Everest looks like a molehill compared to the global collapse that 2020 brought us.

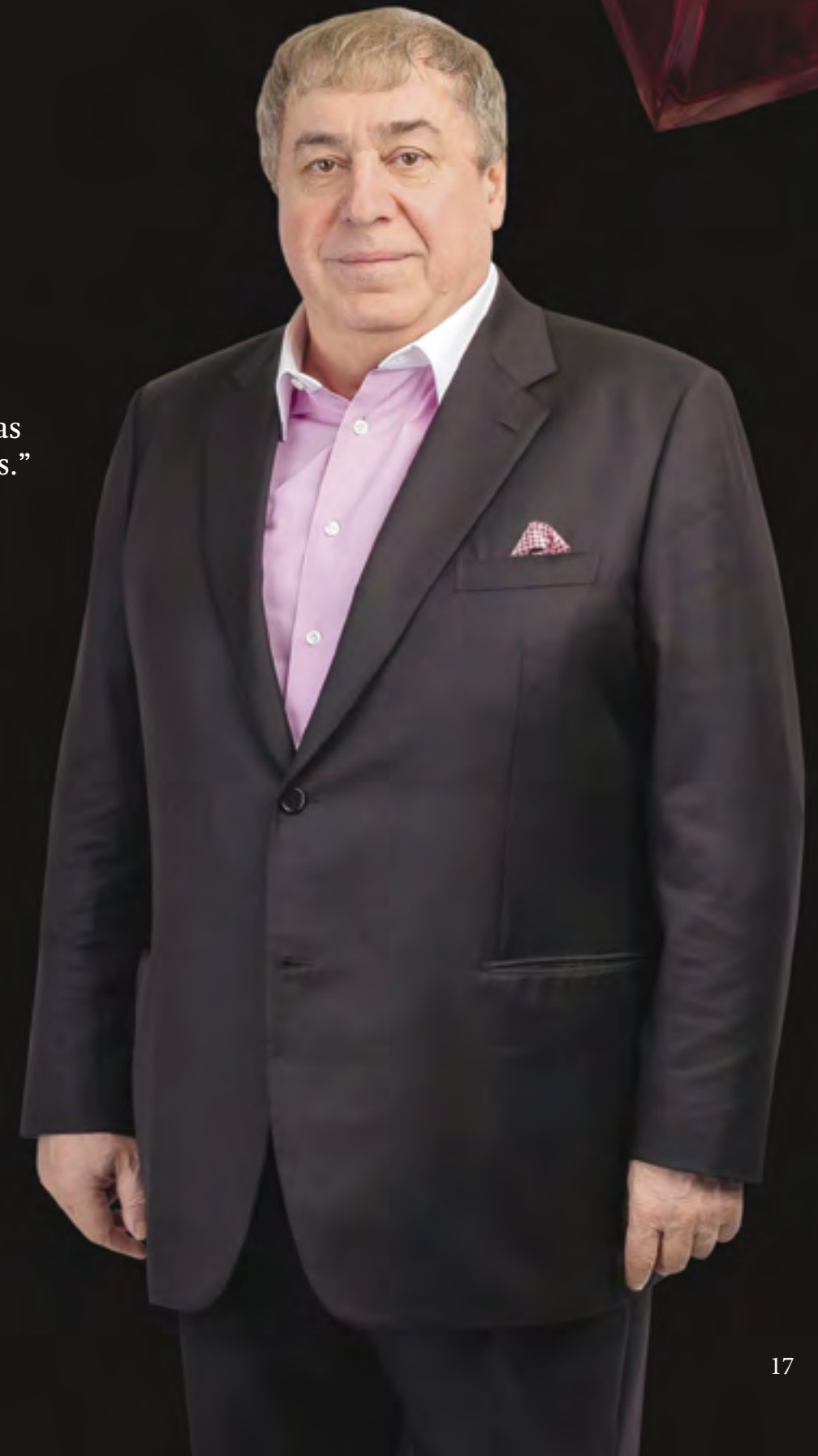
The pandemic and the plunge in oil prices became a stress test for all oil companies and indeed national economies too. But despite the financial tempest that tried to destroy us, after the lockdown release, we quickly restored our investment flow and continued implementation of the business plan aimed at solving the most complex engineering challenges in developing hard-to-recover reserves: the proportion of these is now growing steadily.

Just as in a mirror, 2020 reflected our main values: great teamwork in the face of external challenges, the ability to deal with the most difficult problems across the entire management system, and scrupulous fulfilment of our external and internal obligations. Obviously, 2021 is not going to be easy either. But I am confident that our team will be successful in meeting the challenges that lie ahead of us and implementing the ambitious plans of our long-term strategy.

Mikhail Gutseriev

Chairman of the Board of Directors
PJSC RussNeft
Founder of the Company

“Acting ordinarily in extraordinary times as a paradigm of success.”



President's statement

Dear Shareholders,

Our key achievement in 2020 is that the company survived this very difficult year and is now recovering its potential. The global pandemic which broke out at the beginning of the reporting year had the potential to destroy many oil companies. World oil prices went into freefall in March and got into a tailspin in April: the average selling price was **USD 15** per barrel, from time to time dropping below **USD 10**. Our revenue fell by 75%.

But, despite the pandemic shocks and a flurry of emotions in the markets, RussNeft has survived – and that is what matters most. In the Summer, we began to restore the investment flow, increasing our production to 6.4 million tonnes (the level prescribed by the OPEC+ agreement).

In H2, we revived our drilling programme by bringing 83 new wells into operation, increasing our reserves by 30 million tonnes. The oil produced by the new wells amounted to 825,000 tonnes – **16%** above the business plan target. The “per well” production indicator was 10,800 tonnes – **up 27%** year-on-year.

EBITDA at the end of 2020 was RUB 27 billion. Frankly, after the collapse of oil prices at the beginning of the year, we doubted that we would be able to achieve such a high figure. But we did – thanks to the great teamwork across the entire management system. Like a Swiss watch, we all worked together with unparalleled smoothness and precision.

Today, compliance with environmental standards is extremely important. Constantly seeking out how to improve the way we manage our greenhouse gas emissions, we have developed an algorithm to account for them in the Russian State Fuel and Energy Industry Information System. We also continued to implement our energy-conservation programme, saving RUB **130.5 million** in the reporting year.

The storm we have survived has once again taught us that teamplay is key to ensure successful development of the Company and the growth of its shareholder value.

Evgeny Tolochev
President of PJSC RussNeft

“Like a Swiss watch, we all worked together with unparalleled smoothness and precision.”

Management



Evgeny Tolochek
President
(5+ years with the Company)

Olga Prozorovskaya
Senior Vice-President for Economics
and Finance
(17+ years with the Company)

Andrei Dokhlov
Vice-President for Economics
and Budgeting
(17+ years with the Company)

Eugene Pitsyura
Vice-President for Geology & Development
(4 months with the Company)

Elena Makarova
Vice-President for Public Relations
and Foreign Business
(16+ years with the Company)

Alexander Malyshev
Vice-President for Oil
and Gas Production
(4+ years with the Company)

Management



Alexey Fedoseev
Vice-President for Security
(14+ years with the Company)

Dmitry Romanov
Vice-President for Corporate Relations
(15+ years with the Company)

Magomed-Ali Yevloev
Vice-President for Commerce
(12+ years with the Company)

David Avalishvili
Vice-President, Head of Prospective
Projects and Services
(16+ years with the Company)

Tatyana Semerikova
Chief Accountant
(17+ years with the Company)

Alexander Permyakov
Vice-President for Capital
Construction
(10+ years with the Company)

CHAPTER 2

MOVING FORWARD DESPITE THE CIRCUMSTANCES

Always do everything on time, never give up, go to your goals, even if everything is bad.

Steve Jobs
Founder of Apple

Every crisis makes us stronger. This is our evolutionary strength: we are constantly developing to suit the current market situation and our long-term goals. Improvement is in our blood: in 2020, twenty-one of our innovators received corporate competition awards for optimisation of our production processes and costs.

Industry

In 2019, the domestic oil industry hit a new post-Soviet high with oil and gas condensate production reaching **560.2 million tonnes**. Russia has been increasing oil production for 11 successive years, reaching an unprecedented average daily production of **11.25 million barrels** in 2019. In 2020, faced with the COVID-19 pandemic and the new restrictive OPEC+ deal, production fell back to its lowest point for the last 10 years.

After the pandemic outbreak, the global oil market experienced a shock: demand for oil collapsed due to a decline in industrial production and transportation. In March 2020, the situation was aggravated by the failure of the OPEC+ deal, in force since 2017. The parties to the deal, including Russia, failed to agree on the conditions for extending the oil production limiting agreement. Oil prices have almost halved.

OPEC+ signed a new agreement as late as April. They agreed to cut production by 9.7 million barrels a day. In July, they relaxed the conditions slightly, reducing the production cut to 7.7 million barrels a day.

The cut affected all major oil companies. According to open data from the Central Dispatching Office of the Fuel and Energy Industry of the Russian Federation (CDU TEK), crude oil and condensate production in Russia dropped in the reporting year by **8.6%**, amounting to **512.68 million tonnes**. Russian oil producers had already passed this milestone way back in 2010.

In its January report, the International Energy Agency (IEA) notes that Russian oil exports fell in 2020 for the first time since 2008, reaching their lowest level since 2011.

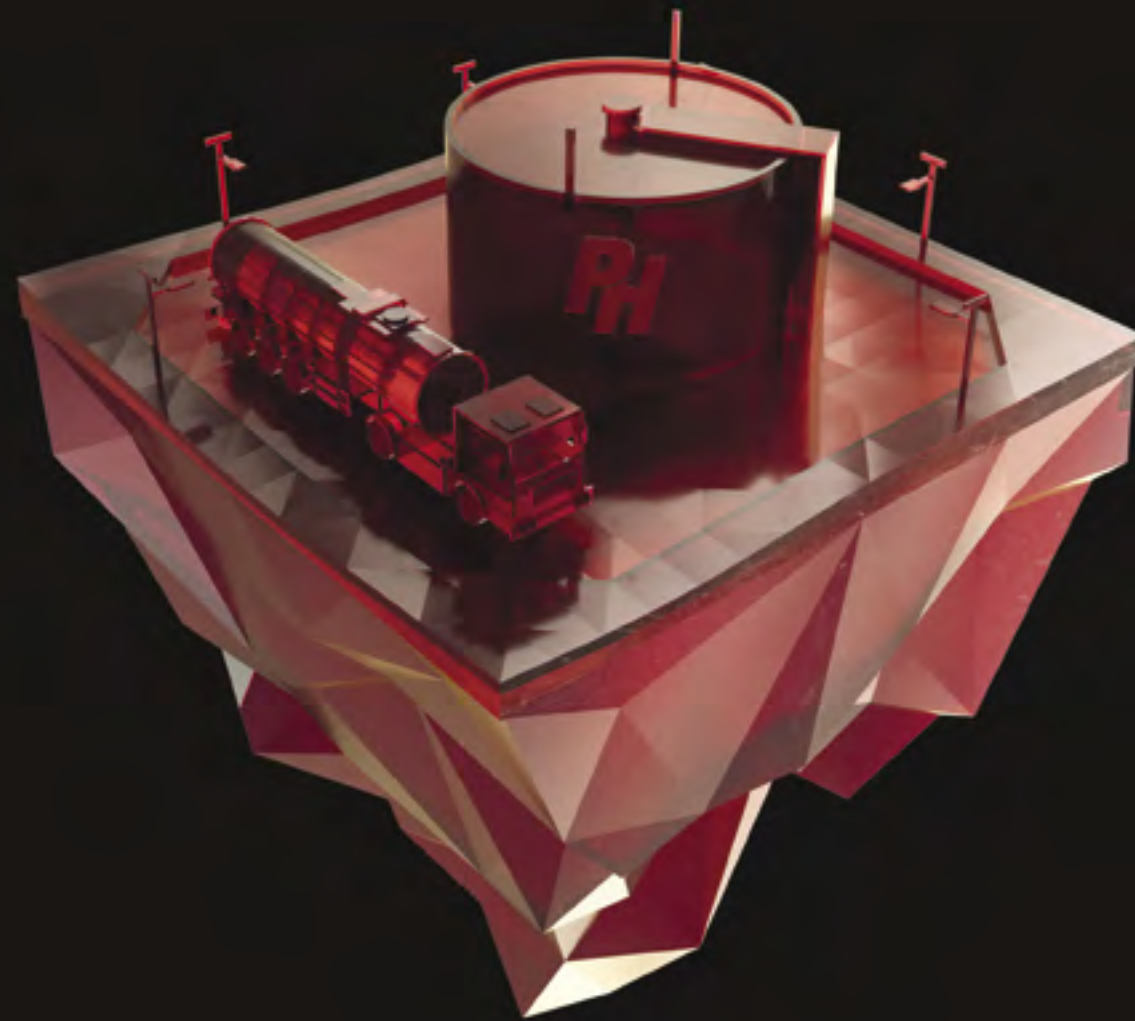
The IEA has also lowered its forecast global oil demand increase for 2021 to **+5.5 million barrels** per day. The Agency sees overall demand for oil at **96.6 million barrels** per day in 2021. The COVID-19 pandemic has been slowing the rebound in early 2021, but intensive vaccination efforts and economic recovery are expected to accelerate growth in H2 2021. The IEA believes that it will take more time for oil demand to recover fully due to renewed lockdowns in a number of countries.

In 2020, RussNeft produced **6.4 mt** of crude oil, **0.269 bcm** of natural gas and **1.913 bcm** of APG. Over the past 5 years, oil production from hard-to-recover deposits has grown by a factor of 8.

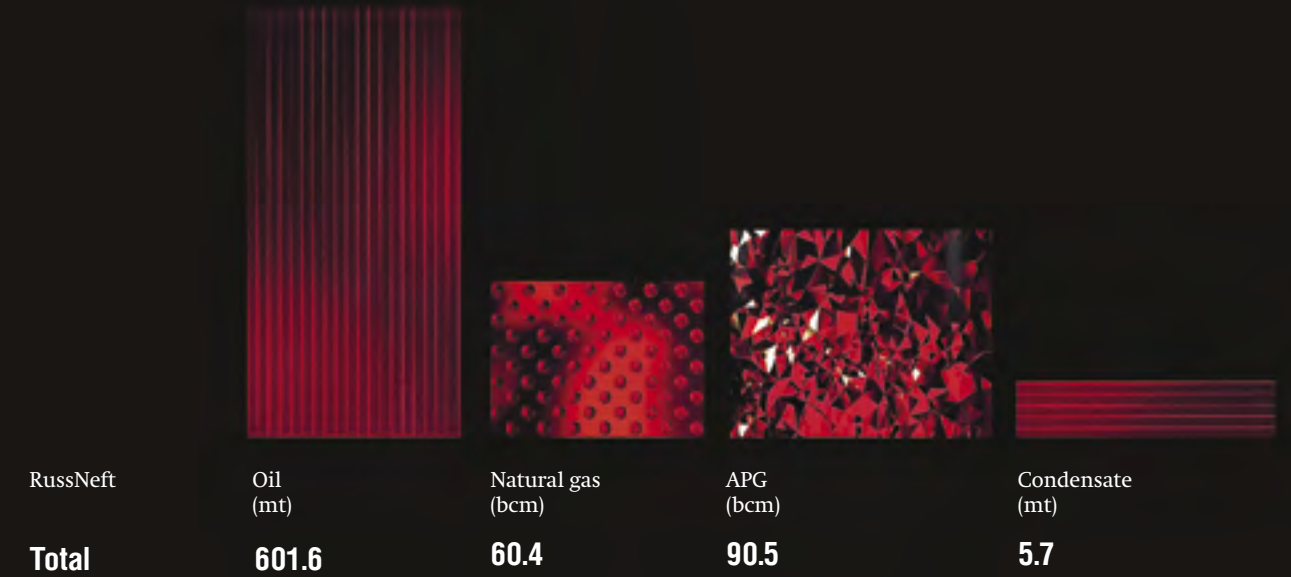
Despite the COVID-19 limitations, RussNeft's AB1C1+B2C2 oil reserves increased in 2020 by **30 million tonnes**: proven 1P reserves (audited in accordance with the SPE-PRMS standards) stand at 22 years. RussNeft is also showing rapid growth in the hard-to-recover reserves replacement ratio: for AB1C1+B2C2 oil reserves, it has grown by **290%** compared to 2016.

RussNeft management is ready to implement a new medium-term strategy to reach an annual production of **7.3 million tonnes** by developing the Tagrinskoye and Verkhne-Shapshinskoye fields, beginning the development of the Vostochno-Kamennoye field in 2023, and drilling its target assets: the Zapadno-Varioganskoye, Arzhanovskoye, Yasnoye, Verkhnesalatskoye and Yuzhno-Pervomayskoye fields.

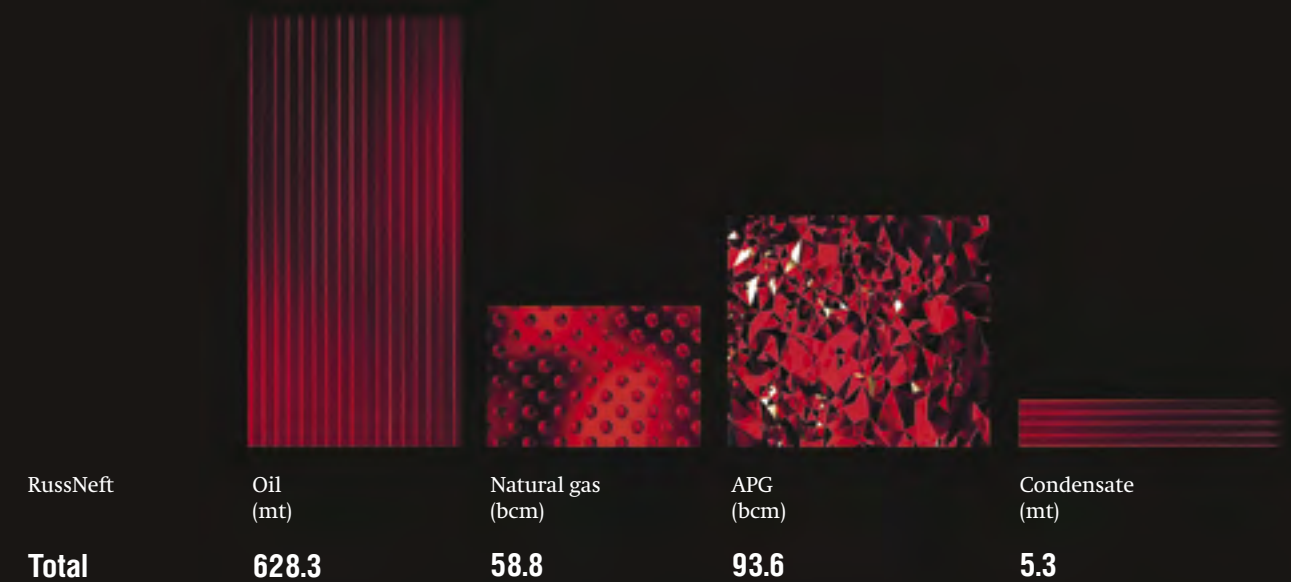
Assets overview. Reserves



AB1C1+B2C2 reserves as at 1 January 2020



AB1C1+B2C2 reserves as at 1 January 2021



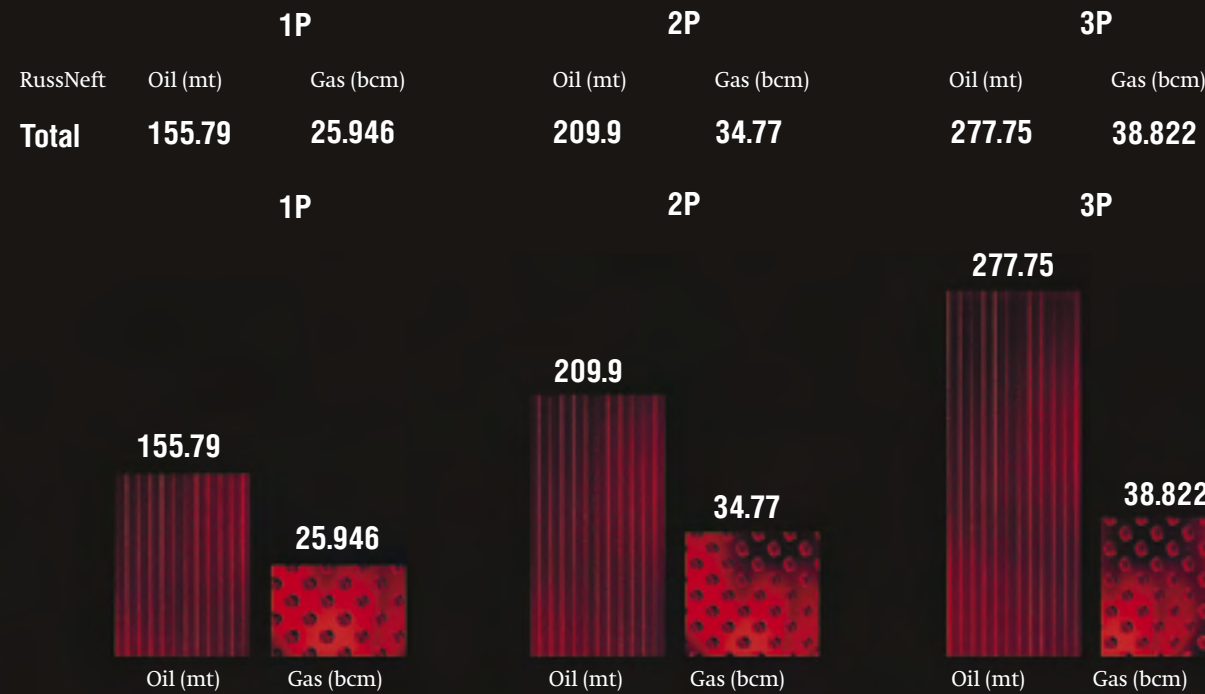
Summary

The Company benefits from a balanced asset portfolio in Russia's key oil-and-gas provinces (Volga Region, West Siberia and Central Siberia). The Company participates in oil development and production projects in Azerbaijan.

The Company's reserves were last audited in accordance with SPE-PRMS as at 31 December 2019. Thus all data herein relating to SPE reserves are also specified as at 31 December 2019.



SPE reserves as at 31 December 2019



The West Siberian group accounts for approximately 83% of all proven and probable oil reserves of the Company; the Volga Region and Central Siberian groups account for 11% and 6%, respectively.

RussNeft’s asset portfolio comprises brownfields with a stable output and greenfields that offer substantial production upside. The West Siberian group boasts the highest output and the lowest cost of production, while the Volga Region’s reserves enjoy significant mineral tax benefits.

By year end 2020, the Company’s recoverable AB1+B2 reserves were 26.7 million tonnes (4.4%) higher than on 1 January 2020.

West Siberian group

The West Siberian group is the Company’s biggest production cluster. It includes fields in the Khanty-Mansi and Yamal-Nenets Autonomous Districts, of which the largest are Varioganskoye, Tagrinskoye, Zapadno-Varioganskoye, Verkhne-Shapshinskoye and Vostochno-Kammenoye.

By year end 2020, recoverable AB1+B2 reserves in the West Siberian group were 28.0 million tonnes (5.8%) higher than on 1 January 2020.

The West Siberian group accounts for 77.2% of total production and for 83% of 2P reserves. Its deposits are divided into three blocks: the Variogan block, the Khanty-Mansiysk block and the Nizhnevartovsk block. Key production assets are in the Variogan block, while the Khanty-Mansiysk block fields have long been less explored. Further exploration and drilling performed at these fields in 2017-2020 helped stabilise and boost production.

Driven mainly by horizontal drilling and multi-stage hydraulic fracturing at the Achimov deposits in the Verkhne-Shapshinskoye and Tagrinskoye fields, average oil production is currently being maintained at 5 million tonnes.

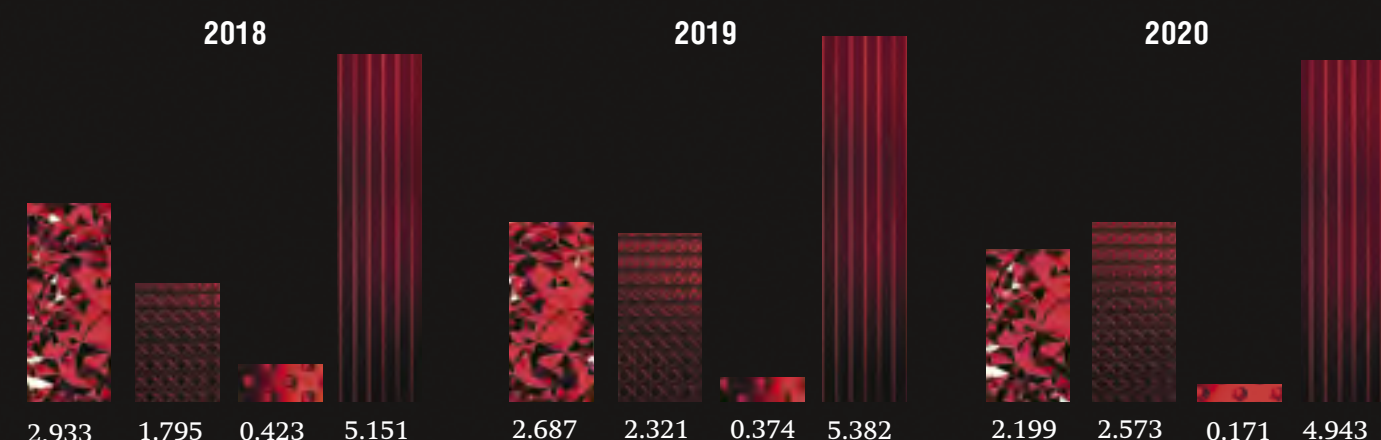
We plan to increase production in the West Siberian group through the development of the Verkhne-Shapshinskoye and Vostochno-Kammenoye fields of the Khanty-Mansiysk block, and the Achimov deposits at the Tagrinskoye field of the Variogan block, as well as through intervention operations to stimulate mature wells.



SPE reserves as at 31 December 2019

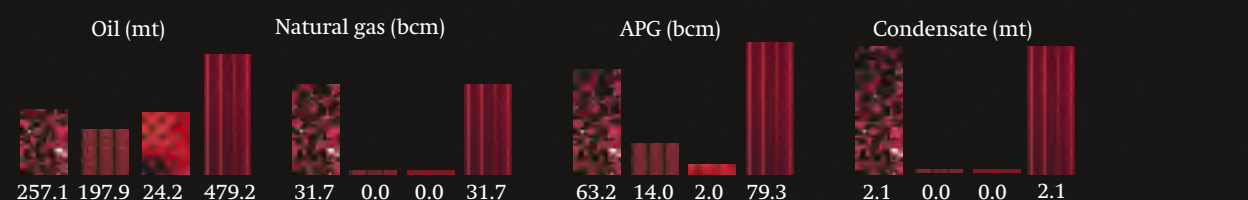
Block	1P		2P		3P	
	Oil (mt)	Gas (bcm)	Oil (mt)	Gas (bcm)	Oil (mt)	Gas (bcm)
Variogan	83	21.4	105.8	24.8	124.6	27.5
Khanty-Mansiysk	42.4	1.7	63.6	2.4	103.2	3.3
Nizhnevartovsk	4.7	0.3	4.9	0.3	7.1	0.3
Total	130	23.4	174.3	27.4	234.9	31.2

Production (mt)



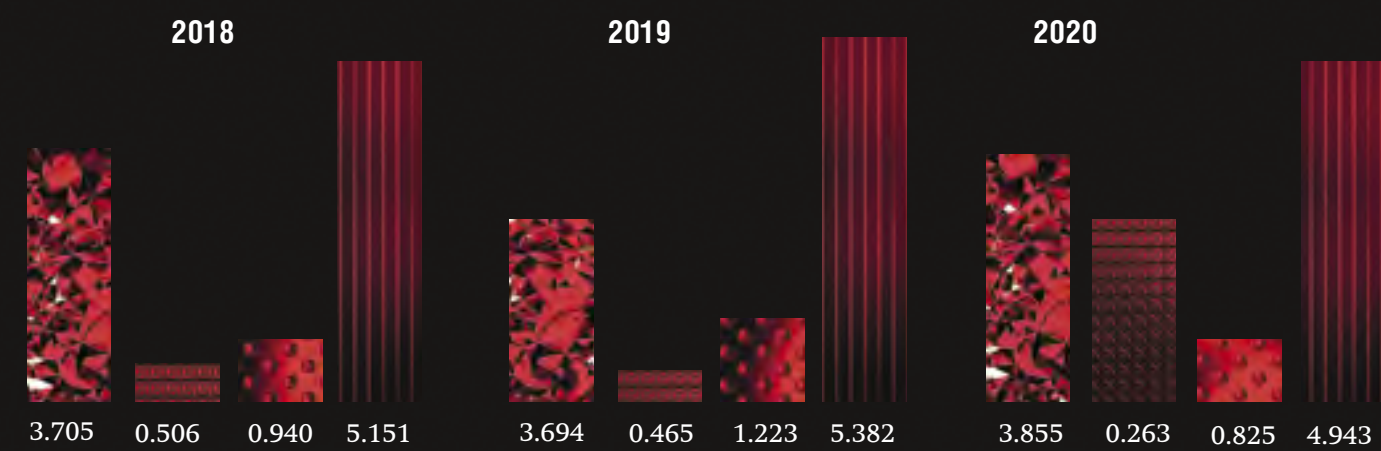
Block	2018	2019	2020
Variogan	2,933	2,687	2,199
Khanty-Mansiysk	1,795	2,321	2,573
Nizhnevartovsk	0.423	0.374	0.171
Total	5,151	5,382	4,943

AB1C1+B2C2 reserves as at 1 January 2020



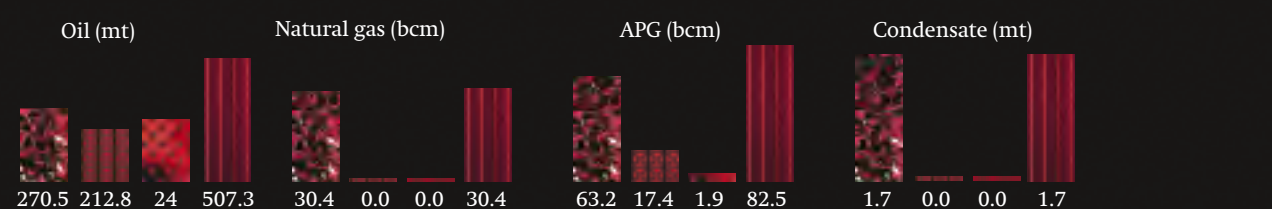
Block	Oil (mt)	Natural gas (bcm)	APG (bcm)	Condensate (mt)
Variogan	257.1	31.7	63.2	2.1
Khanty-Mansiysk	197.9	0.0	14.0	0.0
Nizhnevartovsk	24.2	0.0	2.0	0.0
Total	479.2	31.7	79.3	2.1

Oil production (mt)

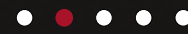


Block	2018	2019	2020
Base production	3,705	3,694	3,855
Incremental production	0.506	0.465	0.263
New wells	0.940	1.223	0.825
Total	5,151	5,382	4,943

AB1C1+B2C2 reserves as at 1 January 2021

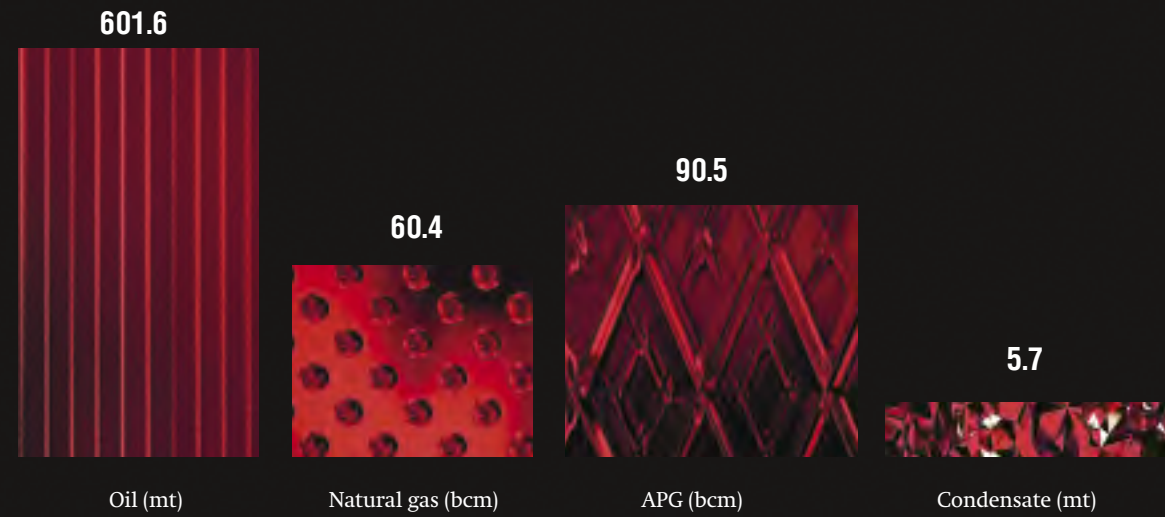


Block	Oil (mt)	Natural gas (bcm)	APG (bcm)	Condensate (mt)
Variogan	270.5	30.4	63.2	1.7
Khanty-Mansiysk	212.8	0.0	17.4	0.0
Nizhnevartovsk	24.0	0.0	1.9	0.0
Total	507.3	30.4	82.5	1.7



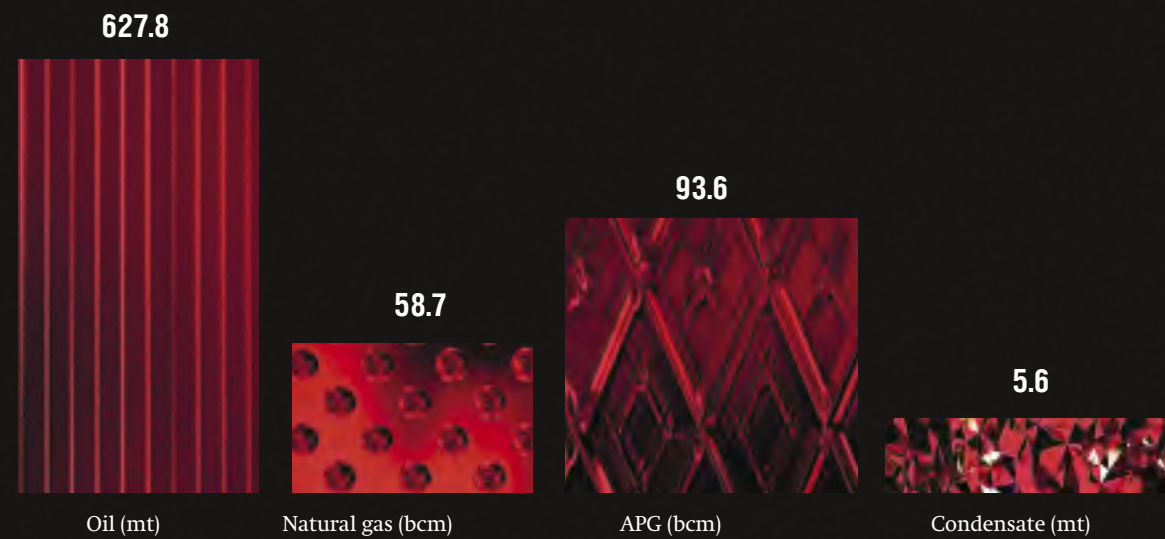
AB1C1+B2C2 reserves as at 1 January 2020

RussNeft	Oil (mt)	Natural gas (bcm)	APG (bcm)	Condensate (mt)
Total	601.6	60.4	90.5	5.7



AB1C1+B2C2 reserves as at 1 January 2021

RussNeft	Oil (mt)	Natural gas (bcm)	APG (bcm)	Condensate (mt)
Total	627.8	58.7	93.6	5.6



Volga Region group

Our second largest production cluster is located in the Volga Region, with key assets of the group in the Saratov, Penza and Ulyanovsk Regions and in Kalmykia. The group's largest fields are Irinovskoye, Zimnitskoye, Severo-Zimnitskoye, Mordovoozerskoye and Belokamennoye.

The Volga Region group accounts for 18.9% of total production and for 11% of 2P reserves. The group is divided into the Saratov block and the Ulyanovsk block, and includes brownfields generating stable operating cash flows with low CAPEX.

By year end, recoverable AB1+B2 oil reserves in the Volga Region group were 1.2 million tonnes (1.4%) lower than on 1 January 2020.

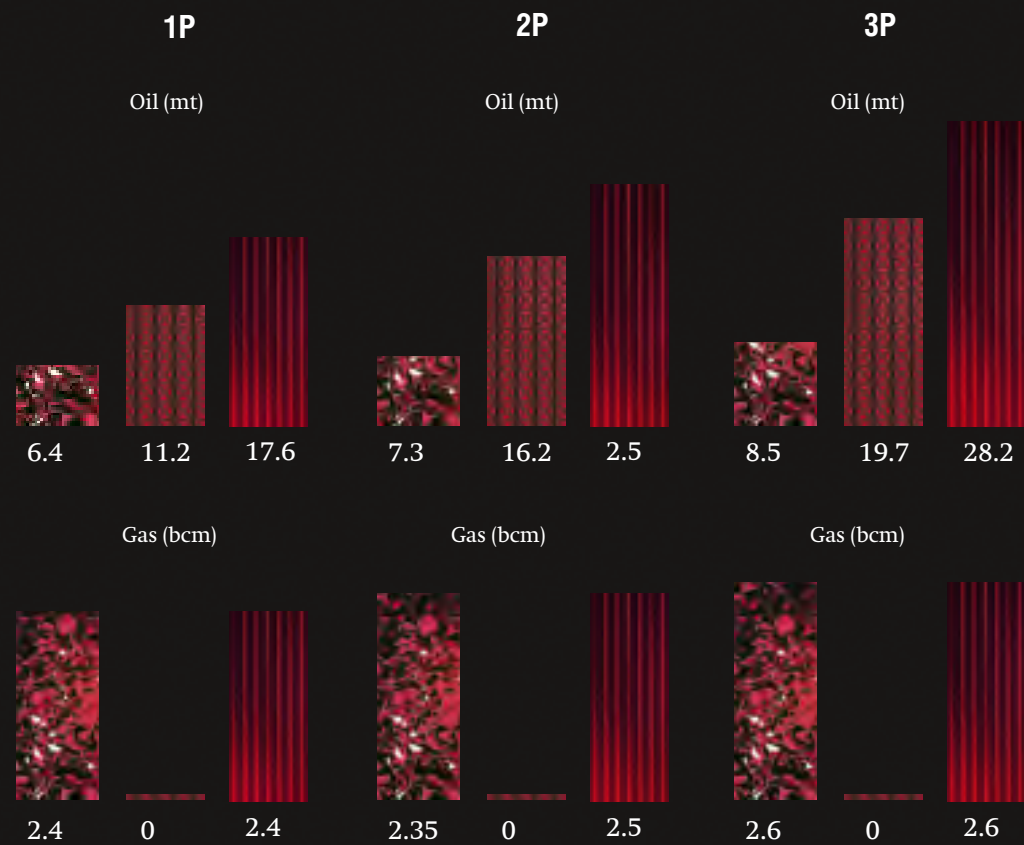
We expect to increase the group's resource potential by tapping into overlooked oil reserves and to maintain stable output at brownfields through effective well intervention operations.



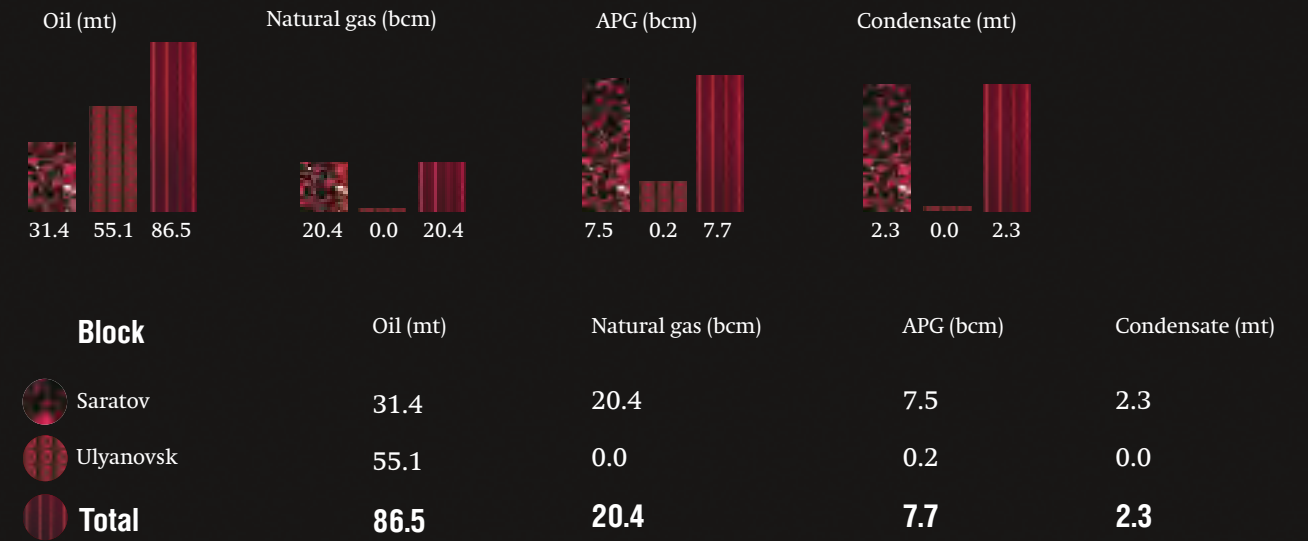


SPE reserves as at 31 December 2019

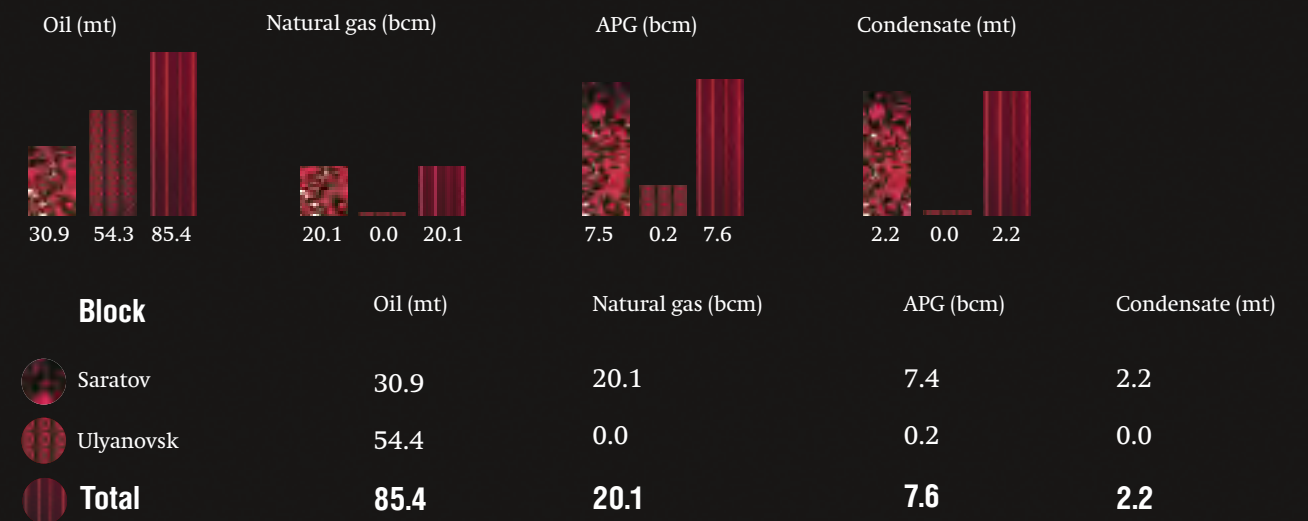
Block	1P		2P		3P	
	Oil (mt)	Gas (bcm)	Oil (mt)	Gas (bcm)	Oil (mt)	Gas (bcm)
Saratov	6.4	2.4	7.3	2.5	8.5	2.6
Ulyanovsk	11.2	0.0	16.2	0.0	19.7	0.0
Total	17.6	2.4	23.5	2.5	28.2	2.6



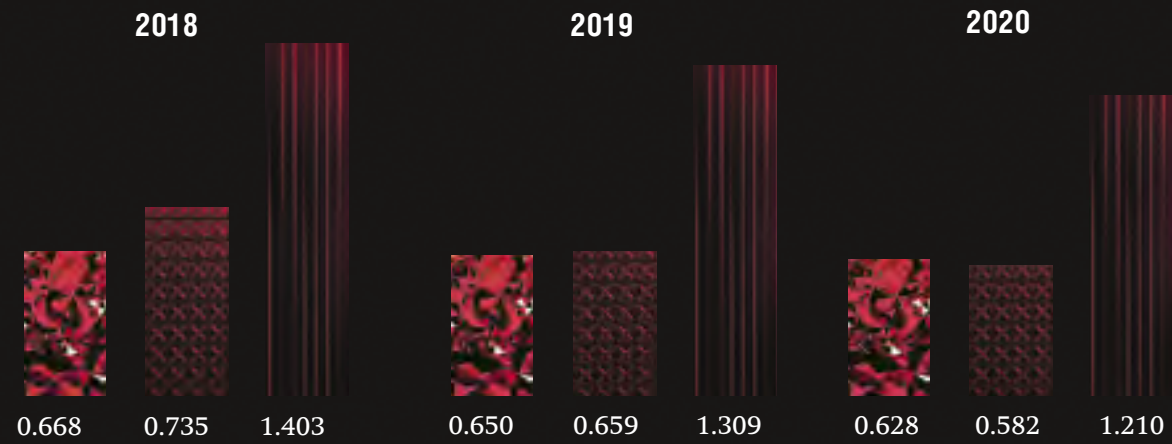
AB1C1+B2C2 reserves as at 1 January 2020



AB1C1+B2C2 reserves as at 1 January 2021

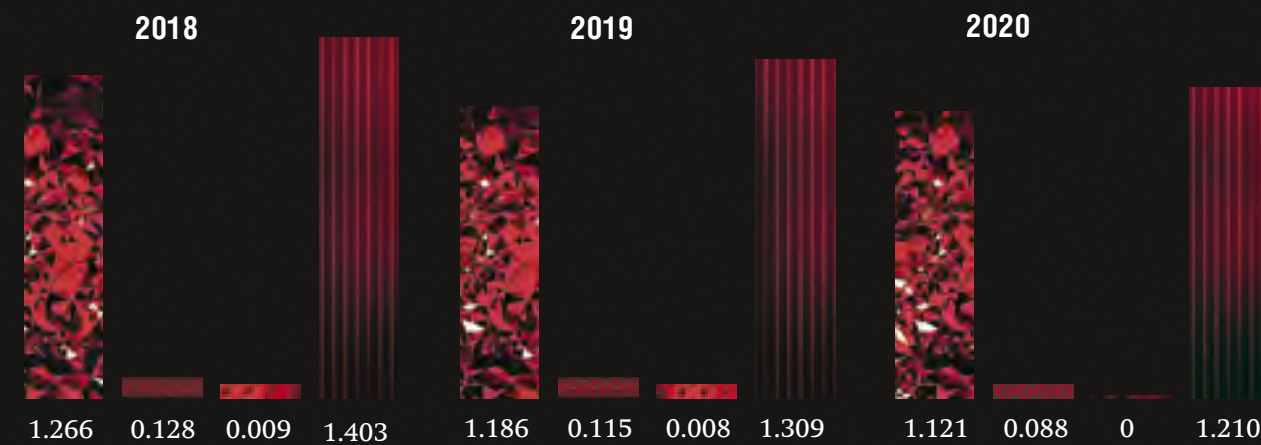


Production (mt)



Block	2018	2019	2020
Saratov	0.668	0.650	0.628
Ulyanovsk	0.735	0.659	0.582
Total	1.403	1.309	1.210

Oil production (mt)



Block	2018	2019	2020
Base production	1.266	1.186	1.121
Incremental production	0.128	0.115	0.088
New wells	0.009	0.008	0
Total	1.403	1.309	1.210

Central Siberian group

The assets of this group are located in the Tomsk Region. Its largest fields – Stolbovoye, Verkhnesalatskoye, Fedyushkinskoye, Gurarinskoye and Sobolinoye – account for 3.8% of total production and 6% of 2P reserves.

By year end 2020, recoverable AB1+B2 oil reserves for the Central Siberian group were 0.3 million tonnes (0.7%) lower than on 1 January 2020.



SPE reserves as at 31 December

Block	1P		2P		3P	
	Oil (mt)	Gas (bcm)	Oil (mt)	Gas (bcm)	Oil (mt)	Gas (bcm)
Tomsk	8.12	0.206	12.1	4.8	14.7	5.1

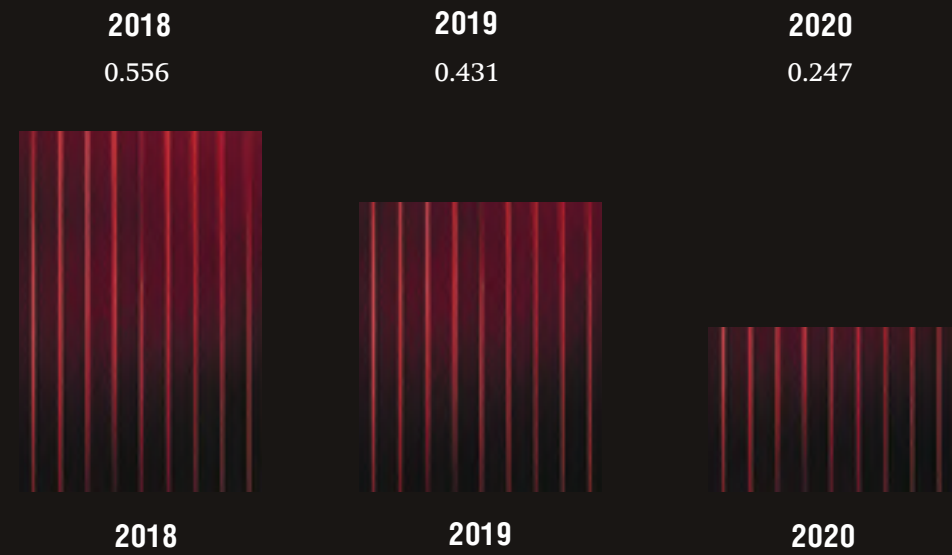
AB1C1+B2C2 reserves as at 1 January 2020

Tomsk Block	Oil (mt)	Natural gas (bcm)	APG (bcm)	Condensate (mt)
	35.9	8.2	3.5	1.4

AB1C1+B2C2 reserves as at 1 January 2021

Tomsk Block	Oil (mt)	Natural gas (bcm)	APG (bcm)	Condensate (mt)
	35.6	8.2	3.5	1.4

Production (mt)

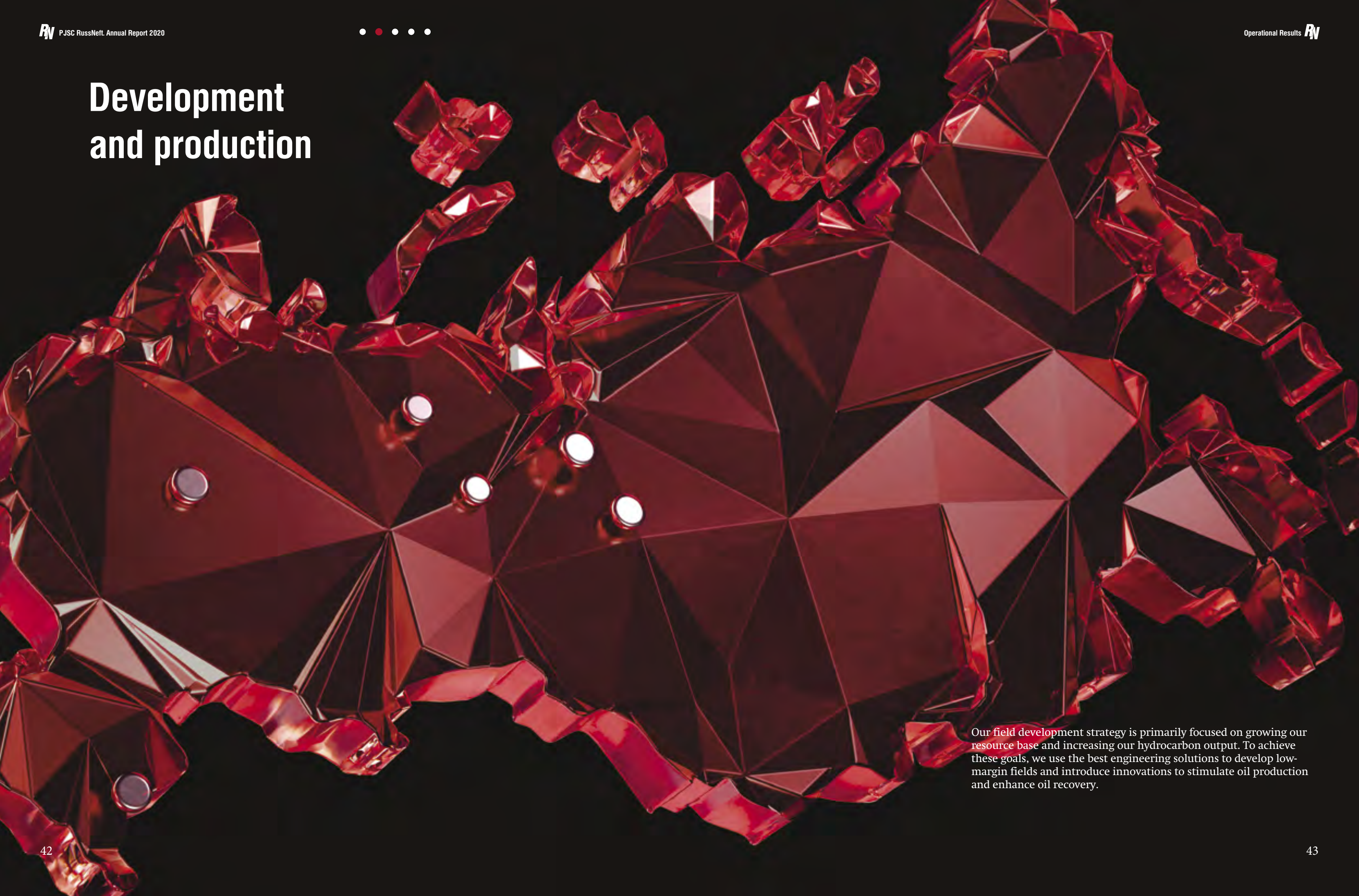


Oil production (mt)

	2018	2019	2020
Base production	0.500	0.402	0.244
Incremental production	0.037	0.029	0.003
New wells	0.019	0	0
Total	0.556	0.431	0.247

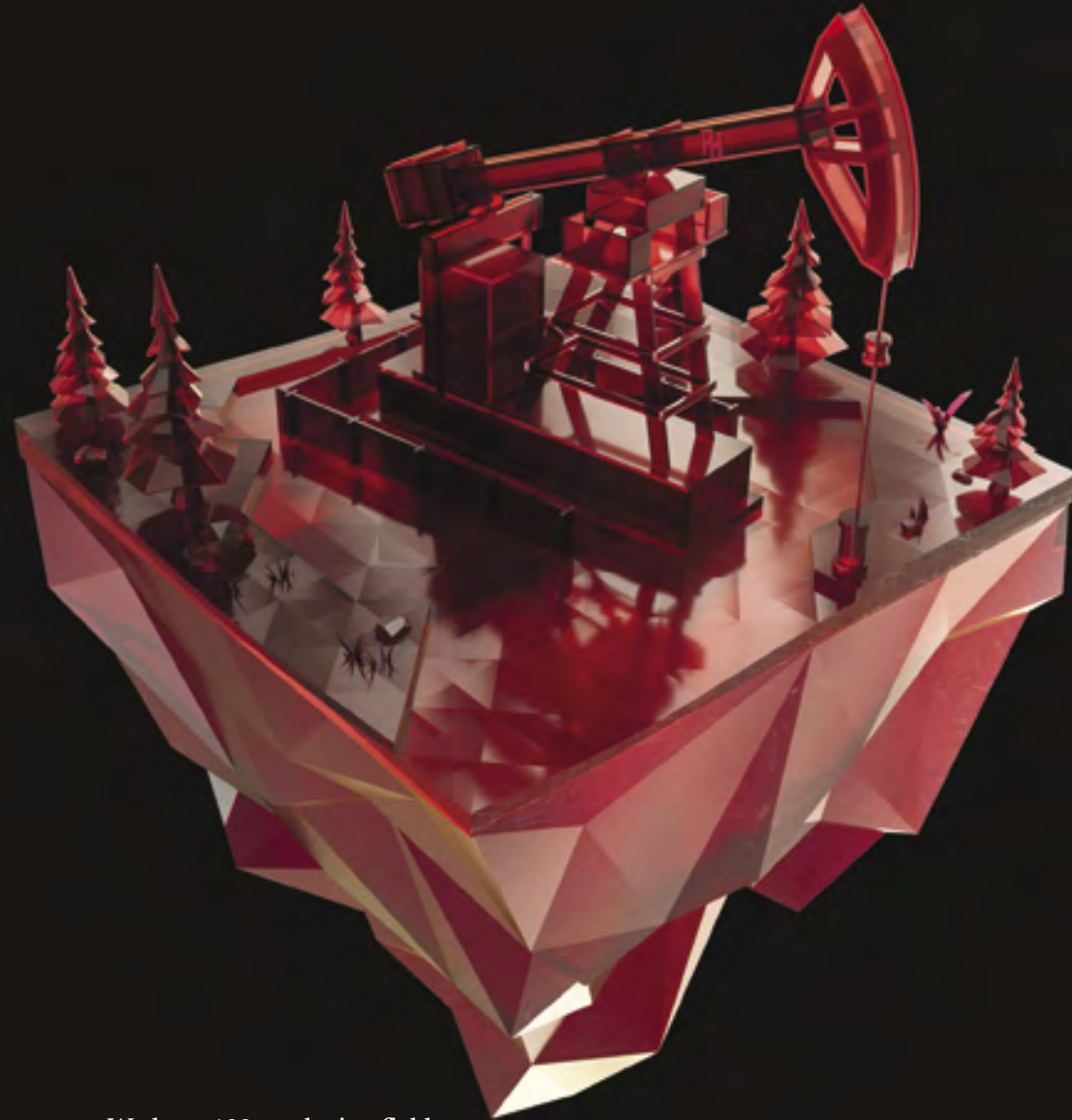


Development and production



Our field development strategy is primarily focused on growing our resource base and increasing our hydrocarbon output. To achieve these goals, we use the best engineering solutions to develop low-margin fields and introduce innovations to stimulate oil production and enhance oil recovery.

Production



We have 108 producing fields.
In 2020, the Company produced

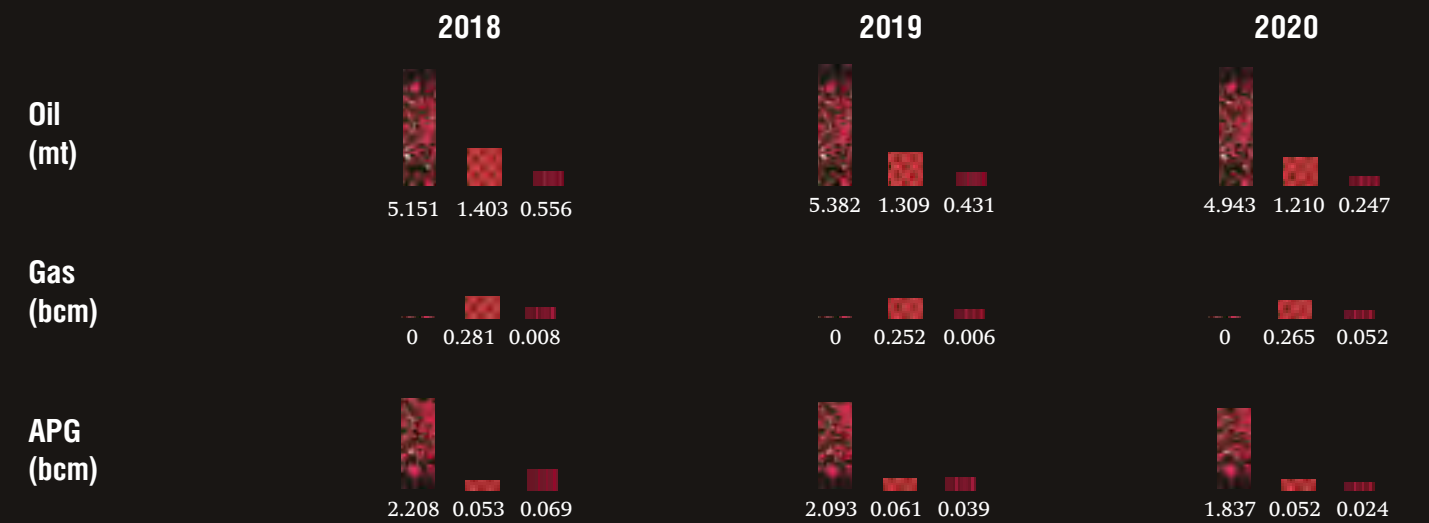
6.4 mt of crude oil

0.269 bcm
of natural gas

1.913 bcm of APG

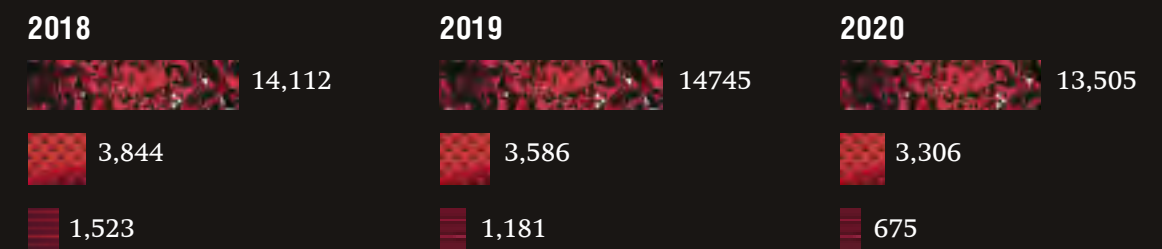
Production

Group	2018			2019			2020		
	Oil (mt)	Gas (bcm)	APG (bcm)	Oil (mt)	Gas (bcm)	APG (bcm)	Oil (mt)	Gas (bcm)	APG (bcm)
West Siberian	5.151	0	2.208	5.382	0	2.093	4.943	0	1.837
Volga Region	1.403	0.281	0.053	1.309	0.252	0.061	1.210	0.265	0.052
Central Siberian	0.556	0.008	0.069	0.431	0.006	0.039	0.247	0.004	0.024
Total	7.110	0.289	2.330	7.122	0.258	2.193	6.400	0.269	1.913



Average daily production of oil, tonnes/day

Group	2018	2019	2020
West Siberian	14,112	14,745	13,505
Volga Region	3,844	3,586	3,306
Central Siberian	1,523	1,181	675

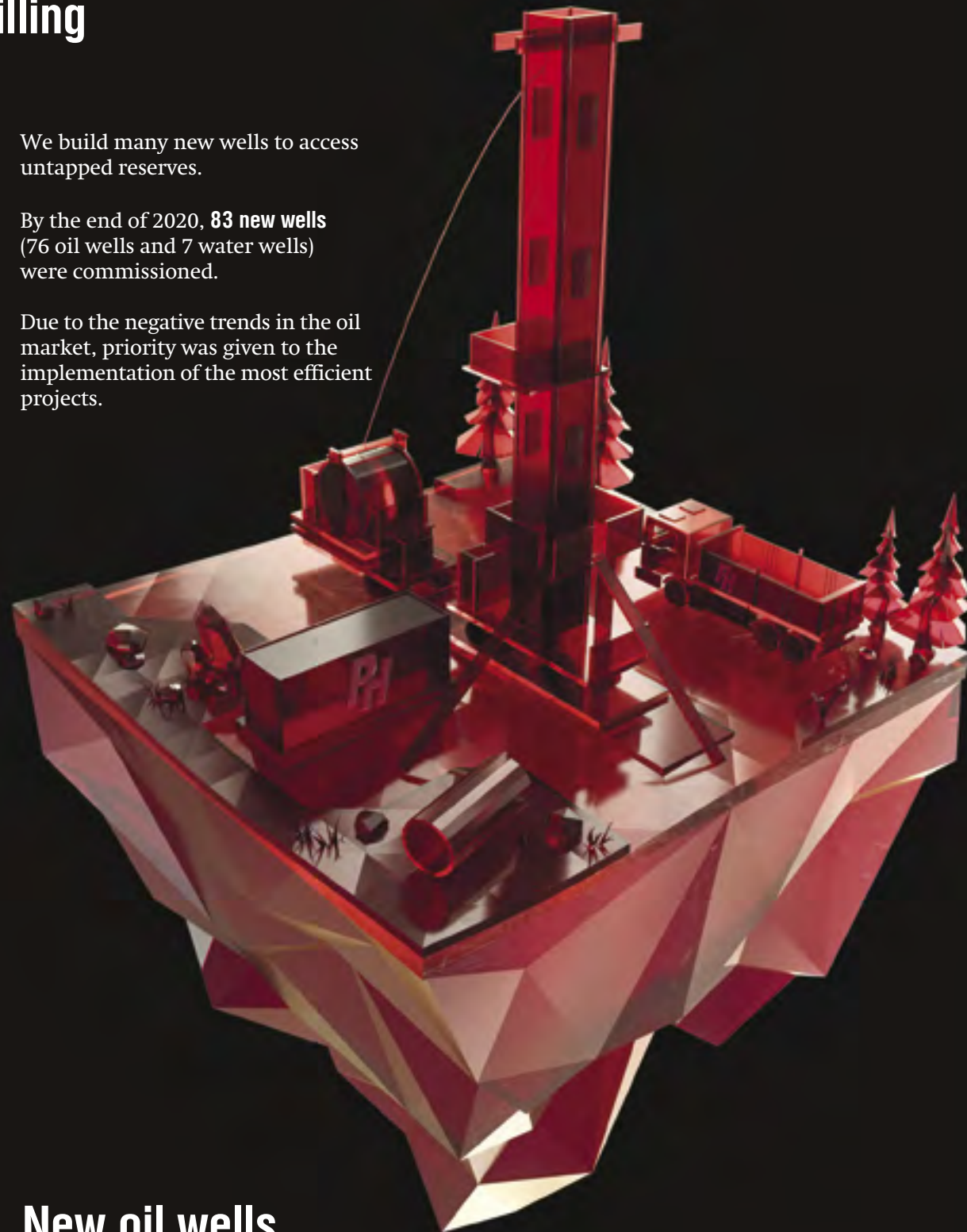


Drilling

We build many new wells to access untapped reserves.

By the end of 2020, **83 new wells** (76 oil wells and 7 water wells) were commissioned.

Due to the negative trends in the oil market, priority was given to the implementation of the most efficient projects.



New oil wells

Group	2017	2018	2019	2020
West Siberian	122	130	143	76
Volga Region	0	3	1	0
Central Siberian	8	1	0	0
Total	130	134	144	76

Future projects

We have revised our strategy in the light of the drop in oil prices in early 2020 and the general situation in the oil market. The tactical goals are to maximise marginal production and optimise costs, with subsequent recovery as the situation stabilises. Our further strategy is to ensure long-term sustainable development. According to the long-term forecast based on OPEC+ restrictions in 2020, production may be increased, reaching by 2027 its peak of 8 million tonnes per year (including the Company's projects in Azerbaijan).

We have identified the following key areas for development as part of our development strategy:

- Maintenance of brownfield crude oil production at current levels using efficient drilling techniques, sidetracking and well interventions, and better formation pressure maintenance
- Development of (high-margin) reserves of the Tagrinskoye and Verkhne-Shapshinskoye fields (Achimov deposits) under preferential tax treatment
- Accelerated implementation within the next three years of our project to commence development at the Vostochno-Kamennoye field, with its more than 60 million tonnes of reserves
- Implementation of our greenfield exploration (GE) programme to expand development of 3P reserves across our fields and licensed areas (GE projects) while improving macro parameters.

Every year, in addition to development drilling of our licensed greenfields, we implement an intensive GE programme. Our resource base will be built up mainly in the mid-term with hard-to-recover and unconventional reserves. This way, we will be able to promptly prioritise projects to select the most attractive and promising ones.

Brownfields

Verkhne-Shapshinskoye field

The oil-bearing capacity of the Verkhne-Shapshinskoye field is proven in the Neocomian deposits and the Bazhenov suite. The reserves of this low-permeable deposit qualify for substantial benefits in terms of mineral tax treatment.

Recalculation performed in 2020 produced a 17.4 million tonne aggregate increase in the oil reserves of the Verkhne-Shapshinskoye field, including 16.3 million tonnes from deposits under preferential tax treatment.

In 2020, 49 wells were commissioned at the Achimov deposits, including 20 wells where horizontal drilling and multi-stage hydraulic fracturing were implemented.

In 2021, we will continue commercial development of the Achimov deposits and will commission 51 wells, including 23 horizontal and 28 directional wells.

A programme is being implemented to develop non-producing reserves of the AS 12 group, which also enjoy preferential tax treatment. A mobile oil rig will be used to build and commission eight wells, including five MSHF horizontal wells.

We plan to commission a total of 59 wells in 2021 at the Verkhne-Shapshinskoye field to produce over 472,000 tonnes of oil.

The exploration of hard-to-recover reserves of the Ach-Nizhny deposit has slowed in 2020–2021 due to OPEC+ restrictions.

Sredne-Shapshinskoye field

The commercial oil-bearing capacity of the Sredne-Shapshinskoye field is proven in the Bazhenov suite and the Achimov formation. Based on available data, we decided to continue exploration and commercial development of the Bazhenov suite. We continue expanding our competencies in the commercial development of hard-to-recover and unconventional reserves of the Bazhenov suite.

Tagrinskoye field

The field is our key asset in terms of development of hard-to-recover reserves of the Achimov deposits using MSHF techniques.

Recalculation performed in 2020 produced a 13.9 million tonne aggregate increase in the oil reserves of the Tagrinskoye field.

In 2020, the drilling programme at the Achimov deposits was cut back due to OPEC+ restrictions. 24 wells were commissioned, including 23 wells where horizontal drilling and multi-stage hydraulic fracturing were implemented.

In 2021, we will continue commercial development of the Achimov deposits and will commission 48 wells, including 45 wells with horizontal drilling, to produce over 319,000 tonnes of oil.

Greenfields

Vostochno-Kamennoye field (Vodorazdelny licensed area).

The project involves the commencement of commercial development of the Vostochno-Kamennoye field with recoverable oil reserves of more than 60 million tonnes. We have already completed the experimental programme at the existing well stock to determine the potential of the target reservoirs. Design work and selection of the optimal development scheme are under way.

In 2020, we completed CDP-3D seismic surveys covering 160 sq km. Laboratory work is currently underway to process and interpret the seismic materials and well data.

In 2021, we plan to sample the core of the Tyumenskaya suite to study the permeability and porosity of the rocks and determine if these reserves can be added to the state register as low-permeability reserves so that we can apply MET benefits with a Kd coefficient of 0.2 and thus improve the profit margin of these reserves.

Production drilling and production are scheduled to commence in 2023, with a peak annual production of 1.5 million tonnes to be reached in 2029.

Khanty-Mansi field

We processed and interpreted data from an earlier 2D seismic survey to identify areas for further study and a detailed 3D seismic survey of Paleozoic deposits was carried out. Exploratory drilling is planned to be carried out in the future. The estimated increase in reserves is 3 million tonnes.

Zapadno-Sobolinaya field

As part of the exploration of the Soboliny subsoil plot, geological surveying of the Zapadno-Sobolinaya field will continue.

Tagrinskoye field flanks and Vostochno-Kalinovy licensed area

In 2019, RussNeft was licensed to develop a plot adjacent to the east side of the Tagrinskoye field (Tagrinskoye field flanks), as well as the Vostochno-Kalinovy area to the south of the field.

According to current reserves estimates for the Tagrinskoye field (to the extent of the said plots), potential high-margin B2 reserves in the southern reservoir of the Ach-Tagrinskoye field, which extends beyond the boundaries of the Tagrinskoye licensed area and into the areas in question, amount to over 10 million tonnes.

In 2020, CDP-3D seismic surveys covering 280 sq km were carried out at the flanks of the Tagrinskoye field. Laboratory work is currently underway to process and interpret the seismic materials and well data.

Crude oil and gas sales in 2020

Gas

In 2020, our domestic market gas sales amounted to 2.0 bcm, including 0.25 bcm of natural gas and 1.77 bcm of APG. Our supplies mainly cover the Siberian and the Volga Federal Districts of the Russian Federation. The key customer was SIBUR Holding, Russia's largest petrochemical company, which annually purchases over 1.3 bcm of APG under a long-term contract with RussNeft.

In addition to oil, refineries purchased 14,000 tonnes of the Company's stable gas condensate in 2020. All supplies are based on long-term arm's length contracts, which may be revised in response to abrupt changes in the market environment.

Crude oil Domestic market

In 2020, crude oil sales totalled 4.5 million tonnes. The key customer was the Krasnodar Refinery (Krasodareconeft), which purchased 1.3 million tonnes of oil. The remainder was supplied to the following refineries:

- Saratov Oil Refinery
- Itatsky Oil Refinery
- Yaya Oil Refinery
- Slavyansk ECO
- Anzherskaya Oil and Gas Company
- Tomskneftepererabotka
- Afipsky Refinery
- Independent Petroleum Company – Khabarovsk Refinery
- VPK-Oil.



Exports

Non-CIS countries

We export oil via the Black Sea port of Novorossiysk and the Baltic Sea ports of Ust-Luga and Primorsk. Export shipments to Germany and Poland are by trunk oil pipelines.

In 2020, we supplied 2.08 million tonnes of oil to non-CIS countries. Oil trader Glencore was our key business partner in export shipping. We cooperate under an arm's length contract, its key terms and conditions are revised from time to time.

CIS countries

In the CIS market, we sell oil to Belarus. The supply of 688,470 tonnes of oil to Belarusian refineries helped us to balance our sales structure in 2020.



Improving Company efficiency

2019 milestones

Implementation of the oil production plan in 2020

Due to the negative impact of the COVID-19 pandemic on the world oil market, the OPEC exporting countries and the Russian Federation agreed to extend the OPEC+ deal for 2020.

To comply with the deal, RussNeft managed its production taking the dynamics of the main economic macroparameters into account. This allowed us to regulate oil production efficiently, based on well operation efficiency and by decommissioning a number of wells.

In 2020, we prioritised the development of the high-margin reserves in the Tagrinskoye and Verkhne-Shapshinskoye fields. Total subsidised oil produced from hard-to-recover reserves is 3.053 million tonnes (48%) of all oil produced during the year.

Gas production amounted to 2.182 bcm (APG, to 1.913 bcm; natural gas, to 269 mcm). With contractual obligations of 1.509 bcm, we supplied 1.603 bcm of APG to SIBUR-Holding, outperforming the contract by 96 mcm.

Formation development and formation energy management

To improve the efficiency of field development, RussNeft focused on managing crude oil production volumes.

A comprehensive programme of well interventions to maintain formation pressure and restore crude oil production volumes, and of well stock management etc., implemented in 2020, allowed us to reduce production decline rate by 8% compared to 2019 (by 2.5 pp).

Implementation of the programme for working with formation pressure maintenance systems, waterflooding management at newly commissioned and developed field areas, and alignment of injectivity profiles of injection wells allowed us to produce over 153,000 additional tonnes of oil in 2020. Specific efficiency per well exceeded the 2019 figures by 25%: 54 wells in the top priority areas were turned into injection wells and 48 injectivity profiles were levelled. Well interventions to restore base production allowed us to produce an additional 47,000 tonnes.

We run an efficient corporate training programme: in 2020, 31 specialists were trained in “Latest Approaches to Optimising Oil Field Development”, including remotely. In just two years, 60 RussNeft specialists have improved their qualifications.

Key production drilling and sidetracking events

To stabilise our financial position, we carried out a detailed economic analysis of promising drilling areas in 2020 and, on the basis on this analysis, selected the most effective areas of the 2020 programme for drilling and commissioning new wells. Opting for high-margin projects, we drilled and commissioned 83 new wells during the year: 76 oil wells and seven water wells. The new wells produced 825,000 tonnes of oil during the year, exceeding the business plan by 16%. Specific oil production per well commissioned in 2020 stands at 10,800 tonnes/well, 2,300 tonnes (27%) more than in 2019.

We achieved this by optimising the development system for the Verkhne-Shapshinskoye field in late 2019. While the annual oil output rate for horizontal wells increased on average by 59.3 tonnes/day (the target was 48 tonnes/day), at the Verkhne-Shapshinskoye field this figure reached 106.8 tonnes/day, a 31 tonnes/day increase compared to 2019.

We continue to improve the way we approach the development of hard-to-recover oil reserves on the developed flanks of the Tagrinskoye field, in the Verkhne-Shapshinskoye field, and at exploration targets in the Vostochno-Kamennoye and Valyuninskoye fields. The use of state-of-the-art extraction systems based on high-tech horizontal wells with 700 to 1,200 m long MSHF has allowed us to increase the oil recovery factor by 5 pp, which in the next ten years will increase the NPV per well by an average of RUB 112 million.

In the Tagrinskoye field, we are improving our two-string well construction programme. In December 2020, we drilled and commissioned well 46012 in the south-eastern part of the South Achimov deposit in the Tagrinskoye field with a horizontal section more than 1,000 m long. Ten stages of hydraulic fracturing were carried out in the well. In the Tagrinskoye field, 26 out of 48 wells of the same design are scheduled for drilling in 2021, representing more than 50% of all drilling operations in the Varioganskoye oil block.

In addition to the conventional proppant, we used 264 tonnes (38% of the total volume) of SENDRIT for hydraulic fracturing. The use of SENDRIT allowed us to reduce proppant costs by 43%, while the total cost of hydraulic fracturing was reduced by 14%. The initial oil production rate of the well was 175.5 tonnes/day.

Commissioning of horizontal well 4140, pad 27 of the Verkhne-Shapshinskoye field, drilled with a mobile drilling rig in late 2019, allowed us to assess reserves, test the production capacity in the new section of the developed area and confirm that the Ach-Nizhny formation deposit spreads to the southeast of the licensed area. During the season, the well flow rate was 77 tonnes/day, with an average water cut of 35%.

In 2020, after reconstruction by sidetracking, 12 wells were put into operation. Production from sidetracked wells amounted to 52,618 tonnes. Given the macroeconomic indicators, the 2020 sidetracking programme was reduced by 24 operations.



Key production exploration events

The increase in hydrocarbon reserves has been made possible thanks to the high efficiency of RussNeft’s exploration efforts. In 2020, according to additional exploration and recalculation of reserves in the Verkhne-Shapshinskoye and Tagrinskoye fields, the reserves increased to 17.4 and 13.9 million tonnes of oil respectively.

In the reporting year, a CDP-3D seismic survey was conducted in the Vodorazdelny licensed area (160 sq km) and at the Tagrinskoye field (280 sq km) in the Khanty-Mansi Autonomous District – Yugra. Laboratory work is currently underway to process and interpret seismic materials and well data.

The prospecting programme implemented in 2020 allowed us to increase our oil reserves by over 32 million tonnes.

Key HSE events

As a responsible user of natural resources, RussNeft conscientiously complies with the requirements of applicable environmental laws. We systematically reduce the negative impact on the environment by introducing new and improving existing organisational and engineering solutions every year.

We have been successfully implementing a programme to rehabilitate old cutting pits. In 2020, we spent RUB 169 million to rehabilitate three pits at the Shapshinskoye fields in the Khanty-Mansi Autonomous District – Yugra; 14 other facilities are scheduled for rehabilitation in 2021–23.

RussNeft continues to dispose of drill cuttings generated during pitless drilling. Drill cuttings are converted into building materials using technologies approved by environmental experts. A total of 37,677 cu m of drill cuttings were processed in 2020.

To manage our greenhouse gas emissions better, we have been registering them in the State Fuel and Energy Industry Information System since 2020.

We ensured a timely reissuance of approvals for the management of production waste (draft generation targets and disposal limits and a waste management licence).

In 2020, there were no emergencies, fires or workplace accidents at any of our hazardous production facilities. The overall level of occupational injuries is decreasing, with half as many such incidents year-on-year.

We constructively cooperate with government agencies to prevent emergencies in the regions where we operate. The Head Office of EMERCOM of Russia in the Ulyanovsk region awarded the head of RussNeft’s Ulyanovsk branch a diploma “For Active Assistance in Solving the Tasks Assigned to the EMERCOM of Russia.”



Expansion of oil delivery infrastructure

The implementation of the production programme at the Verkhne-Shapshinskoye field and the future development of the Vostochno-Kamennoye field will significantly increase hydrocarbon production by our Khanty-Mansiysk branch. This calls for modernisation of the existing facilities delivering oil to Transneft's pipeline.

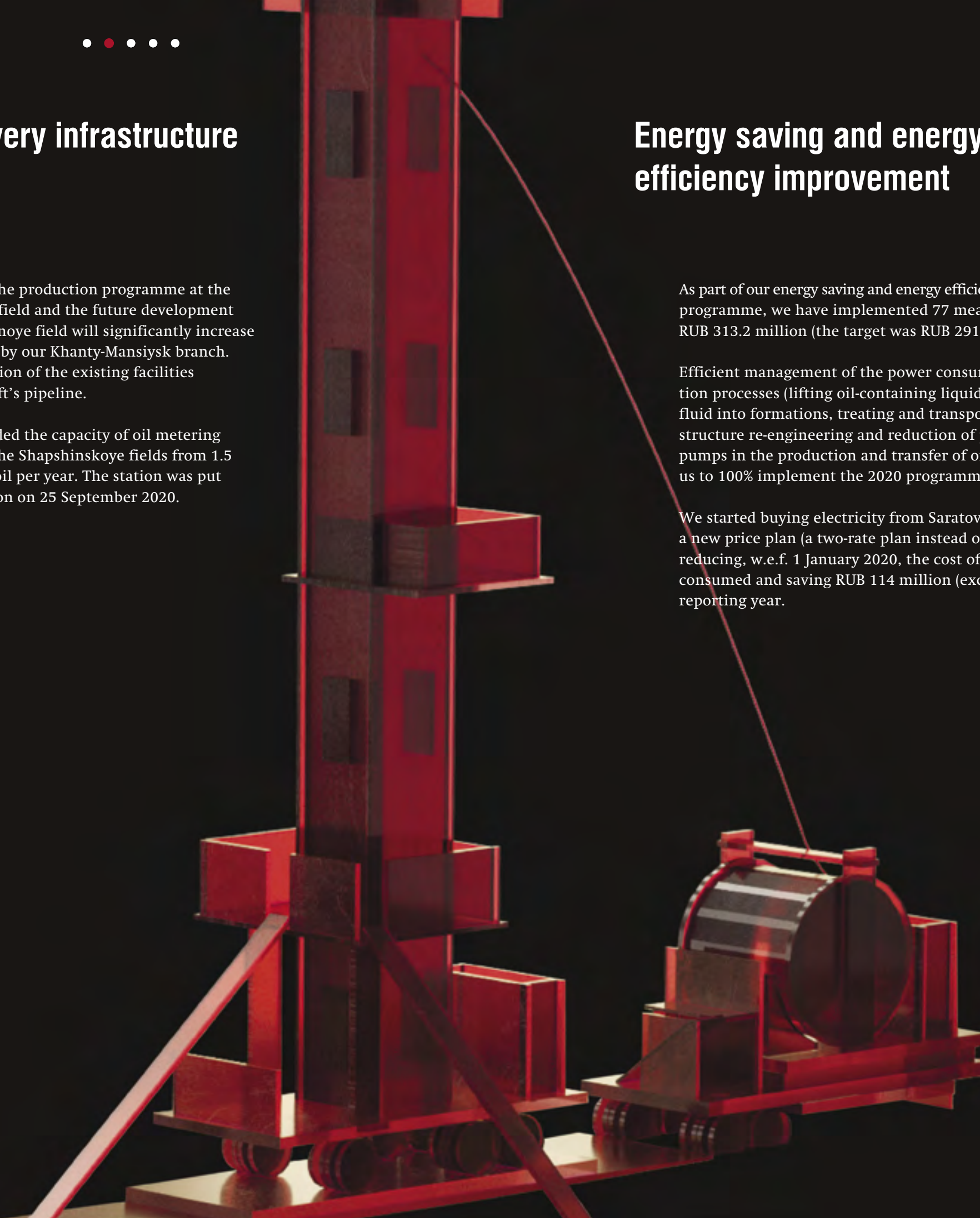
In 2020, RussNeft expanded the capacity of oil metering station SIKN No. 546 in the Shapshinskoye fields from 1.5 to 1.9 million tonnes of oil per year. The station was put into commercial operation on 25 September 2020.

Energy saving and energy efficiency improvement

As part of our energy saving and energy efficiency improvement programme, we have implemented 77 measures, saving RUB 313.2 million (the target was RUB 291.5 million).

Efficient management of the power consumed by the production processes (lifting oil-containing liquid, pumping working fluid into formations, treating and transporting oil), infrastructure re-engineering and reduction of power consumed by pumps in the production and transfer of oil and water allowed us to 100% implement the 2020 programme.

We started buying electricity from Saratovneftegaz under a new price plan (a two-rate plan instead of a flat-rate one), reducing, w.e.f. 1 January 2020, the cost of electricity actually consumed and saving RUB 114 million (excl. VAT) over the reporting year.



Well interventions and improving operating efficiency for mature fields

In early 2020, we reduced the number of our requirements for well interventions but made them stricter. When implementing our well intervention programme for the current declining well stock, we prioritised less expensive operations. A detailed calculation of profitability during the year allowed us to carry out 407 well interventions and to produce more than 302,000 additional tonnes of oil.

Such a meticulous approach allowed us to outperform our business plan in additional oil production by 5% per intervention, while significantly reducing their cost.

In early 2020, a new BV3 formation was tested at the Varioganskoye field and a flow rate of 65 tonnes/day was achieved. Hydrocarbon reserves were assessed, and more than 1.4 million tonnes of commercial oil reserves were added to the balance sheet. Based on research findings and a detailed study of the primary geological data, a targeted intervention programme was prepared for the multi-zone wells of the BV3 formation. Implemented on 20 wells in 2020, this plan gave us an increase of over 500 tonnes a day, and the cumulative additional oil production amounted to 56,500 tonnes with NPV being RUB 232 million.

To increase the efficiency of field development and the oil recovery factor, in H2 2020, we launched a project to find optimal acid compositions and a stimulation technology for horizontal wells of a facility under preferential tax treatment at the Ach Tagrinskoye field. A targeted intervention programme was developed for areas with an active formation pressure maintenance system. During the first stage of the plan implementation in 2020, 27 estimates of the current reserves of horizontal wells were made, yielding a total increase of over 176 tonnes a day. Additional oil production amounted to about 18,000 tonnes with an NPV of RUB 224 million. After an assessment of the current reserves, the oil production rate of horizontal wells more than doubled.

As part of the selection of efficient technologies to stimulate carbonate reservoirs of our Ul-yanovsk branch in 2020, wells were selected and procedures to stimulate the promising A2 carbonate reservoir in the Severo-Zimnitskoye field were developed. In December 2020 we applied for the first time, at well No. 28, the technology of high-consumption large-volume hydrochloric acid treatment using a high-viscosity non-polymer surfactant-based acid gel. The well intervention increased oil production by over 30 tonnes a day with an expected NPV of over RUB 16 million. This achievement allows us to revise the 2021 development strategy for the Severo-Zimnitskoye field, including such measures as drilling new MSHF wells and horizontal sidetracking. In 2021, we plan to repeat our 2020 achievements on a larger scale.

Achieving target operating efficiency for pumping wells

In 2020, the average number of repairs (well servicing and workover, WSW) per well in the producing well stock continued to decline, dropping to a new minimum of 0.83 repairs per well. The overhaul period was 711 days, a 7.7% improvement in YoY results.

Measures taken to increase the overhaul period and the mean time between failures helped reduce the number of submersible equipment failures and parting by 30%.

Operation of the pumping well stock was improved through standardisation in failure accounting and investigating, ensuring compliance with requirements in terms of equipment used, quality of repair, revision, kitting, and operation of submersible equipment.

We continue to introduce internally-coated tubing hangers from the world's leading manufacturers for use in artificial-lift wells. In 2020, 190 wells were fitted with protected tubing, allowing us to prevent complications from corrosion and ARPD and reduce operating costs.

Operational improvements

The operational improvement programme is actively developed and updated with new initiatives on an ongoing basis. The cumulative economic impact of its implementation amounted to approximately RUB 6.9 billion over the past 4 years, exceeding the target by 11%.

In 2020, the main sources of the programmes increased efficiency were as follows:

- we developed and had approved by the Russian Federation Ministry of Construction, Housing and Utilities special specifications for the design and construction of facilities (this allowed us to reduce the cost of construction of new well pads at the Verkhne-Shapshinskoye field);
- we implemented a comprehensive programme for establishing and optimising a formation pressure maintenance system in the priority zones of the Verkhne-Shapshinskoye and Tagrinskoye fields;
- we achieved a higher employee engagement in the optimisation of production processes and costs.

As a result of implementation of the roadmap to improve organisational structure, one more subsidiary was integrated into the Company, becoming subsidiary (Saratovneftegaz). A schedule has been developed (and is being implemented) to establish the Nizhneartovsk branch on the basis of Varioganneft.



Improving transportation support efficiency and reducing WSW teams' downtime

In 2020, measures taken to improve transportation support of WSW operations reduced WSW teams' downtime by 58% year-on-year. Downtime for a WSW team (awaiting late or unavailable vehicles) was 15% lower than in 2019 and 26% lower than in 2018.

Key field infrastructure construction events

In 2020, we built 8.6 km of highways, 31.6 km of pipelines, 6.6 km of high-tension transmission lines and seven well pads in our fields. We also built a new 35/10 kV power substation to improve the reliability of power supply at the Verkhne-Shapshinskoye field.

Software support of oil and gas development and production

In 2020, we efficiently improved the automation of our production processes.

As part of the 2020–21 Roadmap for the Development of the Production and Geology Block Information Systems we successfully pilot tested OIS Technologist and OIS Field Equipment electronic modules.

The OIS Technologist module monitors various well parameters coming directly from our companies' and branches' field telemetry system. The current version of OIS Field Equipment ensures operational accounting for tubing and drill rods. It also reconciles its data with the accounting records and calculates quarterly and semi-annual reserve requirements. We plan to expand / upgrade the module for use as an inventory management tool that requires no installation.

To enhance the efficiency of working with hard-to-recover oil reserves, we use PRODUCTION system to collect and process geological and field information, SHAKHMATKA electronic well operation log, and NGT SMART and AIS FACTOR ANALYSIS software systems to monitor and manage the development of oil and gas fields. Our unified digital analytical system allows us to use state-of-the-art 3D geological and hydrodynamic modelling techniques and carry out comprehensive analysis of the current state of development, taking into account non-linear filtration in formations. The system allows us to promptly optimise development in production drilling zones based on real geology, geomechanics, and actual production data.



Financial highlights

RUB bn	2020	2019	Change
Revenue	133.2	187.1	29%
EBITDA ¹	27	49.7	46%
Profit attributable to the Parent Company shareholders	(17)	24.4	170%
Adjusted profit ¹	(24)	18.8	228%

The revenue decrease was caused by the collapse in global economic activity due to the onset of the pandemic and resulting fall of oil prices in 2020. Another consequence of the pandemic for the Company's operating performance was lower production due to additional restrictions under the OPEC+ agreement.

EBITDA was mainly determined by the falling revenue (down by RUB 54 bn), shrinking profit margin, and lower mineral tax payments (down by RUB 28 bn (39%)).

The change in adjusted profit (loss) resulted from the marked decline in EBITDA (down RUB 23 bn), impairment of financial and non-financial assets, and exchange losses.

Debt Portfolio

In March 2020, VTB Bank assigned the Company's principal debt to CQUR Bank LLC (Qatar). Total principal owed by the Company to CQUR Bank amounted to RUB 86.591 bn at the exchange rate on the reporting date (USD 1.172 bn). The debt burden in nominal terms remained the same compared to the previous reporting period.

In Q3 2020, the first stage of the loan restructuring was completed. As a result, the Company paid USD 91 m against its principal debt, and the balance due date was extended to the expiration date of the loan agreement in 2026. Thus the Company had no outstanding debt to the creditor in 2020.

Credit Ratings

MOODY'S

Moody's Investors Service

FitchRatings

Fitch Ratings CIS Ltd

Caa2

(negative outlook)

CC

(no outlook)

Driven by the negative impact of the COVID-19 pandemic, credit ratings of oil companies all over the world have been plummeting as rating agencies anticipate rising industry risks for oil and gas companies due to green energy trends, volatile prices, and deteriorating production economics.

We too were affected by this view of the global market environment: in 2020 Moody's Investors Service downgraded our rating to Caa2 with negative outlook, and Fitch Ratings CIS Ltd. to CC with no outlook. Yet all leading rating agencies note that RussNeft's oil production and reserves correspond to BB.

It is important to highlight RussNeft's timely response to the COVID-19 shock to the oil and gas industry in 2020. The Company renegotiated its principal debt payment schedule to avoid payment in 2020 of a total of USD 91 million by adding this amount to the balance payment due in 2026. This significantly improved RussNeft's financial performance in the medium term.

CHAPTER 3 CHANGING THE WORLD AROUND US

The secret to successful hiring is this: look for the people who want to change the world.

Marc Benioff
Salesforce CEO

RussNeft is a great deal more than just financial indicators, reserves, or the number of wells commissioned. As a competitor in a global energy market, we are committed to changing people's lives for the better at local level too: within the Company, in our employees' families, and in the regions where we operate.

Educational projects

Our strategic plans are made for many decades ahead — much longer than the average length of service of the specialists with our Company. Therefore, we set a great deal of store on the succession of professional generations and creation of highly skilled workforce through under- and postgraduate training.

In order to react to current and potential market developments in a timely and appropriate manner, we create an educational environment that extends far beyond the Company. In particular, we run joint educational projects with leading Russian universities designed to pave the way for today's students into the gas and oil industry of the 21st century.

Joint project in collaboration with the Gubkin Russian State University of Oil and Gas.

In 2010, we started an educational project in collaboration with the country's leading specialised university to train stronger prospective students. The first regional foundation centre (RFC) was opened in Saratov to introduce prospective students to the oil and gas industry and prepare them for the Unified State Exam. Every year our trainees have at least two residential sessions with the best professors of Gubkin University.

Thoroughly prepped, RFC trainees easily pass examinations and become top students in specialised University departments. The cost of training at the RFC is fully paid by RussNeft. In the near future, we plan to finance the whole of their University studies, with new graduates subsequently recruited into the RussNeft group of companies.

Since 2011, the project was expanded to cover not only the Volga Region but Western Siberia as well. Saratovneftegaz and Varioganneft (Raduzhny) opened another two RFCs for prospective students of Gubkin University.

Today, a total of 160+ students participate in the project, including 114 students (years 1–5) of the Gubkin Russian State University of Oil and Gas and 51 trainees at the Raduzhny and Saratov RFCs from secondary school leavers from the Saratov, Ulyanovsk, Tomsk Regions and the Khanty-Mansi Autonomous District. In 2020, RUB 15 million was spent on the educational project with Gubkin University.

Graduate School of Innovative Business

The Graduate School of Innovative Business was established at Lomonosov Moscow State University in cooperation with RussNeft to train highly skilled O&G workforce.

LMSU provided teaching staff and training and developed necessary educational programmes. Master's programmes were specifically developed by LMSU's and RussNeft's specialists to address topical present-day problems of the industry and are taught by both leading LMSU professors and specialists of O&G think tanks and production and service companies.

RussNeft in return provides all necessary funding (including funding required to remunerate teaching staff) and full financial support to up to 50% of each year's students.

The School offers three areas of concentration:

- geology; O&G reservoir geophysics;
- natural resources management; and
- petrochemistry.

These three areas distinguish the School from other corporate universities and account for the interest shown in it by both aspiring students and professors.

10+ textbooks were developed and published by the School professors for geology students. In 2011, a new master's programme for White Sea practical training in geology and geophysics was added to the curriculum. In 2013, a new English language master's programme in geology was developed and launched. 140 masters graduated from the department over the past 12 years. Current 2018–2020 training course counts 24 undergraduates.

All our graduates are much sought after by the industry enterprises, including RussNeft's subsidiaries. Since 2006, the total funding provided has been more than RUB 220 million.



Environment

In order to operate in a sustainable manner, RussNeft employs state-of-the-art green technologies and solutions, and continually monitors the condition of its production facilities, encouraging each and every employee to contribute to building the Company’s green culture.

In line with its Environmental Policy, the Company practises sustainable use of natural resources and energy. It has introduced advanced solutions to enable safe accumulation, storage, and disposal of production and consumption wastes and been successful in preventing pipeline ruptures and failures.

We focus on sustainable management of our domestic and industrial waste and associate petroleum gas (APG) disposal to reduce air pollutant emissions.

To manage our environmental risks efficiently and promptly identify any adverse impact caused by our operations, we have made a commitment to operations control and environmental monitoring at all our production sites.

Every year, RussNeft earmarks financial resources for environmental measures. To improve environmental quality in oil production areas, the Company has upgraded its equipment, renovated its older production facilities, and improved its pipeline infrastructure.

Soil

Every year, the Company rehabilitates disturbed and oil-contaminated lands and sludge pits. Both technical and biological remediation techniques are employed to reclaim land damaged in the process of production facilities construction and operation, so that they can once again be used for their original purpose and be promptly reclassified as forest land.

We have designed and successfully implemented the Old Sludge Pit Liquidation Programme. In 2020, three pits were liquidated at the Shapshinskoye fields in the Khanty-Mansi Autonomous District – Yugra with project costs of RUB 169 million. Fourteen more sites are scheduled for liquidation under the Programme between 2021 and 2023.

In oil production, environmental safety is primarily determined by field pipeline infrastructure safety. With that in mind, RussNeft prioritises timely pipelines diagnostics. Any defects in pipeline linear sections revealed by such diagnostics are rectified without delay.

We build pipelines using highly corrosion-resistant pipes. In areas with greater environmental exposure, we apply internal corrosion-resistant coating, which helps prevent spills of oil and oil products.

Air

To prevent air pollution, we are committed to reducing pollutant emissions and utilising APG in a sustainable manner.

To reduce flared APG emissions, we have implemented the On-site APG Utilisation and Gas Business Development Programme (the “Programme”), which makes it possible to improve the energy efficiency of oil production, while cutting greenhouse gas emissions. The Programme includes projects for constructing and commissioning gas treatment units, compressor stations, gas pipelines, and other facilities. As in previous years, in 2020 the Programme enabled us to maintain a 95% APG utilisation level.

Our sustainable APG utilisation initiatives contribute to significantly reduced flared APG emissions and ensure our compliance with the Russian Government’s APG utilisation requirements.

To further improve its greenhouse emissions control capabilities, as from 2020 the Company is using the Russian government’s fuel and energy sector information system.





Water

The Company has contributed to water conservation by economising water and ensuring it is used in a sustainable way, while at the same time preventing water pollution and the depletion of bodies of water.

In designing, building, upgrading, commissioning, and operating its facilities that consume groundwater, the Company has taken measures to prevent any adverse environmental impact such facilities may have on surface waters or other environmental resources.

RussNeft has duly accounted for its water consumption and wastewater (including drainage water) disposal. The Company has monitored its wastewater quality and has carried out regular checks of water resources and their respective buffer zones, and has reported its findings in a timely manner to the appropriate Russian federal executive body.

To reduce freshwater consumption for the Company's production needs, our oil producing facilities have improved their water recycling and reuse systems.

Formation water extracted along with oil is re-injected to maintain pressure.

Waste

RussNeft has been consistently reducing waste generation and disposal and fighting soil degradation in line with the waste management laws.

In 2020, the Company continued using eco-friendly technologies to upgrade drill cuttings generated by pitless drilling into construction materials. In this way, a total of 37,677 cubic metres of drill cuttings was recycled in 2020.

The Company awards drill cutting recycling contracts through a tender process. An eligible bidder must be duly licensed to collect, transport, treat, dispose of, decontaminate, and bury hazard grade 1–4 waste, and its proposed drill cutting recycling technology must be approved by a government-mandated panel of environmental experts. Furthermore, such bidders must have a clean record, with no environmental breaches identified by the Russian federal executive body in charge of environmental control and supervision.

As an environmentally-responsible operator, the Company has duly complied with environmental laws. Every year, it devises new organisational and engineering solutions to minimise its environmental footprint.

Health and safety

Employee health and safety and a safe workplace environment are our absolute priorities. We have implemented and are constantly improving our health and safety management frameworks.

In 2020, the key challenge was to maintain smooth, incident-free operation of our production facilities in the face of the COVID-19 outbreak. To this end, we formed a task force to address the most pressing issues associated with preventing the spread of the disease and to liaise with the executive government authorities and health services in the regions where RussNeft operates. To support seamless operations, we implemented COVID-19 testing for workers. Only employees who tested negative were cleared for shift work, which minimised the risk of bringing the infection to the fields.

In oil producing regions, the Company arranged health monitoring facilities and introduced health checkups before the beginning of each shift. For remote sites, longer work shifts were introduced. To eliminate social contacts, workers were transferred to and from work by special shuttle buses. Professional personal contacts were only allowed within business units. All site workers were provided with medical masks, gloves, and antiseptics. Regular temperature checks were introduced. Among the response measures taken by the Company we can cite the following:

- Working from home was introduced for certain functions.
- Regular temperature checks were performed for those working in the office.
- Social distancing measures were implemented.
- Work meetings were held online.
- Visits not directly associated with office work were limited.
- Office spaces were regularly disinfected using virucidal agents.
- Skin antiseptics, air disinfectants, and contactless thermometers were provided in the offices.
- Staggered work hours were introduced to manage employee flows.
- Electronic access cards at the Company's offices and production facilities were activated based on the COVID-19 test results.
- Contactless courier and correspondence deliveries were arranged.

All these measures minimised workplace virus transmission and allowed the Company to continue its oil production operations seamlessly without putting its employees at risk.

To implement its HSE Policy, the Company has implemented and continuously improved its Workplace Safety Frameworks and Employee Health Frameworks. We have also designed and complied with internal regulations governing staff training and certification in health, workplace safety, fire safety, disaster recovery measures, safety monitoring at hazardous production facilities, incident management, and medical checkups. To reinforce health and safety frameworks, certain internal regulations were updated in 2020.

The Company has expended enormous efforts to renew or obtain certain authorisations. New licences were issued for operation of automatic fire suppression systems; the licence for operation of hazardous production facilities was upgraded; authorisations for production waste management (such as draft waste generation standards, waste disposal limits, and waste management licence) were renewed.

Workplace safety and incident-free operation are high on the list of RussNeft's priorities. In 2020, no safety incidents were reported at the Company's hazardous production facilities. Overall, the work-related injury rate has been steadily reducing: in 2020, the number of injuries fell by half compared with 2019. To continue this downward trend, the Company is implementing accident correction and prevention actions. The Company uses regular information memos to communicate lessons learned from accidents to its employees.

Special workplace environment assessments demonstrated that the Company implemented 69 measures aimed at eliminating harmful or hazardous occupational factors at over 2,900 workplaces. Following this assessment, our work conditions are rated acceptable (2nd class).

The Company practises mandatory medical examinations and psychiatric checkups for employees exposed to harmful and/or hazardous environments.

To reduce the number of work-related illnesses and support efficient recovery, the Company covers the cost of its employees' rehabilitation at Russian health resorts. Our employees are offered vaccination before the flu season in autumn and winter.

In line with the applicable standards, our employees exposed to harmful and/or hazardous environments are issued free of charge with overalls, shoes, and other personal protective equipment. The Company also covers their voluntary occupational accident and disease insurance and voluntary healthcare insurance.

Our process control commission regularly checks our production divisions' compliance with industrial, fire, occupational and environmental safety requirements. In 2020, over 80 inspections were carried out, and more than 2,000 identified shortcomings were corrected.

To ensure our preparedness for accidents, fires, and other emergencies, we have agreements in place with professional emergency rescue teams to provide emergency services. We have created (and had certified) two of our own unaffiliated emergency response units employing 71 rescuers.

We have developed action plans to prevent and respond to oil and oil product spills. We have set aside financial and material resources to contain and eliminate the consequences of accidents, and have mandatory liability insurance cover for all our hazardous facilities.

In 2020, no fires or emergencies were reported at the Company's hazardous production facilities. In the interest of fire safety, we:

- have set up agreements with both local EMERCOM (Russian Ministry for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters) units and specialised licensed organisations to ensure fire prevention and response at our facilities,
- upgrade our fire-fighting equipment on a timely basis to be always prepared for emergencies,
- conduct on-site fire safety briefings and drills for volunteer fire fighters
- organise fire-fighting drills, including in conjunction with local fire units, for employees and volunteer fire fighters involving fire-hazardous on-site equipment and administrative buildings. Such drills are carried out together with local fire brigades.

In 2020, the Company carried out over 2,900 emergency response drills, including drills with special service providers and EMERCOM staff. More than 16,000 people participated in such drills.

Prior to the start of each fire season, we organise fire-fighting and emergency response stations and equipment to be able to respond to natural fires.

Human resources

Professionalism and commitment is a central ambition of our leadership, and the driving force behind the Company's sustainable development.

Our HR strategy aims at hiring and retaining talent to support the achievement of the Company's key tasks and objectives. We focus on engaging and retaining the best people by respecting their interests and needs and making sure each of them is personally committed to highest performance.

Key HR management principles:

- a systematic approach to recruitment and job rotation
- competency building and training
- developing incentive programmes
- improving labour productivity and organisational effectiveness
- improving HR effectiveness

To improve manageability, optimise business processes and cut costs, in 2020 RussNeft transformed Saratovneftgaz PJSC into its Saratov branch and also proceeded to reorganize Varioganneft PJCS and MPK Aganneftegazgeologiya JSC into its Nizhnevartovsk branch.

As part of the Saratov branch integration, we:

- developed and approved the branch's organisational chart and staff schedule,
- streamlined the branch's organisational structure,
- formalised employment relations with the staff within the new organisational structure,
- developed and approved by-laws governing employment relations between the Company and the branch employees
- provided HR support in documenting employment relations with the branch's employees to ensure compliance with the applicable Russian employment laws.

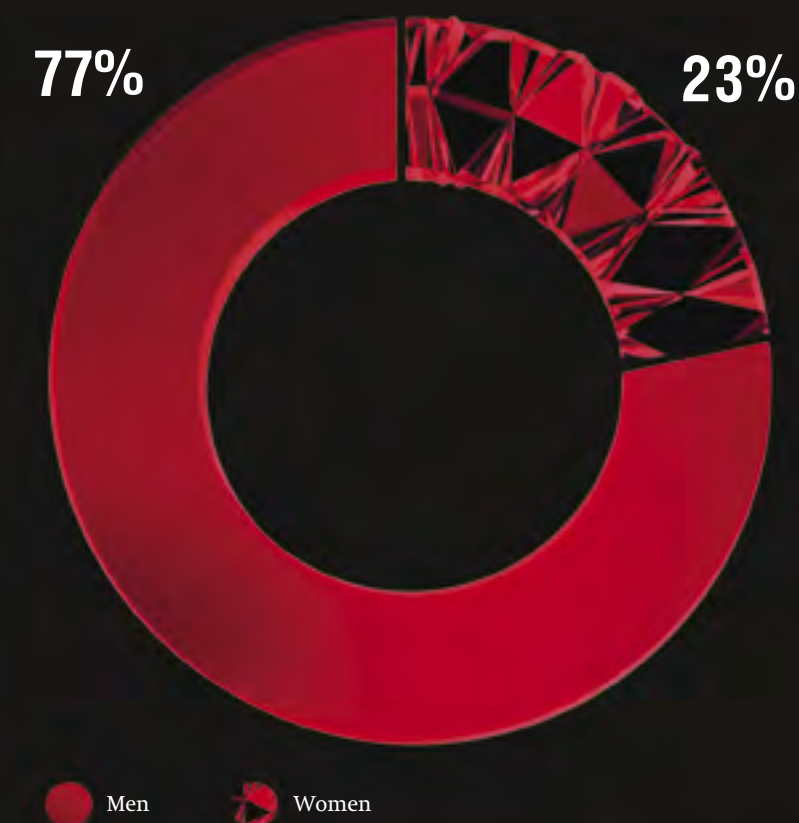
In 2020, RussNeft continued to streamline its governance and corporate frameworks to improve organisational performance. Our strategy includes certain cost-cutting measures. One of the key components in this segment is enhancing labour productivity.

As a member of the Russian Union of Industrialists and Entrepreneurs task force, RussNeft participates in the Russian Trilateral Commission, contributing to the discussion of new labour laws and regulations at various stages of their drafting.

HR highlights

In 2020, the Company employed over 8,000 people, with administrative and production personnel accounting for 14% and 86% respectively. The average headcount decreased by 6% in the reporting period as a result of streamlined management processes and corporate structure, which supports higher operational efficiency and labour productivity. Staff turnover in 2020 was under 10%, which is on a par with 2019.

Gender breakdown, 2020 (%)



Average age



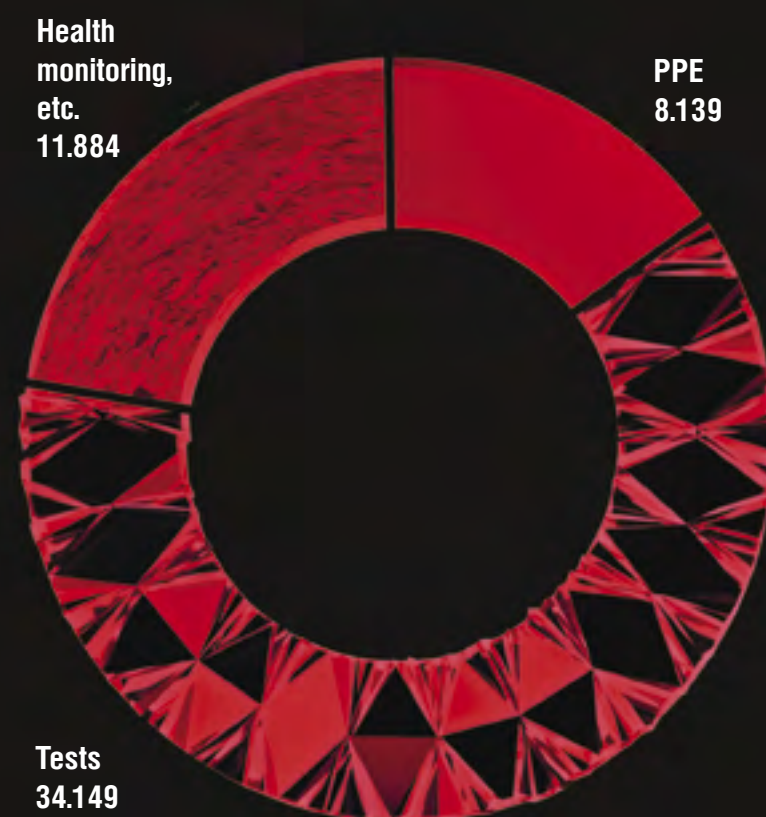
Quarantine measures and employee health protection

In 2020, we focused on the battle against the spread of COVID-19. The Company was able to promptly put in place new HR management rules to curb the spread of the disease within the Company and keep its employees safe. During the year, 6,555 tests were performed. The Company promptly purchased antiseptics and personal protection equipment in the required quantities. Health monitoring facilities were set up in the regions where the Company has a presence.

In 2020, 476 of the Company's employees became infected with coronavirus, claiming the lives of seven of these. We remained in close contact with affected workers and provided them with all possible support.

To minimise transmission of the virus within the Company and its branches, we organised work from home, and during the peak months of the pandemic, only up to 5–10% of our staff worked from the office.

Over the year, the cost of COVID-19 response measures amounted to approximately RUB 54 million.



Compensation and social policy

We are constantly improving our by-laws to ensure that job compensation and incentive schemes are in line with the Company's strategic objectives. To boost employees' motivation and commitment to performance targets, we adjusted our quarterly and monthly bonuses. We regularly monitor the market and offer employees a competitive aggregate remuneration package.

Our key social initiatives are aimed at providing employees with comfortable, safe working conditions, improving their quality of life, and offering financial support to retired employees and veterans. Our corporate social benefits scheme includes both basic and additional benefits, such as private pension plans, health resort treatment and children's recreation programmes, financial support in case of family emergencies, etc.

To ensure employee engagement in corporate culture building, we hold professional skills competitions, incentivise the introduction of state-of-the-art technologies and improvements to process efficiency (via dedicated project groups), hold sports events and recreational activities.

Since 2007, we have been successfully operating our own corporate pension plan. In addition to their state pension, each retired employee is eligible to a private (corporate) pension covered by the Company.

An important part of RussNeft's corporate culture is participation in official award ceremonies, both corporate and those organised by government authorities. The Company awards honorary titles, medals, diplomas, and certificates of recognition to its workers recognising their professionalism and contribution to RussNeft's development. In 2020, 57 of the Company's employees won awards from the Russian Ministry of Energy; 25 of them received recognition for their work during COVID-19 pandemic. Over 800 employees received corporate awards from RussNeft.



Staff training and development

We prioritise education and training for our personnel, including development of professional, management, and leadership skills. Training programmes are tailored to our strategic objectives.

In 2020, 4,000 employees participated in various extended education, retraining, and professional development programmes. The cost of training initiatives was in excess of RUB 23 million.

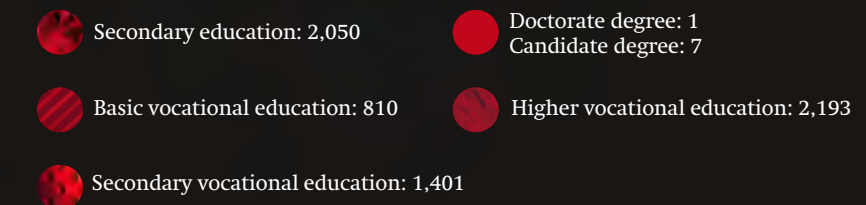
Since 2015, we have been successfully using the Competency Model to assess and motivate managers and specialists in an effective manner. Managerial skills are upgraded based on modular programmes designed for linear managers, middle management, and top management.

Our efforts in terms of talent pool building include occupational guidance for graduate specialists, talent acquisition (including young talent recruitment), and career planning, so as to ensure the required workforce is available. We acquire the best graduate specialists available by pursuing partnerships with specialised universities across the regions where we operate.

In 2020, over 50 students from the Gubkin Russian State University of Oil and Gas participated in our targeted educational programme. Regional preparation centres trained 29 prospective students. Training is provided at the Saratovneftegaz and Varioganneft facilities.

150+ participants in our educational programme graduated from Lomonosov Moscow State University with Master's degrees (over a period of nine academic years). In 2020, 20 students successfully completed their courses, while 16 new students began.

Education



We hold annual professional contests among core operational workers (Best in Profession). The first rounds of the contest are held at subsidiary/branch level. The winners are then invited to compete on an inter-regional level to identify the best of the best. This annual contest encourages employees with different experience and backgrounds, and coming from different locations, to share their expertise, serves the purpose of team building, and enhances corporate culture.

2021 HR priorities

HR priorities for 2021 are:

- To monitor and plan HR requirements for up to three years ahead
- To use HR potential more efficiently
- To boost performance and labour productivity across all business segments
- To improve incentive schemes and key performance indicator frameworks
- To draft, revise, and harmonise HR by-laws
- To update and streamline the Company's organisational structures to enhance efficiency
- To further standardise the Company's HR management business processes
- To streamline HR processes and reducing the man-hours spent on them
- To promote a safe working environment at Company facilities.

Sponsorship and charity

Being a socially responsible company, we do our best to contribute to social and economic development in the regions where we operate, help socially-vulnerable populations, and support charity and sponsorship projects at the national and regional levels.

Key charitable initiatives include:

- culture and the arts
- co-operation with NGOs
- healthcare
- sports
- education
- socio-economic development of the country's regions, including support for socially-vulnerable populations and the indigenous minorities of the North.

We annually support social and economic programmes in the regions where we operate and participate in programmes to repair and restore educational, healthcare and cultural facilities in the regions.

We financed the following municipal programmes in the Khanty-Mansi Autonomous District – Yugra:

- Social and Economic Development of the Indigenous Minorities of the North. Organisation and Holding of Events to Promote Their Traditional Vocations”
- “Creating a Comfortable Urban Environment”
- “Sustainable Rural Development”
- “Promotion of Employment in the Khanty-Mansiysk District”
- “Sports and Tourism Development in the Khanty-Mansiysk District”
- “Education Development in the Khanty-Mansiysk District”
- “Housing, Utilities and Urban Environment in the Oktyabrskoye District”.

In the Yamalo-Nenets Autonomous District, we provided financial support, materials, and equipment to agro-industrial enterprises in the Pur District.



Our Saratov Region production facilities are located in 13 districts, hence the relevant socioeconomic projects are provided as part of a number of municipal and federal programmes, including:

- “Success for Every Child” federal project
- “Growth Point”, a national project to set up digital and humanitarian education centres
- municipal programme “Developing the Physical Culture, Sports, Tourism and Youth Policy in the Sovietsky Municipal District in 2019–2022”
- municipal programme “Culture in the Lysye Gory District in 2020–2022”
- municipal programme “Improving Energy Saving and Energy Efficiency in the Novye Burasy Municipal District in 2020–2022”
- municipal programme “Education Development in Saratov in 2020–2022”
- targeted programme “Culture Development in the Engels Municipal District (Saratov Region) in 2020–2022” as part of the national “Culture” project.

In the Ulyanovsk Region, the Company has financed the following socioeconomic projects that are part of state programmes:

- “Culture and Tourism Development and Cultural Heritage Preservation in the Ulyanovsk Region”
- “Education Development in the Nikolaevka District of the Ulyanovsk Region in 2016–2020”
- “Education Development and Modernisation in the Cherdakly District of the Ulyanovsk Region in 2019–2033”.

We help socially-vulnerable populations, orphans and children in care, as well as handicapped children and their families in need of rehabilitation, social adaptation, and social integration. We support charitable cultural, education and other events, including international ones.



We finance charity projects running at the Rovesnik children's wellness centre. Located in a picturesque forest on the banks of Volga, near the village of Orlovskoye in the Saratov Region, Rovesnik focuses on social adaptation of orphans and disadvantaged children, and support for young talents.

Charity and sponsorship projects

In 2020, we continued to participate in sponsorship and charity projects on the national level.



Some of our licensed areas in the Khanty-Mansi Autonomous District – Yugra border on the territories where natural resources have traditionally been used by the indigenous people. To preserve these northern minorities' national identity, we provide financial support to all families in the traditional settlements to help them maintain their customary way of life.

We attach great importance to charity initiatives for national healthcare support and development.

During the COVID-19 pandemic, we have purchased personal protection gear and medical equipment for the Bakulev National Medical Research Centre for Cardiovascular Surgery (Moscow) and provided targeted medical assistance to handicapped children in the country's regions.

At the peak of the COVID-19 pandemic, we participated in the repatriation of Russian citizens from abroad, organised and led by the Russian Union of Industrialists and Entrepreneurs

At the peak of the COVID-19 pandemic, we participated in the repatriation of Russian citizens from abroad, organised and led by the Russian Union of Industrialists and Entrepreneurs.



We promote sports among children and have been sponsoring the Neftyanik children's football club ever since it was created. Today the Neftyanik FC brings together some 200 children between 7 and 17, including the children of employees of RussNef's Ulyanovsk branch. It is the only club in the district to provide training, sports kits, and equipment, along with free participation in all competitions.



In 2020, Neftyanik Football Club from Novospasskoye village in the Ulyanovsk Region notched up yet more sports achievements:

boys 2008/2009 became the leader in the *Azbuka Sporta* (Sports A to Z) interregional football tournament in Syzran;

boys 2005/2006 won the *PRORYV* (Breakthrough) Russian National Fut-sal Tournament in Ulyanovsk;

girls 2005/2006 won the futsal tournament held by the *Privolzhye* (Volga Region) Interregional Football Union in Nizhny Novgorod;

boys 2008/2009 and 2005/2006 became champions of the *PRORYV 2020* (Breakthrough 2020) Russian National Futsal Tournament in Adler;

boys 2008/2009 took first place in the *AFL Kids Syzran Cup* Interregional Football Tournament in Syzran.

Sponsored by RussNef, the reconstruction of Novospasskoye central stadium, Neftyanik's main training facility and the best sports venue in the Ulyanovsk Region, is nearing completion.



CHAPTER 4

CONSTANT

IMPROVEMENT

We have a tendency to like people who are like us. But when you are running a company, you have to find people who are unlike you because you want people who are complementary to you.

Naveen Jain
InfoSpace CEO

To remain stable in any economic environment, we are constantly improving our corporate governance structure by encouraging talents with unique skill-sets, bringing new experts to the Board of Directors, and advancing the careers of corporate innovators.

Corporate governance

Corporate governance is a system of relations between the Company's management, Board of Directors, shareholders, and other stakeholders. Based on worldwide best practices, RussNeft's corporate governance frameworks are in line with Russian laws, the Moscow Exchange Rules for Listing, and the recommendations of the Corporate Governance Code.

Committed as it is to high standards of corporate governance, RussNeft follows trends in this area and is continually improving its practice. Requirements laid down by the regulators are also taken into account and reflected in the Company's corporate governance practice.

In 2020, RussNeft focused specifically on internal corporate procedures and corporate governance efficiency. In 2021, we shall continue to implement the key elements set out in the Company by-laws:

- Equitable and fair treatment of all shareholders;
- Efficient, responsible, and professional Board of Directors;
- Openness of information and transparency;
- Prevention of corrupt practices;
- Compliance with standards of ethical behaviour;
- Corporate social responsibility.

The priorities for 2021 include further improvements to the work procedures for the Board of Directors and its Committees, on the basis of experience gained, as well as updating internal documents to reflect legislative changes. The Company will continue to improve corporate governance to enhance its performance.

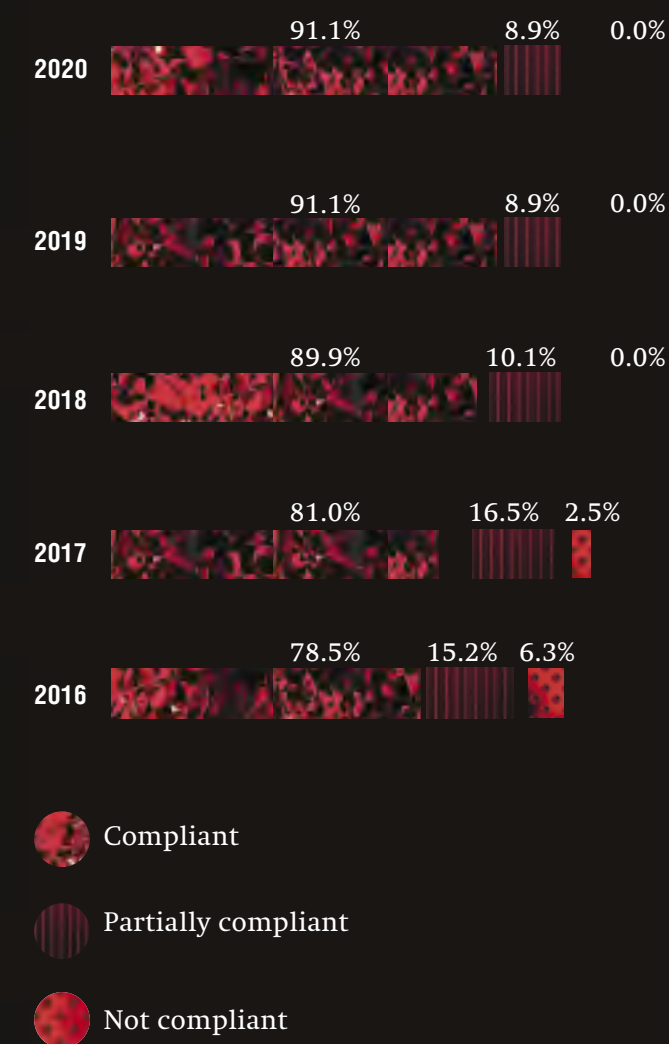
Corporate governance procedures and practice are outlined in the Company by-laws, such as:

- Articles of Association
- Regulations on the General Shareholders' Meeting
- Regulations on the Board of Directors
- Regulations on the Board of Directors Committees
- Regulations on the Internal Audit Commission
- Regulations on the Corporate Secretary
- Regulations on Board of Directors Remuneration and Reimbursement of Expenses Relating to the Discharge of Duties by the Board of Directors
- Regulations on the Dividend Policy
- Regulations on the Internal Audit Department
- Regulations on Insider Information;
- Rules of Internal Control to Prevent, Detect and Combat Unlawful Use of Insider Information and/or Market Manipulations
- Risk Management Policy
- Internal Control Policy
- Regulations on Communications Policy
- Board of Directors Membership Policy
- Regulations on Performance Evaluation for the Board of Directors and the Board of Directors Committees
- Regulations on Information Disclosure

Self-Assessment of Corporate Governance Practice and its Compliance with the Code's Principles and Recommendations **

Corporate Governance Principles	Number of principles recommended by the Code	2020*		
		Compliant	Partial compliance	Not compliant
Shareholders' rights and equitable conditions for shareholders to exercise their rights	13	12	1	0
Board of Directors	36	32	4	0
Corporate Secretary	2	2	-	0
Remuneration for Board of Directors members and senior Company management	10	9	1	0
Risk management and internal controls	6	6	-	0
Corporate disclosure	7	7	-	0
Material corporate actions	5	4	1	0
Total score	79	72	7	0

Compliance with the principles of the Corporate Governance Code



* Company compliance with the Code is assessed by comparing Company practices with the detailed recommendations of the Code. If at least one detailed recommendation in any section of the Code is not complied with, the Company is considered to be in partial compliance with that section. If none of the detailed recommendations in any given section are observed, the Company is considered not compliant with that section.

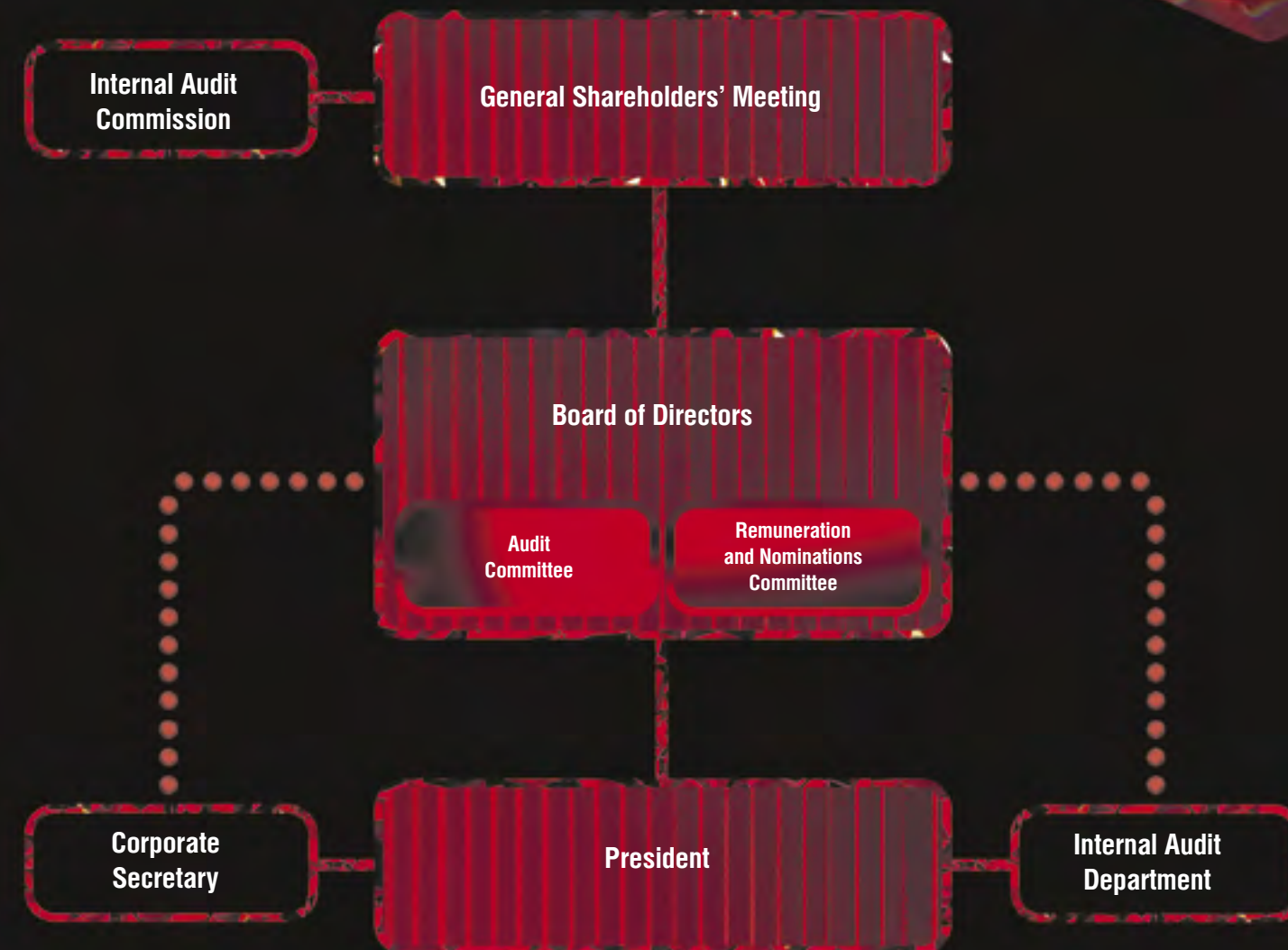
** Data based on the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code.



RussNeft's corporate governance structure

Governance within the Company is exercised through its governing bodies. According to existing corporate regulations, the corporate governance structure of RussNeft includes:

- General Shareholders' Meeting, the supreme governing body of RussNeft, which takes decisions on key matters relating to the Company's operations,
- Board of Directors, the governing body responsible for general management of the Company's operations, except for the matters within the competence of the General Meeting,
- Board of Directors' committees which review the most important matters related to the Company's operations and assist the Board of Directors in drafting and making decisions within their relevant functional areas,
- President (executive officer), who manages the Company's day-to-day operations and ensures their efficiency by performing tasks assigned by the Board of Directors,
- Corporate Secretary, whose responsibilities include shareholder relations management, co-ordination of the Company's activities to protect shareholder rights and interests, and administrative support to the functioning of the Board of Directors and its committees, and
- Board of Directors' Audit Committee, the Internal Audit Commission, and the Internal Audit Department, which supervise the Company's business and financial operations.



RussNeft's corporate governance structure

Four independent directors have joined the Board of Directors, each bringing a fresh perspective to matters transacted at Board of Directors meetings, as well as independent judgement stemming from his/her knowledge, experience, and skills. Constructive feedback from independent directors and their lack of bias are of great value to the Board of Directors and the Company as a whole. Independent directors contribute to better managerial decisions. They play a particularly important role in determining the Company's development strategy, assessing the performance of the executive bodies, and evaluating the performance of risk management and internal controls. The Remuneration and Nominations Committee submits its opinion on each director's compliance with the Board of Directors independence criteria. As RussNeft is a public company and its shares are traded on the Moscow Exchange, the Board of Directors and the Remuneration and Nominations Committee apply the directors' independence criteria laid down in the Listing Rules.

In the reporting year, the Board of Directors Remuneration and Nominations Committee assessed the independence of nominees to the Board of Directors in April and September as part of their review of nominations in the Board of Directors elections at the annual General Shareholders' Meeting.

In line with the requirements of Schedule 4 to the Moscow Exchange Listing Rules, the Company evaluated the compliance of its Board of Directors members with the independence criteria.

By its resolution of 28 September 2020, the Board of Directors recognised Mr Sergey Stepashin as an independent director, despite the fact that Mr Stepashin is formally affiliated with VTB Bank (the Company's material counterparty) and its controlled entities (Business Finance LLC, VTB Capital JSC, VTB Commodities Trading LLC, VTB Commodities Trading DAC, Dinamo-Moscow Football Club JSC), since the amount outstanding and payable by the Company under its agreements with these counterparties exceeds 2% of the Company's consolidated book value as at 30 June 2020 and 2% of the Company's consolidated revenues for 2019, and Mr Stepashin's related person, i.e. Tamara Stepashina, his wife, is an employee of VTB Bank (PJSC). Mr Stepashin is also a member of the Board of Directors of Dinamo-Moscow Football Club that is controlled by VTB Bank.

The rationale behind this decision was the fact that the affiliation between Mr Stepashin and the Company's material counterparties is of a formal nature and does not affect his ability to serve on the Company's Board of Directors for the benefit of the Company and all of its shareholders, for the following reasons:

- The transactions were entered into under the applicable Russian laws on an "arm's length" basis. Under the joint-stock company laws, the respective transactions did not and do not constitute transactions in which Mr Stepashin had interest (i.e. conflict-of-interest transactions). Mr Stepashin is not an employee and does not serve on the governing bodies of the Bank or its controlled entities from among RussNeft's counterparties (Business Finance LLC, VTB Capital JSC, VTB Commodities Trading LLC, VTB Commodities Trading DAC); his spouse, although an employee of the Bank, does not serve on the governing bodies of the Bank or its controlled entities (Business Finance LLC, VTB Capital JSC, VTB Commodities Trading LLC, VTB Commodities Trading DAC), either. Hence neither Sergey Stepashin nor Tamara Stepashina is in a position to influence VTB Bank's policy in relation to the Company,
- Mr Stepashin's membership of the Company's Board of Directors, his work in the Audit Committee which he has chaired since September 2016, and his voting history at their meetings prove the independence of his position from the Company's executive bodies, management, shareholders, or other interested parties, and show that it is based entirely on professional experience and knowledge. When matters related to strategic planning (including lending policies) are discussed at Board meetings, Mr Stepashin takes an active role in the discussion, expressing opinions independent of the Board of Directors' majority shareholders, and takes decisions guided solely by the interests of the Company and of all of its shareholders,
- During the time he served on the Company's Board of Directors, Mr Stepashin attended all meetings of the Board and the Internal Audit Committee,
- Over a number of years, Mr Stepashin has held a number of senior government positions; Mr Stepashin is a top-notch professional with vast experience in audit business and a sterling reputation, in particular, amongst investors, proving he is capable of independent, unbiased judgment and is deserving of his independent status in relation to matters transacted by the Company's Board of Directors.



By its resolution of 28 September 2020, the Board of Directors recognised Mr Victor Martynov as an independent director, despite the fact that Mr Martynov is formally affiliated with Gazprom Neft, which is the Company's material counterparty, since the amount outstanding and payable by the Company under the three oil and gas sales agreements with Gazprom Neft exceeds 2% of the Company's consolidated book value as at 30 June 2020 and 2% of the Company's consolidated revenues for 2019, and Mr Martynov is a member of the Board of Directors of Gazprom, the legal entity controlling Gazprom Neft.

The rationale behind this decision was the fact that the affiliation between Mr Martynov and the Company's material counterparty is of a formal nature and does not affect his ability to serve on the Company's Board of Directors for the benefit of the Company and all of its shareholders, for the following reasons:

- The agreements between RussNeft and Gazprom Neft were entered into under the applicable Russian laws on an "arm's length" basis. Under the joint-stock company laws, the respective transactions did not and do not constitute transactions in which Mr Martynov had interest (i.e. conflict-of-interest transactions),
- Mr Martynov is not an employee and does not serve on the governing bodies of the Bank. Despite his membership in Gazprom's Board of Directors, he is not in a position to influence Gazprom Neft's commercial policy in relation to the Company, or transactions entered into by Gazprom Neft and their terms and conditions,
- During the time he served on the Company's Board of Directors, Mr Martynov attended all meetings of the Board, the Internal Audit Committee, and the Remuneration and Nominations Committee, which he has chaired since October 2016. Mr Martynov's membership of the Company's Board of Directors, his work in its Committees, and his voting history at their meetings prove the independence of his position from the Company's executive bodies, management, shareholders, or other interested parties, and show that it is based entirely on professional experience and knowledge. When matters related to strategic planning (including commercial operations) are discussed at Board meetings, Mr Martynov takes an active role in the discussion, expressing his independent opinions based on his critical review of the management's position, and takes decisions guided solely by the interests of the Company and of all of its shareholders,
- Author of more than 210 scientific and methodological works, a prominent scientific figure, and long-standing Rector of Gubkin Oil and Gas University in Moscow, Mr Martynov has impeccable, universally-recognised reputation, including among investors,
- His many years of experience, comprehensive expertise, and high level of qualification in oil and gas are of particular value for the successful development of the Company and

efficient operation of the Company's Board of Directors and its Committees. Mr Martynov's experience and professional qualities, and his work on the Company's Board of Directors and its Committees define him as a person who makes independent, objective judgements and who holds his own independent opinions. The history of his voting at Board meetings demonstrates that Mr Martynov always has a position independent of the Company's executive bodies, management, shareholders, or other interested parties, based entirely on his professional experience and knowledge.

In 2020, the Board of Directors met 30 times: five of its meetings were held in the form of joint presence, and 25 in the form of absentee vote. The Board of Directors discussed 92 matters.



General Shareholders' Meeting

The General Shareholders' Meeting is the supreme governing body of RussNeft. It takes decisions on key matters relating to the Company's operations.

The procedures for preparing, convening, and holding annual and extraordinary General Shareholders' Meetings are set out in the Regulations on RussNeft General Shareholders' Meetings (restated version approved by a resolution of RussNeft Annual General Shareholders' Meeting on 21 June 2019). The procedure for holding a General Shareholders' Meeting ensures that all of the Company shareholders have equal opportunities to participate.

At a General Shareholders' Meeting, shareholders are proposed a draft resolution for each item on the agenda. Voting ballots allow shareholders to express their opinions on agenda items and vote for or against the proposed draft resolution, or abstain from voting.

In accordance with the Russian Central Bank's Information Letter No. IN-06-28/48 dated 3 April 2020, the Company was allowed to hold the 2020 Annual General Shareholders' Meeting using absentee voting. Article 12(4) of Federal Law No. 115-FZ dated 7 April 2020 extended the deadline for holding the Annual General Shareholders' Meeting to 30 September 2020.

In the course of 2020, the Company held one Annual General Shareholders' Meeting.

Annual General Shareholders' Meeting on 24 September 2020

(absentee vote)

1. To approve RussNeft's annual report for 2019
2. To approve RussNeft's annual financial statements for 2019
3. To distribute profit for 2019 and, in particular, to authorise payout of dividends on RussNeft's shares
4. To elect members to RussNeft's Board of Directors
5. To elect members to RussNeft's Internal Audit Commission
6. To approve RussNeft's auditors
7. To determine remuneration to members of RussNeft's Board of Directors and reimbursement of expenses incurred in connection with their respective duties as members of RussNeft's Board of Directors
8. To authorise conflict-of-interest transactions

Quorum at General Shareholders' Meetings in 2018-2020

24 September 2020, annual GSM



21 June 2019, annual GSM



22 June 2018, annual GSM



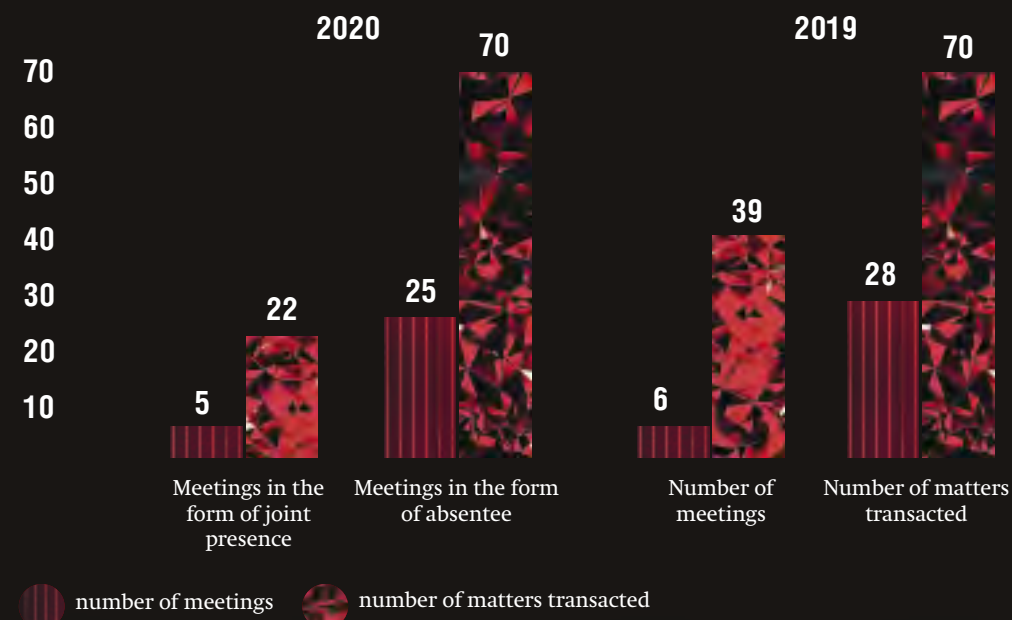
Voting results and resolutions passed by the General Shareholders' Meeting are disclosed as required by the laws of the Russian Federation and posted on the Company's website (https://russneft.ru/eng/shareholders/corporate_governance/meeting/)

In 2020, the Board of Directors met 30 times: five of its meetings were held in the form of joint presence, and 25 in the form of absentee vote. The Board of Directors discussed 92 matters.

Key motions passed by the Board of Directors in 2020:

- To review and approve the Company's financial and business performance reports for 2019 and Q1-Q3 2020,
- To approve RussNeft's business plan for 2021,
- To approve the decision to establish the Saratov Branch and the relevant Branch Regulations,
- To approve Resolutions to optimise the corporate structure of RussNeft Group,
- To authorise a transaction involving the amendment of the earlier facility agreement with VTB Bank.

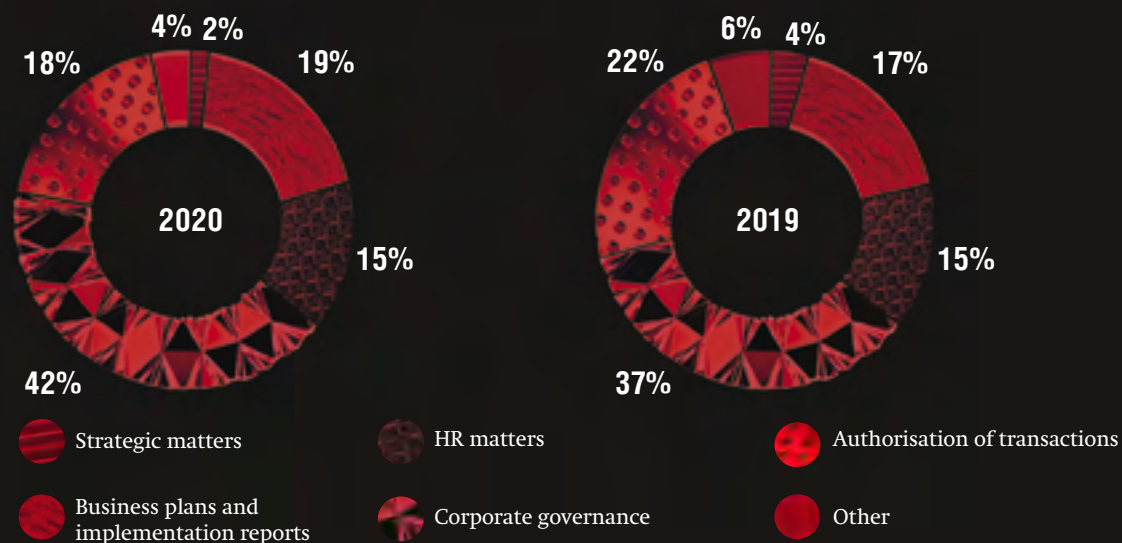
Board of Directors meetings and matters transacted in 2020 and 2019



The form of each Board meeting is determined taking into account the significance of the agenda items. The most significant matters within the competence of the Board of Directors are transacted at meetings held in the form of joint presence and are usually first reviewed by the Board Committees to ensure their comprehensive discussion and carefully weighed decisions on them. Information about the Board of Director's performance, including members of the Board and its Committees, meetings held, and motions passed, is disclosed on the Company's website (<https://russneft.ru/eng/>).

In 2020, Board of Directors members achieved high attendance and engagement in the activities of the Board of Directors and its Committees. Due to the challenging epidemiological situation, some meetings were held by videoconference.

The chart below shows the breakdown of matters transacted at the Board of Directors meetings.



Engagement of Board of Directors members in the activities of the Board and its Committees in 2020*

Board of Directors member	Board meetings	Audit Committee	Remuneration & Nominations Committee
Mikhail Gutseriev	29/30		
Said Gutseriev	27/30		
Andrey Derekh	29/30	8/8	
Andrey Zarubin	29/30		
Victor Martynov	29/30	8/8	8/8
Avet Mirakyan	22/30	6	
Dmitry Romanov	29/30		8/8
Robert Skidelsky	19/30		6/8
Sergey Stepashin	29/30	8/8	
Yana Tikhonova	23/30		
Roman Tyan	30/30		
Vladimir Scherbak	0/20		
Ann Nash	7/10		

*Note: "29/30" in the table above means that a member of the Board of Directors attended 29 out of the 30 meetings that were held. If the number of meetings attended corresponds closely to the number of meetings held, the director is likely to be highly engaged in the activities of the Board of Directors and/or its Committees.

Board of Directors

The Board of Directors is responsible for the strategic governance of the Company's operations. Acting within the scope of its authority, the Board determines the priority segments of the Company's business and its strategic goals. The Board of Directors plays the key role in shaping and improving the Company's corporate governance frameworks, ensures the protection and exercise of shareholders' rights, and monitors the operation of the Company's executive bodies.

The Company's Articles of Association define the scope of the Board of Directors, which is clearly differentiated from that of the Chief Executive Officer, who manages the Company's day-to-day operations.

One of the Board's key functions is to set up strong executive bodies and oversee their performance. The Board of Directors is authorised to elect and remove the chief executive officer, and determine his/her incentives.

The Board of Directors approves internal controls and risk management policy, and supports the operation of these. In defining the risk management policy, the Board of Directors seeks to strike a reasonable balance between risks and profitability. The Board of Directors manages the key risks impacting the achievement of the Company's strategic objectives.

Based on pre-approved plans, the Board of Directors conducts annual performance reviews, monitors the efficiency of risk management and internal controls, prepares general shareholders' meetings, authorises transactions, and transacts such other business as may be required by RussNeft's articles of association.

The Company has a highly professional Board of Directors with the correct balance of independent and non-independent directors and an appropriate mix of skills and competencies required for the Board members to carry out their functions in the most efficient manner.

Board of Directors Members 21 June 2019 – 24 September 2020

1. Mikhail Gutseriev
2. Said Gutseriev
3. Andrey Derekh
4. Andrey Zarubin
5. Victor Martynov
6. Avet Mirakyan
7. Dmitry Romanov
8. Robert Skidelsky
9. Sergey Stepashin
10. Yana Tikhonova
11. Roman Tyan
12. Vladimir Scherbak

Board of Directors Members 24 September 2020 – 14 January 2021

1. Mikhail Gutseriev
2. Said Gutseriev
3. Andrey Derekh
4. Andrey Zarubin
5. Victor Martynov
6. Avet Mirakyan
7. Ann Nash
8. Dmitry Romanov
9. Robert Skidelsky
10. Sergey Stepashin
11. Yana Tikhonova
12. Roman Tyan

Current members of RussNeft's Board of Directors as at 31 December 2020

Mikhail Gutseriev

Chairman of RussNeft's Board of Directors

First elected to RussNeft's Board of Directors in 2003.

Born in 1958

Educational level: university graduate



Education:

Educational Establishment	Year Graduated	Degree	Major and/or Speciality
Institute of Technology, Dzhambul, Kazakh SSR	1981	Leather and fur processes	Chemical Process Engineering
Finance Academy under the Government of the Russian Federation, Moscow	1999	Economics	Finance and Credit
Gubkin Russian State University of Oil and Gas, Moscow	2002	Engineer	Oil & Gas Engineering and Technology
Saint-Petersburg University of Law, Saint-Petersburg	2002	Lawyer	Civil Law

Post-graduate degrees:

- Post-graduate studies at the Saint-Petersburg University of Law, Doctor of Philosophy in Criminal Procedural Law
- Doctoral studies at the Plekhanov Russian University of Economics with research in free economic zones

Professional experience:

Period	Company	Position
2010–2015	RussNeft	President

Board of directors member at:

Neftisa, Russian Coal, Green Point, ForteInvest, A101, SAFMAR Plaza, Pioneer Estate, SAFMAR CAPITAL GROUP, Mospromstroy, SAFMAR Charitable Foundation, A101 DEVELOPMENT, SAFMAR GROUP, A.N.D. Corporation, Service-Reestr, Proekt-Grad, ADAMAS COMPANY, SAFMAR Financial Investments, Slavkaliy, Kuzbasskaya Toplivnaya Company, U-Stroy, Domestic Music Support Fund, A101 Spetsializirovanny Zastroyschik.

Mr Gutseriev does not own shares or any other securities in the Company.



Said Gutseriev

First elected to RussNeft’s Board of Directors in 2015

Born in 1988

Education:

Degree in Oil and Gas Industry Management from Plymouth Business School,

MA degree from St Peter’s College, University of Oxford.

Professional experience:

Period	Company	Position
2012–2014	Glencore UK Ltd.	Manager, assets management analyst at Oil Project Structured Financing
2014–present	ForteInvest	General director

Board of directors member at:

Preobrazhenskneft, Oilgaztet, ForteInvest, Neftisa, Orsknefteorgsintez, Russian Coal, Geoprogress, A101, Pioneer Estate, SAFMAR GROUP, A.N.D. Corporation, A101 DEVELOPMENT, Proekt-Grad, ADAMAS COMPANY, M.video, SAFMAR Financial Investments, Europlan Leasing Company, Larnabel Ventures, VSK, Afipsky Oil Refinery, A101 Spetsializirovanny Zastroyschik, Krasnodar Refinery – Krasnodareconeft (KNPZ-KEN), Kalinigrad Package Factory (KTK), Paritetbank.

Mr Gutseriev does not own shares or any other securities in the Company.



Andrey Derekh

Independent director

Member of RussNeft’s Audit Committee

First elected to RussNeft’s Board of Directors in 2016

Born in 1968

Education:

Graduated from Minsk Radiotechnical Institute in 1992.

Graduated from the International Management Institute of the Belarus Republic in 1994.

Professional experience:

Period	Company	Position
2012–present	UNITER Investment Company	Deputy director for foreign trade
2017–2019	New Economic Strategy Foundation	Board member

Board of directors member at:

UNITER Investment Company and M.video.

Mr Derekh does not own shares or any other securities in the Company.

Andrey Zarubin

First elected to RussNeft's Board of Directors in 2015

Born in 1971

Education:

Graduated from Perm State University in 1998 with a degree in Hydrogeology and Engineering Geology.

Graduated from the Industrial University of Tyumen in 2005 with a degree in Development and Operation of Oil and Gas Fields.

Graduated as a Master of Business Administration from the Stockholm School of Economics in 2013.

Professional experience:

Period	Company	Position
2011–present	Neftisa	General director
2015–present	GEA Holdings Limited	Director

Board of directors member at:

Neftisa, Belkamneft, CanBaikal

Interest held in RussNeft's share capital: 0.0005 %

RussNeft's ordinary shares held: 0.0006 %

Transactions to buy/sell Company shares: none



Victor Martynov

Independent director

Member of RussNeft's Audit Committee

Chairman of RussNeft's Remuneration and Nominations Committee

First elected to RussNeft's Board of Directors in 2016

Education:

Graduated from the Gubkin Russian State University of Oil and Gas in 1975 with a degree in Reservoir Engineering and Geophysics.

Professional experience:

Period	Company	Position
2013–2018	Gubkin Scientific and Technical Society of the Oil and Gas Industry	Chairman of the Central Board
2014–2015	International Association for Post-Graduate Studies	President
2015–2018	Association for Engineering Education, Russian National Public Organisation	Board member
2015–2019	Russian Gas Society, Union of Oil and Gas Companies	Member of the Supervisory Board
2017–2018	WPC RNC	Chairman
2008–present	Gubkin Russian State University of Oil and Gas	Rector

Board of directors member at:

Gazprom

Mr Martynov does not own shares or any other securities in the Company.



Avet Mirakyan

First elected to RussNeft’s Board of Directors in 2017

Born in 1974

Education:

Graduated from Yerevan State University in 1996 with a degree in Foreign Economic Relations

Professional experience:

Period	Company	Position
2009–2015	Ernst & Young	Partner, head of CIS financial markets
2016–present	SAFMAR GROUP	General director
2017–present	SAFMAR Financial Investments	General director
2020–present	SAFMAR Group (UK) Limited	Director

Board of directors member at:

SAFMAR GROUP, VSK, SAFMAR Non-state Pension Fund, A101, A101 DEVELOPMENT, Proekt-Grad, M.video, SAFMAR Financial Investments, Slavkaliy, Europlan Leasing Company, Kalinigrad Package Factory (KTK), Paritetbank, A101 Spetsializirovanny Zastroyschik, DIRECT CREDIT CENTRE, Mospromstroy-Fund NPF.

Mr Mirakyan does not own shares or any other securities in the Company.



Dmitry Romanov

Member of RussNeft’s Remuneration and Nominations Committee

First elected to RussNeft’s Board of Directors in 2003

Born in 1963

Education:

Graduated from the Plekhanov Russian University of Economics in 1984 with a degree in Economics.

Professional experience:

Period	Company	Position
Jan 2010–present	RussNeft	Vice President for Corporate Relations
Apr 2014 – present	GEA Holdings Limited	Director
Apr 2014 – present	Global Energy Azerbaijan Management Limited	Director
Apr 2014 – present	Global Energy Azerbaijan Limited	Director
Apr 2014 – present	Global Energy Caspian Limited	Director
Apr 2014 – present	Neftechala Petroleum Limited	Director
Apr 2014 – present	Neftechala Investments Limited	Director
Apr 2014 – present	Neftechala Operating Company	Director
Apr 2014 – present	Absheron Petroleum Limited	Director
Apr 2014 – present	Apsheron Investments Limited	Director
Apr 2014 – present	Shirvan Petroleum limited	Director
Apr 2014 – present	Shirvan Investments Limited	Director
Apr 2014 – present	Shirvan Operating Company Limited	Director
Apr 2014 – present	Binagadi Oil Company	Director
Sept 2014 – Apr 2019	Kura Valley Petroleum Company	Director
Sept 2014 – present	Kura Valley Holding Company	Director
Sept 2014 – present	Karasu Petroleum Company	Director
Sept 2014 – present	Karasu Development Company	Director
Sept 2014 – present	Karasu Operating Company	Director
Sept 2014 – present	Kura Valley Development Company	Director
Sept 2014 – present	Kura Valley Operating Company	Director
Sept 2015 – present	SAFMAR Charitable Foundation	Chairman of the Board of Trustees

Board of directors member at:

Ulyanovskneft, Saratovneftegaz, Russian Coal, Neftisa.

Mr Romanov does not own shares or any other securities in the Company.



Robert Jacob Alexander Skidelsky

Independent director

Member of RussNeft’s Remuneration and Nominations Committee

First elected to RussNeft’s Board of Directors in 2016

Born in 1939

Education:

Oxford University, 1958–68

Professional experience:

Period	Company	Position
2006–2016	Brighton college	Chairman (charity)
2010–2015	Rusnano Capital	Non-executive director
1991–present	UK Parliament	Member of Parliament (Lords)
2002–present	Center for Global Studies	Director
2016–present	Skidelsky Consultancy Ltd	Director

Mr Skidelsky does not own shares or any other securities in the Company.



Sergey Stepashin

Chairman of RussNeft Board of Directors’ Audit Committee

First elected to RussNeft’s Board of Directors in 2016

Born in 1952

Education:

Graduated from the Higher Political School of the USSR Ministry of the Interior in 1973.

Graduated from the Lenin Military Political Academy in 1981.

Graduated from the Finance Academy under the Government of the

Professional experience:

Period	Company	Position
2015–2018	“Factors and Indicators of Russian Society” RAS Interdepartmental Coordination Council	Director
2001–present	Russian Book Union, a non-profit partnership	President
2005–present	Association of Lawyers of Russia, a national non-governmental organisation	Co-Chairman
2007–present	Imperial Orthodox Palestine Society, an international non-governmental organisation	Chairman of the Board
2013–present	Fund for Promoting Housing and Utilities Reform, a state-run corporation	Chairman of the Supervisory Board
2014–present	Council of the National Centre for Public Control over Housing and Utilities “Housing and Utilities Control”, a non-profit partnership	Co-Chairman of the Board
2014–present	Community Council at the Ministry of Construction, Housing and Utilities of the Russian Federation	Chairman
2019–present	“Revival of Cultural Heritage Sites in the City of Pskov (Pskov Region)”, an autonomous non-commercial organisation	Chairman of the Board
2019–present	Expert Board at the Government of the Russian Federation	Presidium member

Board of directors member at:

Russian Railways, SoyuzNefteGaz, Dinamo-Moscow Football Club.

Mr Stepashin does not own shares or any other securities in the Company.



Roman Tyan

First elected to RussNeft’s Board of Directors in 2019

Born in 1979

Educational level: university graduate

Graduated from the Gubkin Russian State University of Oil and Gas in 2001 with a degree in Oil and Gas Industry Economics and Management

California State University, Est Bay, MBA, 2009

University of Navarra, MBA, 2014

Professional experience:

Period	Company	Position
2010–2020	Neftisa Oil Company	Deputy general director for economics and finance
2020–present	ForteInvest	Deputy general director for economics and finance

Board of directors member at:

CanBaikal, Geoprogress, Orsknefteorgsintez, Preobrazhenskneft, Oilgaztet, ADAMAS COMPANY, Krasnodar Refinery – Krasnodareconeft (KNPZ-KEN).

Mr Tyan does not own shares or any other securities in the Company.



Yana Tikhonova

First elected to RussNeft’s Board of Directors in 2015

Born in 1966

Educational level: university graduate

Lomonosov Moscow State University with major in Law (1988)

Doctor of Philosophy in Law at Lomonosov Moscow State University (1988–1991)

Professional experience:

Period	Company	Position
2004–present	Representative Office of Glencore, Switzerland	Head of Representative Office

Board of directors member at:

AKI-OTYR, Varioganneft, Saratovneftegaz, Tomskaya Neft, Uralskaya Neft, Udmurtskaya Neftyanaya Kompaniya, Regional Oil Consortium.

Ms Tikhonova does not own shares or any other securities in the Company.





Ann Victoria Nash

First elected to RussNeft’s Board of Directors in 2020

Born in 1963

Educational level: university graduate

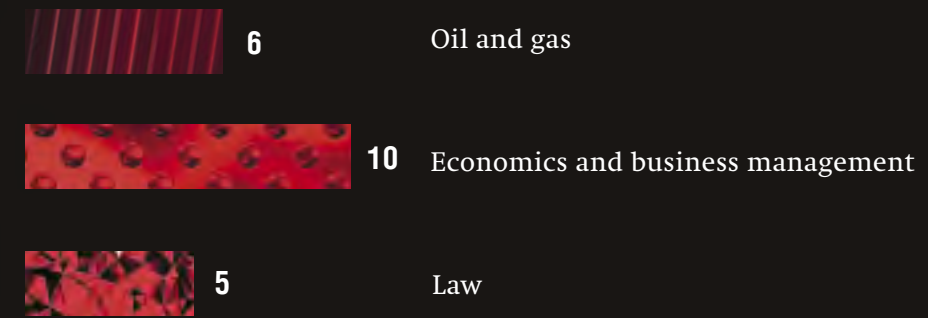
Graduated from the Ealing College of Higher Education with a degree in Economics and Business + Foreign Languages, in 1983

Professional experience:

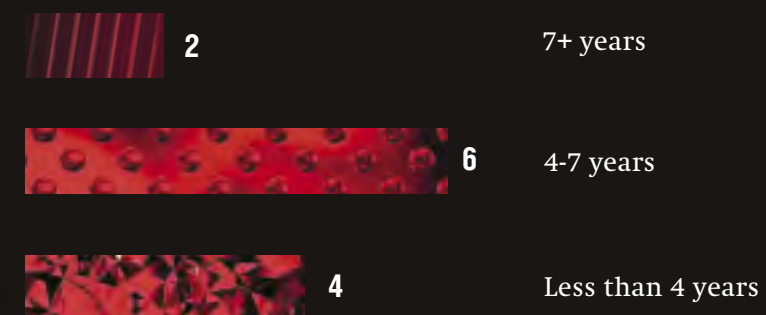
Period	Company	Position
2004–present	Glencore UK Limited, UK	Head of oil projects and structured financing

Ms Nash does not own shares or any other securities in the Company.

RussNeft Board members’ education and professional experience



Members’ length of service on RussNeft’s Board of Directors



Committees of the Board of Directors

The Board of Directors has two committees to review the most important matters related to the Company's operations – the Audit Committee consisting solely of independent directors and the Remuneration and the Nominations Committee consisting of two independent directors (including the chair of the Committee) and one non-executive director.

Audit Committee

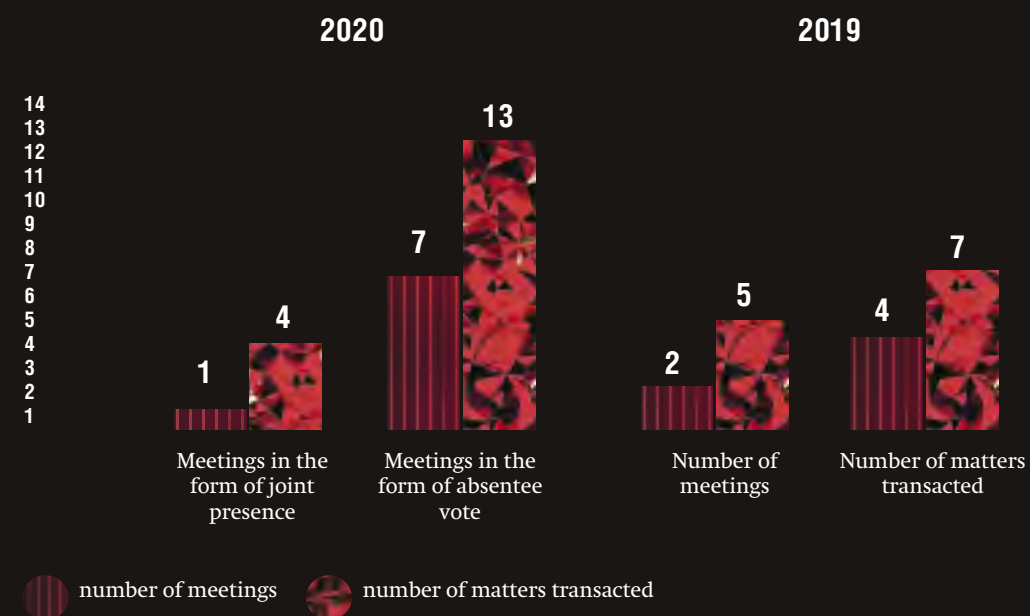
The key purpose of the Audit Committee is to facilitate monitoring of the Company's financial and business operations by the Board of Directors and its supervision over the Company's internal controls, reporting, and audit.

Members of the Audit Committee:

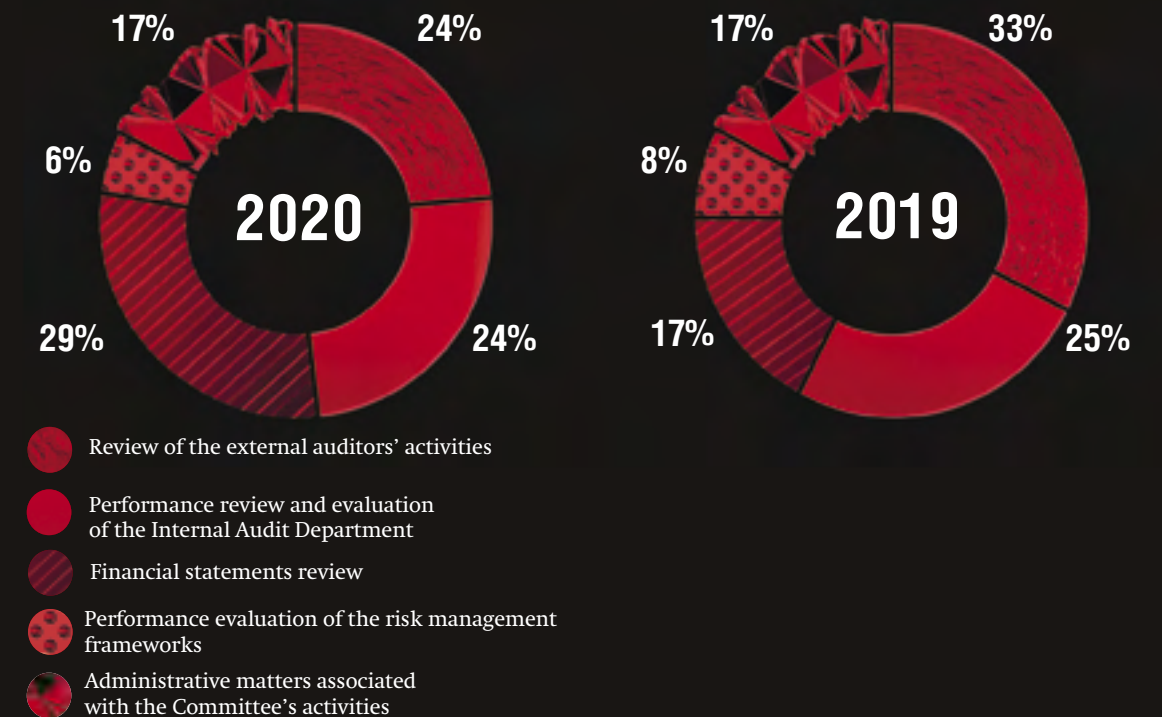
- Sergey Stepashin, chairman of the committee; independent director
- Andrey Derekh, independent director
- Victor Martynov, independent director

Over 2020, the Audit Committee held eight meetings.

Board of Directors' Audit Committee meetings and matters transacted in 2020 and 2019



Breakdown of matters transacted by the Audit Committee



The Remuneration and Nominations Committee

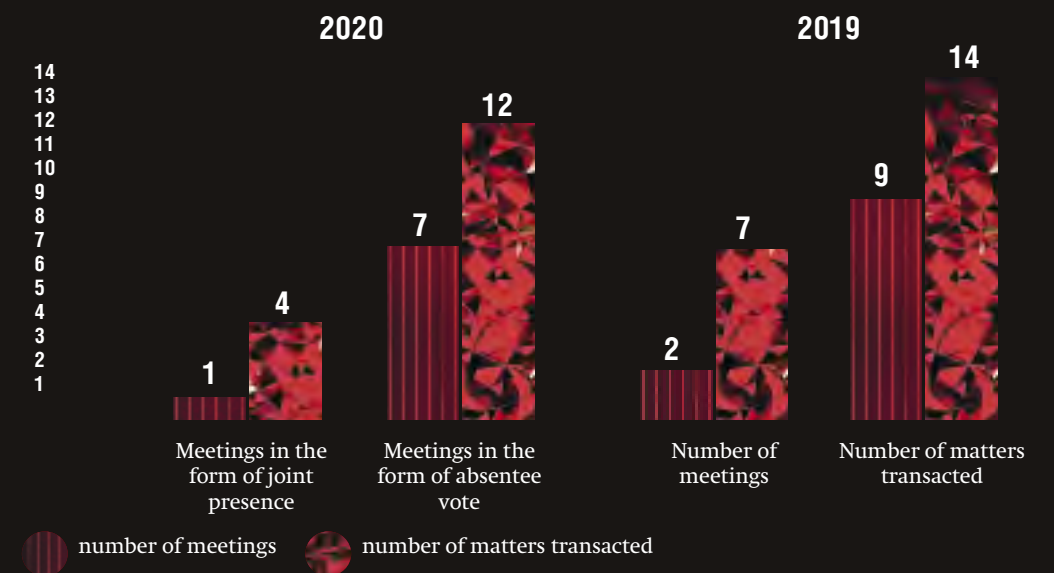
The Remuneration and Nominations Committee plays the main role in establishing a transparent, effective and solid remuneration policy within the Company. It is also responsible for matters relating to the HR policy and to the composition and effectiveness of the Board of Directors and executive bodies.

Members of the Remuneration and Nominations Committee:

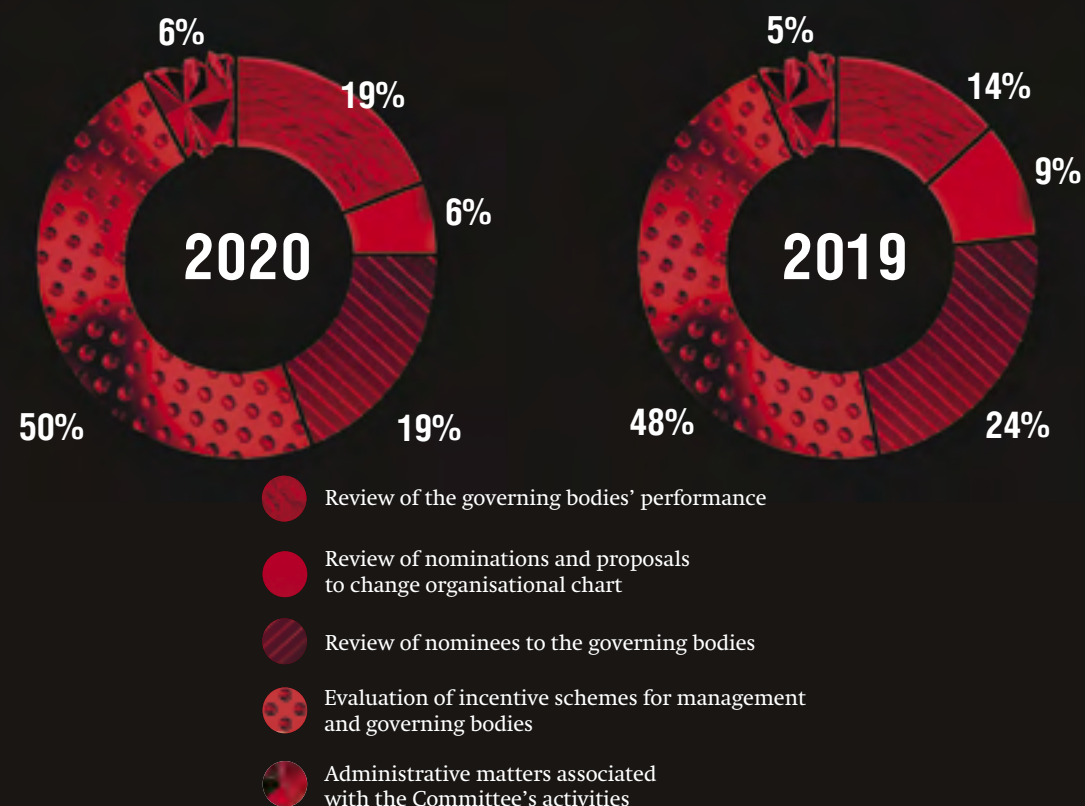
- Victor Martynov, chairman; independent director
- Robert Skidelsky, independent director
- Dmitry Romanov

Over 2020, the Remuneration and Nominations Committee held eight meetings.

Board of directors remuneration and nominations committee meetings and matters transacted in 2020 and 2019



Breakdown of matters transacted by the Nomination and Remuneration Committee



RussNeft Board of Directors Assessment*



Assessment of the Board of Directors

Improvements to processes and procedures of the Board of Directors as a strategic management and supervisory body is a key factor for leveraging the overall efficiency of the Company's governance system and boosting investors' confidence.

In line with international best practices as well as with the guidelines contained in the Corporate Governance Code endorsed by the Bank of Russia, the Company has introduced a Board of Directors (self)assessment procedure since 2018. The procedure covers both the Board of Directors and its Committees.

The primary objective of such assessment is to ascertain the effectiveness of the Board of Directors as a collegial governing body and to strengthen its role in driving the Company's successful growth. Assessment allows to determine the direction and the rate of change in the performance of the Board (and its Committees) as well as to compare their contribution to the Company's growth and identify areas for further improvement to their practices. These potential improvements are reported in a timely manner to the Company management and implemented to the extent practicable.

Where necessary, following the assessment, the Remuneration and Nominations Committee of the Board of Directors develops proposals for improving the performance of the Board of Directors and its Committees.

In 2020, the Board of Directors and its Committees carried out the self-assessment exercise for the corporate year of 2019-2020.

The results were first reviewed by the Board of Directors Remuneration and Nominations Committee from an overall performance perspective. The Committee developed recommendations to improve the procedures of the Board of Directors and its Committees and submitted them for review to the Board. According to the self-assessment results, performance of RussNeft's Board of Directors was high in the said corporate year.

Keeping Newly Elected Members of the Board of Directors Informed of the Company's Activities

In order to ensure that the Board of Directors conducts its activities efficiently and in line with the best corporate governance practices, there is a Policy in place on the assumption of office by members of the Board of Directors. The Policy is aimed at ensuring that newly elected members of the Board of Directors quickly and efficiently become familiar with the Company's key operational and financial indicators, risk management framework and internal controls, and corporate governance system. The Policy provides that meetings with the President, Board of Directors members and executive officers of Company may be arranged for newly elected members of the Board.

When Ann Victoria Nash joined the Board of Directors as its newly elected member, arrangements were made in line with the Policy for her to become familiar with the requisite information on the Company's activities, its internal documents and financial statements, the Company's annual reports and other documents and information.

Policy on Remuneration and/or Reimbursement of Expenses to Members of the Company's Board of Directors, President, and Management

Under the Company's remuneration policy, remuneration must be adequate to hire, motivate, and retain personnel who have competences and qualifications necessary for the Company.

The Company pays remuneration to members of its Board of Directors, executive bodies, and key officers in accordance with Russian law (i.e. the Federal Law "On Joint-stock Companies" and the Labour Code), the resolution of the Company's general shareholders' meeting, which lays down the remuneration for the independent directors on the Board of Directors and the chair of the Board of Directors, and other internal regulations, such as:

- Regulations on Remuneration to the Board of Directors and Reimbursement of Expenses Related to the Discharge of Duties by the Board of Directors, which define the procedure for calculating and paying remuneration
- Regulations for the Remuneration and Nominations Committee of the Board of Directors
- Regulations for RussNeft's Short-term Employee Incentive Programme
- Regulations for RussNeft's Long-term Employee Incentive Programme

In pursuance of the Corporate Governance Code recommended by the Central Bank of Russia, the General Shareholders' Meeting of the Company laid down fixed annual remuneration for the members of the Board of Directors, with provision for adjustments for additional duties associated with chairing the Board of Directors and its committees and involvement in such committees. For independent directors, an additional fixed fee is also established for personal attendance at meetings. The payment of such extra fees is a widely-used practice, both nationally and internationally, and, in the opinion of the Company, constitutes fair compensation for the independent directors' involvement in the work of the Board of Directors and its Committees.

Remuneration Scheme for Board of Directors Members

Base/Fixed

- For service on the Board of Directors
- For work in Committees

Extra

- For attending Board meetings
- For attending Committee meetings

The remuneration and reimbursement to members of RussNeft's Board of Directors is calculated and paid pursuant to the Regulations on Remuneration to the Board of Directors and Reimbursement of Expenses Related to the Discharge of Duties by the Board of Directors. The Regulations were approved by a resolution of RussNeft's Board of Directors on 12 February 2018.

By resolution of the General Shareholders' Meeting, the Company reimburses members of its Board of Directors for their expenses associated with attending Board and committee meetings, including cost of travel to/from the venue for such meetings, airport or rail station charges, cost of accommodation during such meetings at hotels of any category, and other reasonable expenses associated with Board members exercising their rights or discharging their duties.

Remuneration to the Company President is paid subject to the terms and conditions of their employment contract, agreed for a term of five years. The President's remuneration consists of their monthly salary and quarterly bonus payable by resolution of the Board of Directors. The bonus amount depends on the achievement of their KPI targets as set by the Board of Directors.

Remuneration and reimbursement amounts paid out to members of the Company's governing bodies in 2020 are specified in the table below.

Remuneration paid and expenses reimbursed to the Company's governing bodies (RUB thousand)

	2020	2019	2018
Remuneration for membership of the governing bodies, including:			
base	74,400.00	76,000.00	72,588.33
extra	66,400.00	66,400.00	62,200.00
Salary	8,000.00	9,600.00	10,388.33
Bonus	58,292.79	62,176.51	54,173.42
Fees	114,887.77	74,606.53	58,433.23
Other	0	0	0
TOTAL remuneration	247,580.56	212,783.04	185,194.98
Reimbursements, including:			
travel	387.54	1,109.89	1,167.64
accommodation	224.60	567.07	624.39
	162.94	313.85	543.25

No remuneration is paid to members of the Company's executive bodies or its key officers for serving on the Company's governing bodies. Employment contracts with members of the Company's executive bodies and other key officers make no provision for severance pay, compensation, or any other payments as a result of their removal, apart from those benefits required under the applicable employment laws. Company remuneration policy in relation to its key executives provides for non-cash benefits, such as health insurance, company car, and company mobile phone plans.

The Company adopted a short-term incentive scheme (by resolution of the Board of Directors dated 22 July 2010) and a long-term incentive scheme (by resolution of the Board of Directors dated 23 September 2010) applicable to its management.

The long-term incentive scheme for RussNeft's management, updated to reflect the Company's public status, is presently linked to the market price of the Company shares and achievement of the oil production target. The scheme came into force w.e.f. 26 May 2017 and is subject to revision every three years at the end of the scheme cycle. By a resolution of the Company's Board of Directors dated 8 October 2020, the effective term of the existing long-term RussNeft management incentive scheme was prolonged for another three years.

The short-term incentive scheme is based on two sets of key performance indicators, i.e. corporate (common) and individual (functional) KPIs, and has not been revised since it was introduced. However, the key performance indicators are revised annually and updated to reflect the Company's strategy. Corporate KPIs are the Company's key financial targets set in the budget adopted (revenues, EBITDA, capex).

On 15 December 2020, the Remuneration and Nominations Committee reviewed the effective KPI system and, based on its findings, confirmed that the short-term and long-term management incentive schemes are efficient and up-to-date (Minutes No. 8-20).

Furthermore, during the above meeting the Remuneration and Nominations Committee analysed the current remuneration scheme for members of the governing bodies. The term of contracts with members of the Board of Directors and the Company President are deemed adequate and not requiring any revision.

President

Evgeny Tolochek

Born in 1975

Education: university degree

Mr Tolochek graduated from Samara State Technical University in 1997 with a degree in Oil and Gas Field Development and Operation.

Professional experience:

Period	Company	Position
2016–present	RussNeft	President
2015–2016	RussNeft	Vice President for Oil and Gas Production, Senior Vice President for Production and Geology
2013–2015	Neftisa	Deputy general director for production
2015–present	GEA Holdings Limited	Director

Member of the board of directors at:

Varioganneft, Saratovneftegaz, Neftisa, ForteInvest, Preobrazhenskneft, Oilgaztet, Geoprogress, SAFMAR Charitable Foundation.



The Company's day-to-day operations are managed by its President, who is the Company's chief executive officer.

The President is elected by the Board of Directors and reports to the Board of Directors and the General Shareholders' Meeting.

On 8 November 2016, Evgeny Tolochek was elected President of RussNeft.

Interest held in RussNeft's share capital: 0.0005 %
 RussNeft's ordinary shares held: 0.0006 %
 Transactions to buy/sell Company shares: none

Internal Audit Commission

The Internal Audit Commission is a body mandated to supervise the Company's financial and business operations to ensure their compliance with the applicable Russian laws, the Company's Articles of Association, and its internal regulations.

In 2020, the Company's business was audited by the Internal Audit Commission elected by the Company's Annual General Shareholders' Meeting on 24 September 2020, as follows:

ELENA SAMORUKOVA

Head of Tax at RussNeft

ELENA SERGEEVA

Head of Internal Audit at RussNeft

SERGEY CHERNYSHEV

Financial Controller at Glencore Representative Office

VERONICA SHKALDOVA

RussNeft's Deputy Chief Accountant

The audit conducted by the Internal Audit Commission provides it with reasonable grounds to confirm the disclosures made in the Company's reports and financial documents, including RussNeft's annual report for 2020.

Corporate Secretary

The Corporate Secretary's key responsibilities include implementation of the Company's corporate policy, shareholder relations management, co-ordination of the Company's activities to protect shareholder rights and interests, and administrative support to the functioning of the Board of Directors and its committees.

The Corporate Secretary's functions include the following:

- taking part in the organisation and management of general shareholders' meetings in compliance with the applicable laws of the Russian Federation, the Company's Articles of Association and internal documents;
- supporting the operation of the Board of Directors and its committees, organising and managing Board meetings;
- taking part in the Company's disclosure process;
- ensuring safe keeping of corporate documents;
- facilitating communication with shareholders and preventing corporate conflicts;
- improving of the Company's corporate governance framework and practice;
- implementing and monitoring compliance with the procedures intended to protect shareholder rights and legitimate interests in accordance with the applicable laws of the Russian Federation and the Company's internal regulations;
- ensuring compliance with the Russian stock exchanges' listing and trading rules, etc.

The Corporate Secretary acts as the secretary to all the Board of Directors committees.

The Corporate Secretary's work is governed by RussNeft's Regulations on the Corporate Secretary, approved by the Company's Board of Directors in 2016.

Under the Regulations, the Company's Corporate Secretary is functionally subordinate to the Board of Directors and administratively subordinate to the RussNeft's President. No conflict of interest with regard to the work of the Corporate Secretary has been identified.

In 2020, the Corporate Secretary handled the preparation and running of

- one general shareholders' meeting,
- thirty Board meetings,
- eight meetings of the Board of Directors Audit Committee,
- eight meetings of the Board of Directors Remuneration and Nominations Committee.

Svetlana Furs, Head of Corporate Support, Corporate Relations Department, has been Corporate Secretary since October 2016.

The Company's Corporate Secretary has the experience, knowledge, expertise, and qualifications required to perform their duties.

Svetlana Furs

Born in 1975

Education: university degree

Mrs Furs graduated from the Plekhanov Russian University of Economics with a PhD in Economics (1997).

Mrs Furs has 18 years of experience in corporate governance.

Nationality: Russian.

Professional experience over the last five years:

Period	Company	Position
2016–present	RussNeft	Head of Corporate Support, Corporate Relations – Corporate Secretary
2008–2016	RussNeft	Chief Specialist for Corporate Support, Corporate Relations

Mrs Furs does not hold any shares or securities in the Company and is not affiliated with the Company.



Information for Shareholders and Investors

Shareholding and share capital structure

The Company's share capital amounts to RUB 196,076,000 divided into 392,152,000 shares with par value of RUB 0.50 each, including:

- 294,120,000 ordinary shares, representing 75% of the Company's share capital
- 98,032,000 preferred shares, representing 25% of the Company's share capital.

The Company does not have any treasury or quasi-treasury shares.

Company shareholders holding at least 5% of its share capital or at least 5% of its ordinary shares as at 31 December 2020

Name	Percentage of share capital	Percentage of ordinary shares held
Nadezhnost Investment Company	4.95	6.60
Mlada	7.70	10.27
RAMBERO HOLDING AG	23.46	31.28
BRADINAR HOLDINGS LIMITED	12.05	16.07
TRUST Bank	19.23	3.61
VTB Bank	8.48	–

Information about the Company's shareholders is based on data provided by the registrar (subject to information disclosed by the nominee holder). Such information is updated on a quarterly basis and is disclosed to the general public in the Company's quarterly statements published on its website at <http://www.e-disclosure.ru/portal/company.aspx?id=534>; <https://russneft.ru/eng/>.

Registrar

In the reporting year, the Company's registrar was Servis-Reestr acting under Register Maintenance License No. 045-13983-000001 issued on 2 March 2004 by the Russian Federal Commission for the Securities Market.

Registered and postal address:
12 Sretenka St.
Moscow, 107045, Russia
Tel.: +7 495 608 1043, +7 495 783 0162
E-mail: sekr@servis-reestr.ru

Dividends: Taxation, Dividend Policy, Report on the Payment of Dividends Declared/Accrued on the Company's Shares

To ensure maximum transparency of the dividend calculation and payout, on 26 May 2017 the Company's Board of Directors, by its resolution (Minutes No. 278), approved the restated Regulations on the Dividend Policy (the "Regulations").

The Regulations set forth the following key dividend payout principles:

- compliance with the applicable Russian laws, the Company's Articles of Association and its internal regulations;
- commitment to the best corporate governance practices;
- enhancement of the Company's investment appeal;
- support for steady dividend growth, subject to the Company's increasing net profit;
- commitment to ensuring the most convenient form of dividend payout to shareholders;
- commitment to ensuring maximum transparency of the dividend calculation.

The General Shareholders' Meeting of the Company passes its resolution to pay out dividends (including their amount and the form of payment) based on the Board of Directors' recommendations. These recommendations take account of the following:

- availability and amount of the Company's net profit;
- financing required by the Company to expand its business and implement its development strategy in view of the dividend payout and projected performance for the year;
- material macroeconomic changes, other internal and external changes that have or may have a material impact on the Company's future operating performance, force majeure, including natural calamities and wars;
- the need to balance the interests of the Company and its shareholders, while improving the Company's investment case and respecting shareholder rights;
- the Company's intent to pay out in annual dividends at least 50% of the Company's net profit available after provisions are made to finance the approved capital expenditure programme and repay the Company's outstanding loans.



RussNeft’s Dividend History (over the last five years)

Period	Share category (type)	Date of the list of persons entitled to dividends	Dividends declared per share, RUB	Total dividends declared (before profit tax), RUB mn	Total dividends paid out (before profit tax), RUB mn
2015	preferred ¹	–	–	–	–
2016	preferred	17 July 2017	24.30	2,381.74	2,381.74
2017	preferred	12 July 2018	25.74	2,523.34	2,523.34
2018	preferred	11 July 2019	25.75	2,524.65	2,524.65
2019	preferred	13 October 2020	47.15	4,621.93	4,621.93

Annual dividends per preferred share are stipulated in clause 6.3.1. of RussNeft’s Articles of Association. The dividends are declared and paid out provided that the Company’s profit is sufficient for this purpose, as determined in accordance with the Articles of Association.

On 20 August 2020, the Board of Directors recommended to the General Shareholders’ Meeting to pay out USD 60 million , i.e. USD 0.612045 per preferred share, in 2019 dividends.

On 24 September 2020, the Company’s Annual General Shareholders’ Meeting resolved to pay out the dividends as recommended by the Board of Directors.

Dividends were paid out to the preferred stock holders in full.

¹ The Company first offered preferred shares in June 2016.

No dividends were declared or paid out on ordinary shares for 2015–2019.

Risk Management

RussNeft’s integrated risk management framework is designed to support decision-making. In February 2018, the Company approved the updated version of the Risk Management Policy setting forth the key risk management principles and including procedures to identify and assess risks and mechanisms to measure their potential impact.

The Company is committed to building and developing a smooth-running framework for managing the risks that are inherent in the Company’s business and significantly affect it. RussNeft manages its risks in order to mitigate any possible damage and strengthen its operational and financial resilience in any anticipated unfavourable environment.

Principles underlying the Company’s comprehensive risk management framework setup and functioning are:

- Continuous cycles
- Involvement in the Company’s business processes
- Support to decision-making
- Clear identification of responsible persons
- Decentralised risk management framework
- Sensible budget planning
- Target-setting for budgetary purposes
- Consistent evaluations
- Business rationale
- Efficient risk management process
- Risk awareness

In spite of the Company’s ongoing systemic efforts to mitigate risks, its business may be exposed to factors beyond its control. Set out below are the key material risks, as seen by the Company, that, if they occur, may adversely affect the Company’s financial performance.

Industrial risks

Risks of falling oil prices

Risk description

Company earnings, liquidity, and margins are highly dependent on both domestic and global crude oil prices. Historically, the volatility of these has been determined by a number of factors outside RussNeft's control. A reduction in oil and gas prices may result in lower production volumes.

Risk management

The Company uses a scenario approach to analyse the potential impact of falling oil prices on our financials. It tests its short- and long-term investment projects for sensitivity to these changes.

Country and regional risks

Risks related to geographic location

Risk description

The Company is registered as a taxpayer in Moscow, and operates within Russia.

Most of its assets are located mainly in Russia (a low-risk country). Only a minor part of the assets are situated in Azerbaijan.

Risk management

Risks related to the location of the Company's upstream assets / subsidiaries and risks of natural disasters or other events are deemed insignificant and are outside the Company's control.

Financial risks

Interest rate risks

Risk description

In 2020, interest rates on foreign currency loans continued to decrease. The bulk of the Company's debt is represented by foreign currency loans with a variable rate linked to USD 3m LIBOR, which reduced from 1.90025% as at 2 January 2020 to 0.23838% as at 31 December 2020. Taking this into account, the Company assesses this risk as material as it may have a material impact on the Company's financial standing.

Risk management

The Company is monitoring the USD 3m LIBOR and making relevant provisions to fully comply with its interest payment obligations.

Foreign exchange risks

Risk description

The bulk of the Company's revenue comes from oil exports, while the majority of its operating and capital expenses are denominated in Russian roubles. A large portion of RussNeft's outstanding loans are denominated in foreign currency.

Risk management

The FX risk is beyond the Company's control. To minimise its impact, RussNeft is continuously monitoring and analysing the FX market developments to ensure the best timing of its FX transactions.

One of the Company's subsidiaries has entered into an interest rate swap contract – a derivative financial instrument depending on FX and interest rates.

The derivatives, as evaluated on a fair value basis in accordance with IFRS 9, are shown in the IFRS consolidated financial statements for 2020.

Significant FX rate changes can have a negative impact on their fair value, reducing the Company's margins.

Inflation risks

Risk description

Inflation leads to higher costs and lower income and thus has an adverse impact on the Company's financial performance.

According to the Federal Service for State Statistics (Rosstat), the 2020 inflation rate was 4.9%.

Current and anticipated inflation rates are far from being critical for the Company or the industry in general.

Risk management

Higher inflation has a direct impact on the Company's financial standing, CAPEX, and real income amid stable oil prices. When developing its strategy, the Company seeks to fully factor in this risk, although it is outside its control.

Liquidity risk

Risk description

The Company's operating cash flow is unstable due to high oil price volatility, exchange rate fluctuations, and changes in taxes and duties.

These factors may affect Company cash flow volume and, as a result, its liquidity.

Risk management

The Company has a centralised liquidity management system that includes detailed budgeting, daily monitoring of the mid-term payment position, and daily, weekly, monthly, quarterly, and annual updating of the budget implementation plan.

The Company continuously monitors its liquidity ratios and manages the liquidity risk through detailed cost planning, budget discipline, and extensive use of prepaid oil export arrangements.

The Company has no hedging arrangements currently in effect.

Supplier risk due to dependence on oil and gas transportation monopolies and their pricing policy

Risk description

In terms of oil transportation, the Company depends on monopolies, such as Transneft and Russian Railways, and cannot influence either the cost or the quality of their services. Any increase in oil transportation costs has an adverse impact on the Company's financial performance. Moreover, any major accident or other technical incident could affect transportation capacity and consequently the Company's financial results.

Risk management

This risk is outside the Company's control. The Company seeks to identify any persistent increases in costs, while also carefully planning its future expenses.

Legal risks

Risk of changes in foreign exchange regulations

Risk description

The Company is actively involved in foreign economic activities. Part of the Company's liabilities are denominated in foreign currency. As a result, foreign exchange regulation affects its operating and financial performance.

Risk management

The Company continuously monitors changes in currency regulation and control laws and ensures compliance with foreign exchange laws.

Over the reporting period, there were no material changes in the Russian currency regulation and control laws that could affect the Company's operations.

Risks of changes in tax laws

Risk description

The Company is a major taxpayer, and its business success largely depends on good faith and transparency of tax disclosures. The Company pays VAT, excise tax, mineral tax, and other taxes.

Risk management

To minimise this risk and its potential impact, the Company is continuously monitoring changes in tax laws and their application.

Risks of changes in customs and duties regulations

Risk description

As an active participant in foreign economic relations, the Company is exposed to certain risks related to changes in foreign trade laws and customs legislation governing the procedure for cross-border movement of goods, other customs procedures and their application, as well as customs duties and their collection.

Risk management

The Company is continuously monitoring changes in customs laws, assessing and forecasting their potential impact on its operations.

The probability of risk occurrence due to the enactment of amendments to customs laws in 2020 is deemed low.

Risks of changes in courts' interpretation of matters related to the Company's business (including licensing) which may adversely affect its performance or the outcome of pending legal proceedings involving the Company

Risk description

In making business decisions, the Company takes account of any relevant judicial interpretation of laws in order to analyse and forecast potential scenarios and minimise risks. The judicial interpretation of law by the Constitutional Court, Supreme Court, and Arbitration Courts of the Russian Federation may affect the outcome of disputes in which RussNeft is involved.

Risk management

Over the reporting period, there were no court cases that could adversely affect the RussNeft's current operations and/or ongoing proceedings.

Reputational risk

Reputational risk

Risk description

The Company strives to communicate a complete and true picture of its operations. Strong emphasis is placed on promoting the Company as a reliable and attractive business partner both to the general public and to its clients, suppliers, contractors and other stakeholders.

Risk management

The Company manages this risk through:

- timely, complete, and accurate disclosure of information about the Company's operations, as required by the applicable Russian laws;
- additional disclosures including press releases on key events, comments for the media and investment community, and other material, information, and clarifications;
- constant dialogue with mass media, investors, analysts, clients and counterparties, federal and local authorities, industry bodies and other stakeholders; disclosure of any necessary information and clarification of it;
- initiatives aimed at raising awareness of the Company's operations (participation in industry-wide conferences, etc.);
- ongoing monitoring of information related to the Company's operations and the oil and gas industry as a whole in the mass media and other sources;
- prompt responses to negative publicity and presenting impartial information and the Company's official position.

Strategic risk

Risk description

The risk is associated with exposure to incorrect decisions defining the Company's business and development strategy.

Risk management

The Company regularly analyzes its strategy implementation indicators as part of the annual model re-view and extension. Strategic planning is based on current macroeconomic factors and takes into account the approved guidance for the development and ongoing optimisation of the Company's project portfolio.

The Company has implemented a risk management framework to support its decision-making.

Operational risks

Risks associated with ongoing proceedings in which the Company is involved

Risk description

In its day-to-day operations, the Company faces certain challenges that may result in legal proceedings.

Risk management

Over the reporting period, the Company did not participate in proceedings that could have material impact on its business or financial affairs. No risks associated with pending proceedings can be viewed as capable of significantly affecting the Company's financial performance.

Risks associated with the impossibility of renewing the Company's licences for certain types of business or for using assets with limited transferability (including natural resources)

Risk description

The existing subsoil laws provide for grounds for early termination, suspension, or restriction of subsoil rights. If a government authority believes that the Company has failed to meet certain licence requirements, it might impose a fine, or suspend or terminate its subsoil rights. In either case, the Federal Agency for Mineral Resources (Rosnedra) and its local bodies do not take administrative measures for early termination until after the expiry of a three-month notice period granted to the licence holder to rectify any breaches identified. Over the reporting period, the authorised bodies did not serve any notices of suspension or early termination of the Company's subsoil rights. Furthermore, in case of disagreement with any early termination resolution by Rosnedra, RussNeft may challenge such resolution in administrative or court proceedings.

Risk management

The Company constantly monitors the validity of its licences and, if necessary, extends them for as long as a field is being developed. RussNeft is also obliged to obtain and extend other licences, permits, authorisations, land use rights, and approvals for the development of its fields.

As the Company is committed to fully complying with requirements for subsoil use and monitoring these, and makes every effort to update its licence agreements, the risks of early termination, suspension, or restriction of subsoil rights are assessed as extremely low.

Internal control

In late 2018, RussNeft developed, and the Board of Directors approved, the Internal Control Policy intended to improve the efficiency of the Company's internal controls.

Purposes of the Company's internal control:

- Effective protection of the rights and lawful interests of shareholders and investors for reasonable confidence as to achieving the targets set
- Ongoing unbiased and fair information about the Company's current position and outlook
- Compliance with applicable legal requirements for the Company's business continuity
- Development of financial reporting controls for the Company
- Protection of assets

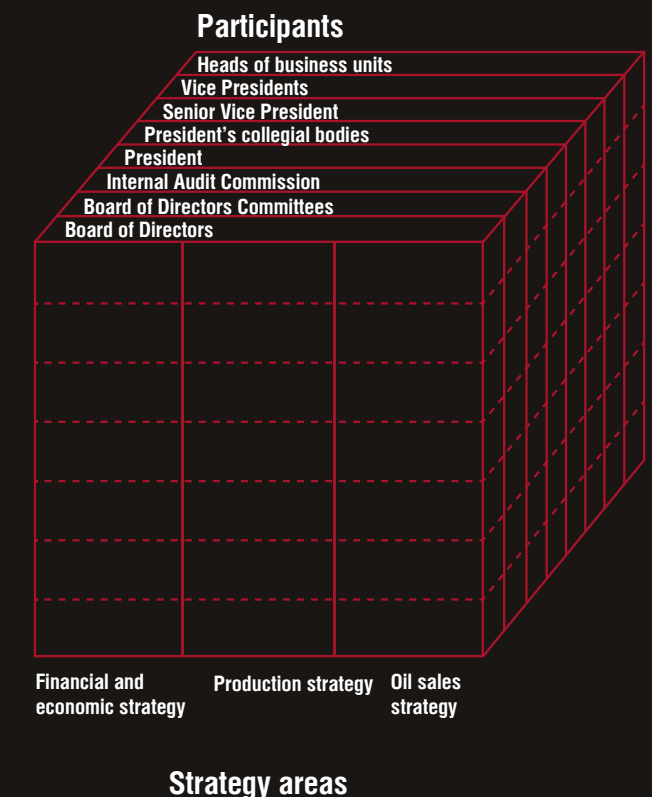
Functions of the Company's internal control framework:

- Necessary control environment for efficient financial and business processes
- Identification and evaluation of risks threatening the Company's objectives;
- Development and use of controls for more efficient achievement of the Company's objectives
- Creation of preconditions for timely and reliable financial reporting
- Integration of controls into business process management

The following key principles underlie the Company's internal control framework:

- Integrated
- Multi-component
- Ongoing cycle
- Decentralised
- Ever-improving procedures
- Continuous development
- Multi-level
- Reliable financial reporting
- Independent assessment

- Monitoring of goal achievement
- Performance reports to the BoD (monthly, quarterly, semi-annual, annual)
- Weekly operational meeting (all vice presidents)
- Audit of internal control efficiency
- Control of oil supply efficiency (Price Committee)
- Evaluation of procurement efficiency (Tender Committee)
- Control of well intervention efficiency
- Control of financial statement reliability (Internal Audit Commission)



CHAPTER 5 GENERAL

Glossary

Terms and abbreviations

HF	hydraulic fracturing
WI	well intervention
sidetracking	drilling a secondary wellbore away from an original one / a secondary wellbore drilled away from an original one
MSHF	multi-stage hydraulic fracturing
IFRS	International Financial Reporting Standards
MET	mineral extraction tax
OPEC	Organization of the Petroleum Exporting Countries
APG	associated petroleum gas
propping agent	granular substance used in the oil industry to increase well production rates in hydraulic fracturing
RAS	Russian Accounting Standards
CIS	Commonwealth of Independent States
PSA	production sharing agreement
FC	football club
CDU TEK	Central Dispatch Office of the Fuel and Energy Sector
SPE (SPE-PRMS)	international standard for estimating and managing petroleum reserves
1P reserves	proven reserves
P2 reserves	probable reserves
2P reserves	proven and probable reserves
P3 reserves	possible reserves
3P reserves	proven, probable and possible reserves
3D seismic	seismic survey that produces a three-dimensional image of a reservoir
NPV	net present value
CQCS	crude quantity and quality control system
HC	hydrocarbons
CDP	3D common depth point method
PB	prefab buildings
WSW	well servicing and workover
FPM	formation pressure maintenance

Units of measurement

bbl	barrel
boe	barrel of oil equivalent
USD	U.S. dollar
sq km	square kilometre
m	metre
cu m	cubic metre
bcm	billion cubic metres
mcm	million cubic metres
mn	million
bn	billion
oe	oil equivalent
linear km	linear kilometre
pp	percentage point
RUB	Russian rouble
K	thousand

Conversion factors

1,000 m³ of gas = 6.6 barrels of oil equivalent
 1,000 m³ of gas = 0.8 tonnes of oil equivalent
 Oil reserves are converted from tonnes to barrels using various conversion factors linked to the field's oil density.

Disclaimer

This 2020 Annual Report was prepared based on the information available to PJSC RussNeft (the “Company”) as at the date hereof. Certain statements herein may contain assumptions or projections regarding future events in relation to the Company.

These forward-looking statements can usually be identified by the use of such words as “expects”, “estimates”, “forecasts”, “intends”, “plans”, “will”, “could”, or other similar words or phrases, including their negative forms. These statements are assumptions that involve risks and uncertainties, known or unknown to the Company.

Hence, the Company’s future operational and financial performance may differ from its current expectations, and users of the information presented in the Annual Report should not rely solely on this information.

The said forward-looking statements are not based on actual circumstances and include all statements with respect to the Company’s intentions, opinions and current expectations pertaining to its operational and financial activities and performance, plans, projects and expected results, dividend and CAPEX policies, as well as trends in prices, rates, production and sales volumes, estimated expenses and other similar factors and economic forecasts for the industry and markets.

By their nature, these forward-looking statements are subject to risks and uncertainties that can cause the Company’s actual results to differ materially from those contained in the assumptions or projections. Such risks and uncertainties may include overall economic conditions and competitive environment in which the Company operates, rapid technology and other changes in the Company’s business areas, government activities in Russia and other jurisdictions where the Company conducts business.

The said list of risks and uncertainties is by no way exhaustive.

The Company does not give any warranties that the actual results, scale or performance of the Company or its industry will be in line with those explicitly stated or implied in any forward-looking statements contained herein.

The Company shall not be held liable for any losses that may be incurred by any person acting in reliance on the forward-looking statements contained herein. Save as expressly provided for by the applicable laws, the Company shall not assume any obligations with respect to the distribution or publication of any updated or modified forward- looking statements reflecting any changes in expectations, new data, or future events, conditions or circumstances.

Contacts

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Share registrar

Servis-Reestr JSC

Registered and postal address:

12 Sretenka St., Moscow, 107045, Russia

Tel.: +7 495 608 1043, +7 495 783 0162

E-mail: sekr@servis-reestr.ru

Working hours:

MON-THU from 9:00 to 16:00,

FRI from 9:00 to 13:00

(lunch break from 13:00 to 13:45)

Web address: www.servis-reestr.ru

Other matters

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