

APPROVED BY

Rosneft Board of Directors

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COMPANY POLICY

ON CORPORATE PROPERTY MANAGEMENT

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INTRODUCTORY PROVISIONS

INTRODUCTION

Company Policy *On Corporate Property Management* (hereinafter referred to as "Policy") determines general management principles and serves as guidelines for managing the corporate property of Rosneft and Group Entities.

This Policy has been developed in accordance with laws of the Russian Federation, relevant provisions of international law, Russian and applicable international standards, experience accumulated by Rosneft and Group Entities, and best practices in corporate property management.

POLICY GOALS

The Policy expresses the Company's position on corporate property management and formalizes uniform approaches and principles in this area.

POLICY OBJECTIVES

The Policy has the following objectives:

- Establish the Company's goals and objectives and determine principles for managing corporate property.
- Determine the framework for managing corporate property (including objects of corporate property management; corporate property asset managers and allocation of their roles and responsibilities; corporate property management processes; performance indicators to monitor efficiency of corporate property management).
- Determine key risks inherent to corporate property management and relevant response measures.
- Define the structure and hierarchy of internal regulations governing corporate property management.

SCOPE OF APPLICATION

This Policy is binding on all employees of Rosneft and Group Entities, directly or indirectly involved in managing corporate property.

This Policy serves as guidelines for employees of Rosneft associates.

The requirements of this Policy shall become binding on any Rosneft subsidiary or associate, as well as on any other entity in which Rosneft holds direct or indirect interest, once they are enacted in that entity in accordance with its Charter and procedures.

Any orders, internal regulations or other internal documents must not be in conflict with this Policy.

VALIDITY AND AMENDMENT PROCEDURE

This Policy is a permanent internal regulation.

This Policy is approved at Rosneft by decision of the Board of Directors and put into effect across the Company by an order of Rosneft.

Amendments to the Policy shall be introduced by decision of the Board of Directors of Rosneft and put into effect by an order of Rosneft.

This Policy shall be deemed to have lost effect at Rosneft on the basis of a decision of the Board of Directors of Rosneft.

Amendments to this Policy may be initiated by Rosneft senior executives and Group Entities upon consent of the senior executive of Rosneft in charge of corporate property management.

The Policy shall be amended in the following cases: changes in the applicable laws of the Russian Federation, changes in the organizational structure or responsibilities of the senior executives, etc.

The senior executive of Rosneft in charge of corporate property management shall be responsible for keeping this Policy up to date.

Control over compliance with the Policy requirements shall be exercised by the senior executive of Rosneft in charge of corporate property management.

1. TERMS AND DEFINITIONS

TERMS AND DEFINITIONS FROM THE CORPORATE GLOSSARY

BUSINESS LINE - a set of interrelated and interacting business processes and their deliverables united by common parameters (delivery of a certain business result, use of resources, geography, etc.) aimed at enhancing performance in accordance with decisions made regarding the Company's development.

Note: business lines include upstream, midstream, downstream.

COMPANY – a group of legal entities with different legal structures, including Rosneft, with regard to which the latter is acting as the principal or predominant (participating) entity.

CORE SUBCOMMITTEES OF THE INVESTMENT COMMITTEE – a collective Rosneft body created by the decision of the Rosneft supervising body, the functions of which include reviewing of business projects and investment programs within respective competence, decision making and preparation of recommendations for Rosneft governance bodies in respect to business projects implementation.

CORE VICE PRESIDENT – a senior Rosneft executive, who, in line with his competencies, is responsible for a core business line of the Company, and has separate roles, tasks and responsibilities.

CORPORATE PROPERTY – property materially significant for the Company, including:

- Corporate property assets requiring registration of property rights, their restriction, origination, transfer and termination with registration authorities or issuers (real estate, stock (interest); exclusive intellectual property rights).
- Construction-in-progress subject to registration.
- Immovable corporate property assets under lease.
- Movable corporate property assets owned or leased by the Company which is included in property and technology complexes.

Corporate property does not include assets which according to law may not be owned by business entities (e.g., subsoil plots containing resources, land plots with limited transferability, etc.), and/or may not be subject to a separate sale or purchase (e.g., licenses for certain activities).

Note: Types of corporate property are listed in subsection 5.1. hereof.

DIRECTIVE ISSUES – issues pertaining to the activities of Group Entities, on which the Company's position is determined by the governance bodies of Rosneft, as stipulated in Rosneft's Charter.

GROUP ENTITY (GE) - business entity in which Rosneft, directly and/or indirectly, holds 20 or more per cent of ownership interest.

INEFFICIENT CORPORATE PROPERTY – corporate property, whose maintenance costs exceed income generated from its use, and the retention of which within the Company can be considered unreasonable, based on monitoring.

INTELLECTUAL PROPERTY - protected results of intellectual activity and means of personalization similar to them.

INVESTMENT COMMITTEE – a collective Rosneft body competent to review and endorse business projects and investment programs prior to their approval by authorized Rosneft investment bodies.

NON-CORE CORPORATE PROPERTY – corporate property which is not directly involved in business processes related to the Company's business lines and key management processes; which meets the general and/or specific criteria set by Company's internal regulations, and the retention of which within the Company can be considered unreasonable.

PROPERTY – property and property rights according to the Civil Code of the Russian Federation which are in Rosneft and/or Group Entities' possession and/or use and/or disposal.

SUPERVISING EXECUTIVE - a senior Rosneft executive or another person appointed by an order of Rosneft to supervise the activities of a business entity in which Rosneft holds direct and/ or indirect interest; the supervisor is responsible for organizing efficient management and control of such entity for the entity to achieve strategic goals and fulfil the Company business plan.

SUPERVISING BUSINESS UNIT - a Rosneft business unit with the competency to support the Supervisor in organizing efficient management and control of the business entity under his/her supervision in which Rosneft holds direct and/or indirect interest for such entity to achieve strategic goals and fulfil the Company business plan.

TERMS AND DEFINITIONS FOR THE PURPOSE OF THIS DOCUMENT

ANALYTICAL ASPECT OF CORPORATE PROPERTY (ASPECT) - a set of specific functional attributes characterizing an object of corporate property in terms of various types of reporting.

ASSESSMENT OF CORPORATE PROPERTY - the procedure of determining whether a corporate property asset is efficient and core to business in order to assess whether such property should be retained by Company, and developing measures to improve overall corporate property management efficiency.

CENTER OF EXCELLENCE FOR CORPORATE PROPERTY MANAGEMENT (CENTER OF COMPETENCE) – the Rosneft business unit responsible for integrated guidance and administration of corporate property management processes, and for providing information analysis support.

CLASSIFICATION ARCHITECTURE OF CORPORATE PROPERTY – a model of interrelated elements which determines the approach and details principles for classifying corporate property assets.

CORE BUSINESS UNIT - a Rosneft business unit responsible for determining/ confirming the business need for operations with core corporate properties belonging to Rosneft and Group Entities, and for enabling such operations.

CRITERIA FOR CLASSIFYING CORPORATE PROPERTY AS NON-CORE/ INEFFICIENT – parameters used to classify corporate property as non-core and/or inefficient.

LIFE CYCLE OF A CORPORATE PROPERTY ASSET– the period of time from acquisition or construction to disposal of a corporate property asset by a specific entity. The life cycle stages include: acquisition or construction, use/ operation, disposal of/ liquidation.

MONITORING EFFECTIVENESS OF CORPORATE PROPERTY MANAGEMENT - regular control process to ensure that performance indicators relevant to corporate property management are achieved to enable well-informed managerial decision-making with regard to corporate property.

OPERATIONS WITH CORPORATE PROPERTY - operations with corporate property, including transactions at all stages of the life cycle of the corporate property asset.

Operations with corporate property at the stage of 'generation':

- Acquisition
- Lease-in
- Creation: construction, creation of intellectual property, establishment of a legal entity and/or its subdivision
- Other

Operations with corporate property at the stage of 'use/ operation':

- Reconstruction/ upgrading/ performance improvement
- Lease-out
- Conservation
- Technical maintenance/ storage
- Providing intellectual property rights to Group Entities
- Reorganization of Group Entities
- Share capital changes
- Prolongation of exclusive intellectual property rights
- Other

Operations with corporate property at the stage of 'disposal of/ liquidation':

- Sale
- Free transfer
- Liquidation / write-off
- Termination (for intellectual property)
- Other

OTHER ISSUES - issues pertaining to the activities of Group Entities, which, according to their Charters, are within the competence of their General Assembly of shareholders/ participants, assembly of other superior supervisory bodies, Board of Directors (Supervisory Board) of Group Entities, as well as within the competence of collective executive bodies of the foreign Group Entities, the Company's position on which is not determined by Rosneft governance bodies as stipulated in Rosneft's Charter.

PERFORMANCE INDICATORS FOR CORPORATE PROPERTY MANAGEMENT – a set of significant measurable quantitative or qualitative indicators which allow evaluating the performance of different corporate properties and quality of respective management processes; these indicators determine the relation between results achieved and resources spent, and are computed by comparing actual figures with targets.

PROPERTY AND TECHNOLOGY COMPLEX – analytically grouped items of movable and immovable property (including land, buildings, structures, etc.) used in an integrated technological process of a certain business line (e.g.: oil exploration, production, transportation, refining, marketing, etc.).

2. DESIGNATIONS AND ABBREVIATIONS

PTC – property and technology complex.

CP – corporate property.

IR – internal regulation.

IP – intellectual property.

ROSNEFT GOVERNANCE BODIES - General Assembly of shareholders, Board of Directors, Management Board, and President of Rosneft.

PI – performance indicator for corporate property management.

ROSNEFT SENIOR EXECUTIVES – First Vice Presidents of Rosneft, Vice Presidents of Rosneft, Chief Accountant of Rosneft, Financial Director of Rosneft, advisors and heads of Rosneft business units and functions in the rank of vice president.

3. COMPANY'S GOALS AND OBJECTIVES IN CORPORATE PROPERTY MANAGEMENT

Corporate property management is an integral part of the overall Company management framework, which should be in line with the Company's development strategy and interests of Rosneft shareholders; it should be integrated into the Company's operating model and business processes.

Achievement of the Company's goals related to corporate property management involves long-term objectives and measures, including those related to developing a system for monitoring the effectiveness of corporate property management on the basis of an integrated IT solution.

Table 1
Goals and objectives of corporate property management

NO.	CORPORATE PROPERTY MANAGEMENT GOALS	CORPORATE PROPERTY MANAGEMENT OBJECTIVES
1	2	3
1	Increase the shareholder value of the Company and maximize the return on invested capital	<ul style="list-style-type: none"> ▪ Ensure timely and economically justified decision-making on CP operations; in particular, minimize investments in low-margin CP in order to invest further in more profitable CP. ▪ Protect the Company's and shareholders' property interests through effective management of risks related to forfeiture of rights to CP.
2	Improve the performance of CP and optimize the CP structure	<ul style="list-style-type: none"> ▪ Implement and maintain centralized automated solution to collect, store, update and organize data on CP rights and other information on CP in all required aspects from various IT systems of the Company. ▪ Develop, implement and maintain the system for monitoring the effectiveness of CP management, which includes economic and legal due diligence, inventory count, technical audit, development of target performance indicators and assessment of their achievement. ▪ Effectively manage non-core and/or inefficient CP: reduce expenses related to their maintenance, receive additional income from their disposal. ▪ Create and maintain an optimal corporate structure of the Company.
3	Make optimal use of the Company's resources involved in CP management processes by setting up an effective framework and enhancing CP management	<ul style="list-style-type: none"> ▪ Set up a shared center of excellence dealing with complex methodological, information and analysis support issues, and administer CP management processes. ▪ Design end-to-end CP management processes with clear segregation of roles and responsibilities of CP managers to ensure effective interaction and eliminate duplication of functions.

NO.	CORPORATE PROPERTY MANAGEMENT GOALS	CORPORATE PROPERTY MANAGEMENT OBJECTIVES
1	2	3
	processes.	<ul style="list-style-type: none"> ▪ Accelerate decision-making and implementation of CP operations. ▪ Develop and refine a uniform corporate CP management methodology: develop and update Internal Regulations regarding all types of CP and at all levels of CP management.

4. CORPORATE PROPERTY MANAGEMENT PRINCIPLES

The following key principles of corporate property management are the basis for achieving the goals of corporate property management:

- ***Economic justification of decisions and operations concerning corporate property:*** decisions concerning operations with corporate property on terms optimal for the Company by virtue of complete and accurate information, including all expert analysis required for decision making.
- ***Methodological and information analysis support*** as well as administration of corporate property management via a ***shared center of excellence***.
- ***Interconnection and integration of corporate property management processes with related processes:*** corporate property management processes are closely linked to other Company business processes, including budgeting, management reporting, investment management and corporate governance, and end-to-end corporate property management processes must be formed with a clear allocation of roles and responsibilities among all those involved in corporate property management and taking into account all interconnected processes.
- ***Timely and high-quality performance*** of operations with corporate property by all participants in corporate property management processes.
- ***Integration of data*** from various Company information systems: complete, accurate and timely automated recording and monitoring of corporate property management from all necessary aspects.
- ***Continuous performance monitoring*** of corporate property management: regular control over the achievement of target performance indicators for corporate property use as well as performance monitoring of operations with corporate property at all stages of the corporate property asset's life cycle.
- ***Social responsibility*** in making decisions on operations with corporate property, including non-core and/or inefficient corporate property.
- ***Use of industry best practices*** in corporate property management for purposes of updating and optimizing the Company's approaches to corporate property management as well as optimizing processes and performance indicators.

Corporate property management also follows general corporate principles:

- Compliance with Russian law, applicable rules and standards of Russian and international law, industry documents and corporate requirements.
- Transparent operations and accurate management reporting.
- Prevention of conflicts of interest and corruption.
- Prevention of corporate fraud.
- Targeted and cost-effective spending.
- Cost cutting measures in corporate property management processes.
- Strict control over compliance with procedures; control procedures in place.

5. CORPORATE PROPERTY MANAGEMENT FRAMEWORK

5.1. CORPORATE PROPERTY ASSETS

Managed corporate property includes corporate property assets in Rosneft and/or Group Entities' possession and/or use and/or disposal:

- Immovable property¹.
- Stock (shares).
- Exclusive intellectual property rights.
- Movable property included in property and technology complexes.

For management purposes, corporate property may be combined into analytical hierarchical groups, including based on corporate property classification principles and approaches.

5.1.1. CORPORATE PROPERTY ASSET CLASSIFICATION PRINCIPLES

All corporate property shall be classified based on the following key principles:

- All CP is accounted for.
- Duplicate accounting is eliminated.
- Procedures to control corporate property asset use are in place.
- Classification detail is sufficient and relevant, and the description of CP attributes for CP management purposes is comprehensive.

Based on these principles, the following classification approaches shall be used for CP management purposes:

- An analytical and methodological base is formed for CP accounting, ensuring that such accounting is complete, accurate and timely.
- Each CP item is treated as a separate unit and as part of a hierarchical structure.
- Transparent principles are used in establishing CP managers' responsibility for CP management processes.
- CP items are monitored and compared, in terms of their effective use, as individual units and in hierarchical groups.
- Reports necessary for CP decisions are generated in the required analytical aspects.
- Individual parts and elements of the classification may be revised without changing the classification's overall architecture and principles.
- The classification is adapted to meet the Company's current business needs.

The purpose of analytical aspects is to summarize information required to support CP management processes at all stages of the CP assets' life cycle.

Analytical aspects shall be formed in accordance with the following principles:

¹ The list of such assets is determined in accordance with the Civil Code of the Russian Federation.

- Account is taken of features necessary and sufficient for CP management at all stages of the CP asset's life cycle.
- Analytical aspects are consistent with each other.
- The list of analytical aspects and their data content must meet the requirements of Russian law and the Company's business needs.

The following main aspects are singled out; the list of such aspects may be expanded to include those that meet the Company's current business needs:

Table 2
Main analytical aspects of CP

NO.	ASPECT	DESCRIPTION OF ASPECT
1	2	3
1	Legal	Summarized information on title to CP and other information on the legal requirements for such CP
2	Accounting	Summarized CP information collected in the process of financial accounting
3	Tax	Summarized CP information collected in the process of tax accounting
4	Technical/economic	Summarized information collected by Rosneft business units on the economic, physical and qualitative characteristics of CP
5	Investment	Summarized information collected on CP assets and business projects when capital expenditures occur.

5.1.2. CRITERIA FOR CLASSIFYING CORPORATE PROPERTY AS NON-CORE/ INEFFICIENT

For CP management purposes, CP asset groups are determined on the basis of their profile and performance.

In certain cases, a CP asset that does not fully meet the criteria of non-core/ inefficient may be classified as non-core and/or inefficient by a decision made by an authorized Rosneft governance body on an individual basis.

General criteria for selecting and assessing CP asset as non-core and/or inefficient are as follows:

- The CP asset is inconsistent with the Company's development strategy.
- The CP asset performs and/or is used to perform non-core activities, i.e. activities unrelated to the Company's business lines and key management processes.
- It is inexpedient for the Company to invest in the development of certain non-core and/or inefficient types of activity.
- The Company would retain its competitive advantages without the CP asset in its portfolio.
- The Company has no strategic interests in the CP asset's location.
- The CP asset's market price is expected to exceed the economic effect of the Company's investments in its development.
- To control the CP asset's activities, the Company would need to divert management resources incomparable with the CP's rate of return.
- Continued ownership/lease by Rosneft or Group Entities could have a substantial negative impact, both economically and in terms of reputation.

Special criteria include an assessment of whether target/threshold performance indicators for CP use have been achieved. Special criteria are determined by the Company's IR concerning corporate property management.

5.2. CORPORATE PROPERTY ASSET MANAGERS: ALLOCATION OF ROLES AND RESPONSIBILITIES

CP asset managers are Rosneft governance bodies and senior executives, the Investment Committee/core subcommittees, business units and Group Entities that are involved to one extent or another in CP management processes.

Depending on their functions, CP asset managers may perform the following roles:

1. *Center for Decision Making (Rosneft governance bodies, the Investment Committee/core subcommittees):*

Rosneft governance bodies make decisions/determine the position on transactions execution (modification, termination) in accordance with Rosneft's Charter and the Company's IR.

In certain cases Rosneft governance bodies may delegate authority to make decisions on CP to Rosneft senior executives.

Group Entities may make independent decisions on CP that they own in accordance with the Charters of these Group Entities and Rosneft's Charter.

The Investment Committee/core subcommittees are responsible for preliminary consideration and recommendations for Rosneft governance bodies on the approval of involvement/termination of involvement in business projects (operations with CP) within the scope of their investment authority.

2. *Center of Excellence (Rosneft business unit - Rosneft Corporate Property Department. The owner of the process "formulation of rules, administration of corporate property management processes, integrated decision making" is a Rosneft senior executive responsible for corporate property management):*

Rosneft's Corporate Property Department is responsible for comprehensive guidance and integration of corporate property management processes: the department develops and updates Rosneft's IR governing CP management processes, monitors the IR of Rosneft and Group Entities concerning CP management to ensure that they comply herewith, organizes information and analysis support and administers corporate property management processes.

In certain situations Rosneft's Corporate Property Department may act as a Supervising business unit, e.g. for non-core and/or inefficient CP that Rosneft governance bodies have decided to dispose of/liquidate.

The Corporate Property Department acts as a Core business unit for operations with CP owned by Rosneft and not leased to Group Entities and, in exceptional cases, with CP owned by Group Entities when authorized by Rosneft governance bodies.

In the role of Enabler, the Corporate Property Department participates in CP management processes in accordance with its assigned functions; it is responsible for registration of property rights, analyzes transactions within its area of competence, etc.

3. *Supervising executives and supervising business units:*

Supervising executives approve all directive issues concerning the activities of Group Entities and approve Rosneft's position on other issues concerning Group Entities, taking into account the opinions of Core vice-presidents and Rosneft Core business units.

Supervising business units, within their area of competence, ensure that Supervising executives effectively manage and monitor the Group Entity assigned to them.

4. *Core vice-presidents and Core business units:*

Rosneft's position on core other issues concerning the activities of Group Entities and the business need for operations with Rosneft CP must be approved by Core vice presidents, who also monitor the execution of operations with CP.

Core vice-presidents may make decisions on operations with CP in cases where the appropriate authority has been delegated to them by Rosneft governance bodies.

Core business units are responsible for determining the business need for operations with CP owned by Rosneft and for ensuring the execution of such operations. Core business units are responsible for verifying the business need for operations with CP owned by the Group Entities that they supervise.

Core business units take measures so that Core vice-presidents can perform their duties in CP management processes within their area of competence.

5. *Enablers (Rosneft senior executives and subordinate business units):*

Enablers are involved in CP management processes as participants, experts and approvers of operations with CP within their area of competence², including timely and correct accounting for CP. An enabler's role does not involve initiating execution (modification, termination) of operations with CP.

6. *CP Operators (Group Entities and Rosneft business units that use/exploit CP in their activities):*

CP Operators use/exploit CP in the course of their activities, take measures to maintain CP in a good condition, initiate and execute operations with CP (including CP owned or leased by Group Entities) as prescribed by Rosneft's Charter, the Charters of Group Entities and the Company's IR.

Group Entities may act as Enablers in CP management processes in their area of competence³.

CP asset managers and their roles may change depending on the type of CP, the operations taken (including transactions) and the participants.

² In carrying out support or management processes, e.g. financial management, legal support, accounting and reporting, corporate governance, security, etc.

³ Registration of property rights, accounting for CP and other support or management processes.

In certain cases, a CP asset manager may perform several roles simultaneously. For example, the Supervising business unit for certain operations may be a Core business unit and an Enabler at the same time. The following key principles should be followed in order to minimize duplication of functions and clearly delineate the tasks of CP asset managers:

- For Supervising executives and Supervising business units: the composition of Group Entities supervised by senior executives and business units shall be set down in a Rosneft administrative document, and Supervising executives' functions shall be set down in Rosneft's IR governing matters involving supervision.
- For Core senior executives and core business units: the role performed depends on the ability to identify and the necessity of verifying the business need for a transaction.
- For Enablers: the role depends on the need to carry out support or management processes³.

The roles of CP asset managers at all stages of the corporate property asset's life cycle are shown in Table 3.

Table 3
CP asset managers: matrix of roles

LIFE CYCLE STAGE	NO.	OPERATIONS WITH CORPORATE PROPERTY CP ASSET MANAGERS	ROSNEFT GOVERNANCE BODIES INVESTMENT COMMITTEE/ CORE SUBCOMMITTEES	ROSNEFT CORPORATE PROPERTY DEPARTMENT	ROSNEFT SENIOR EXECUTIVES AND THEIR SUBORDINATE BUSINESS UNITS	GROUP ENTITIES	
1	2	3	4	5	6	7	
1. Generation	1.1	Acquisition	IMMOVABLE PROPERTY*	CDM**	CE / S / E***	S / C / E	O
	1.2		STOCK (INTEREST)	CDM**	CE / E***	C / E	O
	1.3		IP	CDM**	CE / E***	S / C / E	O
	1.4	Lease from third parties, covenant	IMMOVABLE PROPERTY*	CDM**	CE / S / E***	S / C / E	O
	1.5 ⁴	Construction	IMMOVABLE PROPERTY	CDM**	CE / E***	S / C / E	O
	1.6 ⁵	Creation	IP	CDM**	CE / E***	S / C / E	O
	1.7	New entity establishment / branch opening	STOCK (INTEREST)	CDM**	CE / E***	C / E	O
2. Use / operation	2.1	Reconstruction/ upgrading	IMMOVABLE PROPERTY*	CDM**	S / E***	S / C / E / O****	O
	2.2	Lease-out		CDM**	CE / S / E***	S / C / E	O
	2.3	Conservation, technical maintenance/ storage		CDM**	CE / S / E***	S / C / E	O
	2.4	Providing IP rights to Group Entities, prolongation of IP rights	IP	CDM**	CE / S / E***	S / C / O / E	O
	2.5	Reorganization of Group Entities, change of share capital	STOCK (INTEREST)	CDM**	CE / S / E***	S / C / E	O
3. Disposal of liquidation	3.1	Sale	IMMOVABLE PROPERTY*	CDM**	CE / S / E***	S / C / E	O
	3.2		STOCK (INTEREST)	CDM**	CE / S / E***	S / C / E	O
	3.3	Free transfer	IMMOVABLE PROPERTY*	CDM**	CE / S / E***	S / C / E	O
	3.4	Liquidation / write-off		CDM**	S / E***	S / C / E	O
	3.5	Liquidation of Group Entity/branch	STOCK (INTEREST)	CDM**	CE / S / E***	S / C / E	O
	3.6	Termination of IP rights (non-extension of IP rights)	IP	CDM**	CE / E***	S / C / O / E	O

⁴ For this action with CP, the Corporate Property Department of Rosneft acts as Enabler only with regard to due diligence of construction projects (approval of documents to be submitted to the Investment Committee/Subcommittees and Rosneft governance bodies) and registration of constructed facilities and construction-in-progress. The Corporate Property Department of Rosneft acts as a Center of Excellence only with respect to registering Company's CP property rights.

⁵ For this operation with CP, the Corporate Property Department of Rosneft acts as Enabler with regard to registering Rosneft's IP rights. The Corporate Property Department of Rosneft acts as a Center of Excellence only with respect to registering the Company's IP rights.

Legend:*Roles of CP asset managers:*

CDM - Center for Decision Making (depending on the transaction/operation type/amount according to the Charter of Rosneft and Company Internal Regulations)

CE - Center of Excellence

E - Enabler

O - CP Operator

S – Supervising executive and supervising business units

C - Core vice-president and core business units

* - including movable property included in PTC

** - Rosneft governance bodies may delegate decision-making powers to Rosneft senior executives; powers to take independent decisions with regard to CP belonging to Group Entities are stipulated in the respective Charters of the Group Entities and Rosneft.

*** - the functions and tasks of Enablers can also be performed within Group Entities; for example, when a Group Entity purchases a CP asset, it enters data on such asset into IT systems and registers the property right.

**** - where the CP Operator is a business unit of Rosneft, e.g. the Administrative Department with regard to the administrative building on Sofiyskaya Embankment in Moscow.

Note: one and the same role for several CP asset managers does not mean duplication of roles and responsibilities: generally, depending on the substance of the transaction/ operation and its participants, one role (e.g., Supervising executive) will be applicable to one senior executive or business unit only. In certain cases, in the course of the operation with a CP asset the role is 'transferred' from one CP asset manager to another (e.g., at the stage of planning the liquidation of a legal entity, the GE may be under supervision of a Rosneft senior executive; after the decision to liquidate the GE is taken, it is placed under supervision of the Corporate Property Department).

5.3. CORPORATE PROPERTY MANAGEMENT PROCESS

5.3.1. APPROACH TO CORPORATE PROPERTY MANAGEMENT

Corporate property management is a process encompassing the entire corporate property assets' life cycle.

The following cyclic processes are performed at each stage of the corporate property asset's life cycle (Fig. 1):

1. Planning operations with corporate property.
2. Executing operations with corporate property.
3. Monitoring effectiveness of corporate property management.

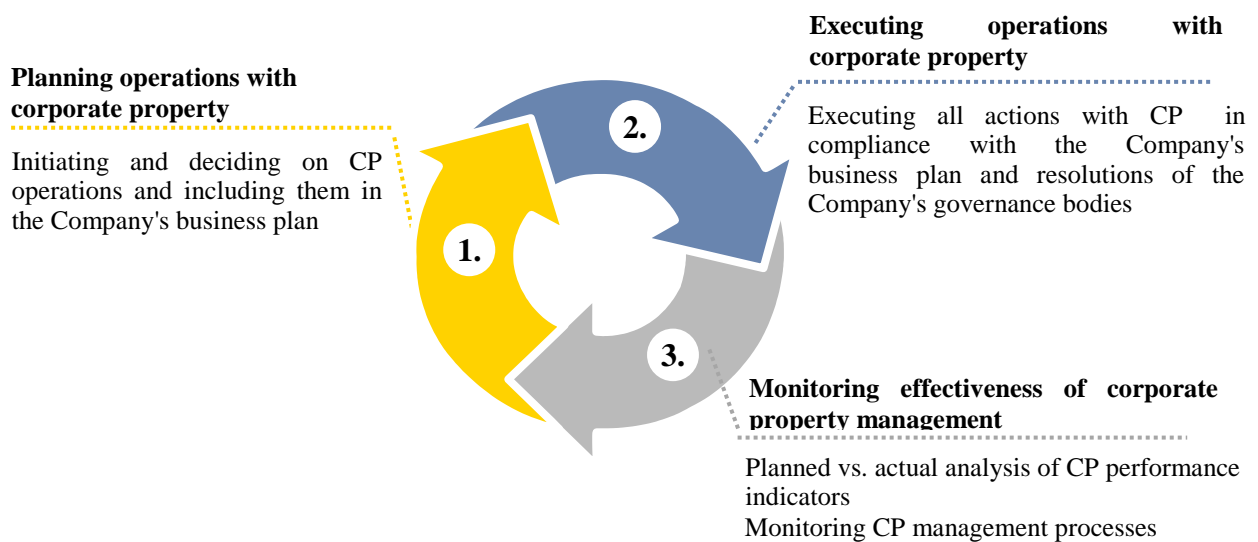


Fig. 1. Corporate property management process

These processes are performed with respect to core and non-core corporate property, whether efficient or not.

All operations with corporate property are designed to increase the effectiveness of its use, optimize the corporate property structure, maximize the return on invested capital and increase the Company's shareholder value.

5.3.2. DESCRIPTION OF CORPORATE PROPERTY MANAGEMENT PROCESSES

Process: Planning operations with corporate property

Goal: Sound decisions on CP operations by the governance bodies of Rosneft and Group Entities, inclusion of CP management income and expenditures in the business plan.

Key activities:

- Initiate/develop CP transaction documents: propose economically sound transaction options (acquisition, lease, etc.)⁶, prepare and approve relevant operation plans and budgets, determine the fair value of CP assets/ lease rates.
- Assess the economic feasibility and legality of proposed transactions.
- Obtain all necessary state permits and corporate approvals (both from Rosneft and Group Entities) relating to CP operations, including non-core and/or inefficient CP, for their inclusion in the Company's business plan.
- Notify Group Entities of Rosneft's position on transactions/operations involving non-core and/or inefficient corporate property that are planned to be executed/modified/terminated.
- Ensure that accurate details of any planned CP operations are included in the Company's business plan.
- Develop and approve target PI's to measure the effectiveness of CP management.

Deliverables:

- Decisions by the corporate governance bodies of Rosneft and Group Entities relating to a given CP, approved implementation plans.
- Income and expenses relating to planned CP operations are included in the Company's business plan.
- A list of target PI's to measure the effectiveness of CP management.

Process: Executing operations with corporate property

Goal: Promptly and diligently take all measures that are required to execute CP operations included in the Company's business plan, protect the Company's property interests.

Key activities:

- Execute transactions: Sign legally binding documents to enable performance of operations, take preparatory measures for disposal of, liquidation, reorganization of CP asset or other operations, and perform settlements under legally binding documents.
- Introduce changes to documents of CP asset's title and other documents certifying rights for CP.
- Add data on legally binding documents and documents of title to the Company's IT systems.

Deliverables:

- Contracts with counterparties and other legally binding documents pertaining to CP transactions signed.
- Changes to documents of title and other documents certifying rights for CP assets drawn up/ extended/ introduced.
- New or updated CP data added to the Company's IT systems.

⁶ In the absence of any regulatory or other restrictions or requirements that may apply to CP transactions.

Process: Monitoring effectiveness of corporate property management

Goal: Provide comprehensive, reliable and relevant information about CP assets, changes in title, CP assets' performance; propose measures to improve CP assets' performance and optimize CP management processes.

Key activities:

- Enter/ update data on CP assets and their performance in the Company's IT systems.
- Analyze financial statements and management accounts; analyze planned vs. actual CP performance indicators.
- Perform assessment of the Company's CP including collecting and organizing relevant information.
- Propose measures to optimize CP management processes.

Deliverables:

- Results of the economic and legal due diligence, inventory count, and technical audit entered in the Company's IT systems.
- Proposals on operations with core/non-core and efficient/inefficient CP assets drafted.
- Proposals on optimizing CP management processes drafted.

5.4. CORPORATE PROPERTY MANAGEMENT PERFORMANCE INDICATORS

CP management performance indicators are used for:

- Monitoring the efficiency of CP management processes.
- Monitoring the performance of certain CP/ CP groups, identifying inefficient CP assets.

Performance indicators are developed on the basis of the following principles:

- *Hierarchy* – a set of CP performance indicators is formed in accordance with the hierarchy of CP classification systems: CP performance is assessed per Group Entities, PTC, and separate corporate property assets. Achievement of PIs with regard to CP at lower levels of the hierarchy facilitates achievement of PIs with regard to CP at higher levels of the hierarchy.
- *Specificity* - a set of indicators for each CP/ CP group depends on the CP type and hierarchy level within the PTC, the sufficient scope of monitoring their performance (e.g., the PIs for operating production facilities are different from the PIs for construction-in-progress assets).
- *Measurability* – possibility to estimate the degree of PI achievement: there are methods and data sources to estimate PIs.
- *Clarity and unambiguity* – target PIs are developed on the basis of the only possible interpretation of their degree of achievement.
- *Potential achievability* – objective possibility to achieve target PIs.
- *Relevance* - achievement of PIs is related to the strategic and operational goals of the Company, the requirements of Rosneft governance bodies, its senior executives, and heads of Group Entities.

CP management effectiveness is assessed on the basis of PIs using the following mechanisms:

- Assessment of target PIs achievement.
- Assessment of PI dynamics.
- Comparison of PIs/ PI dynamics for CP assets with PIs for comparable CP assets within a Group Entity/ region/ industry.
- Comparison of PIs/ PI dynamics for a CP asset with PIs for comparable CP assets of other companies according to best industry practice.

Main CP management PI groups are presented in Table 4.

Table 4
Main CP management PI groups

NO.	PI GROUPS	PI GROUP DESCRIPTION	POTENTIAL PI's	MONITORED CP ASSET OR ACTIVITY
1	2	3	4	5
1	Monitoring the efficiency of CP management processes	PIs relating to operations with CP	Fulfillment of material terms of transactions, execution of operations in accordance with corporate decisions, timeframe of transactions/ execution of operations with CP, share of timely executed operations	Operations in relation to CP/ CP asset groups (PTC)
2	Monitoring the performance of CP/ CP groups	CP operating rates	Operating ratio of active stock, CP utilization ratio, square meters per employee, and period of ownership of registered construction-in-progress.	<ul style="list-style-type: none"> ▪ Production and non-production CP assets, except for IP and stock/interest ▪ CP asset groups (PTC)
		PIs regarding operation and maintenance expenses	Operating expenses per sq m per person, property maintenance ratio, direct costs related to operation and maintenance of CP facilities, depreciation ratio.	<ul style="list-style-type: none"> ▪ Production and non-production CP assets, except for IP and stock/interest ▪ CP asset groups (PTC)
		CP economic PIs	Return on property, property payback period, expenses per product, return on investment, return on sales, EBITDA, net profit, EBITDA sensitivity to changes in production indicators, sales volumes and operating costs.	<ul style="list-style-type: none"> ▪ CP asset groups (PTC) ▪ Stock/interest (Group Entities)

5.5. KEY CORPORATE PROPERTY MANAGEMENT RISKS

The Company understands that corporate property management is exposed to risks.

The Company manages CP management risks in accordance with the procedure established by applicable laws and the Company's Internal Regulations.

Senior executives of Rosneft, heads of Group Entities and Company employees involved in CP management assume responsibilities for risk management and ensure:

- Timely risk identification and assessment.
- Planning of activities considering the effect of risks on achievement of goals and target indicators.
- Implementation of measures aimed at risk mitigation and/or minimization of adverse consequences related to risks.
- Timely communication of information regarding risk exposure and/or risk occurrence to all stakeholders.

This Policy outlines key risks arising in the course of CP management, their possible impact and risk management measures (Table 5).

Table 5
Key risks, their impact and management measures
with regard to corporate property

NO.	RISK DESCRIPTION	RISK IMPACT	RISK MANAGEMENT MEASURES
1	2	3	4
1	Loss of rights/inability to register CP rights due to: <ul style="list-style-type: none"> ▪ Inconsistency of the rights certifying documents with the relevant applicable legislation ▪ Incorrect/ incomplete rights certifying documents ▪ Fraud 	<ul style="list-style-type: none"> ▪ Withdrawal of CP from possession / operation ▪ Limited CP transferability ▪ Expenses related to CP re-registration and/or litigation ▪ Material loss ▪ Reputational consequences 	<ul style="list-style-type: none"> ▪ Perform legal due diligence ▪ Develop a plan for registering CP rights and monitor its execution ▪ Provide methodological and legal support on registration of CP rights by core business units ▪ Implement IRs aimed at prevention of fraud
2	CP management does not ensure maximization of cash flows due to inefficient use of CP (including non-core/ inefficient CP)	<ul style="list-style-type: none"> ▪ Cash gap (loss) from investment in CP ▪ Loss of potential profit due to retaining non-core/ inefficient CP assets within the Company 	<ul style="list-style-type: none"> ▪ Implement an integrated IT solution that allows maintaining centralized, reliable and relevant accounting and monitoring of CP assets' usage ▪ Monitor CP assets' usage efficiency ▪ Monitoring of timely execution of operations with CP
3	Making decisions on operations with CP assets and their execution on conditions inappropriate for the Company, including due to incompleteness/ inadequate quality of due diligence and CP valuation	<ul style="list-style-type: none"> ▪ Non-achievement of target return on invested capital ▪ Loss of potential profit ▪ Misstatement of the financial statements ▪ Reputational consequences ▪ Expenses on eliminating the consequences of risk events 	<ul style="list-style-type: none"> ▪ Provide methodological support on due diligence and CP valuation ▪ Monitoring the completeness of due diligence, including CP valuation

5.6. STRUCTURE AND HIERARCHY OF INTERNAL REGULATIONS GOVERNING CORPORATE PROPERTY MANAGEMENT

All internal regulations governing corporate property management serve to achieve corporate property management goals and objectives stipulated herein.

The internal regulations governing corporate property management are structured to include this Policy, Standards, Statutes, Guidelines, Instructions, Classification Systems and other internal regulations. This Policy determines the key internal regulations governing corporate property management (Figure 2).

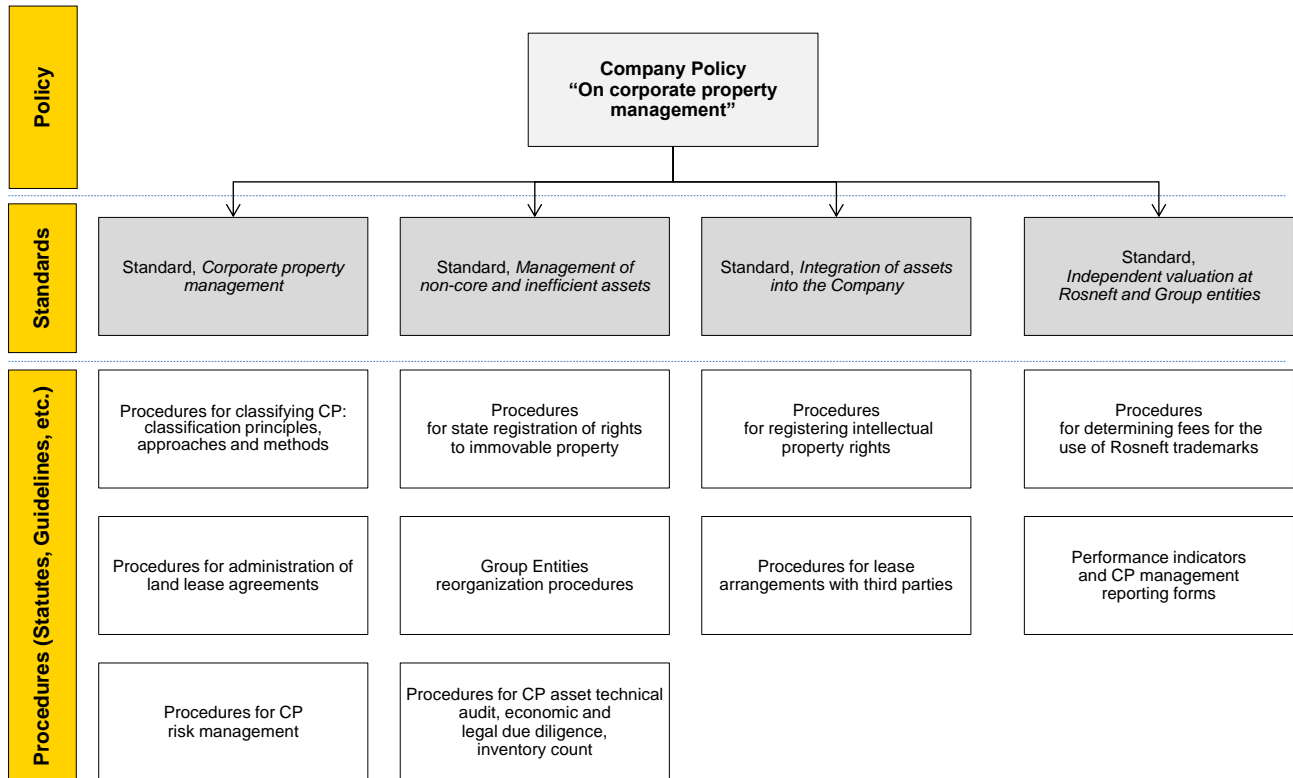


Fig. 2 Key Internal Regulations governing corporate property management

6. AUTOMATION OF CORPORATE PROPERTY MANAGEMENT PROCESSES

In order to ensure the implementation of provisions of this Policy, Rosneft and Group Entities use an IT solution that integrates various IT systems of the Company and allows setting consistent rules for integrating data from various Company IT systems, including through:

- Use of consistent regulatory reference guides and classifiers that take into account economic, legal and technical aspects at all stages of a CP asset's life cycle.

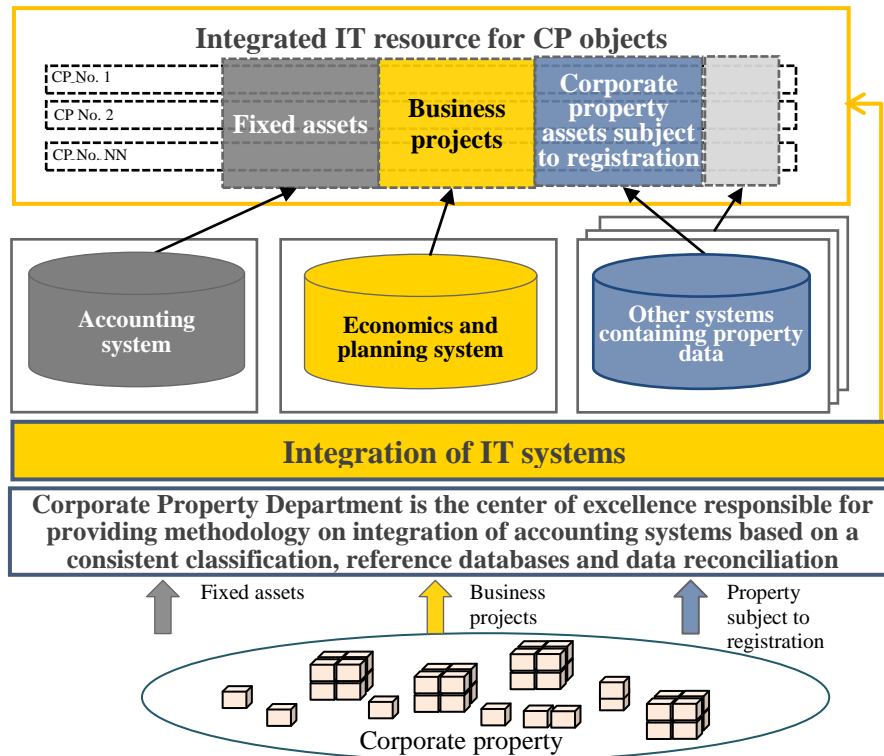


Fig. 3. Scheme of corporate property data integration

The integrated solution ensures automation of CP management processes in respect of:

- Accounting for CP assets based on information in various formats: scanned documents and electronic documents relating to specific corporate properties.
- Keeping and updating CP asset registers, which allow recording and integrating the required and sufficient information for the purpose of CP management. The following registers shall be included: immovable property, intellectual property, legal entities, CP valuation results, CP transactions, etc.
- Monitoring changes in the use of CP assets and monitoring the status of operations with CP assets.
- Preparing regular management reports on the efficiency of CP management containing information in all required aspects necessary for managerial decision-making.

7. POLICY COMMUNICATION AND ROLLOUT

This Policy is a public one.

This Policy is subject to mandatory translation into the English language.

Communication, rollout and accessibility hereof shall be arranged in due order by informing Company employees and publishing the Policy in-house and in external IT resources.

The senior executive of Rosneft in charge of corporate property management shall be responsible for implementing this Policy and monitoring that it stays in line with the Company's activities.

Control over compliance with the requirements of the Policy shall be exercised at two levels:

- Control exercised by senior executives of Rosneft, heads of Rosneft business units, and heads of Group Entities involved in corporate property management processes.
- Independent control (internal and external audit).

As a result of the above measures, the Policy can be duly amended.