

8.7. § Appendix No. 7 Execution of Instructions from the President and the Government of the Russian Federation

8.1. Formation of Ad-Hoc Committees under the Company's Board of Directors, under Instruction of the Government of the Russian Federation No. VZ-P13-6294 dated 23 July 2009

Starting from 2008, the following Committees have been functioning under the Board of Directors of Transneft:

- the Strategy, Investments and Innovations Committee;
- the Audit Committee;
- the Human Resources and Remuneration Committee.

For the purposes of bringing the regulations on Committees in line with the new version of the Company's Articles of Association (approved in 2016), the requirements imposed by the Bank of Russia and the Listing Rules of the Moscow Exchange, the regulations on the Committees were updated by the resolution of the Transneft Board of Directors dated 19 January 2017 (Minutes No. 1).

The KPI System was approved for the Company by the resolution of the Board of Directors of Transneft dated 5 September 2011 (Minutes No. 14); this System was altered on several occasions for the purposes of its improvement. For information on availability of the approved KPI System in the Company, see The Key Performance Indicators (KPI) System subsection.

8.2. On Implementation of the Company's Energy Saving and Energy Efficiency Strategy (Paragraph 8, Instruction No. ISh-P9-3772 of the Government of the Russian Federation dated 18 June 2008 on Implementation of Decree of the President of the Russian Federation No. 889 On Measures to Improve Energy and Environmental Efficiency of the Russian Economy dated 4 June 2008, Letters of the Federal Agency for State Property Management No. GN-13/28934 dated 27 November 2008, No. GN-15/2957 dated 6 February 2012)

Transneft has developed and is implementing its Energy Saving and Energy Efficiency Enhancement Programme for 2019-2024 (hereinafter referred to as the Programme). The Programme is part of the Transneft Long-Term Development Programme. The Programme was approved by the Board of Directors of Transneft on 24 December 2019 (Minutes No. 22).

In pursuance of Letter of the Federal Agency for State Property Management No. GN-15/2957 dated 6

February 2012, data on the Company's performance in the field of energy saving is published on the Federal Agency for State Property Management's intradepartmental portal. For information on Transneft's 2019 performance in the sphere of energy saving, see the Other Documents section of the Transneft personal account.

By the end of 2019, the Energy Saving Programme was carried out in full.

8.3. On Disposal of Non-Core Assets, Pursuant to Decree of the President of the Russian Federation No. 596 dated 7 May 2012 (Letters of the Federal Agency for State Property Management No. GN-13/1359 dated 24 January 2011, No. GN-15/10587 dated 9 April 2012, No. EA-15/48093 dated 25 October 2012), Including Information on Consideration by the Board of Directors Meetings of Disposal of Non-Core Assets of Both the Parent Company and Associate Companies, and Approval of Programmes on the Disposal of those Assets

The data is given in Section 4.12 of the Annual Report (Programme for Disposal of Non-Core Assets) and in Appendix 1.

8.4. On Approval of the Innovative Development Programme Developed (Corrected) on the Basis of the Methodological Instructions Approved by Instruction No. DM-P36-7563 dated 7 November 2015 (Executive Orders of the Government of the Russian Federation No. 1471p-P13 dated 3 March 2016)

Pursuant to Instruction of the Government of the Russian Federation No. DM-P36-7563 dated 7 November 2015 and Executive Order of the Government of the Russian Federation No. 1471p-P13 dated 3 March 2016 on the basis of methodological instructions approved by Instruction of the Government of the Russian Federation No. DM-P36-7563 dated 7 November 2015, the Transneft Innovation Development Programme for 2017–2021 was developed.

The Transneft Innovation Development Programme for 2017-2021 was coordinated with the Ministry of Energy, the Ministry of Education and Science and the Ministry of Economic Development of the Russian Federation; it was approved at the meeting of the Interagency Commission for Technological Development at the Presidium of the Council for

Economic Modernisation and Innovative Development under the President of the Russian Federation (Minutes No. 10-D01 dated 7 October 2016) and then approved by the Board of Directors of Transneft on 11 November 2016 (Minutes No. 21).

8.5. On Proposals and Recommendations Encouraging the Development of Environmental Responsibility Mechanisms that Rely on International Standards, Including Such as Non-Financial Reporting and Voluntary Certification and Marking Systems that are Subject to Independent Audit and Assurance (Subparagraph I, Paragraph 1, List of Instructions from the President of the Russian Federation No. Pr-1640 dated 6 June 2010, Letter of the Federal Agency for State Property Management No. GN-13/37524 dated 5 December 2011)

Transneft's voluntary environmental responsibility mechanism lies in the system of additional obligations assumed by the Company to maintain the scientifically substantiated balance between environmental and economic interests and the socioeconomic needs of the society that promote sustainable development of the Russian Federation.

The Environmental Management System (hereinafter referred to as the EMS) has been developed and implemented and is continuously improved at Transneft and all its subsidiaries to pursue the Transneft Integrated Policy in Occupational Safety, Energy Efficiency, Industrial and Environmental Safety in accordance with the ISO14001:2015 international standard.

The EMS was developed with the structure of the Company's administrative management in mind. Transneft has developed a Responsibility Assignment Matrix to meet environmental law requirements in accordance with the ISO 14001:2015 international standard.

The 2019 audits revealed that the System complied with all ISO 14001 requirements.

In 2019, in pursuance of Executive Order of the Government of the Russian Federation No. 1710p-P13 dated 30 March 2012, as well as the Resolution of Transneft's Board of Directors dated 21 March 2014 (Minutes No. 3) on mandatory annual non-financial reporting, Transneft published the non-financial Sustainable Development Report, that included information on environmental responsibility, on its official website.

8.6. On Expediency of Applying Recommendations on Management of Intellectual Property Rights, as Prescribed by Instructions of the Government of the Russian Federation No. ISh-P8-800 dated 4 February 2014

In pursuance of Instructions of the Government of the Russian Federation No. ISh-P8-800 dated 4 February 2014, the 2014-2017 period saw implementation of the set of main measures to observe the recommendations on management of intellectual property (IP) rights at Transneft and its subsidiaries, in particular:

- an Intellectual Property Management Section in charge of IP rights management was established under Transneft's Innovative Development and R&D Directorate;
- a full-time position of a Senior Expert in Intellectual Property Management was introduced in the technical sections of Transneft subsidiaries;
- the Transneft Intellectual Property Committee was established as a collegial advisory body and has been functioning routinely, governed by the Regulations on Transneft's Intellectual Property Committee adopted by Transneft;
- nine sectoral rules of procedure related to intellectual property were developed and approved at Transneft, including the Fundamental Provisions for Intellectual Property Rights Management at Transneft and its Subsidiaries, the Regulations on Commercialisation of Transneft's Intellectual Property, the Regulations on Identification, Legal Protection and Keeping Records of Transneft's Trade Secrets (Know-How), Making an Inventory of Intellectual Property Rights and other sectoral rules of procedure;
- standard contract templates for deals implying involvement of IP rights in civil-law business (alienation agreements concerning exclusive rights to IP; licensing agreements on the use of rights to IP) were developed;
- targeted inspections were carried out at 7 Transneft subsidiaries in order to ensure that Transneft controls the implementation of IP rights management measures;
- annual measures are taken with regard to IP identification and legal protection, including development and approval of the annual Plan for Legal Protection (Security) of the Intellectual Property of Transneft and its subsidiaries; expert examination of reporting documents and deliverables at all R&D stages in order to identify and keep records of potentially copyrightable IP and prepare recommendations for their legal protection; patent research at various R&D stages, along with construction of patent landscapes; interaction with third parties on the issues of acquisition / alienation of IP rights, entering into licensing agreements on IP usage; supervision

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of notifications of authors on creation of potentially copyrightable IP, including initiative-based IP, etc.

- a unified Intellectual Property Management Information System Database for Transneft and its Subsidiaries (IPMIS DB) designated to render data support to the IP rights management process at all stages of IP lifecycle was developed and introduced;
- a system of continuous training of employees of Transneft and its subsidiaries, including retraining and advanced training programmes and courses in the field of intellectual property, was introduced, and the annual research-to-practice workshop on Transneft's intellectual property involving highly qualified specialists in the field of intellectual property was held;
- annual monitoring of the efficiency of the IP rights management system was introduced at Transneft and its subsidiaries.

8.7. On Development and Approval of the Long-Term Development Programme in Pursuance of Subparagraphs 33 and 34 of Paragraph 1 of Instruction of the President of the Russian Federation No. Pr-3086 dated 27 December 2013 (Executive Orders of the Government of the Russian Federation No. 4955p-P13 dated 17 July 2014, Letter of the Federal Agency for State Property Management No. PF-11/35222 dated 15 August 2014)

On Updating the Long-Term Development Programme and Submission of Audit Opinions Regarding the LDP in Pursuance of Decree of the President of the Russian Federation No. 204 dated 7 May 2018, Instruction from the Government of the Russian Federation No. DM-P13-4513 dated 21 July 2018 (Executive Order of the Government of the Russian Federation No. 276p-P13 dated 17 January 2019)

In pursuance of subparagraphs 33 and 34 of paragraph 1 of Instruction of the President of the Russian Federation No. Pr-3086 dated 27 December 2013 (Executive Order of the Government of the Russian Federation No. 4955p-P13 dated 17 July 2014, Letter of the Federal Agency for State Property Management No. PF-11/35222 dated 15 August 2014), Transneft developed the Transneft Long-Term Development Programme (hereinafter also referred to as LDP, Long-Term Development Programme), approved by the resolution of Transneft's Board of Directors dated 19 November 2014 (Minutes No. 23). Adjustment (update) of the LDP, as well as audit of the LDP implementation involving an expert organisation, are carried out on an annual basis.

As part of the implementation of Executive Orders of the Government of the Russian Federation No. 276p-P13 dated 17 January 2019, the possibility of increasing the capital investments of Transneft and their financing sources was analysed. In September 2019, this issue was submitted for consideration by the Board of Directors of Transneft. In accordance with the decision of the Board of Directors, Transneft management was instructed to ensure the adjustment of the Long-Term Development Programme taking into account the analysis conducted, and submit it for consideration to the Board of Directors (Minutes No. 15).

The adjusted LDP was approved by the decision of the Board of Directors dated 24 December 2019 (Minutes No. 22).

8.8. On Technological and Pricing Audit of Investment Projects. In Pursuance of Executive Order of the Government of the Russian Federation No. 2988p-P13 dated 30 May 2013

In Pursuance of Executive Order of the Government of the Russian Federation No. 2988p-P13 dated 30 May 2013 in accordance with Resolution of the Government of the Russian Federation No. 382 On Holding Public Technological and Pricing Audits of Major Investment Projects [...] dated 30 April 2013 and internal regulatory documents, Transneft carries out technological and pricing audit of investment projects (hereinafter referred to as the TPA).

Based on the aforementioned documents, the technological and pricing audit of investment projects is mandatory for investment projects worth more than RUB 1.5 billion, which are implemented using own and/or loaned funds.

Currently, TPA has been carried out for all investment projects implemented under the Development Programme, which require TPA as per the requirements of the above-mentioned regulatory legal acts.

8.9. On Development of a Set of Measures (List of Measures) for Scheduled and Stage-Wise Replacement of Imported Products (Works, Services) with Procurement of Russian Products (Works, Services) Having Equivalent Technical Features and Consumer Properties and Used in Implementing Investment Projects and in Day-To-Day Operations, Based on Economic Viability and Technological Feasibility Principles;

Inclusion of the List of Measures and Values of Implementation Indicators for those Measures into the Company's Long-Term Development Programme, Taking into Account the Provisions of the Methodological Recommendations on Creation of Long-Term Development Projects (Instructions of the Government of the Russian Federation No. DM-P9-87pr dated 25 November 2013, No. AD-P9-9176 dated 12 December 2014 and No. ISh-P13-1419 dated 5 March 2015) (Executive Order of the Government of the Russian Federation No. 1346p-P13 dated 5 March 2015)

Transneft is constantly working to reduce the dependence of the Russian fuel and energy sector upon imports of equipment, technical devices and components, as well as works and services of foreign companies and use of foreign software.

The implementation of import substitution plan at the Company is regulated by Transneft's Corporate Import Substitution Plan.

Local manufacturing of 26 types of products for trunk pipeline transportation of oil and petroleum products was provided in pursuance of the instruction to increase local manufacturing in the key economy sectors of Russia in order to ensure their invulnerability against external factors.

More than 25 domestic companies were engaged to set up manufacture of the imported products to be substituted: Gazkholodtekhnika, Gusar, Konar, Institut Organicheskogo Sinteza Imeni I. Ya. Postovskogo (Postovsky Institute of Organic Synthesis) and Nauchno-Issledovatel'skiy Institut Sinteticheskogo Kauchuka (the R&D Institute of Synthetic Rubber), TOMZEL, YENKHA, Penztyazhpromarmatura (PTPA), Nefteavtomatika, Impuls-Avia, VMP Holding, AZP, ROCOR R&D and Production Company, UralPOZHTEKHNIKA, Morozovsky Khimichesky Zavod (Morozovsky Chemical Plant) and other Russian companies.

To date, manufacture of 25 equipment types has been fully set up in Russia:

- mechanical process equipment (mainline and booster pumps, four-way valves, sliding gate valves, MPU cooling system fans, pressure and flow regulators (disc, axisymmetrical and ball types), linear electric drives for stop and control valves);
- equipment and instruments for metering oil and petroleum products quantity and quality (LACT, flow, density and viscosity transducers, mechanical displacement provers, spherical pistons for MDPs);

- drag-reducing agents (Transneft Synthesis, based in Yelabuga);
- power equipment (high-voltage electric motors);
- external and internal corrosion-resistant coatings;
- PS automation systems (measuring sets for LACT, radar level gauges, programmable controllers for PSs, water level and temperature measurement systems for tank farms);
- heavy offshore booms (ECO-service-NEFTEGAZ, based in Zhukovsky);
- firefighting foam towers (UralPOZHTEKHNIKA, based in Miass);
- electronic components for inspection equipment (Transneft Diascan and GEATEKH (based in Zelenograd)).

By their specifications, the prototypes obtained meet their foreign peers and Transneft's requirements.

In 2020, production of 1 equipment type for oil and petroleum products trunk pipeline transportation will be set up:

- activated carbon for recovery (production to be set up in Q4 2020).

In 2019, the construction of the Transneft Synthesis manufacturing complex to produce drag-reducing agents (hereinafter referred to as the DRA) that increase the throughput capacity of trunk pipelines, was completed on the territory of the Alabuga special economic zone of the Republic of Tatarstan; at the complex, full-cycle production of drag-reducing agents was organised, starting from manufacture of a catalyst, co-catalyst solution and ending with the release of finished products involving advanced technologies first developed and applied in the Russian Federation.

The production capacity of Phase I of Transneft Synthesis is 3,000 tonnes of DRA per year, which is sufficient to meet both the needs of Transneft and the needs of Russian oil and gas producing companies. It is planned to further increase the plant capacity to 10,000 tonnes of DRA per year. At the initial stage, the project provides for the creation of 168 jobs.

The DRA produced by Transneft Synthesis demonstrate high efficiency when used in Transneft oil and petroleum products trunk pipelines and have proven to be a reliable and effective tool for solving the tasks set within pipeline transportation of liquid hydrocarbons; they are a quality replacement of similar imported articles which is invulnerable to Western sanctions.

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November 2019, as part of the implementation of a special investment contract, the Company completed the construction of the Tyumen Machinery and Repair Plant industrial complex of Transneft Siberia, which specialises in manufacture of domestic products for the needs of the pipeline transportation system of Transneft, including:

- equipment for operating pipeline transport (devices for pigging, calibration of oil trunk pipelines, load compensation systems for tank walls, water outlet devices for tanks);
- equipment for repairs in swampland (amphibious excavator chassis, rotary repair chambers, bypass pipelines, sheet pilings);
- equipment for treatment plants (production and storm wastewater treatment stations, sludge dewatering stations, biotreatment stations).

8.10. On Improving the Company's System of Key Performance Indicators in Pursuance of Paragraph 4 of List of Instructions from the President of the Russian Federation No. Pr-1474 dated 5 July 2013 (Executive Order of the Government of the Russian Federation No. 2579p-P13 dated 25 April 2014)

In pursuance of Paragraph 4 of List of Instructions of the President of the Russian Federation No. Pr-1474 dated 5 July 2013 (Executive Order of the Government of the Russian Federation No. 2579p-P13 dated 25 April 2014), and in accordance with the Methodological Recommendations on the Application of Key Performance Indicators of Business Entities in whose Authorised Capital the Participation Share of the Russian Federation or a Constituent Entity of the Russian Federation Exceeds 50 Percent, and Performance Indicators of Federal State Unitary Enterprises in order to Determine the Amount of Remuneration for their Management Personnel, approved by Directive of the Russian Government No. 1388-r dated 27 June 2019, by Executive Orders of the Russian Government No. 9054p-P13 dated 2 October 2019 and by other instructions of the federal authorities of the Russian Federation, the Company updated the Key Performance Indicators System of Transneft's Economic Activities (approved by the resolution of the Board of Directors of Transneft dated 27 November 2019, Minutes No. 20) and the Methodology for Assessment of the Implementation of Key Performance Indicators of Transneft's Economic Activities (approved by the resolution of the Board of Directors of Transneft dated 26 December 2019, Minutes No. 23).

For more detail on the KPI system adopted by the Company, see Section 4.6 of the Annual Report.

8.11. On Increased Labour Productivity, Creating and Upgrading of High-Performance Jobs. In Pursuance of Subparagraphs 6.2, 6.3 and 6.4, Paragraph 6, Section 2 of the Action Plan Approved by Directive of the Government of the Russian Federation No. 1250-r dated 9 July 2014 (Executive Order of the Government of the Russian Federation No. 7389p-P13 dated 31 October 2014, Letter of the Federal Agency for State Property Management No. 11/47056 dated 5 November 2014)

A list of Transneft's measures ensuring a rise in labour productivity was included in the Transneft Long-Term Development Programme, approved by the resolution of the Transneft Board of Directors on 24 December 2019 (Chapter 11, Personnel Management).

The KPI System of Transneft was expanded to include the Increase in Labour Productivity indicator, whose target values are annually approved by the Transneft Board of Directors.

8.12. On Inclusion of the Main Parameters of the Need for Labour Resources, including Engineering and Technical Specialties, into the Company's Long-Term Development Programme in Accordance with Subparagraph b, Paragraph 2 of List of Instructions from the President of the Russian Federation No. Pr-1627 dated 1 July 2014

The information on the personnel needed at Transneft subsidiaries, including of engineering and technical professions, was included into the Transneft Long-Term Development Programme, approved by the resolution of the Board of Directors on 24 December 2019 (Chapter 11, Personnel Management).

8.13. On Development of the Set of Measures (List of Actions) to Achieve the Operating Expenses (Costs) Reduction by at Least 2-3% Annually (Hereinafter Referred to as the OPEX Reduction Indicator);

inclusion of the List of Actions, Target Values of the Actions' Accomplishment Indicator and OPEX Reduction Indicator Values, Starting From its Value for 2015, into the Long-Term Development Programme;

inclusion of the OPEX Reduction Indicator Target Values into the List of Key Performance Indicators for the Management Activities, and Aligning Achievement of the OPEX Reduction Indicator Values with the Remuneration Rates of the Company's Management;

amendment of the Employment Contract with the Sole Executive Body of the Company to the Extent of Inclusion into it of an Obligation to Achieve the OPEX Reduction Indicator Value Determined in the Company's Long-Term Development Programme (Executive Order of the Government of the Russian Federation No. 2303p-P13 dated 16 April 2015).

For 2019 –2024, the target values for the indicator of the Transneft OPEX Reduction Action Plan achievement were approved by the Company's Board of Directors on 27 November 2019 (Minutes No. 20), as part of Transneft's Programme for Operational Efficiency Improvement and Cost Cutting.

The key activity areas to ensure OPEX reduction at Transneft include:

- cutting down electricity costs;
- optimising procurement;
- cutting down fuel consumption;
- cutting down spending on maintenance services.

In the context of the above activity areas, the Company has developed respective OPEX reduction measures.

Reduction in the cost of power resources is achieved through:

- optimisation of trunk pipelines' process modes;
- optimisation of capacity at trunk pipelines' operating facilities;
- increase in the efficiency of energy-intensive equipment.

Procurement optimisation is achieved through:

- substituting imported products with domestically manufactured products, provided that the quality and reliability of the supplied equipment and components are equal to those of the imported ones;
- specifying a bid price of an item, given that the prior year's prices must not be exceeded.

Lower fuel consumption is achieved through:

- introduction of the GLONASS system and monitoring of the movement of vehicles and special-purpose machinery along the established routes;
- installation of up-to-date automated and highly efficient equipment in boiler houses, reduction of thermal energy loss in heating networks due to the use of modern thermal insulation materials.

Lower spending on maintenance services is achieved through optimisation of operations of maintenance services' providers, installation of modern equipment at maintenance subsidiaries' divisions and adoption of efficient technologies.

In pursuance of Paragraph 5 of List of Instructions from the President of the Russian Federation No. Pr-2821 dated 5 December 2014, issued for the purpose of implementation of the Presidential Address to the Federal Assembly of the Russian Federation of 4 December 2014, Transneft has developed a new Methodology to Calculate the Operating Expenses Reduction Indicator approved by the Resolution of the Board of Directors of Transneft dated 27 December 2018 (Minutes No. 22) for evaluation of the achievement of the Operating Expenses Reduction Percentage KPI, in accordance with the Methodological Instructions on Calculation of Costs Reduction by Joint Stock Companies with the State's Equity Stake Exceeding 50%, approved by Order of the Federal Agency for State Property Management No. 90 dated 10 March 2016.

In the end of 2018, the Board of Directors of Transneft approved the KPI for 2019, including the OPEX Reduction Percentage KPI, with a target value of 2% for 2019 and the actual (expected) reduction of 2.2%.

Chapter 19, Reduction of Operating Expenses, of Transneft's Long-Term Development Programme determines the key goals, areas and anticipated results of the operating expenses reduction and the procedures for implementation of Transneft's plan for reduction of operating expenses, as well as the control of its implementation.

The employment contract with the sole executive body of the Company (President of Transneft) regarding the inclusion of the obligation to achieve the values of the Operating Expenses Reduction Indicator defined in the Transneft Long-Term Development Programme stipulates, "... to carry out activities aimed at achieving the targets and indicators established by the Transneft Long-Term Development Programme (including the labour productivity indicator), in the relevant areas of the Company's activities."

8.14. On Inclusion of the Integrated Key Performance Indicator Of Innovative Activities Developed in Accordance with the Guidelines Approved by Instruction of the Government of the Russian Federation No. DM-P36-7563 dated 7 November 2015, since 2016 (Executive Order of the Government of the Russian Federation No. 1472p-P13 dated 3 March 2016; Letter of the Federal Agency for State Property Management No. AT-2424/02 dated 11 March 2016).

Following the recommendations of the Ministry of Economic Development of the Russian Federation approved by Instruction of the Government of the

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Russian Federation No. DM-P36-7563 dated 7 November 2015, and in pursuance of Executive Orders of the Government of the Russian Federation No. 1472p-P13 dated 3 March 2016 (Letter of the Federal Agency for State Property Management No. AT-2424/02 dated 11 March 2016), a comprehensive audit of performance indicators of 87 foreign companies leading in the global oil and petroleum products transportation, was carried out involving the independent international consulting company KPMG in 2015. The obtained results were used by Transneft as a basis to develop its Integrated Key Performance Indicator of Transneft's Innovative Activities.

The recommendations on the scope, the method of calculation and the target values of the Integrated Key Performance Indicator of Transneft's Innovative Activities were agreed upon with the Ministry of Economic Development and the Ministry of Energy of the Russian Federation.

The resulting Integrated Key Performance Indicator of Innovative Activities was included in the System of Key Performance Indicators of Transneft's Economic Activities.

The Integrated Key Performance Indicator of Innovative Activities of Transneft with target values for the period from 2016 to 2021 was also included in Transneft's Long-Term Development Programme and the Innovative Development Programme of Transneft for the period from 2017 to 2021.

8.15. On Development, in Accordance with the Methodological Instructions Approved by the Government of the Russian Federation within Implementing Subparagraph 5 of Paragraph 1 of List of Instructions of the President of the Russian Federation No. Pr-3013 dated 5 December 2014, Approval and Implementation of the Following Internal Documents of the Company:

- the Rules of Procedure for Improvement of the Investment and Operational Performance and Cost Reduction;
- the Regulations on Internal Audit;
- the Regulations on the Risk Management System;
- the Regulations on the Quality Management System;
- the Regulations on the Development Procedures and Implementation of Long-Term Development Programmes (Executive Order of the Government of the Russian Federation No. 3984p-P13 dated 24 June 2015; Letter of the Federal Agency for State Property Management No. 11/27343 dated 7 July 2015)

In pursuance of Executive Order of the Government of the Russian Federation No. 3984p-P13 dated 24

June 2015, by virtue of the resolution of the Board of Directors of Transneft dated 16 November 2015 (Minutes No. 28), the following internal documents of the Company were approved:

- the Transneft Rules of Procedure for Improvement of the Investment and Operational Performance and Cost Reduction;
- the Transneft Regulations on Internal Audit;
- the Transneft Regulations on the Quality Management System;
- the Transneft Regulations on the Risk Management System;
- the Transneft Regulations on the Development and Implementation of the Innovation Development Programme.

The aforementioned documents were developed in line with the Methodological Instructions approved by the Government of the Russian Federation.

8.16. On Implementation of the Corporate Governance Code in Line with Instruction of the Government of the Russian Federation No. ISH-SH3-5859 dated 31 July 2014, Paragraph 4, Section I of Minutes No. 5 of the Meeting of the Government of the Russian Federation on 13 February 2014 (Executive Order of the Government of the Russian Federation No. 5667p-P13 dated 2 September 2014)

The Board of Directors of Transneft approved the Transneft Action Plan (Road Map) for Implementation of the Corporate Governance Code (CGC) (18 September 2015, Minutes No. 23). For a detailed report on the introduction of the CGC into the activities of the Company and on compliance with the CGC throughout the reporting year, please see Section 7.2 (Information on Following the Recommendations of the Corporate Governance Code).

In September 2019, the Board of Directors of Transneft approved the Transneft Corporate Governance Code (Minutes No. 16 dated 23 September 2019).

8.17. On Establishing Unified Boards of Treasury of the Parent, Subsidiary, and Affiliated Joint-Stock Companies. In Pursuance of Paragraph 1 of Instruction of the President of the Russian Federation No. Pr-1032 dated 7 May 2014 (Executive Orders of the Government of the Russian Federation No. 5110p-P13 dated 8 August 2014 and No. 1769p-P13 dated 26 March 2015)

In pursuance of Executive Orders of the Government of the Russian Federation No. 1796p-P13 dated 26 March 2015, updated information on the analysis of the results of having a unified board of treasury established at Transneft was submitted to the Ministry

of Finance of Russia and to Rosfinmonitoring (the Federal Financial Monitoring Service).

8.18. On Purchase of Competitive Domestically Manufactured Software Required for the Activities of the Joint-Stock Company, in Pursuance of Instruction of the Government of the Russian Federation No. ISh-P13-1872 dated 1 April 2016 (Executive Orders of the Government of the Russian Federation No. 4972p-P13 dated 11 July 2016)

In 2019, Transneft spent RUB 13.2 million on purchase of domestically produced software, acting in pursuance of the instruction from the Government of the Russian Federation on preferred use of domestic software.

8.19. On Changing the Procurement Policy of Transneft, as Regards Innovative Building Materials, in Pursuance of Paragraph 7 of Minutes of the Meeting of the Chairman of the Russian Government No. DM-P9-38pr dated 14 June 2016 (Executive Order No. 6558p-P13 dated 5 September 2016)

In line with Executive Order of the Government of the Russian Federation No. 6558p-P13 dated 5 September 2016, on 9 November 2016 the Transneft Board of Directors made a decision (Minutes No. 20) to amend the Regulations on the Procurement of Goods, Works and Services in the following:

- prioritising the procurement of Russian innovative building materials;
- the possibility of signing long-term contracts with Russian producers of building materials, with guaranteed supplies of innovative building materials in the future, as well as with manufacturers who have formalised special investment contracts for production of these materials in accordance with the established procedure.

8.20. On Expanding the Use of Factoring in the Execution of Contracts for the Delivery of Goods (Performing Works, Rendering Services) (Executive Orders of the Government of the Russian Federation No. 7704p-P13 dated 11 October 2016, No. 4111p-P13 dated 8 May 2019)

As per Executive Order of the Government of the Russian Federation No. 7704p-P13 dated 11 October 2016, the Transneft Board of Directors made a decision dated 9 November 2016 (Minutes No. 20) to make amendments to the Transneft Regulations on the Procurement of Goods, Works and Services, as regards the procedure for using factoring (the assignment of claim) in the execution of contracts for supplying goods (performing works, rendering services), signed by the Company with SMEs, based on the results of procurement using the methods specified in the

Regulations, save for auction sales pursuant to the civil laws of the Russian Federation.

As per Executive Order of the Government of the Russian Federation No. 4111p-P13 dated 8 May 2019, the Transneft Board of Directors made a decision on 25 June 2019 (Minutes No. 11) to make amendments to the Transneft Regulations on the Procurement of Goods, Works and Services, as regards the availability of factoring (the assignment of claim) options in the execution of contracts for supplying goods (performing works, rendering services), signed by the Company with SMEs, based on the results of procurement through auction sales pursuant to the civil laws of the Russian Federation.

8.21. On Development and Adoption of Local Regulatory Acts by Transneft, Regulating the Procurement Standards of Certain Goods, Works and Services;

on Publication of Procurement Standards on the Official Websites of Transneft in the Internet;

on Mandatory Use of Procurement Standards in Planning and Conduct of Transneft's Operational Activities in Pursuance of Paragraph 2 of Instruction of the Russian Government No. DM-P9-8413 dated 12 December 2015 (Executive Order of the Government of the Russian Federation No. 2793p-P13 dated 19 April 2016)

In accordance with Executive Orders of the Government of the Russian Federation No. 2793p-P13 dated 19 April 2016, the Transneft Board of Directors approved the Procurement Standards for Certain Types of Goods, Works and Services (hereinafter referred to as the Procurement Standards) on 28 July 2016 (Minutes No. 14).

In accordance with Paragraph 3.5 of the Procurement Standards, the Standards were adjusted (updated) and approved by the Transneft Board of Directors (Minutes No. 16 dated 23 September 2019).

The approved Procurement Standards are published on the Company's official website (www.transneft.ru).

The Procurement Standards are used by Transneft in procurement planning and procurement documentation preparation, as well as for the control of prices included in the Procurement Standards of Goods, Works and Services stipulated in the contracts signed on the basis of procurement results.

8.22. On Introducing Professional Standards in the Activities of the Joint-Stock Company, in Pursuance of Paragraph 3, Section I of Meeting

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of the Government of the Russian Federation No. 9 dated 24 March 2016 (Executive Orders of the Government of the Russian Federation No. 5119p-P13 dated 14 July 2016)

In accordance with Executive Order of the Government of the Russian Federation No. 5119p-P13 dated 14 July 2016, in 2018, two meetings of the Transneft Board of Directors were initiated to consider the following issues:

- adjustment of the Plan for Introduction of Professional Standards in Transneft and Transneft Subsidiaries in 2016–2020. Based on the results of monitoring the professional standards approval (updating), the Board of Directors approved the revised Plan for Introduction of Professional Standards in Transneft and Transneft Subsidiaries in 2016–2020, which provides for introduction of 14 professional standards for 12 thousand employees of Transneft subsidiaries in 2020.

- report on implementation of the Plan for Introduction of Professional Standards in Transneft and Transneft Subsidiaries in 2016–2020. Under the Plan for Introduction of Professional Standards in Transneft and Transneft Subsidiaries in 2016–2020, the introduction procedure for 14 professional standards covering about 2.5 thousand employees was completed in Transneft and its subsidiaries in 2019.

8.23. On Approving the Accounting Procedure for Investment Projects Included in the List of Investment Projects in Pursuance of Paragraph 6 of Resolution of the Government of the Russian Federation No. 1516 dated 30 December 2015 (Executive Orders of the Government of the Russian Federation No. 1659p-P13 dated 15 March 2016)

On Evaluation of Existence of Ongoing or Planned Major Investment Projects (Executive Orders of the Government of the Russian Federation No. 12119p-P13 dated 25 December 2019)

On 16 August 2018, the Government of the Russian Federation issued Resolution No. 949 to approve exclusion of Paragraph 6 from Resolution of the Government of the Russian Federation No. 1516 dated 30 December 2015 (hereinafter the Resolution), which required that companies with state participation, including Transneft, formed a list of investment projects meeting the criteria specified in the Resolution and submitted it to the Ministry of Industry and Trade of the Russian Federation.

According to the amendments made to the resolution, such a list of investment projects shall be formed by the competent executive authorities on the basis of applications from the initiators of the investment projects and contain projects envisaging state support. The executive authority shall submit the list to the competent authority, that keeps the investment project register, without the participation of the investment project initiator. If the allocation of state support to a project is approved, the executive authority shall notify the applicant of the project's inclusion in the federal register.

There is no state support envisaged for the investment projects implemented by Transneft.

Considering the fact that to date, Transneft has not been obliged to keep a separate list of projects, the Management Board of Transneft declared the sectoral rules that determined the procedure for the Company to keep a list of projects, invalid in August 2019.

In pursuance of Executive Order of the Government of the Russian Federation No. 12119p-P13 dated 25 December 2019, the Board of Directors of the Company resolved to ensure annual submission to the Ministry of Economic Development of Russia and the Federal Agency for State Property Management of information on investment projects of Transneft, including those newly included in the Transneft Investment Programme, for which the total amount of capital investments exceeds RUB 10 bn, excluding VAT, in the form and within the terms established by the executive order. The information on investment projects is to be submitted within the set deadlines, i.e. annually in April and October. In pursuance of the executive orders and the decision of the Board of Directors of Transneft, information on Transneft's investment projects meeting the established requirements was sent to the Ministry of Economic Development of Russia and the Federal Agency for State Property Management on 11 March 2020.

8.24. On Amending Development Plans, Including Long-Term Development Programmes, the Company's Strategies and Investment Programmes, as Regards the Introduction of Separate Sections (Special Measures) Prioritising the Financing of Socioeconomic Development of Russia's Far East (Development of Such Measures, if Needed), in Pursuance of Subparagraph B of Paragraph 6 of Instruction of the Government of the Russian Federation No. DM-P16-6658 dated 30 September 2015 (Executive Orders of the Government of the Russian Federation No. 4531p-P13 dated 28 June 2016)

As part of execution of Subparagraph b, Paragraph 6 of Instruction of the Government of the Russian Federation No. DM-P16-6658 dated 30 September 2015 (Executive Orders of the Government of the Russian Federation No. 4531p-P13 dated 28 June 2016), a section on the development of Russia's Far East was included in the Transneft Long-Term Development Programme (Chapter 24, Transneft's Activities in the Territory of the Far Eastern Federal District). The amended LDP was approved by the Board of Directors of Transneft on 30 December 2016 (Minutes No. 27). All planned parameters' values are given for each constituent entity included in the FEFD (Far Eastern Federal District) separately, in accordance with the instructions of the Government of the Russian Federation, as part of the annual LDP adjustment for 2017, in the section on the development of Russia's Far Eastern Federal District. In preceding years, the target values were established for the FEFD as a whole.

In 2019, as per the Methodological Recommendations on the Creation of Long-Term Development Projects by Joint-Stock Companies and Federal State Unitary Enterprises, as well as by Public Joint-Stock Companies, Whenever the Aggregate Share of the Russian Federation in the Authorised Capital of Such Companies Exceeds 50%, the Transneft Long-Term Development Programme was adjusted as scheduled, and its term was extended until 2024.

8.25. On the Procedure for Identification and Disposal of Non-Core Assets, in Pursuance of Instruction of the President of the Russian Federation No. Pr-348 dated 22 February 2016 (Executive Orders of the Government of the Russian Federation No. 4863p-P13 dated 7 July 2016)

Based on Executive Order of the Government of the Russian Federation No. 4863p-P13 dated 7 July 2016, the Transneft Board of Directors approved the Programme for Disposal of Transneft Group's Non-Core Assets and the Non-Core Assets Register on 14 October 2016.

On the basis of Executive Order of the Government of the Russian Federation No 6604p-P13 dated 18 September 2017, and in accordance with Methodological Recommendations of the Government of the Russian Federation on Non-Core Assets Identification and Disposal No.894-r dated 10 May 2017, the Transneft Board of Directors approved a new version of the Programme for Disposal of Transneft Group's Non-Core Assets (including the Transneft Group Non-Core Assets Register) on 27 December 2017.

By the resolution of the Board of Directors of Transneft dated 20 April 2020, the Programme for Disposal

of Transneft Group's Non-Core Assets was declared completed.

8.26. On Introduction of Recommendations on Intellectual Property Rights Management. Instruction of the Government of the Russian Federation No. ISh-P8-5594 dated 25 August 2017. Executive Orders of the Government of the Russian Federation No. 9177-P13 dated 12 December 2017.

In pursuance of Instructions of the Government of the Russian Federation No. ISh-P8-5594 dated 25 August 2017 and Executive Order No. 9177-P13 On Implementation of the Recommendations on Management of Intellectual Property Rights (hereinafter the Recommendations) dated 12 December 2017, the following activities were carried out in 2018-2019 by decision of the Board of Directors of Transneft:

- an analysis of IP rights management at Transneft was performed in accordance with the provisions of the Recommendations on Management of Intellectual Property Rights approved by the Instruction;
- the Fundamental Provisions on Management of Intellectual Property Rights at Transneft and its subsidiaries were developed and approved by the Board of Directors of Transneft (instead of the current document approved in 2014);
- the programme (internal document) on IP rights management at Transneft was developed and adopted by decision of the Board of Directors of Transneft in accordance with the Recommendations.

Additionally, in order to improve the efficiency of the current IP rights management system, a set of the following measures was implemented at Transneft and its subsidiaries in 2018-2019:

- Transneft's sectoral rules relating to intellectual property were developed and adopted: the Regulations on Determining the Initial Value of Intangible Assets and the Value of R&D Costs, as well as on the Procedure for Including them on the Balance Sheet; the Regulations on Foreign Patenting of Intellectual Property of Transneft and Transneft subsidiaries;
- the Intellectual Property Commission held 6 meetings dedicated to various issues of legal protection, use and keeping records of intellectual property at Transneft and its subsidiaries;
- further implementation of the comprehensive patent analytics system was continued at Transneft, for the Company and its subsidiaries to further apply the obtained IP in their business; thus, preliminary patent research required for including the announced R&D subjects in the annual R&D Master Plan for Transneft and its subsidiaries was conducted, patent studies were carried out at the R&D stage, and patent landscapes were built for 5 priority technology areas of Transneft;

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- the Company arranged and held 2 research-to-practice workshops on Transneft's intellectual property, as well as 18 online workshops on intellectual property rights management, for the personnel of Transneft and its subsidiaries, with highly qualified specialists in the field of intellectual property rights involved. Personnel retraining and refresher courses and programmes in the field of intellectual property were attended by 25 employees of Transneft and its subsidiaries;
- 9 targeted audits of IP rights management were conducted in order to monitor the implementation of Transneft's unified intellectual property policy at Transneft subsidiaries;
- works on upgrading the Intellectual Property Management Information System Database for Transneft and its Subsidiaries (IPMIS DB) were performed;
- the annual activities to identify, legally protect and defend IP rights continued.

8.27. On Transition to Prioritised Use of Domestic Software. Paragraph 4 of Section II of Minutes of the Government Commission Meeting on the Use of Information Technologies to Improve the Quality of Life and the Business Conditions No. 1 dated 9 February 2018 (Executive Orders of the Government of the Russian Federation No. 10068p-P13 dated 6 December 2018)

The Board of Directors of Transneft (Minutes No. 7 dated 17 May 2019) adopted an Action Plan for Transfer of Transneft and Transneft subsidiaries to Prioritised Use of Domestic Software for 2019-2021.

In accordance with this Plan, the following activities were implemented or launched in 2019.

A survey of the existing information and computing infrastructure, software and computer appliances of Transneft was planned and conducted in order to form a list of the system and application software and corporate information systems currently in use.

Stocktaking was performed and the foreign software used by Transneft was listed.

Transneft also developed and introduced a functional classification of workplaces in terms of office software and requirements to office software.

Functional requirements for automated workplaces were developed and adopted.

Since November 2019, the Company has been analysing its imported infrastructure software in order to maintain operability in case of restrictions on updating/purchase of license keys/technical support

are imposed or other factors occur which may lead to failures in corporate information systems.

Since October 2019, work has been carried out on a permanent basis to make amendments to the organisational and management documentation.

17 categories of domestic software were identified in terms of information and computing infrastructure. Of them, 9 categories were identified for further examination of implementation possibilities. For this purpose, functional requirements and testing programmes and techniques were developed.

The work with manufacturers of the domestic software is conducted on a regular basis.

Since July 2019, work has been underway to organise practical compatibility testing of the AlterOffice and AMail office software with the corporate information systems.

In 2019, plans were developed and adopted to test the functions of domestic database management systems, office software, operating systems for servers and workstations.

8.28. On Comparison of the Technological Development Level and Current KPI Values with the Development Level and Values of Leading Peer Companies in Accordance with the Methodological Recommendations (Executive Orders of the Government of the Russian Federation No. 3262p-P13 dated 27 April 2018)

In accordance with Order of the Government of the Russian Federation No. ISh-P13-1925 dated 5 April 2018, Paragraph 9, Section III of Minutes of the meeting of the Interagency Task Force for the Implementation of Priorities for Innovation Development under the Presidium of the Council for Economic Modernisation and Innovative Development under the President of the Russian Federation No. 1 dated 14 April 2017, as well as with Letter of the Ministry of Economic Development of Russia No. 32225-OF/D01 dated 13 November 2017 and in pursuance of Executive Orders of the Government of the Russian Federation No. 3262p-P13 dated 27 April 2018 to representatives of the interests of the Russian Federation for their participation in meetings of the Boards of Directors (the Supervisory Boards) of joint-stock companies included in the special list approved by Directive of the Russian Government No. 91-r dated 23 January 2003 implementing innovation development programmes, and the relevant decision of the Board of Directors of Transneft dated 22 May 2018 (Minutes No. 9), in 2018 Transneft compared

the technological development level and current key performance indicators (KPIs) of Transneft's innovations with the level of development and indicators of leading peer foreign companies (the Comparison); the procedure involved the National Research University Higher School of Economics in accordance with the Methodological Recommendations of the Ministry of Economic Development of Russia, approved by the Interagency Task Force for the Implementation of Priorities for Innovation Development under the Presidium of the Council for Economic Modernisation and Innovative Development under the President of the Russian Federation (Minutes No. 2 dated 19 September 2017).

On 31 October 2018, the report on the conducted Comparison was sent to the Ministry of Economic Development of Russia and the Ministry of Energy of Russia.

8.29. On Intellectual Property Rights Inventory for the Purpose of Further Implementation of Measures to Provide the Identified Intellectual Property Rights Owned by the Company with Legal Protection, Place the Intellectual Property Rights on the Balance Sheet as Intangible Assets for their Further Introduction into the Economic Turnover and Ensure Monetary Evaluation of these Intellectual Property Rights (Executive Orders of the Government of the Russian Federation No. 7050 dated 30 August 2018)

During a special meeting of the Board of Directors of Transneft, a decision to make an inventory of the intellectual property rights (hereinafter referred to as IP rights) at Transneft and its subsidiaries was taken.

In accordance with the decision of the Board of Directors of Transneft and Order No. 166 dated 6 November 2019, Transneft and its subsidiaries made an inventory of their IP rights within the set timeframe of 30 November 2018 to 3 June 2019.

The results of the IP rights inventory were considered at the meeting of the Central Inventory Commission of Transneft. Recommendations of the Central Inventory Commission of Transneft on IP rights management were prepared for Transneft subsidiaries.

Based on the results of the inventory and the developed sets of measures, Transneft and its subsidiaries implemented the recommendations of the Central Inventory Commission of Transneft on IP rights management.

8.30. On the Procedure for Approval by the Ministry for the Development of the Russian Far East of Investment Programmes and Other Sets of Measures for Infrastructure Development Implemented by State Enterprises, State-Owned Companies and Other Organisations with State Participation

In pursuance of Executive Orders of the Government of the Russian Federation No. 8860p-P13 dated 29 October 2018 to representatives of the interests of the Russian Federation for their participation in meetings of the Boards of Directors (the Supervisory Boards) of joint-stock companies included in the special list approved by Directive of the Russian Government No. 91-r dated 23 January 2003 and the relevant resolution of the Board of Directors of Transneft dated 11 December 2018 (Minutes No. 19) to ensure the compliance of Transneft's internal regulatory documents with the procedure approved by Resolution of the Government of the Russian Federation No. 1502 On the Procedure for Approval by the Ministry for the Development of the Russian Far East of Plans and Target Programmes of State Enterprises, State-Owned Companies and Other Organisations dated 27 December 2016 (in the version approved by Order of the Government of the Russian Federation No. 232 dated 6 March 2018), Transneft developed the regulatory document titled "Oil and Petroleum Products Trunk Pipeline Transportation. The Procedure for Approving Transneft's Plans and Target Programmes by the Ministry for the Development of the Russian Far East" (approved by Transneft Order No. 193 dated 20 December 2018).

8.31. On Purchase of Russian Goods Used for Implementation of National Projects and Involved in the Comprehensive Plan for Modernisation and Expansion of Mainline Infrastructure (Executive Orders of the Government of the Russian Federation No. 9984p-P13 dated 1 November 2019)

By the decision of the Board of Directors of Transneft dated 23 December 2019 (Minutes No. 21), the Regulations on the Procurement of Goods, Works and Services of Transneft (hereinafter referred to as the Procurement Regulations) have been amended, providing for prioritised procurement of Russian goods specified in the Annex to Order of the Ministry of Finance of Russia No. 126n On the Conditions for Admission of Goods Originating from a Foreign State or a Group of Foreign States for the Purpose of Procurement of Goods to Meet State and Municipal Needs dated 4 June 2018, in accordance with the provisions of Resolution of the Russian Government No. 925 dated 16 September 2016.

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8.32. On Increasing Labour Productivity (Executive Order of the Government of the Russian Federation No. 12153p-P13 dated 25 December 2019)

In Pursuance of Executive Order of the Government of the Russian Federation No. 12153p-P13 dated 25 December 2019, a meeting of the Board of Directors of Transneft was held (Minutes of the meeting of the Board of Directors of Transneft No. 4 dated 6 March 2020), which made the decision to arrange the works for Transneft to develop a method of calculating the productivity indicator based on the method approved by Order of the Ministry of Economic Development of Russia No. 659 dated 15 October 2019, as well as to have it considered by the Ministry of Economic Development of Russia.

8.33 On the Possibility of the Joint-Stock Company's Transition to Tax Control in the Form of Tax Monitoring (Executive Order of the Government of the Russian Federation No. 11528p-P13 dated 13 December 2019)

In accordance with Executive Order of the Government of the Russian Federation No. 11528p-P13 dated 13

December 2019, the meeting of the Board of Directors of Transneft dated 31 January 2020 considered the possibility of the Company's transitioning to tax control in the form of tax monitoring (Minutes No. 1 dated 31 January 2020).

Measures were developed for the transition of Transneft Baltic, a subsidiary of Transneft, to tax control in the form of tax monitoring starting from 2021.

The Road Map of Preparations for the Transition of Transneft Baltic to Tax Control in the Form of Tax Monitoring was approved by Letter No. 09-08/04639 of the Interregional Inspectorate of the Federal Tax Service of Russia for Largest Taxpayers No. 2 as of 26 March 2020.