



AVANT-GARDE in detail

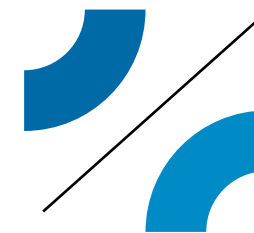
ANNUAL REPORT 2020



TRANSNEFT



AVANT-GARDE in detail



ANNUAL REPORT
2020



EXHIBITION LAYOUT

RUSSIAN AVANT-GARDE

1

COMPANY PROFILE

- 1.1. Transneft Group
- 1.2. Key Indicators
- 1.3. Address of the Chairman of the Board of Directors
- 1.4. Key Events of the Year
- 1.5. The Structure of Transneft Group
- 1.6. Business Model

3

OPERATING RESULTS

- 3.1 Address of the President
- 3.2. Oil Transportation
- 3.3. Petroleum Products Transportation
- 3.4. Operational Assets for Transportation of Oil and Petroleum Products
- 3.5. NCSP Group
- 3.6. Caspian Pipeline Consortium (CPC)
- 3.7. The International Association of Oil Transporters

2

SITUATION IN THE INDUSTRY

- 2.1. The Company's Standing in the Industry
- 2.2. Sectoral Forecast for 2021–2023
- 2.3. Place of Transneft in the Rating of Oil and Petroleum Products Transportation Companies around the World

DEVELOPMENT STRATEGY

- 4.1. Main Areas of Development
- 4.2. Transneft Strategy
- 4.3. Long-Term Development Programme
- 4.4. Key Performance Indicators (KPI) System
- 4.5. Investment Projects
- 4.6. Execution of the Transneft Development Programme
- 4.7. Raising the Operational Efficiency
- 4.8. Innovative Development
- 4.9. Achievements in Foreign Markets
- 4.10. Programme for Disposal of Non-Core Assets

FINANCIAL OVERVIEW

- 5.1. Transneft Group's Key Financial and Economic Performance Indicators under IFRS
- 5.2. Key Financial and Economic Performance Indicators of Transneft under RAS
- 5.3. Financial Performance Indicators under RAS
- 5.4. Capital Investment Financing Sources

SUSTAINABLE DEVELOPMENT

- 6.1. Sustainable Development Principles of Transneft Group
- 6.2. Environmental Protection
- 6.3. Use of Energy Resources and Energy Conservation
- 6.4. HR Policy
- 6.5. Occupational Safety
- 6.6. Developing Regions of Operation
- 6.7. Social Responsibility
- 6.8. Interaction in Emergencies
- 6.9. Cybersecurity
- 6.10. Responsible Procurement
- 6.11. Company's Activities in the Field of Environment, Social and Corporate Governance

7

CORPORATE GOVERNANCE

- 7.1. Address on Behalf of the Board of Directors
- 7.2. Information on Following the Recommendations of the Corporate Governance Code
- 7.3. Key Events of the Year and the Period after the Reporting Date in Corporate Governance
- 7.4. Management and Control Bodies
- 7.5. General Meeting of Shareholders
- 7.6. Board of Directors
- 7.7. Executive Governing Bodies
- 7.8. Remuneration System for Key Management
- 7.9. Revision Commission
- 7.10. Risk Management System
- 7.11. Control and Audit System
- 7.12. Authorised Capital and Securities
- 7.13. Information on Transactions, Membership in Organisations and Legal Proceedings

8

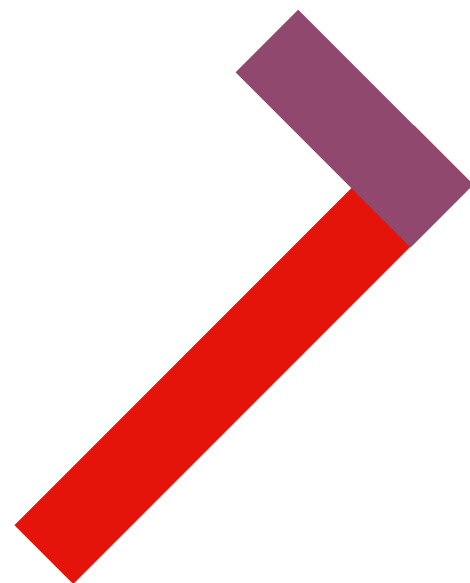
APPENDICES

- Appendix No. 1
Information on Transneft's Membership in Business Entities and Non-Profit Organisations as of 31 December 2020
- Appendix No. 2
Information on Agreements Concluded by Transneft in 2020 on Purchase and Sale of Shares (Stakes) in Business Entities
- Appendix No. 3
List of Interested-Party Transactions
- Appendix No. 4
List of Major Transactions Made by Essential Transneft Subsidiaries in 2020
- Appendix No. 5
Capital Investment Financing Sources of Transneft in 2020
- Appendix No. 6
Corporate Governance Code Principles Compliance Report
- Appendix No. 7
Execution of Instructions from the President and the Government of the Russian Federation
- The Company's History and Outlook
Glossary

The Annual Report of Transneft for 2020 was preliminary approved by the Board of Directors of Transneft on 24 May 2021 (Minutes No. 6 dated 24 May 2021), and approved by the order No. 283-p of the Federal Agency for State Property Management (Rosimushchestvo) dated 29 June 2021.

COMPANY PROFILE

- 1.1. — 8
Transneft Group
- 1.2. — 12
Key Indicators
- 1.3. — 16
Address of the Chairman of the Board
of Directors
- 1.4. — 18
Key Events of the Year
- 1.5. — 22
The Structure of Transneft Group
- 1.6. — 24
Business Model



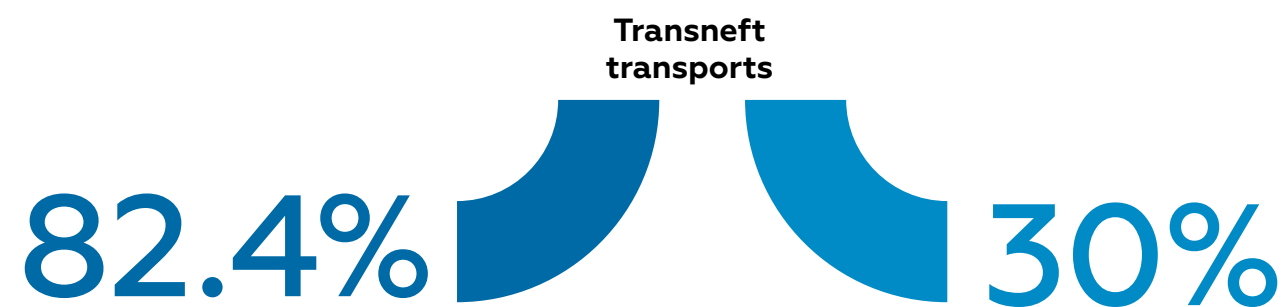
SUPREMATISM

— a movement in avant-garde art founded in 1915 by Kazimir Malevich. Suprematism was expressed in combinations of multi-coloured planes of the simplest geometric outlines (geometric shapes of a straight line, square, circle and rectangle). The combination of multi-coloured and multi-sized geometric forms created balanced asymmetric suprematist compositions permeated with internal movement.



A Tanker With A Load Of Crude Oil Leaving The Port Of Kozmino

1.1. TRANSNEFT GROUP



of crude oil

Transneft is the largest oil pipeline company in the world, a natural monopoly transporting oil and petroleum products via trunk pipelines in Russia; it is controlled by the state and included in the list of joint stock companies of strategic importance¹

of light petroleum products produced in Russia

Transneft operates

67

thou km of trunk pipelines

500

pumping stations

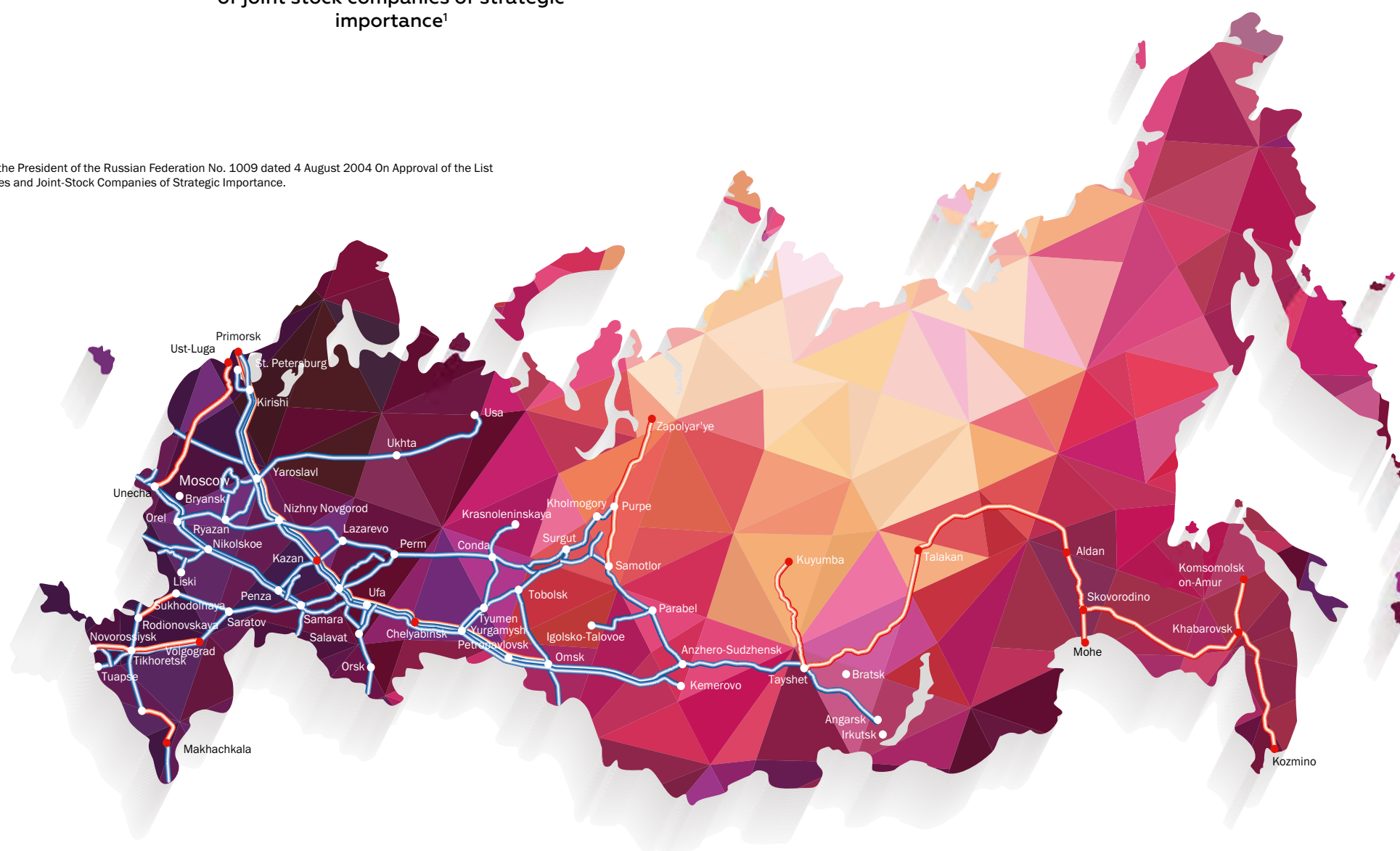
24

mln m³ of storage tanks

¹ Decree of the President of the Russian Federation No. 1009 dated 4 August 2004 On Approval of the List of Enterprises and Joint-Stock Companies of Strategic Importance.

Competitive Advantages

- Monopoly over the oil pipeline transportation market.
- Low specific operating expenses compared to rail and water transport.
- Short terms of oil and petroleum products delivery, independent of the speed of their physical movement via the trunk pipeline system.



1.1. TRANSNEFT GROUP

Development Prospects

Capital investment financing volumes, RUB bn

	2018 (actual)	2019 (actual)	2020 (actual)	2021–2025 (target)
TOTAL for the Development, Technical Upgrading and Revamping Programme for trunk pipeline facilities	258.6	282.6	196.4	1,256.2
Technical Upgrading and Revamping Programme	194.8	244.5	193.3	1,213.3
Investment Programme	63.8	38.1	3.1	42.9

In 2020, Transneft continued to implement key projects:

Revamping oil trunk pipelines for transportation of oil to refineries in Krasnodar Territory with the connection of the Afipsky Refinery to the Novoveliichkovskaya – Krasnodar oil trunk pipeline



Developing a corporate data communication network to build Transneft's unified information system



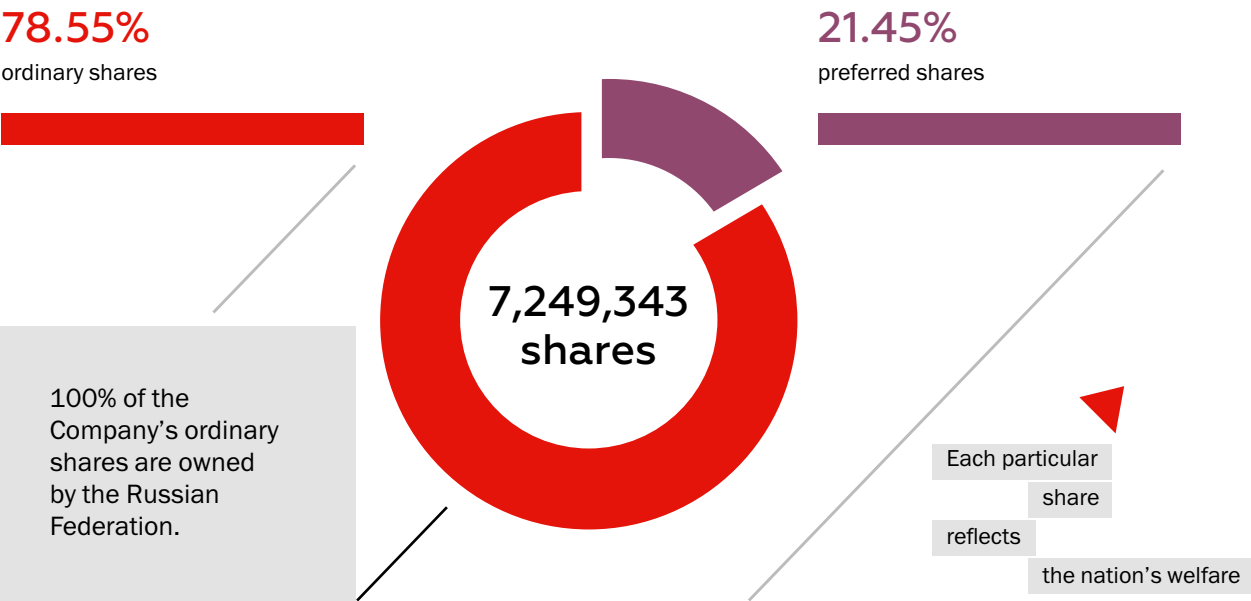
Authorized capital

As of 31 December 2020, the authorised capital of the Company amounted to RUB 7,249,343 (seven million two hundred and forty-nine thousand three hundred and forty-three rubles) and was split into 7,249,343 shares, including:

5,694,468 ordinary shares at par value of RUB 1 each

1,554,875 preferred shares at par value of RUB 1 each

Authorized capital structure as of 31 December 2020



The Company's preferred shares are listed on the Moscow Exchange.

Ticker **TRNFP** Price of the preferred shares as of 30 December 2020, RUB **140,600**

Preferred shares price behaviour in 2020

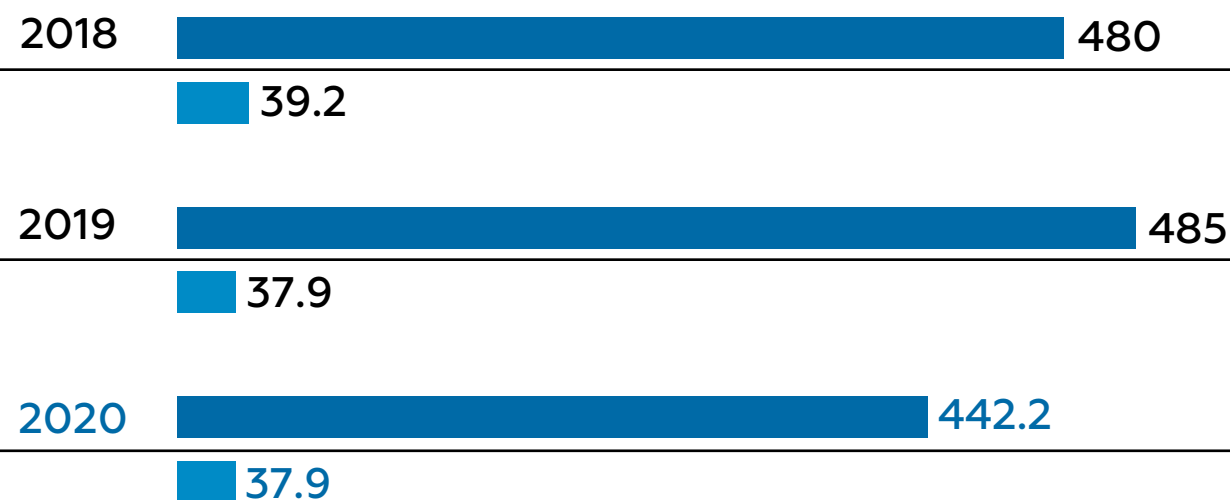
03.01.2020 – 30.12.2020
Transneft's pref. (the Moscow Exchange) Open: 177,100 | High: 179,100 | Low: 128,700 | Close: 140,550



1.2. KEY INDICATORS

Oil and petroleum products transportation, mln tonnes

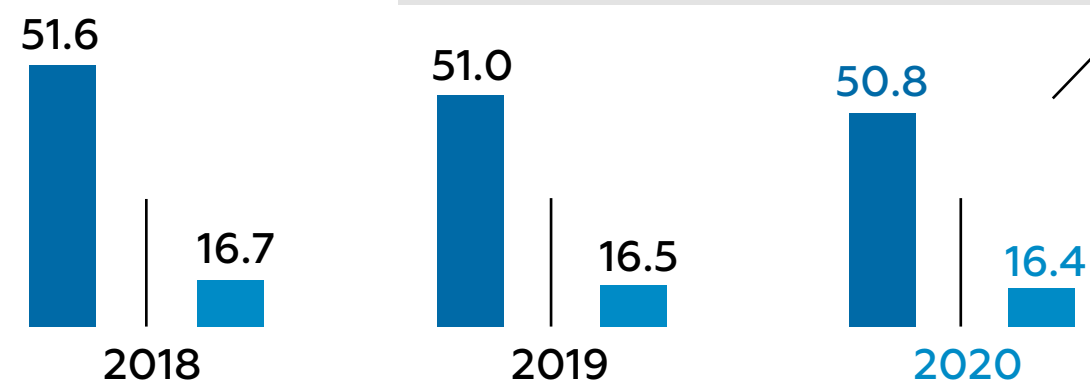
Oil Petroleum products



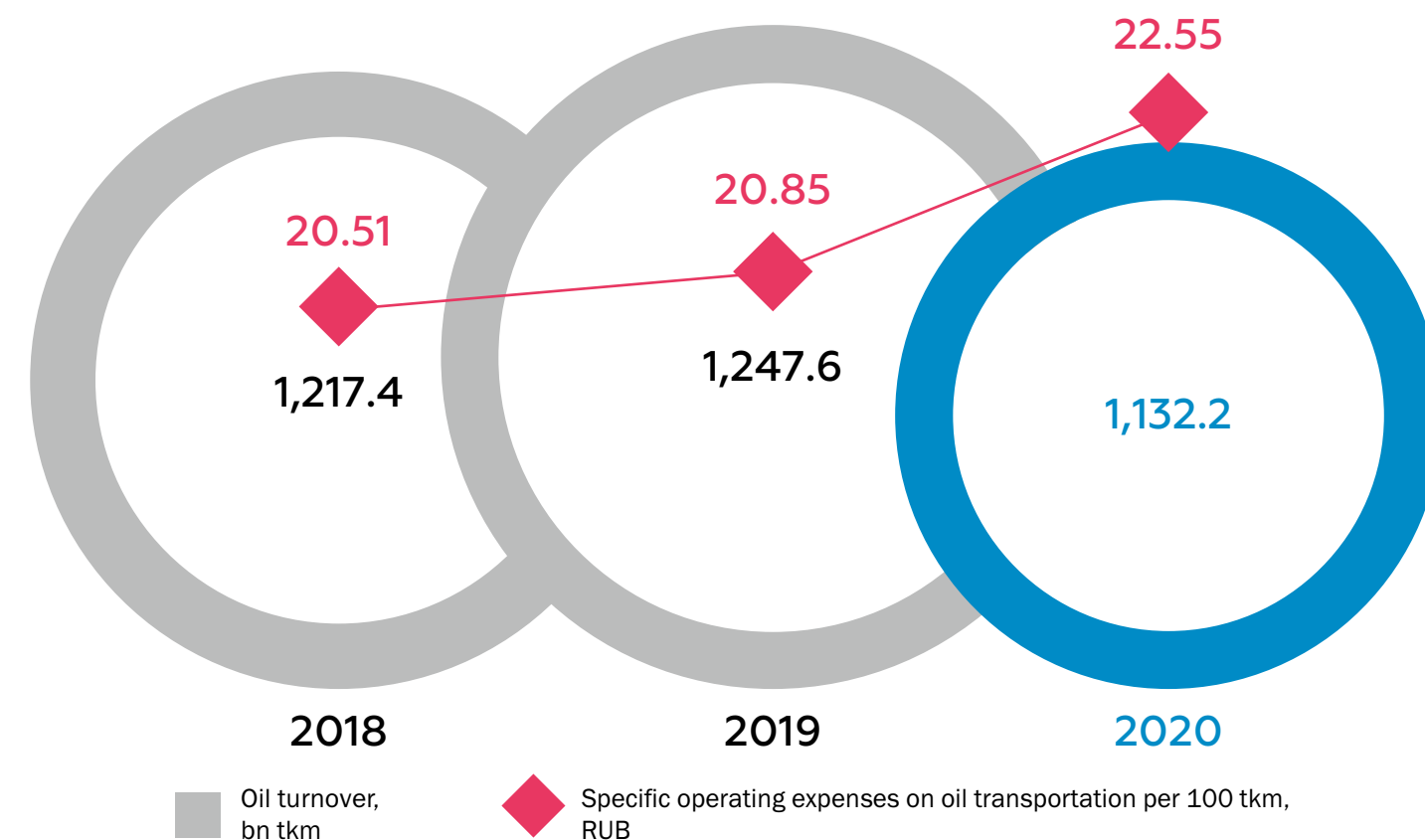
Length of trunk pipelines, thou km

Length of oil trunk pipelines, thou km
Length of petroleum products trunk pipelines, thou km

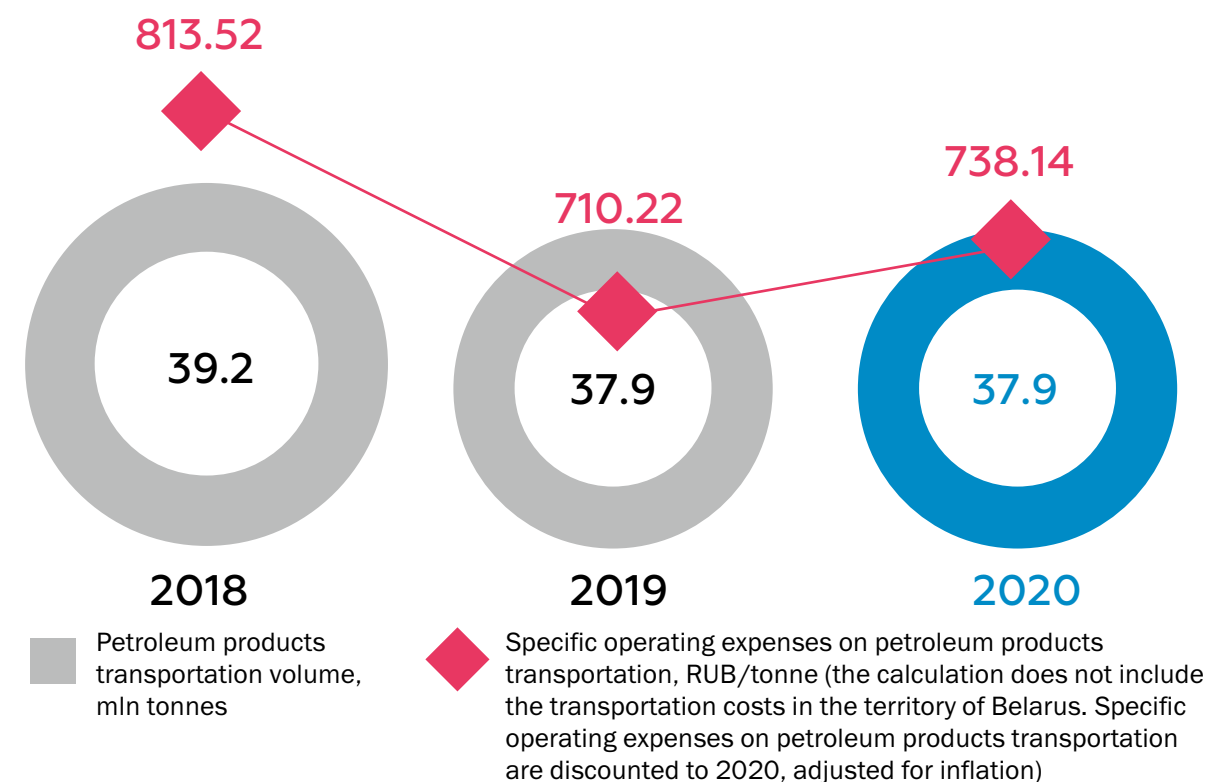
In 2020, the total length of the oil trunk pipelines decreased as a result of decommissioning and dismantling of the disconnected sections: the Lyantor IGS (integrated gathering station) – Fedorovskoye ICD (integrated construction directorate) OTP, Sutorma – Kholmogory OTP, Tarasovskoye – Muravlenkovskoye DN 700 OTP, TON-3 OTP section 0–99.7 km. The length of petroleum products trunk pipelines decreased as a result of decommissioning and dismantling of the disconnected section of the Section No. 41 PPTP looping 434–454 km in the territory of Belarus.



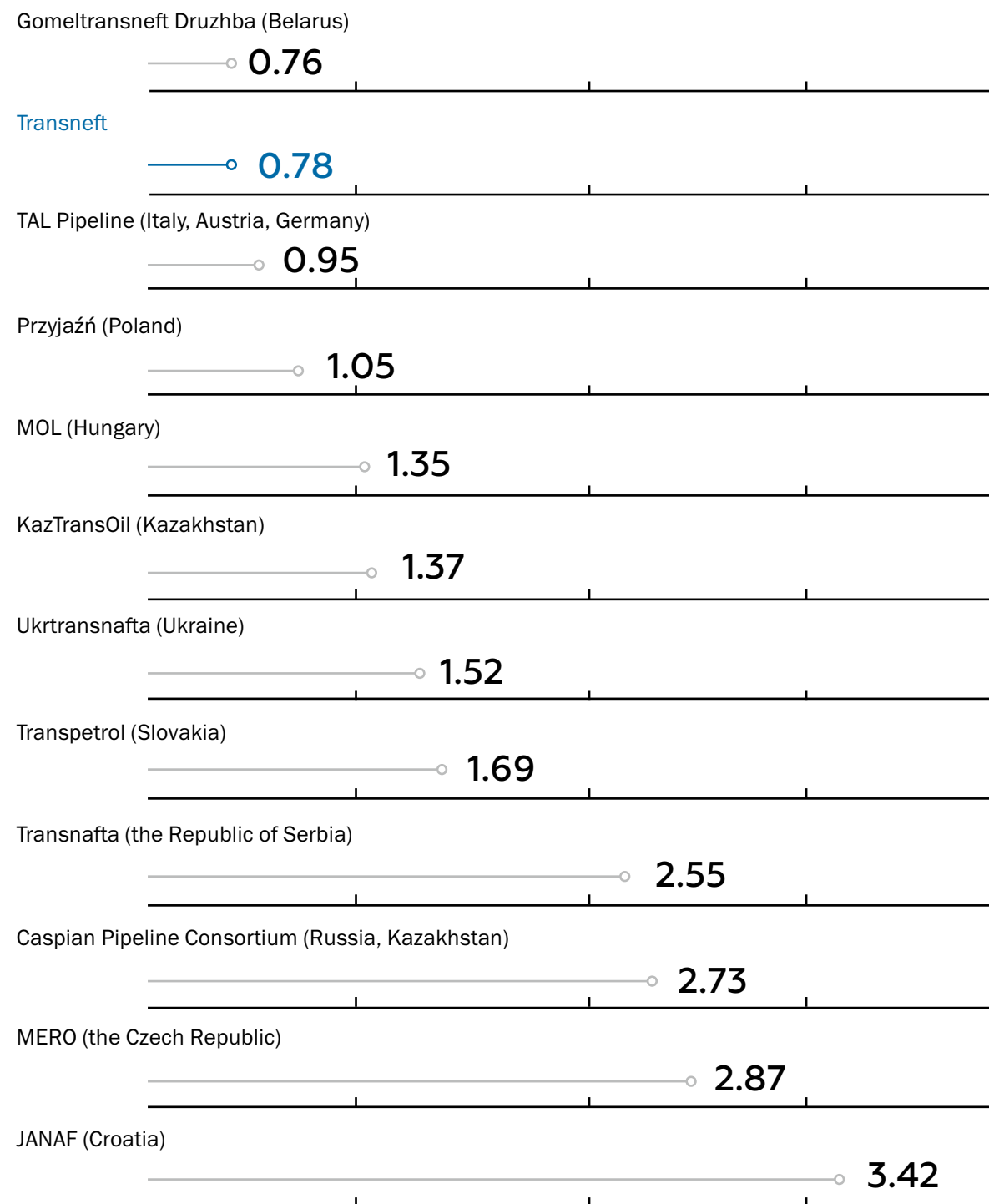
Specific operating expenses on oil transportation, RUB/100 tkm



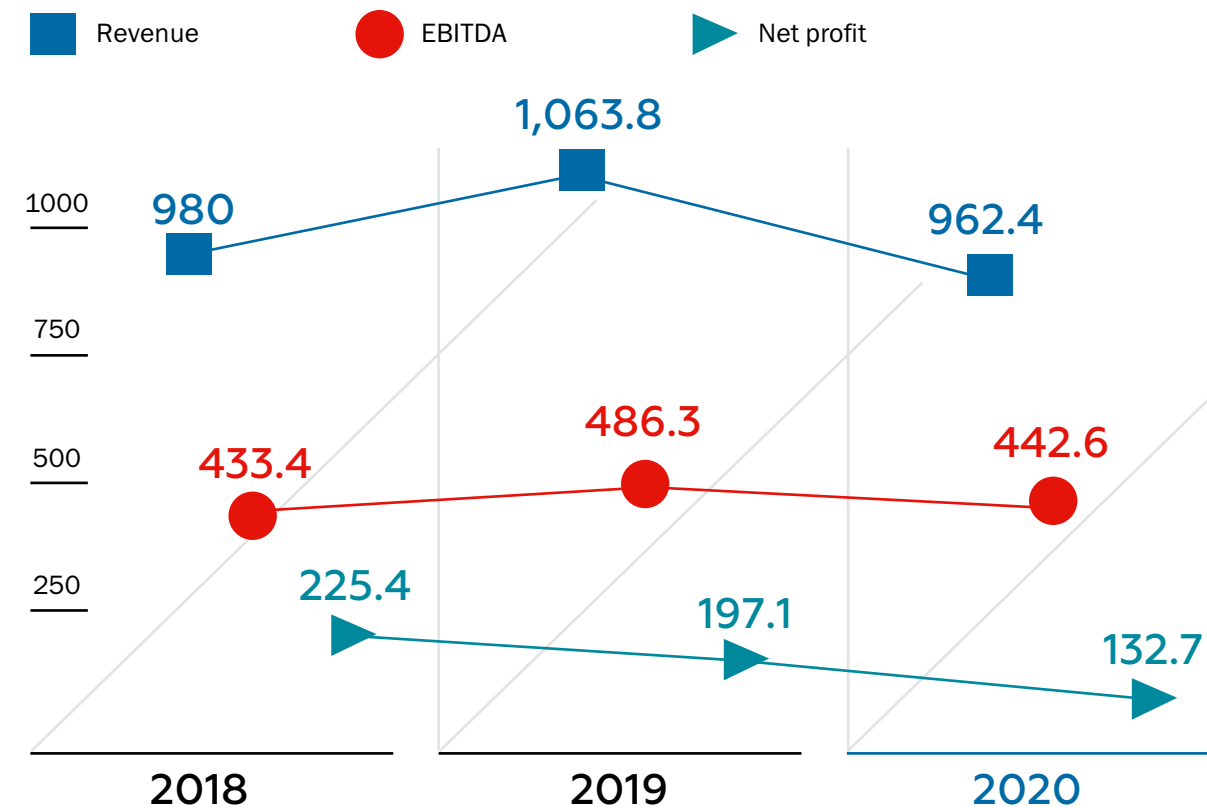
Specific operating expenses on petroleum products transportation, RUB/tonne



Transneft's Weighted Average Tariff for Oil Transportation in comparison with the Weighted Average Tariffs of Foreign Companies (for 31 December 2020), USD per 100 tkm

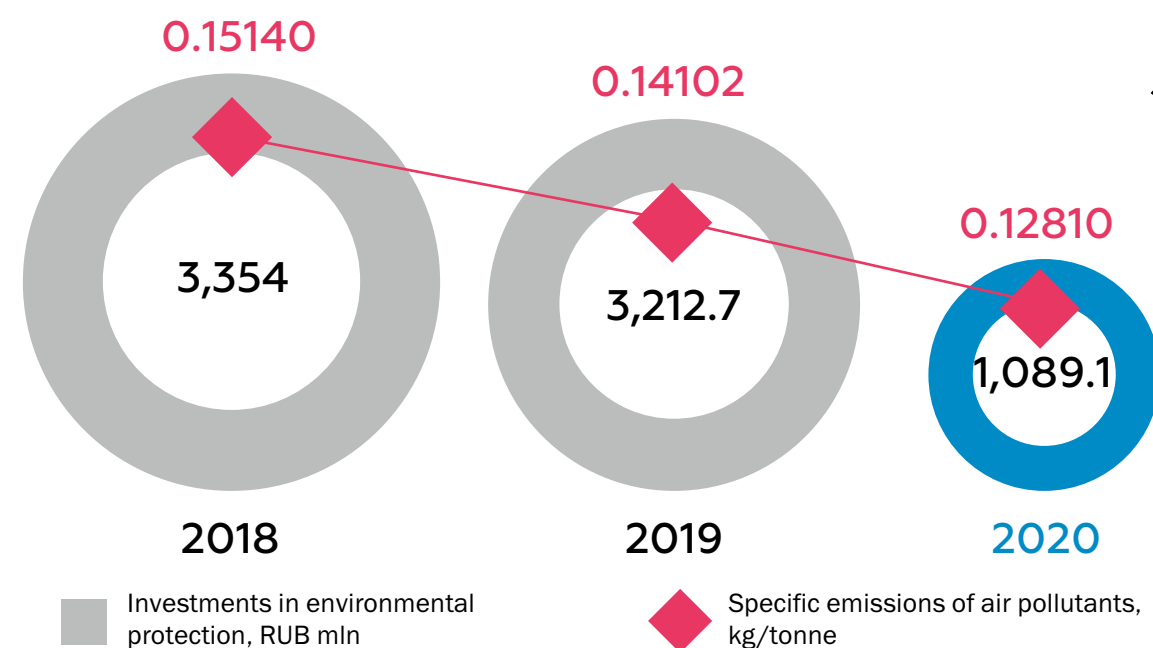


Revenue, EBITDA and net profit under IFRS, RUB BN



Environmental Protection

In 2020, investments in environmental protection decreased due to the completion of the wastewater treatment plants' revamping and construction project in 2019.



1.3. ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

DEAR SHAREHOLDERS!

The COVID-19 pandemic has had a significant impact on the global economy during 2020. Transneft successfully coped with the challenges of this difficult period: the Company ensured reliable and stable operation of the pipeline system and promptly took measures to protect the life and health of its employees.

The OPEC+ agreement allowed to avoid long-term adverse effects on the oil and gas industry and significantly reduce the imbalance between demand

Transneft is a key element of the Russian oil and gas sector infrastructure, necessary for its uninterrupted operation and implementation of development programmes.



Among Transneft's key priorities are further improvement of corporate practices, modernisation of operational assets, improvement of efficiency and ensuring the maximum level of environmental and industrial safety of operational activities.

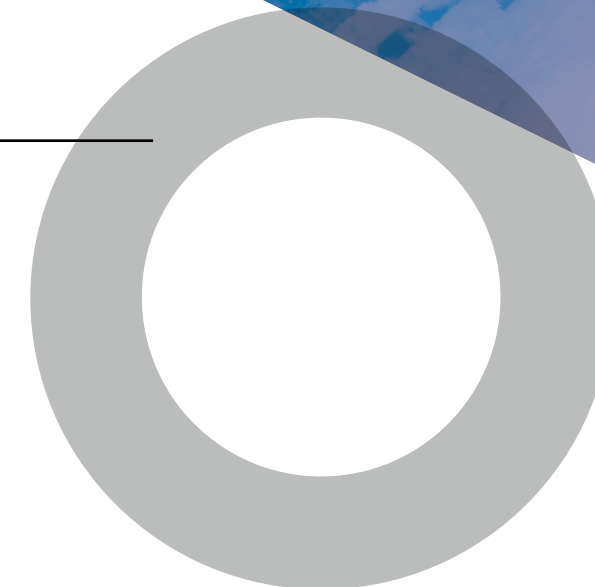
Alexander Novak

Deputy Chairman
of the Government
of the Russian Federation
Chairman of the Board
of Directors of Transneft

and supply. The volume of oil production in Russia within the framework of the deal was limited, which naturally led to a reduction in transportation via Transneft system. The volume of oil supplies via the Company's pipelines decreased to 442.2 million tonnes: by 8.8% compared to 2019.

The temporary reduction in key performance indicators could not but affect the dynamics of Transneft's financial performance. In 2020, the Group's revenue decreased by RUB 101 bn compared to 2019. Shareholder profit for 2020 decreased by RUB 46 bn and amounted to RUB 133 bn. At the same time, the Company fully fulfilled its obligations to shareholders regarding the payment of dividends: Transneft is one of the largest payers of dividends among Russian oil and gas companies. We expect key production and financial indicators to recover as the oil market stabilises.

Transneft is a key element of the Russian oil and gas sector infrastructure, necessary for its uninterrupted operation and implementation of development programmes. To improve the efficiency of Transneft's investment projects and implement medium and long-term development programmes in 2020, the Government of the Russian Federation approved the principles for setting the Company's tariffs for a 10-year period.



1.4. KEY EVENTS OF THE YEAR

2020

JANUARY

The powers of the sole executive body of Transneft plants in Chelyabinsk – Russian Electric Motors (REM) and Transneft Oil Pumps (TOP) – were transferred to the managing organisation, Uralskie Dinamicheskie Machiny (UDM).



FEBRUARY

In order to develop social partnership, Transneft joined the Industry Agreement on Organisation of the Oil, Gas Sectors and Construction of Oil and Gas Facilities of the Russian Federation for 2020–2022, which was developed with the active participation of the Company.

Moody's and S&P Global Ratings international rating agencies confirmed the credit ratings of the Company with respect to obligation in foreign currency at Baa2 and BBB-, respectively. The outlook is stable.

The REM high-voltage electric motors manufacturing plant and Tyagovye Komponenty, which is part of Sinara Group, entered into a long-term contract for the development, manufacture and supply of 6,000 induction traction motors with a capacity of 1,000 kW for electric freight locomotives.

To increase the investment appeal of the Company, together with the Moscow Exchange, work was carried out to split the futures on Transneft shares (0.1 of the value of one preferred share of Transneft).

MARCH

Due to the public health situation (the COVID-19 pandemic), Transneft Group implemented a set of measures to minimise in-person operations at the workplaces and limit physical contacts: business trips were restricted, work patterns changed to remote work, adjustable working hours, alternative shifts and timetables for rotational workforce, along with COVID-19 testing for personnel and suspending or moving to online training courses, meetings and some other activities.

Transneft settled with Surgutneftegas the consequences of the incident involving substandard crude oil injection into the Druzhba oil trunk pipeline that occurred in April 2019 due to third parties' fault and illegal actions, in relation to volumes of crude oil supplied by Surgutneftegas to its customer, Total.

APRIL

Transneft settled with Gazprom Neft the consequences of the incident involving substandard crude oil injection into the Druzhba oil trunk pipeline that occurred in April 2019 due to third parties' fault and illegal actions, in relation to volumes of crude oil supplied by Gazprom Neft to its customer, Total.

The Government of the Russian Federation extended the powers of President of Transneft Nikolay Tokarev for 5 years.

The Board of Directors of Transneft approved the implementation and completion of the Programme for Disposal of Transneft Group's Non-Core Assets.

Transneft's direct share of participation in the St. Petersburg International Mercantile Exchange (SPIMEX) was increased to 20%.

MAY

Due to the sharp decline in share prices on the Russian stock market amid the COVID-19 pandemic and the decline in oil prices, Transneft's preferred shares were excluded from the MSCI indices.

JUNE

Partial refinancing of NCSP's foreign currency debt in the amount of USD 575 million was completed. By reducing the interest rate on the loan, the cost of servicing NCSP's foreign currency debt was significantly reduced in the amount of about 1.6 bn in ruble equivalent.

With the participation of Transneft, the construction of a memorial to the Soviet Soldier in Tver Region was completed. The opening ceremony of the memorial complex was attended by Russian President Vladimir Putin. The memorial is dedicated to the Soviet soldiers fallen in the battles near Rzhev in 1942–1943.

The landscaping of the public garden named after the 75th anniversary of Victory Day in Novorossiysk was completed.



Avant-garde in detail

TRANSNEFT

Annual report 2020

Annual report 2020: Avant-garde in detail

JULY

As part of assisting in the restoration of the vital activity of the territories in Irkutsk Region, affected by the large-scale flood in 2019, the construction of 10 rural health posts was completed.

The Board of Directors of Transneft decided to reorganise the departmental security system of Transneft and liquidate Transneft Security Services.

Activities of Transneft Central Siberia were discontinued due to its reorganisation by merging with Transneft Western Siberia.

AUGUST

The risk management system underwent an external audit by the Ernst & Young Valuation and Advisory Services independent advisor for compliance with the requirements of regulatory acts of the Russian Federation and the directives of the Federal Executive Authorities of the Russian Federation.

The Agreement on Cooperation between Transneft and the Federal Environmental, Industrial and Nuclear Supervision Service of Russia was updated.

SEPTEMBER

The Expert RA rating agency confirmed the Company's ruAAA credit rating (stable outlook) in accordance with the agency's updated methodology.

The Annual General Meeting of Shareholders (Order No. 413-r of the Federal Agency for State Property Management (Rosimushchestvo) dated 30 September 2020) decided to allocate 53.1% of the normalised consolidated net profit under IFRS for 2019 for dividend payments.

The Board of Directors included two independent directors: A. Korsik and I. Klebanov, fully complying with the independence criteria established by the Listing Rules of the Moscow Exchange. The Board of Directors recognised G. Shmal as an independent director.

OCTOBER

The Programme for Interaction and Development of the Materials and Equipment of Universities for 2021–2025 was approved, which provides for renovation and equipping of classrooms and laboratories of industry-focused departments of seven partner universities of Transneft.

The Government of the Russian Federation established the parameters of tariff regulation for Transneft in 2021–2030 based on the annual increase in tariffs for oil transportation by 99.9% of the level of the projected consumer price index for the next regulation period.

Transneft settled with Rosneft the consequences of the incident involving substandard crude oil injection into the Druzhba oil trunk pipeline that occurred in April 2019 due to third parties' fault and illegal actions, in relation to volumes of crude oil supplied by Rosneft to its customer, Total.

NOVEMBER

The NCR rating agency assigned Transneft the AAA.ru credit rating with a stable outlook. The Agency pointed to the Company's strong market positions and sales markets' resilience, as well as the balanced throughput capacity of its westward and eastward pipeline.

Record dividends of RUB 84.2 bn or 53.1% of the normalised consolidated net profit under IFRS for 2019 (RUB 11,612.20 per share) were paid.

DECEMBER

PMC ESPO was liquidated.

The Federal Service for Intellectual Property published its decision to recognise Transneft's trademark as well-known (starting from 25 December 2019). The trademark of Transneft was registered in the Register of Well-Known Trademarks under number 222 relative to the services of oil and petroleum products transportation and storage, as well as their transportation for third parties.

Russian President Vladimir Putin awarded Nikolay Tokarev the Order "For Merit to Fatherland" of I Class.

A 26% share in Nevskaya Pipeline Company was obtained in direct ownership of Transneft.

Transneft and LUKOIL signed an agreement on settling the consequences of the incident involving substandard crude oil injection into the Druzhba oil trunk pipeline that occurred in April 2019 due to third parties' fault and illegal actions, in relation to volumes of crude oil supplied by LUKOIL to its customer, Mozyr Refinery (payment was made in Q1 2021).

In 2020, the share of private investors owning Transneft's preferred shares increased by 40.4%, to 6.4% of the number of preferred shares².

There was a significant increase in the volume of investments in preferred shares of Transneft by Russian individual retail investors. The number of accounts held by individuals increased by 7,095 compared to 2019 and amounted to 11,994³.

²Excluding ownership through collective investment institutions (investment and pension funds, insurance companies).
³The information is provided taking into account the disclosure of nominee clients.

1.5. THE STRUCTURE OF TRANSNEFT GROUP

Oil and Petroleum Products Transportation

Transneft Upper Volga, JSC
Transneft Druzhba, JSC
Transneft Volga Region, JSC
Transneft Kama Region, JSC
Transneft Siberia, JSC
Transneft Urals, JSC
Chernomortransneft, JSC
Transneft Baltic, LLC
Transneft East, LLC
Transneft Far East, LLC
Transneft Western Siberia, JSC

Essential Transneft Subsidiaries

Svyaztransneft, JSC (technological communication services for oil trunk pipeline facilities)
Transneft Security Services, LLC (departmental security)*
Transneft Finance, LLC (accountancy, tax and management accounting services)

Auxiliary Services and Business Activities

The list of essential Transneft subsidiaries is approved by the Company's President, based on the criteria set by the Board of Directors.

* In the process of liquidation.
** In accordance with the Articles of Association of Transneft, Transneft subsidiaries (TS): organisations with the Company's stake (direct and/or indirect) in authorised capitals amounting to more than 20%.

Oil and Petroleum Products Transportation

Transneft North, JSC
Transneft Primorsk Port, LLC
Transneft Kozmino Port, LLC
LatRosTrans, LLC

Other Transneft Subsidiaries**

NCSP, PJSC	Transneft PCD, LLC
Giprotruboprovod, JSC	Transneft Energy, LLC
Transneft NPF, JSC	Transneft Electric Network Service, LLC
TOP, JSC	TN Invest MC, LLC
REM, JSC	Executive Company Evolution, LLC
TOMZEL, JSC	Transneft Technology, LLC
Transnefteproduct, JSC	Transneft Ust-Luga Port, LLC
Transneft Diascan, JSC	Nevskaya Pipeline Company, LLC
Transneft UW Service, JSC	RUSENERGORESOURCE, LLC
Transneft Metrology, JSC	and others
Transneft Service, JSC	
Transneft-Terminal, JSC	
Ust-Luga Oil, JSC	
UDM, LLC	
NFOT, LLC	
Transneft R&D, LLC	
Transneft Media, LLC	
Transneft Supervision, LLC	
Transneft Service, LLC	
Transneft Telecom, LLC	

Auxiliary Services and Business Activities

For the full list of subordinate entities, see Appendix No. 1

p. 186

1.6. BUSINESS MODEL

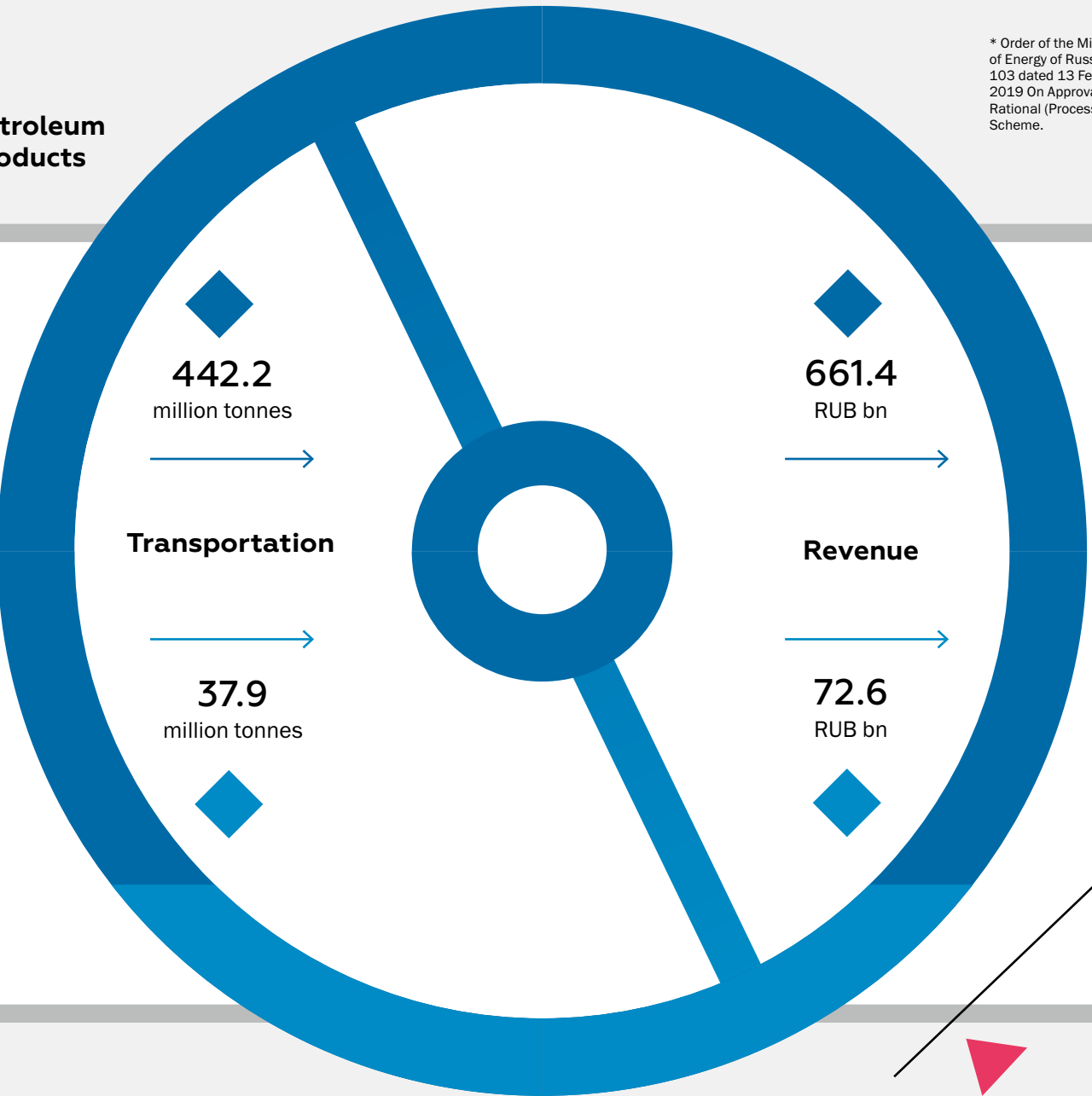
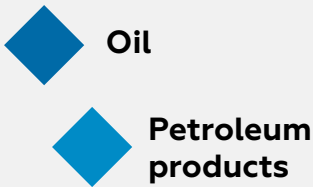
The development and upgrade of the trunk pipeline system is based on using state-of-the-art technologies ensuring a high level of reliability, industrial and environmental safety, as well as the optimum level of expenditures both for the Company and for its consumers.

The strategy of Transneft provides for:

- ensuring systematic development of the trunk pipeline system;
- ensuring reception and transportation of petroleum products from newly connected refineries;
- reducing accident rate at trunk pipelines;
- precluding discharge of insufficiently treated wastewater;

- keeping the sulfur contents in the crude oil pumped via the Transneft system within the limits set in the rational routing scheme*;
- reducing expenses related to pipeline construction and operation; maintaining the optimum expenditure level;
- decreasing the purchase volumes of imported products.

* Order of the Ministry of Energy of Russia No. 103 dated 13 February 2019 On Approval of the Rational (Process) Routing Scheme.



Resources

Financial Capital

Equity capital, RUB bn	2,222.7	+53.8
Loan capital, RUB bn	589.5	-47.8

Operational Resources

Length of trunk pipelines, thousand km	67.2	-0.3
Number of pumping stations	511	0
Tanks' capacity, million m³	24.6	+0.4

Intellectual Capital

Financing R&D and innovation projects, RUB bn	10.3	+0.55
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Human Resources

Average headcount, thousand employees	123.3	0
Operating expenses related to the COVID-19 pandemic, RUB bn	2.2	X

Natural Resources

Expenditure on environmental protection, RUB bn	2.0	-0.04
Investments in environmental protection, RUB bn	1.1	-2.1

Social and Reputational Capital

Procurement of goods, works and services, RUB bn	225.7	-112.4
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Results

Revenue, RUB bn	734	-40.3
EBITDA, RUB bn	442.6	-43.7
Dividend payments to shareholders, RUB bn	84.2	+6.6
Oil turnover, bn tkm	1,132.2	+115.4
Petroleum products turnover, bn tkm	50.9	+1.1
Number of patents and certificates	729	+40
Training of Transneft Group's employees, person-courses	106	-11.8
Number of implemented / technically upgraded APCS, pcs	44	X
Average salary of employees in the Group per month, thousand RUB	109.5	+9.5%
Saving energy consumption, thousand kWh	12,890,307	-19.8%
Reduction of greenhouse gas emissions, thousand tonnes	342.2	-13.3%
Reducing pollutant emissions into the atmosphere, kg/t	0.1281	-10%
Share of domestic products	96.4%	+0.6%
Share of procurement from SMEs in total procurement	76%	+13%

Critical Risks:

- adverse effects due to unfavourable public health situation;
- state regulation of oil and petroleum products transportation tariffs;
- fiscal risks;

- shutdown of external power supply to Transneft's facilities;
- new technical standards or changes to the existing ones, which may affect the technological processes related to design, construction and operation of the trunk pipeline system (including environmental and industrial safety requirements);

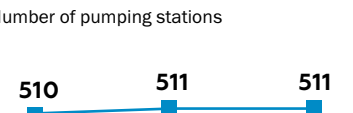
- non-compliance of oil (petroleum products) quality parameters with established standards;
- international sanctions;
- credit risks concerning partner banks.

Detailed information on Transneft's critical risks is given in Section 7.10 Risk Management System

Length of trunk pipelines, thousand km



Number of pumping stations



Tank volume, mln m³



Equity capital, RUB bn



Loan capital, RUB bn



Income from financial investments, RUB bn



Average headcount, thousand employees



Salaries and other payments and benefits for employees, RUB bn



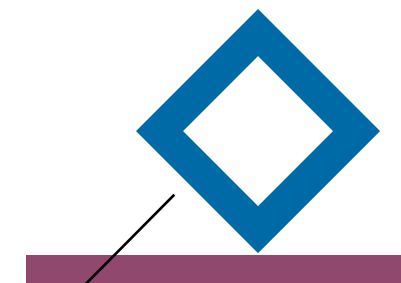
Electricity consumption, bn kWh



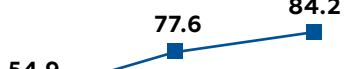
Fuel consumption for own needs, mln toe



Water intake and receipt, mln m³



Payment of dividends to shareholders, RUB bn



Payments to the state in the form of tax charges, RUB bn



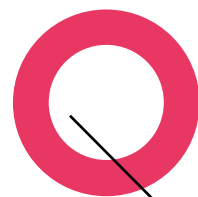
EBITDA, RUB bn



Revenue from petroleum products transportation services, RUB bn



Procurement of goods, works and services, RUB bn



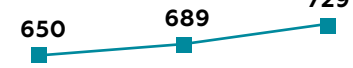
Financing of innovative projects, RUB bn



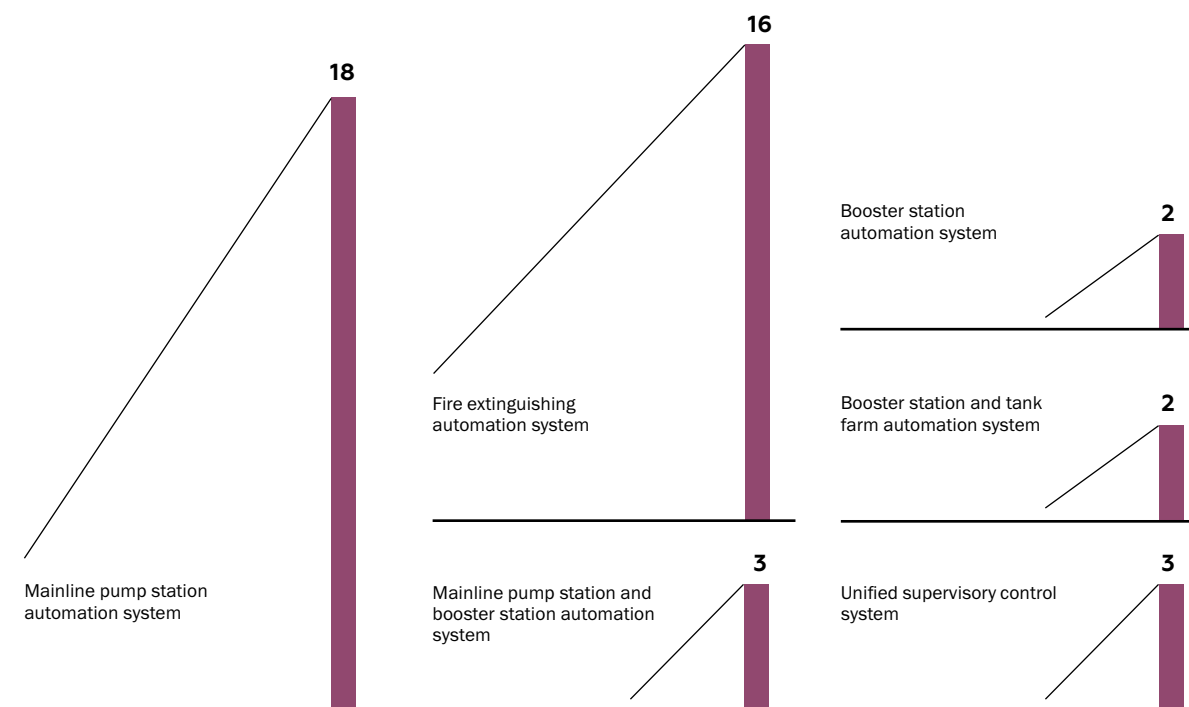
Training of Transneft Group's employees, thousand person-courses



Number of patents and certificates, pcs.

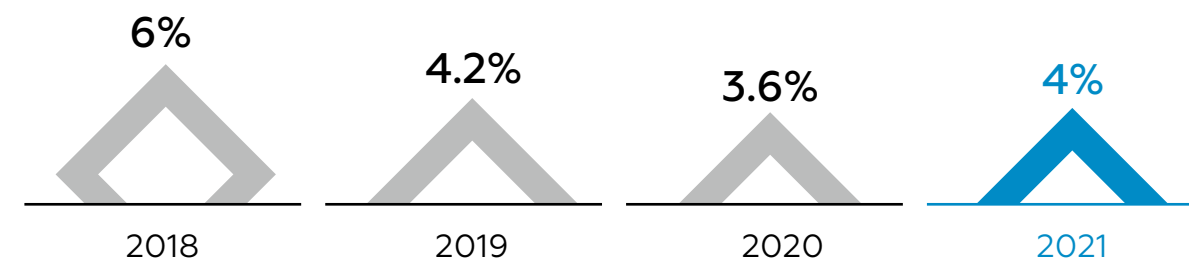


Information on the implemented / technically upgraded automated process control systems (APCS) for 2020, pcs.



In 2020, the integration solutions of the Personnel Integrated Information System were replicated in 11 Transneft subsidiaries and the connection to the Manager Dashboard Integrated Information System was tested from a tablet.

Share of imported equipment procured in value terms of the total equipment procurements, %



Sustainable Development Ratings (ESG)

The growing interest of leading institutional investors in sustainable development issues has been a trend in recent years. According to established practice, members of the investment community conduct their own analysis of companies' sustainable development performance (ESG), use the analysis of specialised sustainable development rating agencies, or combine these approaches in their work. Moreover, the results of such analysis can be a serious factor influencing investment decisions.

Transneft pays serious attention both to working directly with investors on sustainable development

issues, and maintaining an effective dialogue with specialised rating agencies conducting analysis of the companies' sustainable development performance, including on the following issues:

- disclosure of ESG indicators, answers to analysts' questions;
- discussion of methods for calculation of indicators;
- analysis of agencies' publications and comments on them;
- comments for agencies on the events covered by the media.



[Review of Transneft Group ESG indicators](#)



Transneft ratings and awards in 2020

Transneft was included in Forbes' 18th annual Global 2000 list (Global 2000 – The World's Largest Public Companies 2020 (forbes.com)).



Transneft won first place in MediaTEK-2020, a competition of corporate media teams in the fuel and energy sector, in the "Social and Environmental Initiative" nomination for its high-profile charity marathon campaign "Helping with a Good Deed" run by volunteers.



Forbes

Transneft was ranked among the top three fuel and energy companies in Forbes' Best Employers list.

Transneft ranked among the RSPP's sustainable development leaders according to the "Responsibility and Transparency" and "Sustainable Development Vector" indices.



In 2020, Transneft won the Best Socially Oriented Company Contest of the Ministry of Energy of the Russian Federation.

Transneft was ranked 14th in the WWF-Russia and Creon Group Rating of Environmental Transparency of Eurasian Oil and Gas Companies.

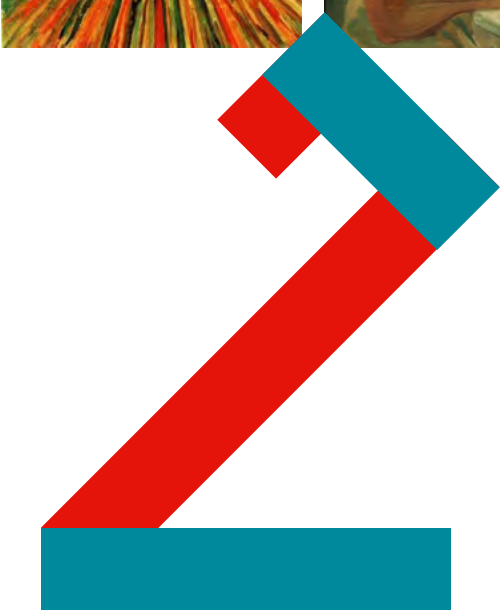
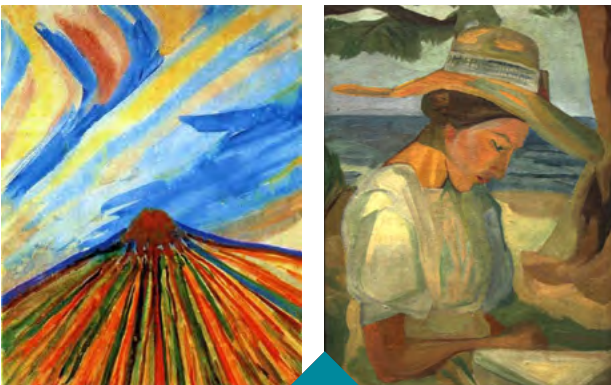


SITUATION IN THE INDUSTRY

- 2.1. — 34
The Company's Standing in the Industry
- 2.2. — 36
Sectoral Forecast for 2021–2023
- 2.3. — 38
Place of Transneft in the Rating of Oil
and Petroleum Products Transportation

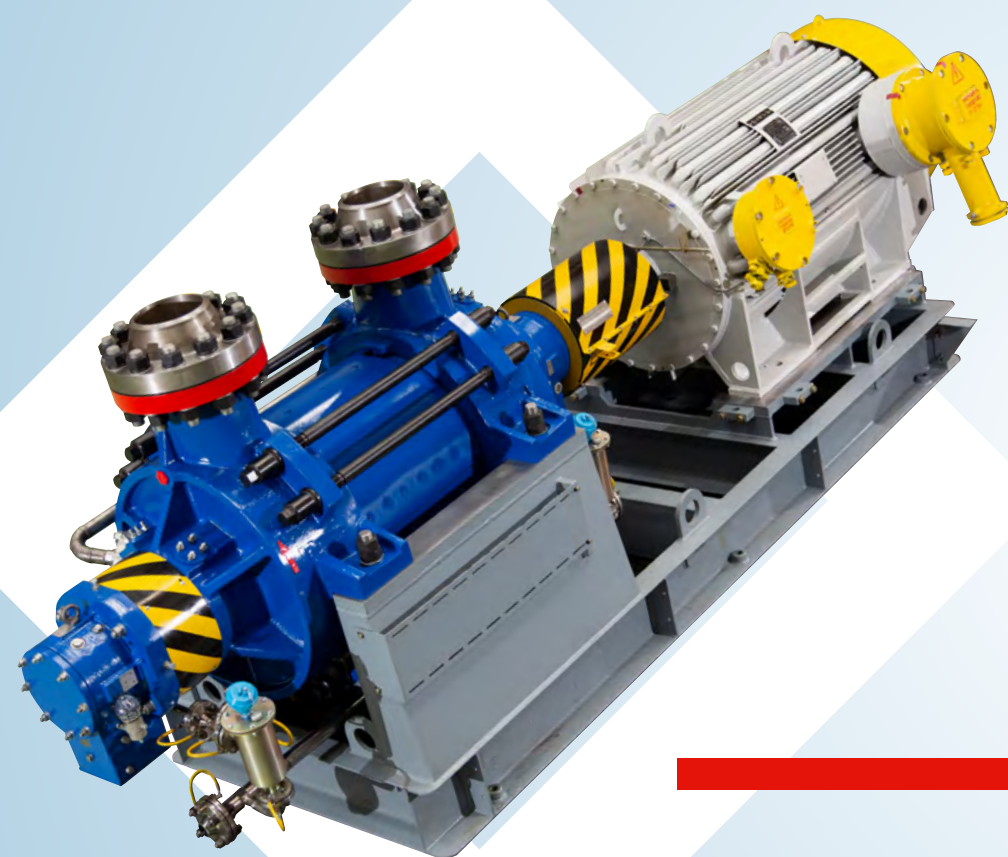
ORGANIC MOVEMENT OF AVANT-GARDE

— the perception of the world as an organic whole, a world without chaos, with a dynamic self-developing system of phenomena having certain laws, under which all the diversity of elements sum up into a unified whole. The key persons in this movement were the poet and painter Elena Guro and the musician, composer, painter, theorist and art researcher Mikhail Matyushin.



Schematic View Of The Compounding Process

Centrifugal sectional pump



The Transneft Oil Pumps plant in Chelyabinsk produces eleven types of units. These pumps provide the necessary pressure for oil, petroleum products, and liquids with similar properties in trunk pipelines and loading facilities; they are suitable for the petrochemical industry as well.

The sectional centrifugal pump is one of the new products that comes out of the plant's workshops. The process of its manufacture, depending on the design features, takes from 50 to 45 working shifts, 8 hours each, and includes hydraulic and parametric bench tests. All of its components are manufactured in Russia.

The pump features flow rates from 220 to 378 m³/h and head from 120 to 645 m. Its efficiency is higher than 76%, which meets all modern requirements for this type of equipment. The pump boasts long intervals between overhauls of at least 72,000 hours, and thirty years or more of service life.

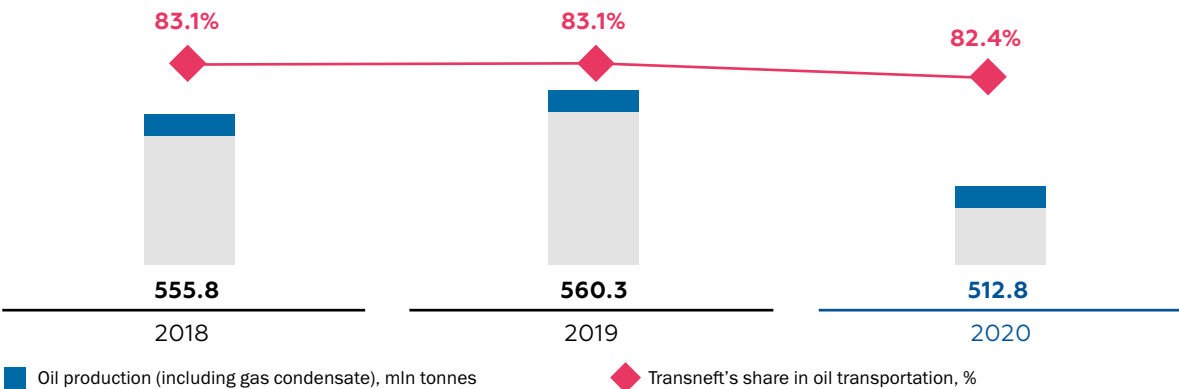
2.1. THE COMPANY'S STANDING IN THE INDUSTRY

Oil Transportation

According to the Ministry of Energy of the Russian Federation, in 2020, oil production (including gas condensate) in the Russian Federation amounted to 512.8 million tonnes. 232.4 million tonnes were exported, and 274.9 million tonnes were processed.

The share of Transneft Group in the transportation of Russian oil stood at 82.4% of the total production.

The Company's Share in the Transportation of Russian Oil (according to the Ministry of Energy of Russia)

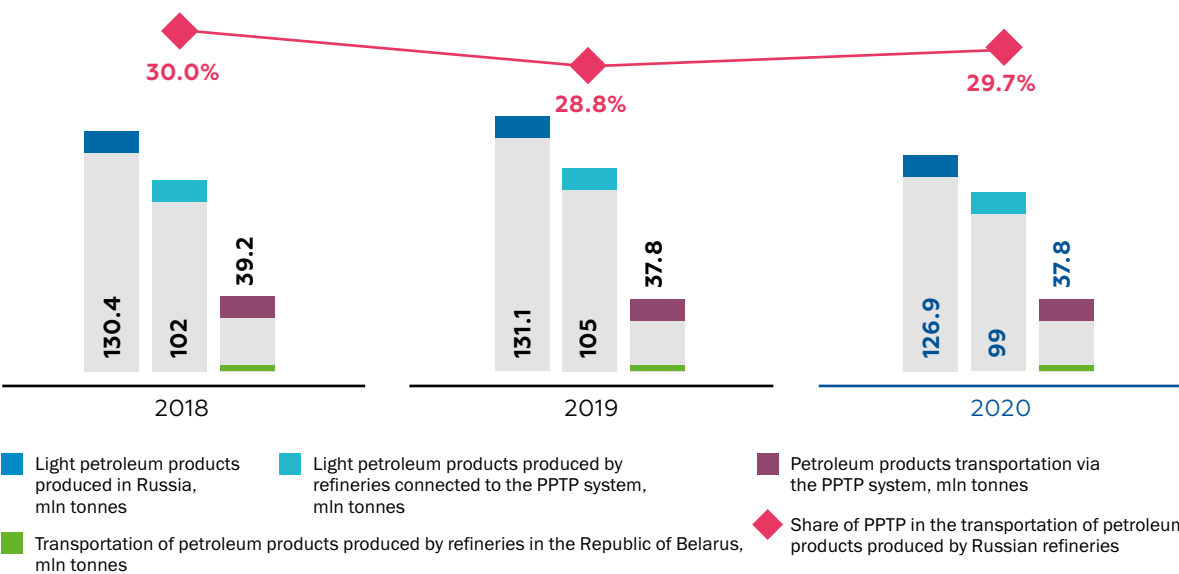


Petroleum Products Transportation

In 2020, a total of 126.9 million tonnes of light petroleum products (diesel fuel, motor petrol, aviation kerosene) was produced by all the oil refineries in the Russian Federation, including 99.3 million tonnes from the refineries connected to the petroleum products trunk pipeline system. Of these, transportation of petroleum products via the Transneft system amounted to 37.7 million tonnes.

The Company's share in transportation of light petroleum products produced at Russian refineries nears 30%.

The Company's Share in the Total Transportation of Petroleum Products Produced in Russia



The Company's share in the transportation of light petroleum products on the domestic market in 2020 amounted to 12.3%. The Company's share in diesel fuel transportation to the domestic market from the refineries connected to the Transneft system stood at 22.8%.

In 2020, the Company's share on the market for transportation of light petroleum products for export amounted to 57.1%, with 80.6% of diesel fuel exported from the refineries connected to the PPTP system.

Transneft's Share in the Transportation of Oil and Light Petroleum Products

Name	2018	2019	2020
Oil Transportation			
Oil production (including gas condensate), million tonnes	555.8	560.3	512.8
Transneft's share in oil transportation	83.1	83.1	82.4
Petroleum Products Transportation			
Transneft's share in the transportation of light petroleum products to the domestic market	12.7%	12.6%	12.3%
Transneft's share in the transportation of diesel fuel from refineries connected to the PPTP system to the domestic market	21.4%	20.1%	22.8%
Transneft's share in the transportation of light petroleum products for export	60.6%	57.2%	57.1%
Transneft's share in the transportation of diesel fuel from refineries connected to the PPTP system for export	85.8%	82.6%	80.6%

Main Competitors of Pipeline Transport in Petroleum Products Transportation

Railway Transport

- long-distance transportation;
- greater number of spurs as compared to the system of petroleum products trunk pipelines;
- widest possible range of transported petroleum products, given the processing specifics at refineries;
- 63% share of transportation of light petroleum products on the Russian market.

Water Transport

- long-distance transportation;
- short navigation season: 5–6 months.

Motor Vehicle Transport

- transportation over short distances (mainly intraregional transportation;)
- door-to-door deliveries, for example, from refineries and oil depots to local consumers.

Pipeline Transport

- short delivery terms for petroleum products;
- storage of petroleum products and creation of reserves;
- a high level of protection from adverse weather conditions.

2.2. SECTORAL FORECAST FOR 2021–2023 (BASED ON DATA FROM THE MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIA AND THE MINISTRY OF ENERGY OF RUSSIA)

Macroeconomic Indicators of the Russian Federation

The spread of coronavirus infection became a major challenge for both global and Russian economies. The development pathway in the short and medium term will be determined not only by economic, but also by epidemiological contexts.

The projected growth pathway in 2021 remains highly uncertain.

The expected GDP growth in 2021 is 3.3%.

By Q3 2021, the Russian economy will reach the pre-crisis level and by the end of the year will enter the pathway of sustainable growth. In 2022–2023, economic growth will continue at a rate of at least 3%. At the same time, in 2022, the GDP dynamics will be

affected by the end of the OPEC+ deal in accordance with its current parameters: it will lead to an increase in oil production.

Inflation rates at the end of 2021 are projected at 3.7%. In 2022–2023, inflation is projected to return to the target level of 4%. At the same time, it is expected that export-oriented industries (chemical sector, food industry, wood processing) will become the growth leaders.

However, under the influence of weak external demand and the current terms of the OPEC+ deal until 2022, the growth rate of the extractive industry will be moderate at 1.2% in 2021 (decrease of 8.4% in 2020). In 2022, in the context of projected growth in oil production, the growth rate of the extractive industry will accelerate to a peak of 4.7%, followed by stabilisation.

World Raw Materials Market

Commodity prices have declined significantly since March 2020. The reason for this was both financial and fundamental factors: a decrease in the risk appetite of global investors and a decrease in demand due to restrictive measures aimed at combating the spread of the COVID-19 coronavirus infection. Nevertheless, a fairly active recovery is also underway. Thus, copper, nickel and zinc at the end of August 2020 were trading 7-9% higher than at the beginning of the year.

The situation was different on the oil market, where an additional negative factor was the decision to terminate the arrangements on limiting production under the OPEC+ agreement. In April 2020, when there was the most significant decline in global oil demand, the largest producers increased their supply. As a result, the price of Urals oil in April fell below USD 15 per barrel.

New arrangements of the OPEC+ countries on a record production cut from 1 May, as well as voluntary

production cuts by other large producers (Norway and the United States) helped to stabilise the situation on the oil market. In mid-May, the price of Urals oil again exceeded the level of USD 30 per barrel, and in early June it reached USD 40 per barrel. The average annual price for Urals oil in 2020 was USD 41.8 per barrel.

The global economy is expected to recover this year by 4.5–5.0%, after which global growth will return to around 3% in the medium term.

The most probable forecast for 2021 assumes the price of Urals oil at USD 45.3 per barrel. In 2022–2023, oil prices will be in the range of USD 46–48 per barrel. This pathway generally corresponds to the current values of forward contracts for the respective periods.

Oil Production in the Russian Federation

In the medium term, the development of the oil industry will continue to be influenced by the agreements under the OPEC+ deal. At the same time, the domestic market remains the priority direction for the supply of crude oil (for further refining). As global economic activity recovers and restrictions under OPEC+ deal are scheduled to ease, oil export will rebound.

Western Siberia and the Urals-Volga region remain the key oil production regions where the production will be stabilised due to new drilling and geological and technical measures at the existing fields.

In the medium term, oil and gas companies will continue to develop new and already commissioned fields. Gazprom Neft will continue to develop the Prirazlomnoye, Novoportovskoye and Messoyakhskoye fields. LUKOIL will continue to develop fields in the Northern Caspian (the Vladimir Filanovsky, Yuri Korchagin, Valery Grayfer fields) and the Baltic Sea shelf. Rosneft plans to develop a number of fields in the Erginsky cluster, as well as the Severo-Komsomolskoye, Lodochnoye and Severo-Danilovskoye fields.

The increase in oil production will come from drilling new development wells, increasing the efficiency

of geological and technical measures, and developing hard-to-recover reserves in low-permeability formations and high-viscosity oil, with the main increase expected due to the commissioning of new fields. The increase in production will also depend on macroeconomic conditions, developments in the global commodity markets and the development of domestic production in related industries.

In the current economic situation, and with the OPEC+ agreements in force until April 2022, the most likely increase in oil production by 2023 would be 560 million tonnes per year. In the context of the development of primary oil refining with a gradual modernisation of refineries and an increase in the refinery yield, oil export by 2023 will amount to 266.2 million tonnes. Oil export to non-CIS markets is projected to grow to 242.2 million tonnes by 2023, mainly due to increased deliveries to Asia and the Pacific countries. Export to the CIS markets will stand at the level of 24.0 million tonnes per year during 2021–2023.

Production of Petroleum Products in the Russian Federation

The refinery yield in the Russian Federation amounted to 82.8% in 2019, which is still lagging behind the world level (89–99%).

In 2021, jet fuel production is projected to stabilise at 12.5 million tonnes (+14.3%), fuel oil production is projected to drop to 41.0 million tonnes due to the commissioning in 2020 of advanced oil refining units with 1.7 million tonnes capacity and lower consumption due to the requirements of the MARPOL Convention.

In 2023, the forecasted volume of primary oil refining will amount to 286.0 million tonnes, which will

be ensured by the commissioning of new facilities for primary oil refining at domestic refineries.

By 2023, compared to 2019, the following is projected:

- an increase in motor petrol production to 42.3 million tonnes (+5.1%);
- an increase in diesel fuel production to 83.1 million tonnes (+6.0%)
- a reduction of fuel oil production to 42.0 million tonnes (-11.0%).

Tariff Formation at Companies of Infrastructure Sector

It is planned to maintain the tariff policy restricting the growth of regulated tariffs and prices at infrastructure companies, not allowing them to go beyond the anticipated inflation level. In order to provide a legislative framework for the approaches and methods of regulation, systemic changes in state regulation of prices and tariffs are being developed; the changes are to establish unified principles of pricing.

Outlook for Pipeline Transport (Based on Market Trends)

- Maintaining the volume of transportation of oil and petroleum products via the oil and petroleum products trunk pipeline system at a level equal to or exceeding the 2020 values.
- Maintaining Transneft's revenue from the transportation of oil and petroleum products via the trunk pipeline system at a level equal to or exceeding the 2020 values.

2.3. PLACE OF TRANSNEFT IN THE RATING OF OIL AND PETROLEUM PRODUCTS TRANSPORTATION COMPANIES AROUND THE WORLD

The KPMG international consulting company annually conducts a comparative analysis of Transneft's activities with foreign oil and petroleum products transportation leaders. In the 2018–2019 study, the main sources of information were annual reports of

companies, reports submitted to the US Securities and Exchange Commission, industry-specific reports provided to the US Federal Energy Regulatory Commission and other public sources. The data for 2020 was not yet published at the time of research.

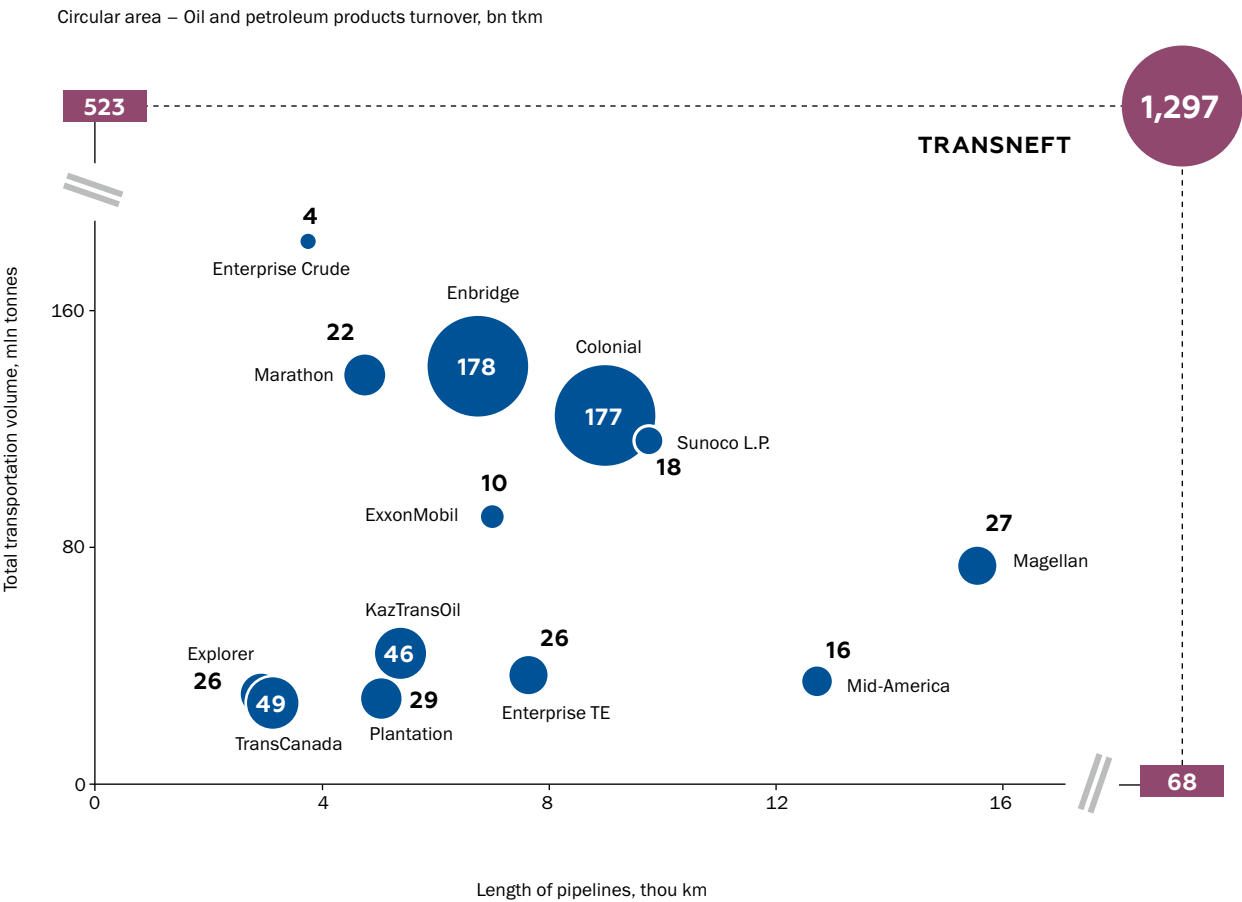
Turnover

Transneft is a subject of natural monopoly in the field of pipeline transportation of oil across the territory of the Russian Federation and is characterised by the greatest length of oil trunk pipelines (51.1 thousand km in 2019) as against the foreign considered companies. Comparing the oil turnover with world pipeline companies shows that Transneft is the largest

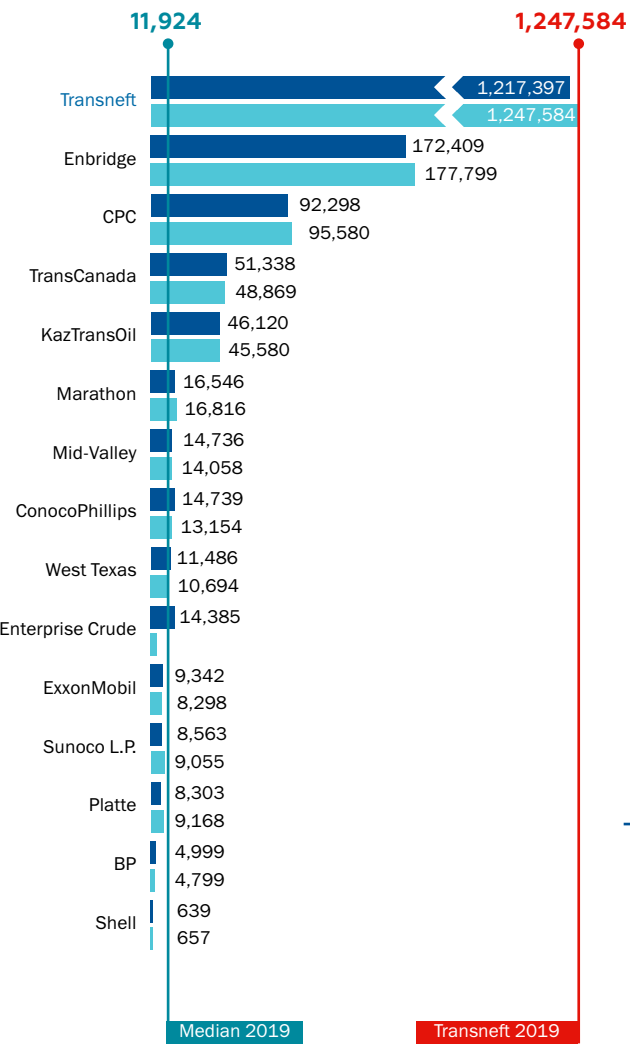
oil transportation company: in 2018 the Company's turnover amounted to 1,217,397 million tkm, in 2019 – to 1,247,584 million tkm, which is over 7 times more than the indicator of the company with the highest turnover in the United States in the sample under review (Enbridge).

Difference in Operational Scope as of 2019

In 2018–2019, there were no companies in the world similar to Transneft in terms of the scale of pipeline transportation of oil and petroleum products.

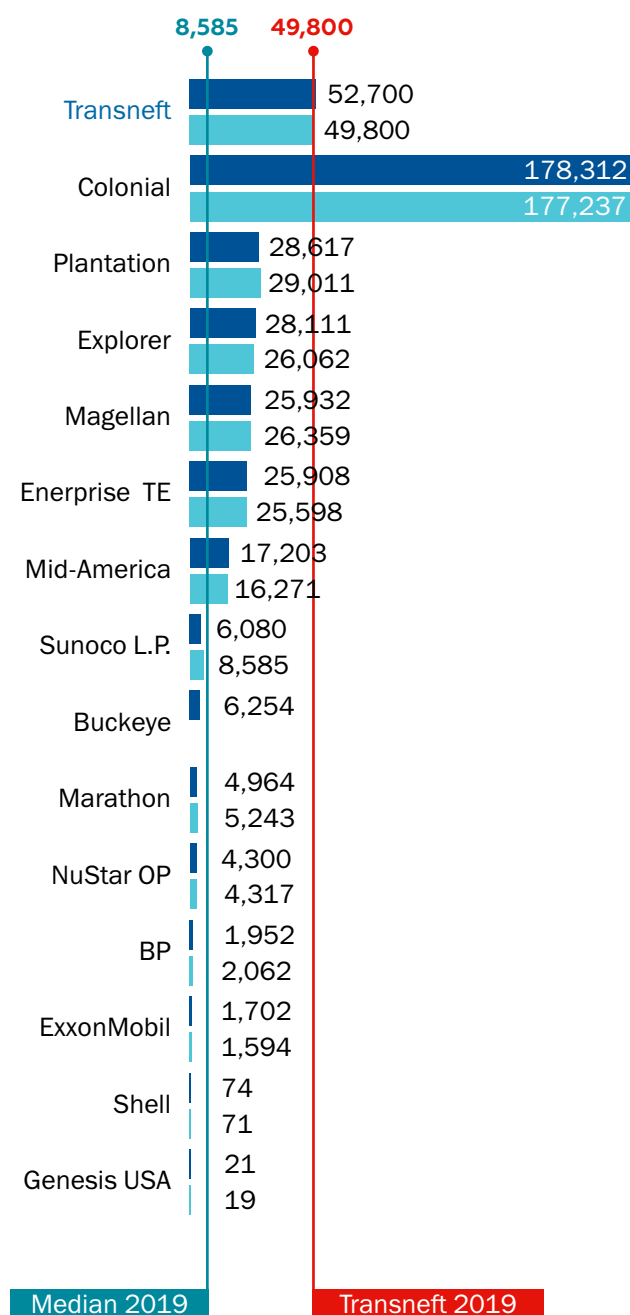


Oil turnover, mln tkm



■ 2018
■ 2019

Petroleum products turnover, mln tkm



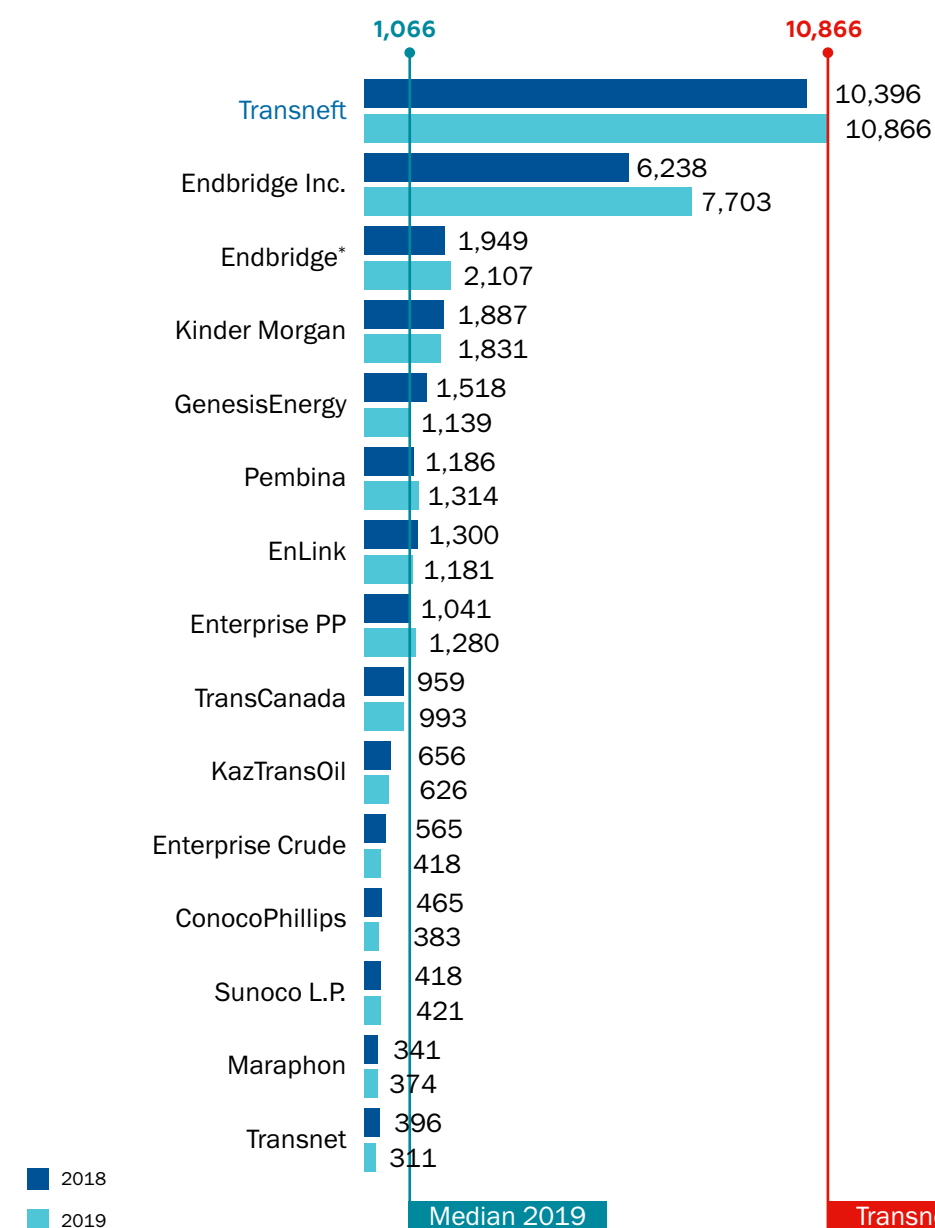
Transneft is one of the world's major companies in terms of petroleum products turnover (52,700 million tkm in 2018), surpassing most foreign counterparts. In 2019, there is a slight decrease in the volume of turnover: 49,800 million tkm (which is almost 5.5 times higher than the median of 9,055 million tkm). The only exception is Colonial Pipeline, whose turnover stood at 178,312–177,237 million tkm in 2018–2019. It is the main transporter of petroleum products along the east coast of the United States. Genesis USA has the smallest petroleum products turnover of 21 and 19 million tkm in 2018 and 2019, respectively.

Revenue from Transportation

In 2018–2019, Transneft's revenue from oil transportation services exceeded the revenue of other companies in the sample. This is due to the greatest turnover volumes. The given comparison is also influenced by the RUB/USD exchange rate and the level of transportation tariffs in base currencies.

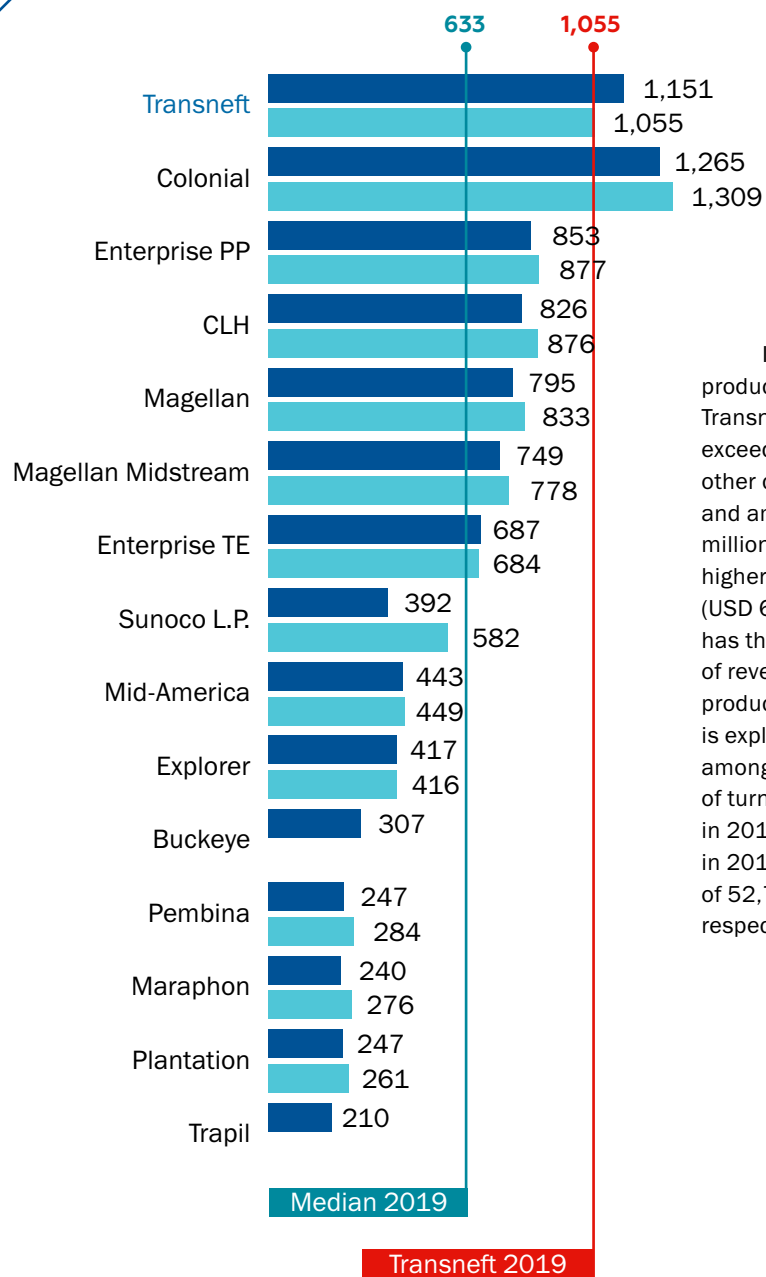
Revenue of the largest foreign company, Enbridge Inc., by this indicator in 2019 is almost 29% lower than Transneft's figures (USD 7,703 million versus USD 10,866 million, respectively) with a median value of USD 1,066 million.

Revenue from oil transportation, USD mln



* Enbridge Energy LP (Enbridge) is an entirely controlled subsidiary of Enbridge Inc. The indicators of Enbridge Inc. include those of Enbridge Energy LP.

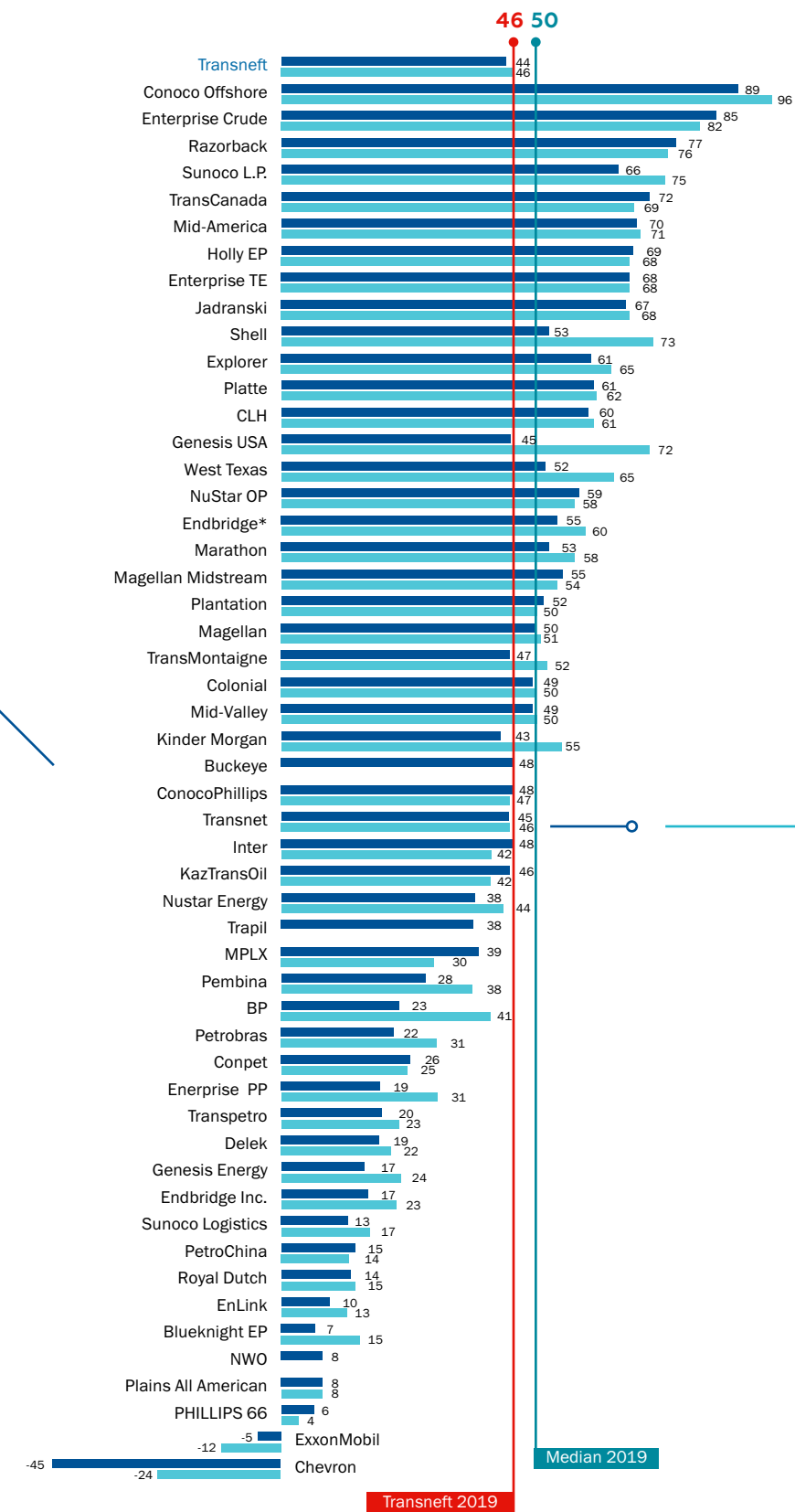
Revenue from petroleum products transportation, USD mln



In terms of the petroleum products transportation, Transneft's revenue in 2019 exceeded the revenue of most other companies in the sample and amounted to USD 1,055 million, which is almost 2 times higher than the median value (USD 633 million). Colonial Pipeline has the highest figures in terms of revenue from the petroleum products transportation, which is explained by its leadership among other companies in terms of turnover (178,312 million tkm in 2018 and 177,237 million tkm in 2019 versus Transneft's figures of 52,700 and 49,800 million tkm, respectively).

■ 2018
■ 2019

EBITDA margin, %



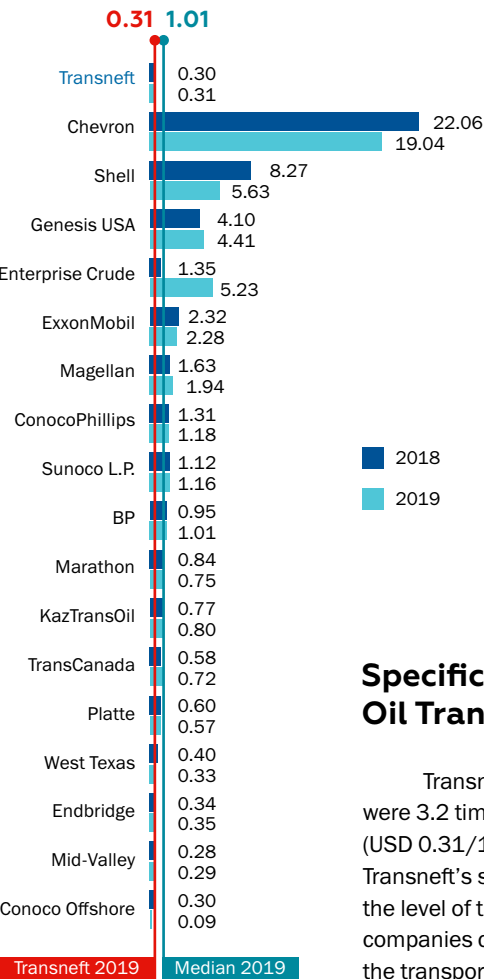
* Enbridge Energy LP (Enbridge) is an entirely controlled subsidiary of Enbridge Inc. The indicators of Enbridge Inc. include those of Enbridge Energy LP.

■ 2018
■ 2019

Weighted Average Oil Transportation Tariff

Transneft's weighted average tariff in 2018–2019, calculated for 100 tkm of oil turnover, is more than 2 times lower than the median value for comparable companies (USD 0.87 /100 tkm versus USD 2.13 /100 tkm median in 2019). This tariff is one of the lowest among companies engaged in oil transportation via pipelines. Comparison based on the weighted average tariff per 100 tkm allows to take into account the factor of differences in the length of the transportation distance from oil receiving points to delivery points and to minimise errors due to differences in the scale of companies. The high weighted average tariff per 100 tkm of oil turnover among foreign companies is due to high specific operating costs. It should be noted that the analysis did not take into account the procedure for setting tariffs for each company due to the lack of this information. This does not eliminate the factor of difference in tariff determination when comparing Transneft and its counterparts.

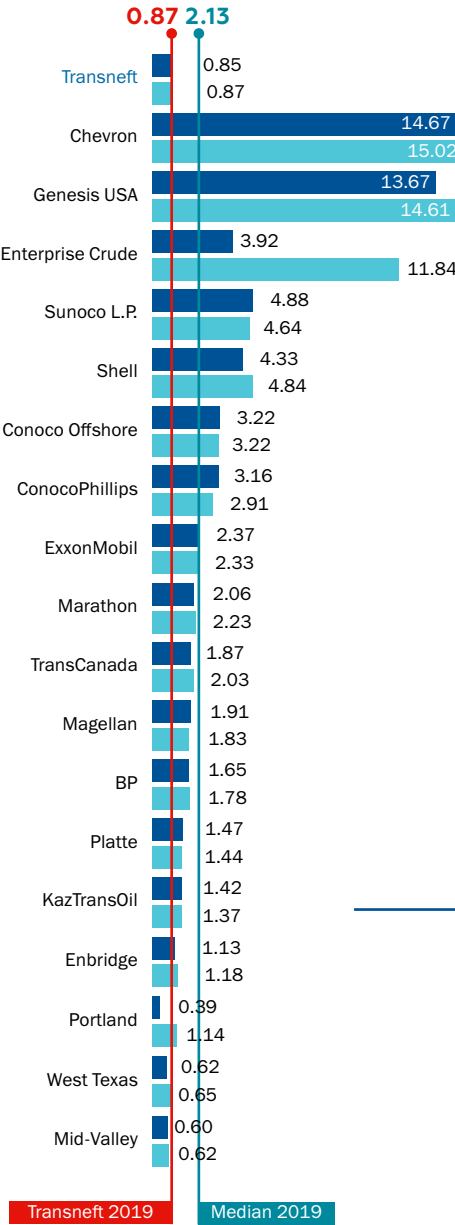
Specific operating expenses on oil transportation, USD/100 tkm



Specific Operating Expenses during Oil Transportation

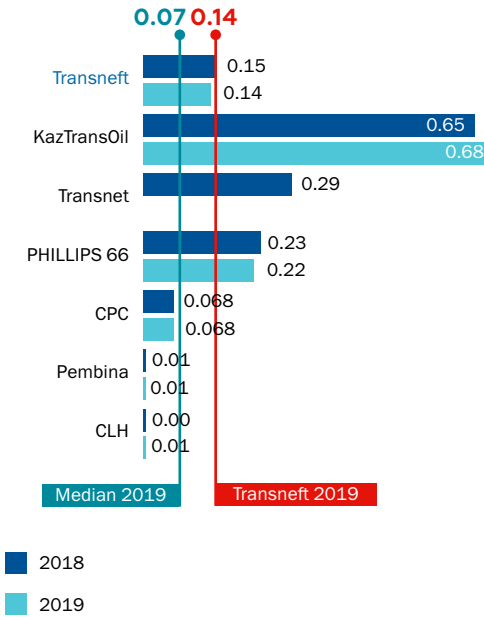
Transneft's specific operating expenses on oil transportation in 2019 were 3.2 times lower than the median value charged by foreign companies (USD 0.31/100 tkm versus USD 1.01 /100 tkm). In 2018–2019, the weight of Transneft's specific expenses per 100 tkm of oil turnover, when compared with the level of the weighted average tariff, remained at 35–36%. A number of foreign companies can observe a downward trend in the share of operating expenses in the transportation tariff (West Texas, Conoco Offshore, Marathon, etc.).

Oil transportation tariff, USD/100 tkm



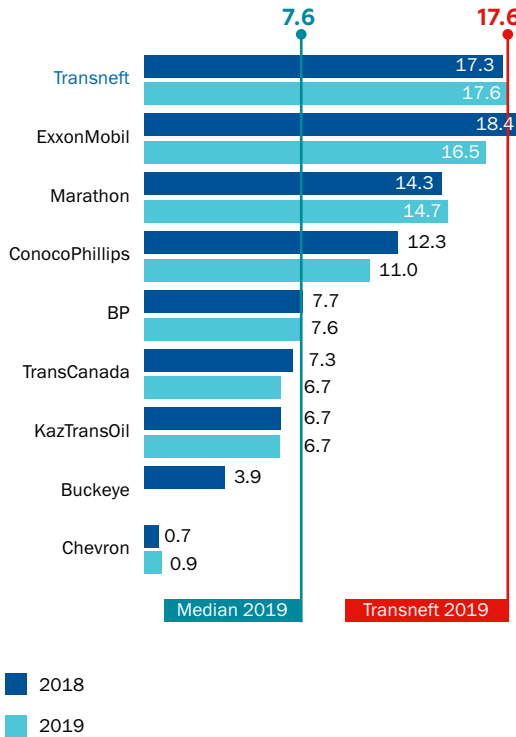
Specific Air Pollutant Emissions

Specific air pollutant emissions during transportation via trunk pipelines, kg/t



In 2019, Transneft's specific air pollutant emissions in oil and petroleum products transportation were reduced by 6.9% (from 0.1514 in 2018 to 0.14102 kg/t) and were equal to the median value for the sample. Among the six comparable companies, KazTransOil, Phillips66 and Transnet have a higher figure.

In-kind productivity of labour, mln tkm/person



Labour Productivity

In 2019, in-kind labour productivity was more than two times higher at Transneft against the median (17.6 million tkm/worker versus the median value of 7.6 million tkm/worker). Yet in 2019, in-kind labour rose by 1.7% compared to 2018. ExxonMobil Corporation demonstrated a high in-kind labour productivity among the foreign companies (18.4 million tkm/person in 2018). Chevron Pipe Line Company had the worst figure – 0.7 million tkm/person – which is more than 10 times lower than the median.



[Review of Key Performance Indicators for Transneft and Peer Foreign Companies, prepared by KPMG](#)

OPERATING RESULTS

- 3.1 — 50
Address of the President
- 3.2. — 52
Oil Transportation
- 3.3. — 56
Petroleum Products Transportation
- 3.4. — 57
Operational Assets for Transportation of Oil and Petroleum Products
- 3.5. — 58
NCSP Group
- 3.6. — 60
Caspian Pipeline Consortium (CPC)
- 3.7. — 61
The International Association of Oil Transporters

CUBISM

— Cubism is based on the painter's desire to break up the depicted three-dimensional object into simple elements and reassemble it on canvas in a two-dimensional image. Thus, the painter is able to depict the object simultaneously from different viewpoints and emphasize the properties that are invisible from one side of the classical image.

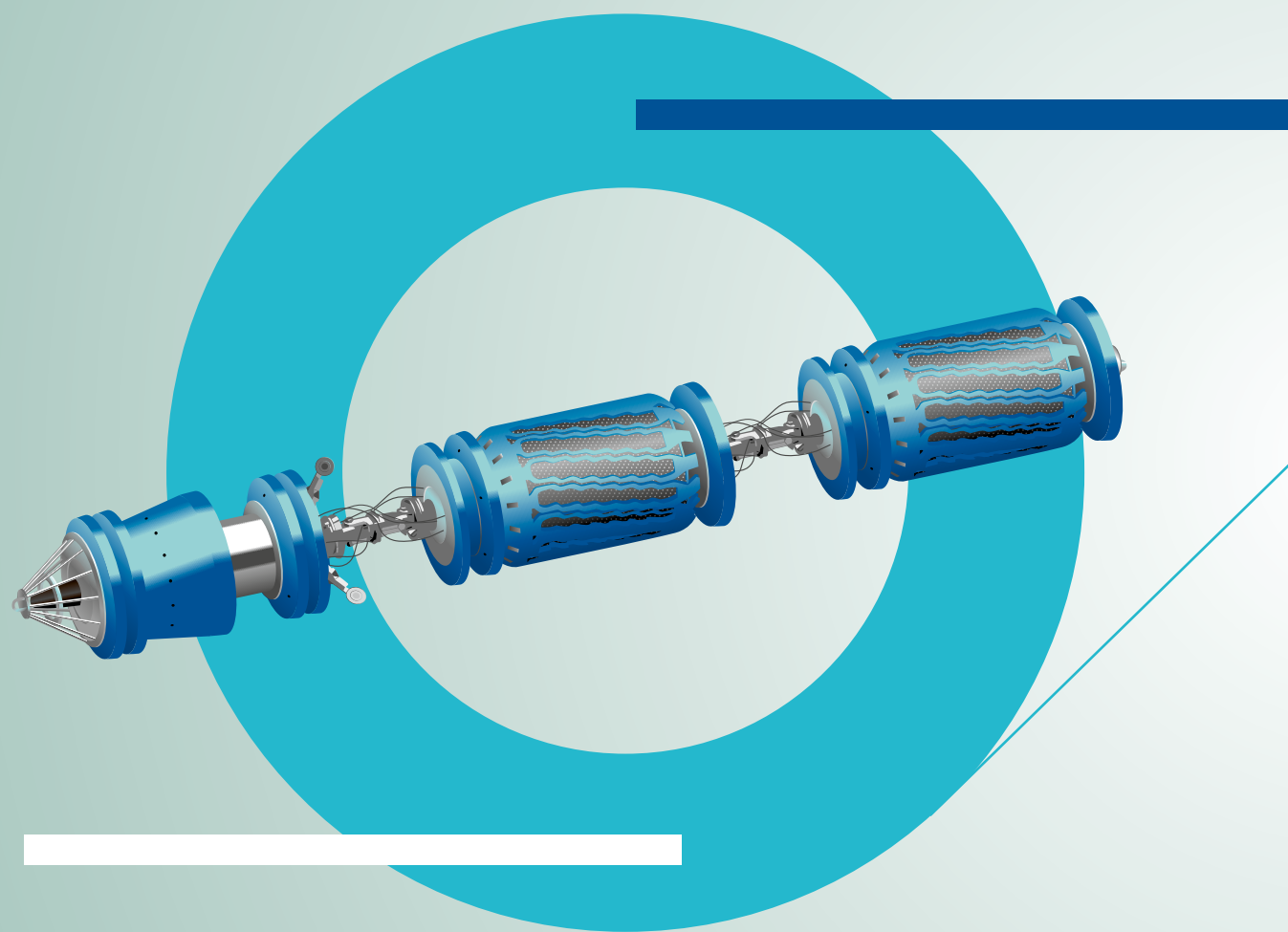
Cubism does not necessarily involve simple geometric shapes. In painting, they are primarily used due to the artists' desire to separate individual "patches" of the object from each other.



Dawn Is Breaking Through The Windows Of The TOP Plant Shopfloor In Chelyabinsk (Transneft Oil Pumps)

TECHNOLOGICAL AVANT-GARDE

Ultrasonic inspection tool with phased array
measuring system



These tools are required for in-line inspection of pipelines. The devices detect defects (cracks, dents) inside the trunk pipelines. Inspection tools are equipped with sensors that check walls and welds in the longitudinal and transverse directions relative to the pipe axis.

The advantage of this new device, unrivaled anywhere in the world, is an increased capability of detecting defects in welded seams, including those that do not come out to the surface. The device is able to find defects before they develop into fatigue cracks, which helps to timely repair potentially dangerous areas.

This tool with a phased array measuring system was designed for in-line inspection of pipelines with an external diameter of 1,020 mm (40"), 1,067 mm (42") and 1,220 mm (48"). It has already shown itself in action at two sections of the Aleksandrovskoye - Anzhero-Sudzhensk and Kholmogory - Klin oil pipelines, as well as at the TS ESPO.

3.1. ADDRESS OF THE PRESIDENT

DEAR SHAREHOLDERS!

In 2020, the crisis in international energy markets and the coronavirus pandemic prompted us to seek and find untrivial solutions, apply new approaches, which undoubtedly enriched the theory and practice of the pipeline industry with experience in managing and operating in a rapidly changing environment. The issues of safety, efficiency and sustainability, maintaining a normal production rhythm and the ability to overcome new challenges came to the fore in the Company.

At the same time, we must note that unfavourable external factors, such as market conditions, falling demand and a general decline in business activity, could not but affect the pipeline industry and the Company's financial performance. The decrease in oil transportation volumes in 2020 was 8.8% compared to 2019, although petroleum products transportation remained at the same level as in 2019. Transneft maintained a stable financial position, which is confirmed by credit ratings that are the highest possible for a company operating in the Russian Federation.

In operational activities, we remain focused on innovation and experimentation. In 2020, as part of the technical upgrading and revamping programme, almost 890 km of trunk pipelines were replaced, 75 tanks were constructed and revamped, various equipment was revamped and replaced at dozens of facilities.

In 2020, Transneft continued to implement promising projects in the field of diversification of operational activities, creation and development



Transneft maintained a stable financial position, which is confirmed by credit ratings that are the highest possible for a company operating in the Russian Federation.

of industry-specific technologies and production operations. The share of foreign equipment decreased to 3.6%, the share of foreign goods in the total volume of purchases does not exceed 7.7%. 11 large companies were established and are in operation. The Company met the target indicators of the Energy Saving and Energy Efficiency Improvement Programme which provides for



a decrease in specific electrical energy consumption (85% of energy consumption): by 0.5% in the annual target amount.

Transneft is one of the largest payers to the budgets of all levels of the Russian Federation. In 2020, the total volume of tax payments in favour of the state amounted to RUB 82.5 bn.

As part of digitalisation, the introduction of information systems and automation of business processes continues, which optimises work in the Company's priority business areas: commodity transport operations, finance and procurement. These systems will be integrated into the Company's general information infrastructure. I am sure that the experience in transferring most employees of a multi-thousand team to a remote mode of work in an extremely short time, ensuring the safe, reliable and efficient operation of all business units of the Company and its subsidiaries during the pandemic peak will further be in demand to optimise business processes and create a new interactive work space.

**Nikolay
Tokarev**

Chairman
of the Management Board
President of Transneft

Transneft system is ready to fulfill the requests of oil and gas companies in organising efficient oil and petroleum products supplies to Russian consumers and to international markets. The Company is looking to the future with confidence, continuing to develop and move forward.

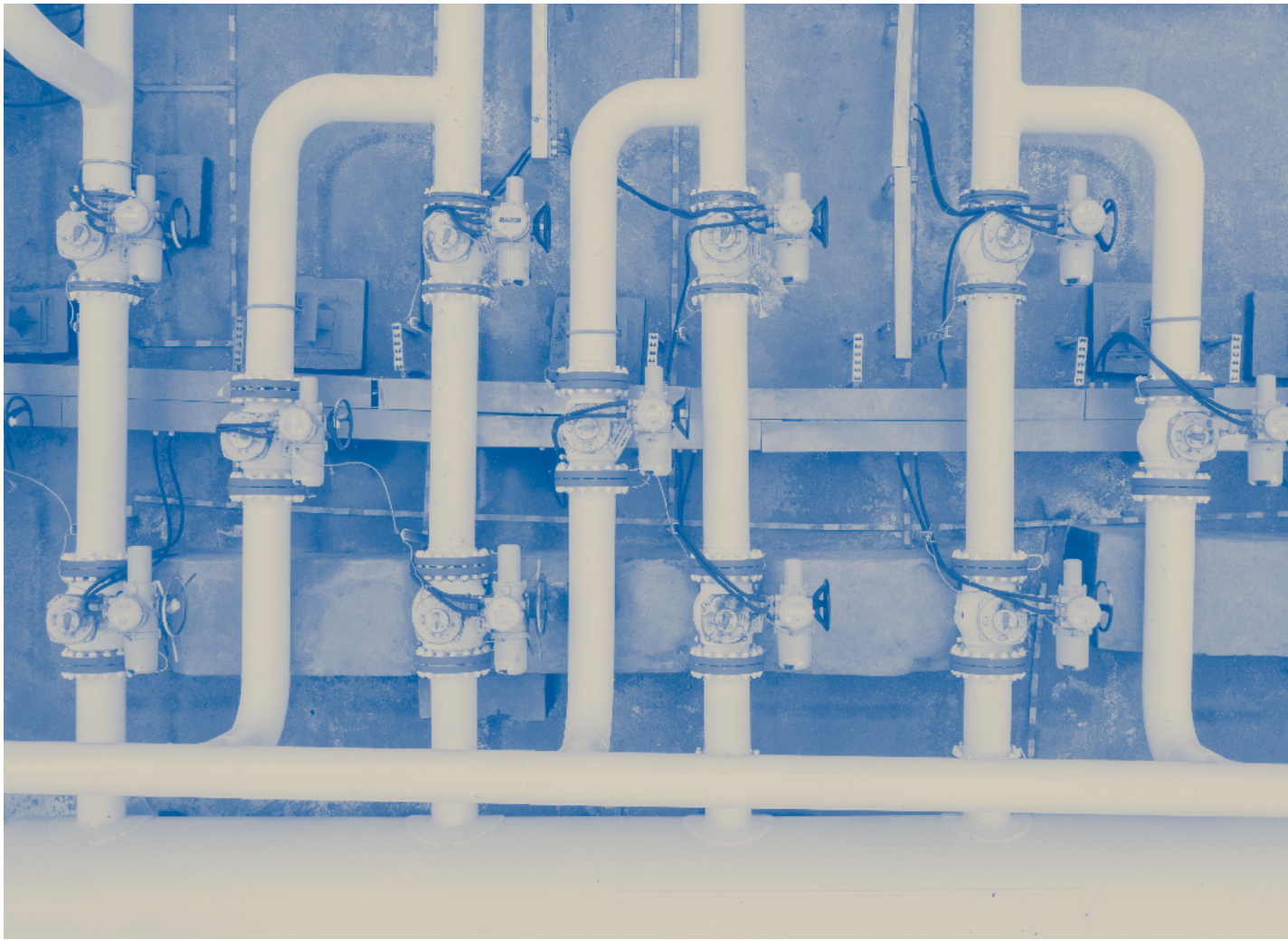
3.2. OIL TRANSPORTATION

Oil turnover, bn tkm

2018 1,217.4

2019 1,247.6

2020 1,132.2



Oil Turnover broken down by the Group's Entities in 2018-2020, mln tkm

	2018	2019	2020
	1,217,397	1,247,584	1,132,226
Transneft Siberia, JSC	244,301	243,856	226,084
Transneft East, LLC	153,659	172,278	175,053
Transneft Kama Region, JSC	128,331	140,889	122,010
Transneft Druzhba, JSC	130,422	118,635	112,493
Transneft Urals, JSC	106,824	97,785	85,491
Transneft Far East, LLC	68,332	78,139	80,869
Transneft Western Siberia, JSC	62,179	63,033	76,151
Transneft Volga Region, JSC	93,547	90,268	76,031
Transneft Baltic, LLC	73,451	80,422	62,831
Transneft Upper Volga, JSC	55,240	61,200	49,063
Chernomortransneft, JSC	32,095	33,857	26,575
Transneft North, JSC	28,035	26,907	25,107
Transneft Central Siberia, JSC	40,979	40,314	14,469

Oil Acceptance and Delivery Indicators for 2018–2020, mln tonnes

Indicators	2018	2019	2020	change, 2020/2019 (%)	change, 2020/2018 (%)
Acceptance into the Transneft system, total:	480.4	484.8	441.8	-8.9%	-8%
including:					
oil from Russia	462.3	465.6	422.4	-9.3%	-8.6%
oil from Kazakhstan	16.8	16.3	16.5	0.9%	-1.6%
oil from Azerbaijan	1.3	0.8	0.6	-29.1%	-55.0%
oil from Turkmenistan	0	2.1	2.3	13.7%	
Oil delivery, total:	480.0	485.0	442.25	-8.8%	-7.8%
including:					
to refineries in Russia	249.3	245.9	233.7	-5.0%	-6.3%
including:					
oil from Russia	249.3	245.9	233.7	-5.0%	-6.3%
Transshipment to the CPC-R system	0.00	0.01	0.01	-57.1%	
including:					
oil from Russia	0	0.01	0.01	-57.1%	
Fuel deliveries to third parties		0.18	0.15	-19.0%	
oil from Russia	0	0.18	0.15	-19.0%	
To the CIS	19.0	18.6	14.3	-23.2%	-24.8%
including:					
oil from Russia	18.0	17.6	13.4	-24.1%	-26.0%
oil from Kazakhstan	1.0	1.0	0.9	-6.1%	-2.5%
To markets beyond the CIS	211.5	220.3	194.1	-11.9%	-8.2%
including:					
oil from Russia	194.6	202.0	175.6	-13.1%	-9.7%
oil from Kazakhstan	15.7	15.3	15.6	1.8%	-0.7%
oil from Azerbaijan	1.2	0.9	0.6	-30.3%	-49.5%
oil from Turkmenistan	0	2.0	2.3	13.8%	

In 2020, the total oil acceptance into the trunk pipeline system of Transneft amounted to 441.8 million tonnes, which is 8.9% less than in 2019 and 8% less than in 2018. Oil acceptance from Russian producers in 2020 decreased by 9.3% compared to 2019 and amounted to 422.4 million tonnes. Acceptance of oil from Kazakhstan increased by 0.9% compared to 2019 and amounted to 16.5 million tonnes, which is 1.6% lower than in 2018. Acceptance of oil from Azerbaijan in 2020 decreased by 29.1% compared to 2019 and amounted to 0.6 million tonnes.

In 2020, Transneft ensured oil deliveries to the destination points in the amount of 442.2 million tonnes, which is 8.8% less than in 2019 and 7.8% less than in 2018.

Exports to CIS countries and to markets beyond the CIS in 2020 decreased by 12.7% compared to 2019 and by 9.6% compared to 2018, and amounted to 208.4 million tonnes. Oil delivery to refineries located in Russia amounted to 233.7 million tonnes, a 5% decrease compared to 2019 and a 6.3% decrease compared to 2018.

Oil Reception from Producers to the Transneft System in 2020, mln tonnes

Russian producers	422.4	95.6%
Rosneft Oil Company, PJSC	167.8	38.0%
LUKOIL	59.4	13.4%
SURGURNEFTEGAS PJSC	54.8	12.4%
Gazprom Neft PJSC	25.4	5.7%
Tatneft, PJSC named after V.D. Shashin	25.4	5.7%
Bashneft, PJSOC	10.8	2.4%
NGK Slavneft, PJSC	9.7	2.2%
INK, LLC	8.5	1.9%
NK Neftisa, JSC	6.2	1.4%
RussNeft, PJSC	5.8	1.3%
Other organisations	48.6	11.0%
Oil from Kazakhstan	16.5	3.7%
Oil from Turkmenistan	2.3	0.5%
Oil from Azerbaijan	0.6	0.1%
TOTAL	441.8	

Oil deliveries for export to the CIS and to markets beyond the CIS in 2018–2020, mln tonnes

Indicators	2018	2019	2020	change, 2020/2019 (%)	change, 2020/2018 (%)
Export, total:	230.4	238.9	208.4	-12.7%	-9.6%
To the CIS	19.0	18.6	14.3	-23.2%	-24.8%
Refineries in Belarus, total	18.0	17.6	13.4	-24.1%	-26.0%
Naftan, OJSC	8.3	8.1	6.8	-16.1%	-17.7%
Mozyr Refinery	9.8	9.5	6.6	-31.0%	-32.7%
Refineries in Uzbekistan, total	0.0	0.0	0.0		
Refineries in Kazakhstan, total	1.0	1.0	0.9	-6.1%	-2.5%
POCR, LLP	1.0	1.0	0.9	-6.1%	-2.5%
To markets beyond the CIS	211.5	220.3	194.1	-11.9%	-8.2%
Sheskhari Oil Depot	27.6	31.0	20.6	-33.5%	-25.5%
Primorsk SSOP	38.5	47.5	33.2	-30.1%	-13.8%
Kozmino SSOP	30.39	33.19	32.96	-0.7%	8.5%
Ust-Luga SSOP	27.8	26.4	22.0	-16.7%	-20.9%
Adamova Zastava (Germany)	20.63	16.06	18.9	17.7%	-8.4%
Adamova Zastava (Poland)	14.92	13.06	14.25	9.1%	-4.5%
Budkovce (the Czech Republic)	4.0	3.81	3.0	-20.9%	-24.5%
Budkovce (Slovakia)	5.2	5.0	5.4	8.6%	4.2%
Fenyesslitke (Hungary)	4.1	4.3	3.8	-11.4%	-7.3%
China	10.0	10.0	10.0	0.0%	0.0%
Russia – China border (the Amur River, the People's Republic of China)	28.3	30.0	30.0	0.0%	6.0%

3.3. PETROLEUM PRODUCTS TRANSPORTATION

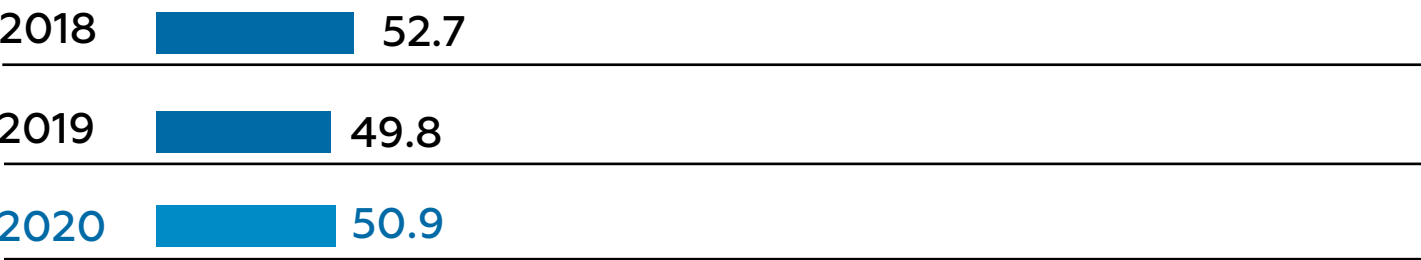
Acceptance and delivery indicators of petroleum products for 2018 – 2020, mln tonnes

Indicator name	2018	2019	2020
Acceptance of petroleum products, mln tonnes, total	38.9	38.0	37.4
including:			
• for export	28.1	27.3	27.9
• to the domestic market of the Russian Federation	10.8	10.7	9.5
Delivery of petroleum products, mln tonnes, total	39.2	37.8	37.8
including:			
• for export	28.6	27.2	28.2
• to the domestic market of the Russian Federation	10.6	10.6	9.6
Petroleum products turnover, bn tkm	52.7	49.8	50.9

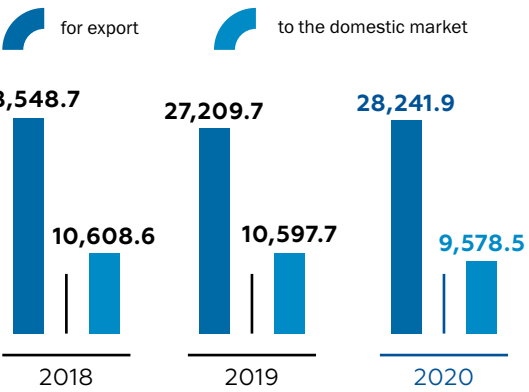
According to data on the supply of petroleum products at the end points of Transneft's transportation routes on the basis of acceptance certificates

In 2020, the increase in turnover compared to 2019 was 2.3%, while the volume of transportation remained at the level of 2019. The dynamics of the increase in turnover of petroleum products through the Transneft system is due to a significant increase in transportation volumes towards the port of Primorsk (+2.6 million tonnes / +19%), combined with a decrease in transportation to the domestic market to the level of 2019.

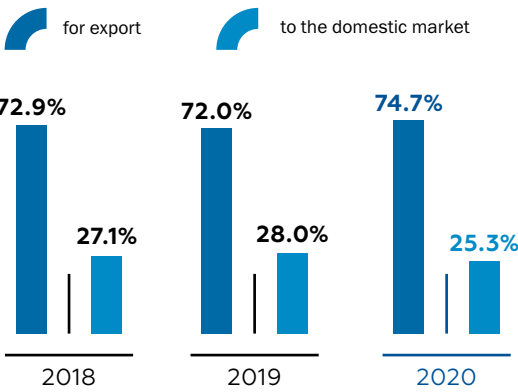
Petroleum products turnover, bn tkm



Petroleum products delivery to consignees, thou tonnes



Structure of petroleum products delivery to consignees



Analysis of the Main Changes in the Petroleum Products Transportation Volumes, mln tonnes

Indicator name	Type of fuel	2020 (target)	2020 (actual)	deviation +/-, million tonnes	deviation +/-, %
Total petroleum products transportation volume, mln tonnes		39.0	37.8	-1.2	-3.1
including:					
• for export (diesel fuel)	DF	28.9	28.2	-0.7	-2.4
• to the domestic market of the Russian Federation		10.1	9.6	-0.5	-5.0
motor petrol	MP	2.1	1.9	-0.2	-9.5
diesel fuel	DF	5.4	6.0	0.7	11.1
aviation fuel	AF	2.6	1.7	-0.9	-34.6

According to data on supplies of petroleum products at the end points of Transneft's transportation routes on the basis of acceptance certificates

In 2020, the petroleum products transportation volume via the Transneft system amounted to 37.8 million tonnes (-1.2 million tonnes or -3.1% of the target). The main reason for the decrease in the petroleum products transportation volume relative to the plan was the decrease by the shippers of the transportation volumes declared for 2020 compared to the previously planned ones (due to the reduction in oil supplies to the refineries).

3.4. OPERATIONAL ASSETS FOR TRANSPORTATION OF OIL AND PETROLEUM PRODUCTS

The length of trunk pipelines 67.2 thousand km



The number of pumping stations 511 units



The number of tanks 1,496 units (24.6 million m³)



3.5. NCSP GROUP

For Transneft, NCSP segment means:

- a company ensuring a full cycle of oil and petroleum products delivery for loading onto vessels (23% of oil and petroleum products shipped via Russian ports);
- an efficient investment; a significant contribution to Transneft Group's performance.

Key facts about NCSP Group

- 8 companies in three ports of Russia
- 300 customers and 80 cargo types
- 67 berths with a length of 13.7 km and over 800 transshipment machinery pieces
- about 8,000 employees on the payroll

In September 2018, Transneft Group secured indirect control over NCSP as a result of stock acquisition.

Operating results of NCSP and its subsidiaries have been included in the consolidated data of Transneft Group according to IFRS since the end of Q3 2018.

Prior to the acquisition date, the share of Transneft Group in the profit of NCSP Group was included in the Share in the Profit of Subsidiaries and Jointly Run Companies indicator.

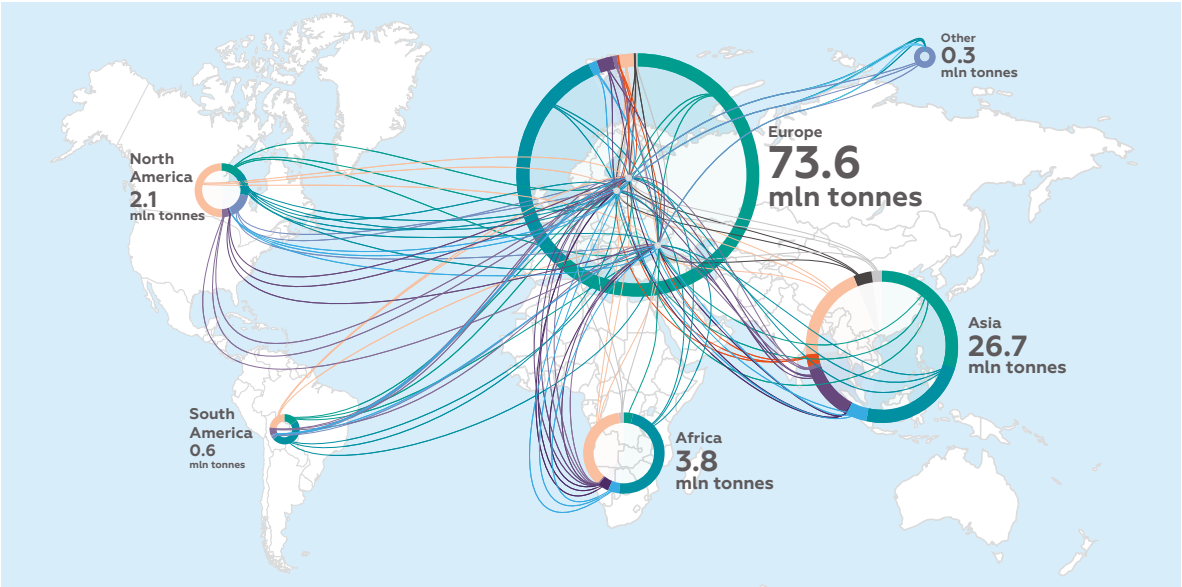


[Brief overview of the NCSP Development Strategy is available on the Company's website](#)



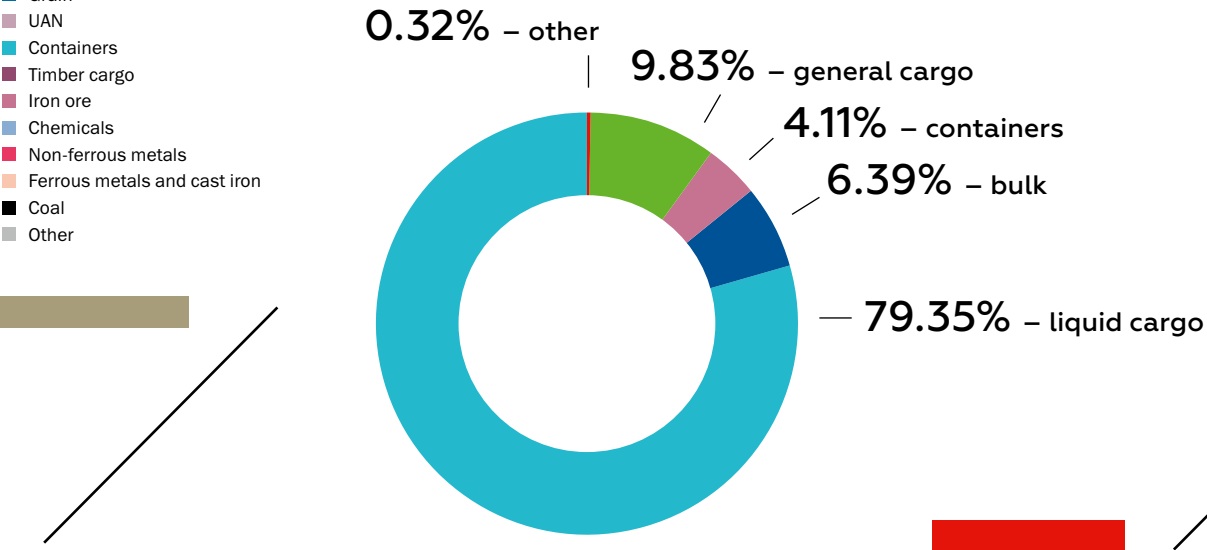
NCSP Group is No. 1 on the stevedoring market of Russia in terms of turnover. NCSP Group's ports are integrated into international transport corridors connecting Russia with the countries of the Mediterranean, the Middle East, North Africa, Southeast Asia, North and South America, which makes them a key channel for the transit of Russian import and export cargo. NCSP Group shipped 110.6 mln tonnes of cargo in 2020, which amounted to 13.5% of the total cargo turnover of Russian seaports.

Turnover geography



- Crude oil
- Petroleum products
- Grain
- UAN
- Containers
- Timber cargo
- Iron ore
- Chemicals
- Non-ferrous metals
- Ferrous metals and cast iron
- Coal
- Other

Turnover Structure (2020)



Influence of NCSP Segment on Transneft Group performance

Key indicators, RUB bn	2018			2019			2020		
	NCSP Segment	Transneft Group	Share of NCSP Segment	NCSP Segment	Transneft Group	Share of NCSP Segment	NCSP Segment	Transneft Group	Share of NCSP Segment
Revenue	15.9	980.0	1.6%	56.1	1,063.8	5.3%	45.6	962.4	4.7%
EBITDA	10.2	433.4	2.4%	40.0	486.3	8.2%	27.8	442.6	6.3%
Profit due to be distributed among shareholders of Transneft	1.6	224.3	0.7%	23.9	179.4	13.3%	-0.9	133.2	-
Free cash flow	5.0	78.2	6.4%	18.5	93.0	19.9%	16.4	139.7	11.7%
Total debt by the end of the year	69.7	673.0	10.4%	49.9	637.4	7.8%	43.7	589.5	7.4%

* NCSP Segment indicators for 2018 are presented for the period from the end of Q3 2018 since the acquisition of the controlling stake by Transneft Group

3.6. CASPIAN PIPELINE CONSORTIUM (CPC)

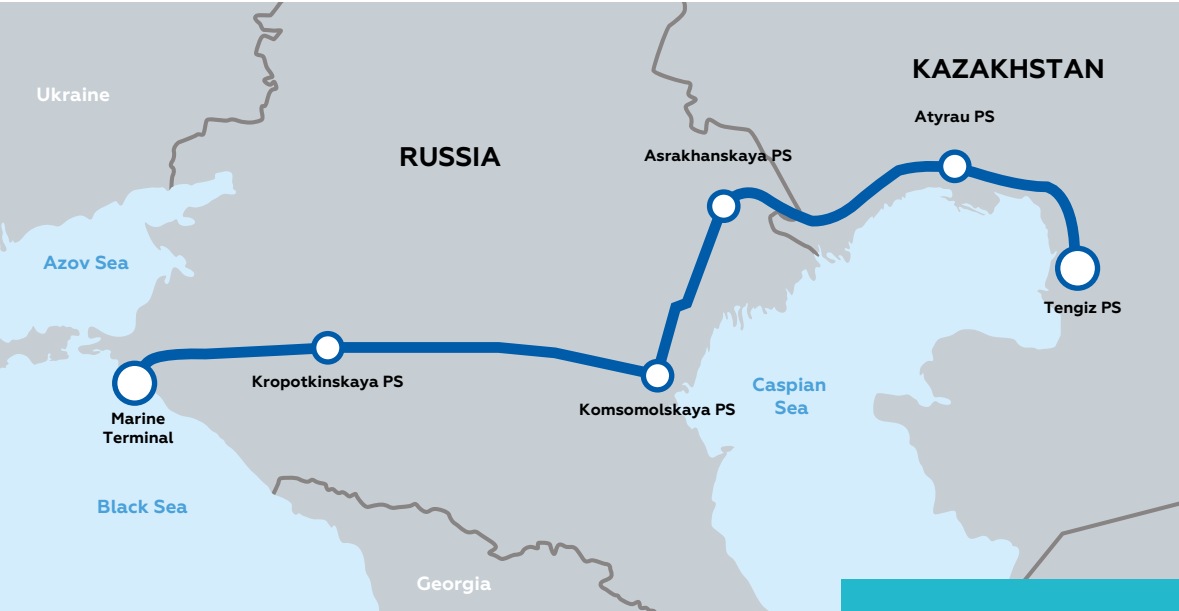
Transneft exercises trust management of 24% of shares of CPC-R and CPC-K owned by the Russian Federation (organisations comprising the Caspian Pipeline Consortium and registered in Russia and Kazakhstan, respectively). The Company owns 7% of shares in CPC-R and CPC-K through controlled entities.

The CPC pipeline system is one of the largest investment projects in the energy sector with the involvement of foreign capital in the CIS. The length of the Tengiz – Novorossiysk pipeline that linked oilfields in Western Kazakhstan with the Novorossiysk sea terminal is 1,511 km.

The capacity of the Tengiz – Novorossiysk oil pipeline is 67 MTPA. In 2019, the implementation of

the CPC Oil Pipeline System Debottlenecking Project to expand the throughput capacity to 81.5 million tonnes of crude oil per year was approved. In 2020, CPC shipped 59 million tonnes of oil at the marine terminal in Novorossiysk, including 51.8 million tonnes of oil from Kazakhstan shippers and 7.2 million tonnes of oil from Russian shippers.

In September 2020, CPC fully repaid the debt to shareholders. The budget of the Russian Federation received USD 48.74 million, payments to Transneft Group amounted to USD 24.52 million. In 2021, CPC plans to start paying dividends.



3.7. THE INTERNATIONAL ASSOCIATION OF OIL TRANSPORTERS

Since 2015, Transneft has been a member of the International Association of Oil Transporters (IAOT), founded in 2013 in the Czech Republic.

The International Association of Oil Transporters was established to coordinate the efforts of its members aimed at effective development of their oil transportation systems with the purpose of having a

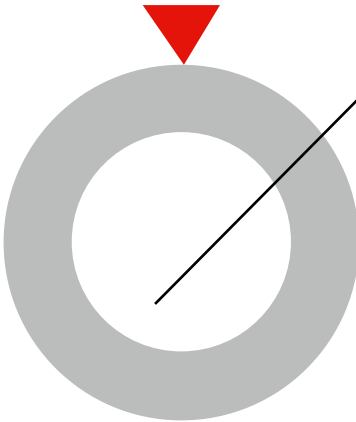
more stable oil transportation. The crucial purposes of the IAOT are comprehensive assistance in ensuring uninterrupted supply of oil and petroleum products to international energy markets, as well as the development of relations between the participants of the association at the national, regional and international levels.

Members of the IAOT		
MERO ČR, a.s. (Czech Republic)	Transneft PJSC (Russian Federation)	TRANSPETROL, a.s. (Slovak Republic)
Gomeltransneft Druzhba, OJSC (Republic of Belarus)	MOL Plc. (Hungary)	KazTransOil, JSC (Republic of Kazakhstan)
China National Petroleum Corporation (PRC)	Ukrtransnafta, JSC (Ukraine)	JANAF, JSC (Republic of Croatia)
Observer of the IAOT		
Caspian Pipeline Consortium		

The association holds regular meetings of the Governing Board and permanent expert groups, technical visits to pipeline facilities of the association members.

format of a videoconference. The IAOT conference on the issues of uninterrupted operation of oil transportation infrastructure under the conditions of the COVID-19 pandemic was held online.

- Operating permanent expert groups:**
1. For supplies.
 2. For energy efficiency.
 3. For legal issues.
 4. For efficient, reliable and safe operation of oil trunk pipelines.
- In 2020, two meetings of the Governing Board were held in absentia. A decision was made to implement the Centre of Excellence pilot project, which provides for the annual organisation of weekly courses in Prague (Czech Republic) on specialized topics for specialists and managers of operational and commodity-transport divisions of the IAOT companies.
- Meetings of the permanent expert groups of the IAOT on energy efficiency and operation were held in the



DEVELOPMENT STRATEGY

- 4.1. — 66
Main Areas of Development
- 4.2. — 68
Transneft Strategy
- 4.3. — 69
Long-Term Development Programme
- 4.4. — 71
Key Performance Indicators (KPI) System
- 4.5. — 73
Investment Projects
- 4.6. — 76
Execution of the Transneft Development Programme

- 4.7. — 78
Raising the Operational Efficiency
- 4.8. — 79
Innovative Development
- 4.9. — 81
Achievements in Foreign Markets
- 4.10. — 81
Programme for Disposal of Non-Core Assets

To Get In Time For The First Shift,
A Transneft Baltic Employee
Hurrying To Work



FUTURISM

— the futurists dedicated their paintings to trains, cars, airplanes. In a word, to all the achievements of civilization inspired by the technical progress. The main artistic principles are speed, movement, energy, which futurists tried to convey with fairly simple techniques. Energetic compositions are typical for paintings, objects are fragmented and intersected with sharp angles, where flickering forms, zigzags, spirals, beveled cones prevail; the movement is reproduced by superimposing successive phases on a single image - the so-called simultaneity principle.



TECHNOLOGICAL AVANT-GARDE

Unified Laboratory Information System (ULIS)

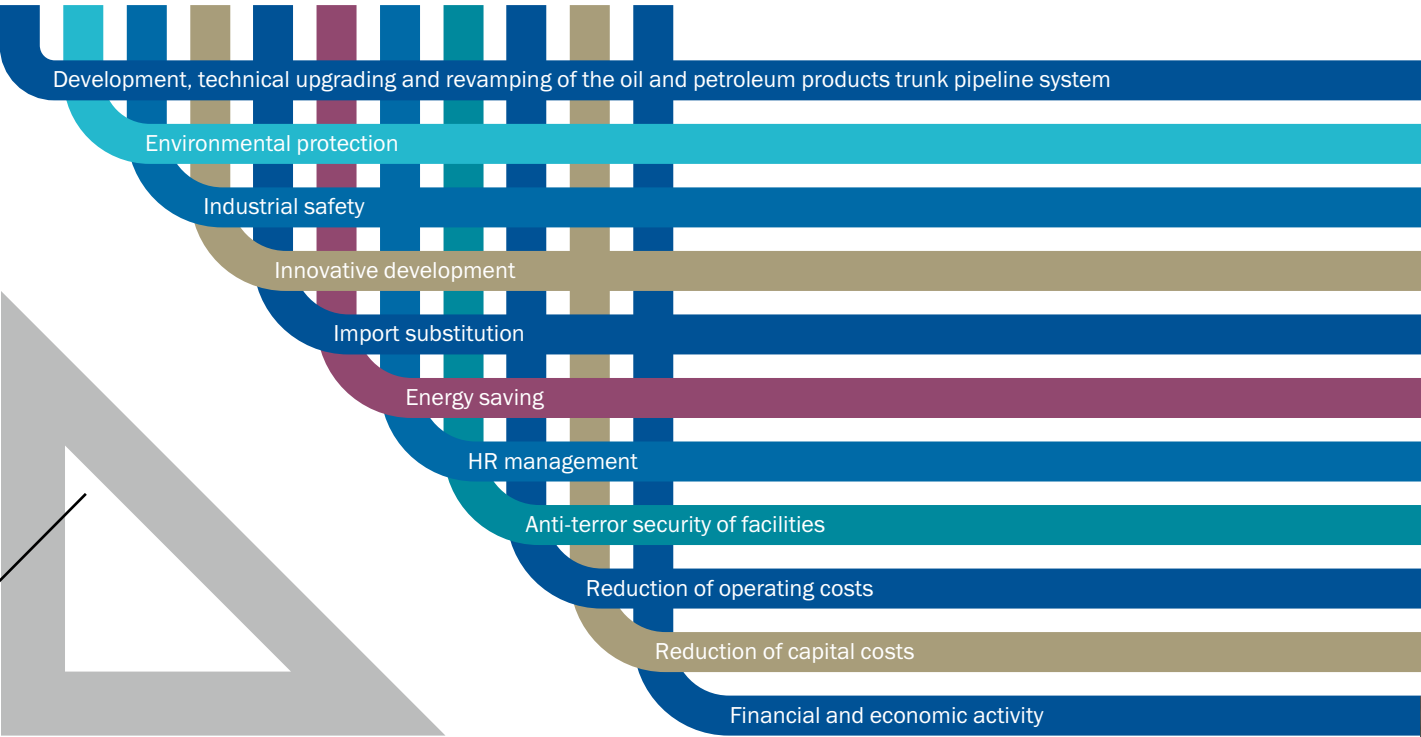


ULIS was invented by a young team of Transneft researchers. The system is now being implemented in chemical laboratories at the Company's facilities. ULIS performs calculations related to the analysis of oil and petroleum products. The system provides for laboratory operation control throughout the sample life-cycle from delivery to paperwork and storage phases.

The samples are taken continuously at all stages of the crude oil and petroleum products' movement from the producer to the consumer, including the pipeline's acceptance, storage, pumping, delivery and unloading for shipment. Every 1–2 hours (depending on the flow rate) "quick" samples are taken to confirm the quality. Sampling is performed both manually, by commodity operators, and automatically. Depending on the type of product, each sample can be analyzed for 1–24 quality parameters.

ULIS monitors the "shelf life" of solutions and reagents, as well as the conditions for conducting lab tests, including temperature, humidity, and pressure. If any abnormal parameter is detected, the system will give a warning that the test is impossible. Another advantage of ULIS is the reduction of hard-copy paperwork and automation of routine operations.

4.1. MAIN AREAS OF DEVELOPMENT



1. DEVELOPING THE OIL AND PETROLEUM PRODUCTS TRUNK PIPELINE SYSTEM

Transneft's Investment Projects

Revamping oil trunk pipelines for transportation of oil to refineries in Krasnodar Territory	Ensuring oil transportation to Krasnodar Territory refineries (the major facilities are ready); connection of the Afipsky Refinery is planned for 2021.
Developing a corporate data communication network to build Transneft's unified information system	Improving the operational reliability of technological communication networks of oil trunk pipelines, creating a high-speed communication network for Transneft Group (the project is to be completed in 2025).

2. ENVIRONMENTAL PROTECTION

The specific air pollutant emissions in oil and petroleum products transportation via trunk pipelines were reduced by 9%.

3. INDUSTRIAL SAFETY

The specific trunk pipeline accident rate at the end of 2020 amounted to 0.0595 accidents per 1,000 km of the line and does not exceed the planned limit values established by the Transneft Long-Term Development Programme.

4. INNOVATIVE DEVELOPMENT

The volume of financing allocated to innovation projects, including R&D, from own funds as the percentage of Transneft's revenue from oil transportation services (by RAS) came to 1.42%.

5. IMPORT SUBSTITUTION

As part of the Corporate Import Substitution Plan, the Company has mastered domestic manufacture of 25 types of equipment as of the end of 2020.

In 2020, work was carried out to develop the production of activated recovery coal intended for use in cyclic processes of recovery of oil vapors when

loading crude oil onto tank ships at sea terminals. Completion of the activities is scheduled for 2021.

6. ANTI-TERROR SECURITY OF FACILITIES

No terrorist attacks were reported at trunk pipeline facilities in 2020. Commissioned last year were 34 facilities with technical security equipment installed.

7. RAISING THE OPERATIONAL EFFICIENCY

The integrated indicator of operational efficiency shows the reduction of operating costs and specific electricity consumption for oil transportation over trunk pipelines, as well as an increase in the productivity of labour.

8. REDUCTION OF CAPITAL COSTS

Capital expenditures were reduced by RUB 4,142 million compared to the planned values.

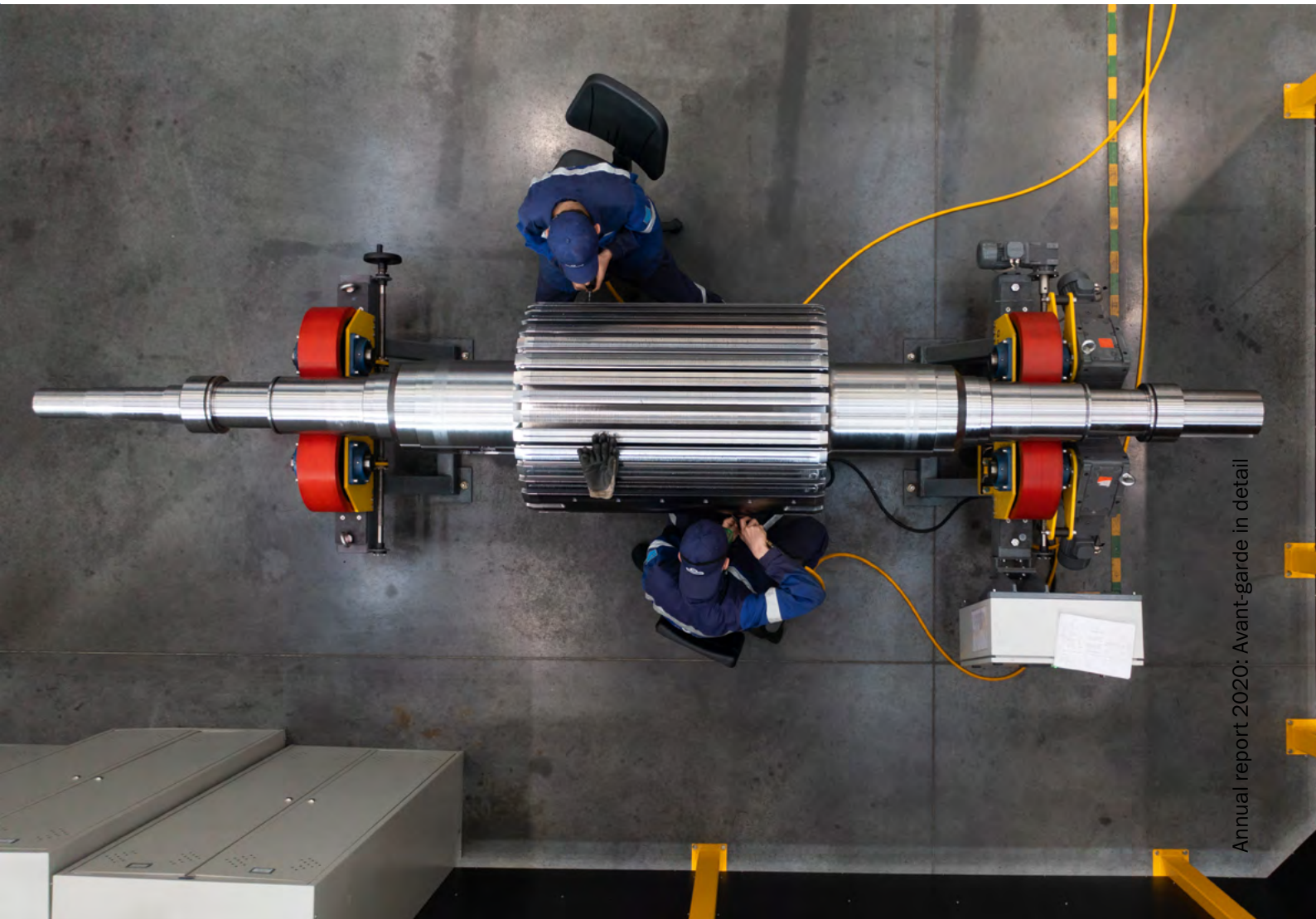
9. FINANCIAL AND ECONOMIC ACTIVITY

As a result of a significant decrease in global demand for oil, revenues decreased to RUB 962 bn from RUB 1,064 bn in 2019.

Excluding crude oil sale and purchase transactions, based on contracts with Rosneft and China National United Oil Corporation, EBITDA fell from RUB 486 bn in 2019 to RUB 443 bn.

Specific operating expenses for oil transportation in comparable prices (2019 indicators are inflated by 2020) increased from RUB 20.85/100 tkm in 2019 to RUB 22.55/100 tkm.

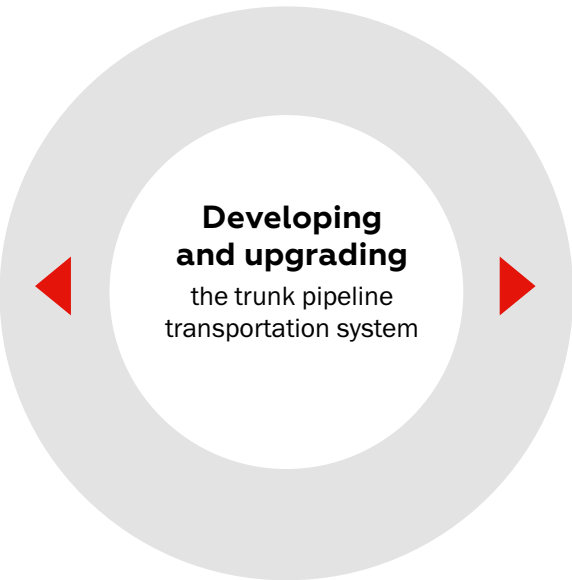
Specific operating expenses for petroleum products transportation in comparable prices (2019 indicators are inflated by 2020) increased from RUB 710.22 per tonne in 2019 to RUB 738.14 per tonne.



4.2. TRANSNEFT STRATEGY

Innovations

Using state-of-the-art sectoral technologies, as well as equipment manufactured in the territory of Russia



Effectiveness

Reducing expenses on pipeline construction and operation;
ensuring effective use of energy resources;
raising the productivity of labour

2019

Increasing the throughput capacity of the ESPO PS at the Tayshet IPS – Skovorodino PS section to 80 MTPA
Expansion of the ESPO PS within the Skovorodino PS – Kozmino SSOP section to 50 MTPA
The ESPO PS – Komsomolsk Refinery pipeline offshoot
Increasing the throughput capacity of the Usa – Ukhta and the Ukhta – Yaroslavl OTPs

2020

In 2020, the following investment projects were continued:
Revamping oil trunk pipelines for transportation of oil to refineries in Krasnodar Territory
Developing a corporate data communication network to build Transneft’s unified information system

2021

Completion of oil trunk pipelines revamping for transportation of oil to refineries in Krasnodar Territory

Reliability

Reducing accident rate at trunk pipelines;
maintaining the sulfur content in crude
developing corporate benefits



Environmental Protection

Reducing specific emissions;
ensuring environmental safety;
excluding discharge of insufficiently treated wastewater

4.3. LONG-TERM DEVELOPMENT PROGRAMME

The Transneft Long-Term Development Programme (hereinafter referred to as the LDP) was approved by the Transneft Board of Directors together with the Strategy in 2014. It specifies the lists of means and specific measures to achieve strategic

development goals of Transneft, defined in the Strategy, within the set deadlines, with indication of the level and sources of their financing. The LDP updated in 2019 indicates the current and expected performance of Transneft till 2024.

Measures as per LDP

Development and upgrading	Increasing the capacity of oil and petroleum products trunk pipelines to provide for transportation of crude planned to be extracted by oil companies both from fields currently being used and from prospective fields. The increased capacity will also ensure transportation of planned volumes of petroleum products from currently operating and new refineries
Innovations	Innovative development of operational activities
Effectiveness	Raising energy efficiency by taking energy saving measures
	Implementing a programme for cutting pipeline construction and operation costs
Reliability	Ensuring labour productivity at the level of the best foreign pipeline transportation companies
	Ensuring reliability of the operated oil and petroleum products trunk pipeline system: inspection-based revamping and modernisation of fixed assets
Environmental and Industrial Safety	Developing benefits for the Company’s employees
	Raising the level of environmental and industrial safety at the Company’s operating facilities
External and Internal Communications	Shaping the corporate identity and promoting the Company’s unified brand
	Providing advertising support of the Company’s activities in the external environment
	Shaping and developing an intra-corporate communications system

Audit of the Transneft Long-Term Development Programme Implementation

The joint-stock company KPMG conducted an audit of Transneft's Long-Term Development Programme implementation in 2020. The audit resulted in the issue of an opinion of an independent auditing organisation according to which the Report on the

Long-Term Development Programme Implementation and the Execution of the Transneft Key Performance Indicators for 2020 was prepared in compliance with the applicable acts and does not contain any significant deviations.

Indicator Name	Units of Measurement	2018 actual	2019 actual	2020	
				target	actual
Oil turnover	bn tkm	1,217.4	1,247.6	1,254.6	1,132.2
Volume of petroleum products transported via the Transneft system	mIn tonnes	39.2	37.8	40.9	37.9
Reduction of specific electricity consumption during oil transportation via trunk pipelines under comparable conditions	%	0.75	1.16	0.8	2.2
Total debt to EBITDA ratio	-	1.4	1.3	no more than 2.5	1.3
Net profit margin (excluding the impact of investments and currency exchange differences)	%	29.1	24.6	23.6	17.7
Reduction of capital costs	RUB mln	4,218	4,014	4,095	4,142
Reduction of operating costs	RUB mln	5,214	5,853	4,865	6,877
Financing R&D and innovation projects	%	1.41	1.41	1.42	1.42

In 2020, amid the spread of the COVID-19 coronavirus infection, a significant drop in demand in strategically important industries was recorded, which, in turn, influenced the degree of achievement of the Transneft planned performance indicators for 2020.

Changes in the Strategy and the Long-Term Development Programme

Due to the consequences of the spread of the new coronavirus infection (COVID-19) in 2020, the annual update of the LTDP was not carried out¹.

The adjustment of the Strategy is planned after the approval of the General Development Plan for the Russian Oil Sector for the period up to 2035².

1. Executive Orders of the Government of the Russian Federation No. 6739p-P13 dated 30 July 2020.
2. The draft General Development Plan for the Russian Oil Sector for the period up to 2035 was submitted by the Minenergo of Russia to the Government of the Russian Federation.

4.4. KEY PERFORMANCE INDICATORS (KPI) SYSTEM

The Key Performance Indicators System is used to sum up the results of Transneft's economic activities in the reporting year. The planned values of the Transneft key performance indicators for 2020 were approved by the decision of the Board of Directors dated 24 December 2019 (Minutes No. 22)

and updated by the decision of the Board of Directors of Transneft dated 19 October 2020 (Minutes No. 18).

The final assessment of all key performance indicators of Transneft's economic activity at the end of 2020 is 100%.

The System of Key Performance Indicators of Transneft's Economic Activities for 2020

Indicator (KPI)	Unit of measurement	Plan for 2020	Execution status in 2020
Integrated indicator of trunk pipeline system reliability, environmental and industrial safety	%	100	Achieved
Specific accident rate at trunk pipelines	emergency situations per 1,000 km of trunk pipelines	0.072	Achieved
Reduction of specific air pollutant emissions during oil and petroleum products transportation via trunk pipelines	%	1	Achieved
Integrated operational activity efficiency indicator	%	100	Achieved
Amount of dividends	RUB million	42,326	Achieved
Operating expenses reduction percentage	%	2	Achieved
Annual volume of direct purchases from SMEs	%	20.0	Achieved
Reduction of specific electricity consumption during oil transportation over trunk pipelines under comparable conditions	%	0.8	Achieved
Raising labour productivity in oil and petroleum products transportation	%	-9.4	Actual achieved value of -9.6
The deviation from the plan was due to the early transfer of employees of the divisions of Transneft Security Services to Transneft transport subsidiaries (reorganisation of departmental security in pursuance of the Decree of the Government of the Russian Federation dated 05 March 2020 No. 234)			
Integrated indicator of investment activities efficiency	%	100	Actual reached value 99
This is due to a deviation from the ROIC KPI plan			
Return on invested capital (ROIC)	%	5.8	Actual achieved value of 5.7
This is mainly due to a decrease in the petroleum products transportation volumes.			
Execution of the Development Programme financing plan	RUB million VAT included	195,187	Achieved
Execution of the Capital Investments Use Plan envisaged in the Development Programme	RUB mln, excluding VAT	178,613	Achieved
Execution of the Action Plan for Reduction of Capital Costs within the Development Programme	RUB mln, excluding VAT	3,871	Achieved
Keeping investment project deadlines	units	1	Achieved
Implementation of the Revamping Oil Trunk Pipelines for Transportation of Oil to Refineries in Krasnodar Territory project was postponed to 2021, as the construction of the connected facility (Afipsky Refinery) was not finished			

Indicator (KPI)	Unit of measurement	Plan for 2020	Execution status in 2020
Execution of the Pipe Replacement Plan (the line part)	km	871	Achieved
Execution of the Storage Tank Construction and Revamping Plan	units	75	Achieved
Integrated indicator of innovation activities efficiency	%	100	Achieved
Financing of innovative projects, including R&D, from own funds given as a percentage of Transneft's revenue from oil transportation services (according to RAS)	%	1.42	Achieved
Number of titles of protection for intellectual property obtained during the reporting period and two previous years	pcs.	95	Achieved
Number of titles of protection for intellectual property obtained during the reporting period	pcs.	40	Achieved
Integrated effect of in-house commercialisation of innovative projects, including R&D, for the reporting period and two previous years in terms of percentage of Transneft's revenue from oil transportation services by RAS	%	1.49	Achieved
Quality indicator for the updated Investment Development Programme/IDP (in the year of the update) / IDP execution quality indicator (in subsequent years)	%	90	n/a

The Report on the implementation of the IDP for 2019, approved at the meeting of the Board of Directors of Transneft (Minutes No. 11 dated 29 May 2020), was submitted for assessment to the Ministry of Energy of Russia, the Ministry of Education and Science of Russia and the Ministry of Economic Development of Russia. Favourable conclusions on the Report were received from the federal executive authorities. As of the date of approval of the LTDP Report, a meeting of the Interagency Task Force on Technological Development under the Government Commission for the Modernisation of the Economy and Innovative Development of Russia on the issue of setting of the value for the indicator of quality of the IDP has not been held by Transneft

Total debt to EBITDA ratio	-	2.5	Achieved
Integrated indicator for evaluating the results of the implementation of the corporate import substitution plan	%	100	Actual achieved value of 90.9*

This is due to a deviation from the "Share of foreign equipment in total equipment procurements" and "Share of foreign goods (excluding equipment) in total goods procurements" KPI plans

Share of foreign equipment in total equipment procurements	%	3	Actual achieved value of 3.6
--	---	---	------------------------------

The deviation is due to the consequences of the spread of the new coronavirus infection (COVID-19)

Share of foreign goods (excluding equipment) in total goods procurements	%	7.5	Actual achieved value of 7.7
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The deviation is due to the consequences of the spread of the new coronavirus infection (COVID-19)

Share of foreign software in total software procurements	%	40	Achieved
Share of foreign works and services in total works and services procurements	%	0.5	Achieved

* In connection with the organisation of remote access due to COVID-19, foreign equipment (computers, equipment for phone and video conferencing, satellite communication systems, data networks, automatic switching systems, and components for equipment) was purchased.

In accordance with the Methodological Recommendations for the Formation and Application of Key Performance Indicators of Joint Stock Companies, whose shares are owned by the Russian Federation, and certain non-profit organisations, in order to determine the amount of remuneration for their management staff (Order of the Government of the

Russian Federation No. 3579-p dated 28 December 2020) and the Directives of the Government of the Russian Federation dated 02 March 2021 No. 1891p-P13 by the decision of the Board of Directors of Transneft dated 31 March 2021 (Minutes No. 2) the list of Transneft key performance indicators for 2021 was approved.

The System of Key Performance Indicators of Transneft's Economic Activities for 2021

Area	Key Performance Indicator	Specific weight (%)	Unit of measurement	Target value for 2021
Participation in the achievement of the Decent, Effective Work and Successful Entrepreneurship national goal	Execution of the Development Programme financing plan	10	RUB million	208,836.7
Participation in the achievement of the Opportunities for Self-Fulfilment and Development of Talents national goal	Integral indicator of trunk pipelines facilities reliability	20	coefficient	10.04
	Reduction of specific electricity consumption during oil transportation over trunk pipelines under comparable conditions	10	%	0.9
Participation in the achievement of the Opportunities for Self-Fulfilment and Development of Talents national goal	The volume of products manufacture developed as a result of the implementation of research and development (R&D) plans and innovative projects of Transneft	10	RUB million	7,000
Financial and economic key performance indicators	Return on invested capital (ROIC)	10	%	6.0
	Total debt to EBITDA ratio	10	coefficient	1.5
	Decrease in specific operating expenses for oil transportation under comparable conditions	10	%	2.3
	Amount of dividends	20	RUB bn	50% of normalised consolidated IFRS net income for 2020
Bonus reduction indicator	Specific accident rate at trunk pipelines	-15	accidents per 1,000 km of line	0.069

4.5. INVESTMENT PROJECTS

After the completion of the main investment projects in 2019, Transneft focused on the modernisation and revamping of the existing infrastructure in 2020: approximately 40% of trunk pipelines operate at the limit of technical resources.

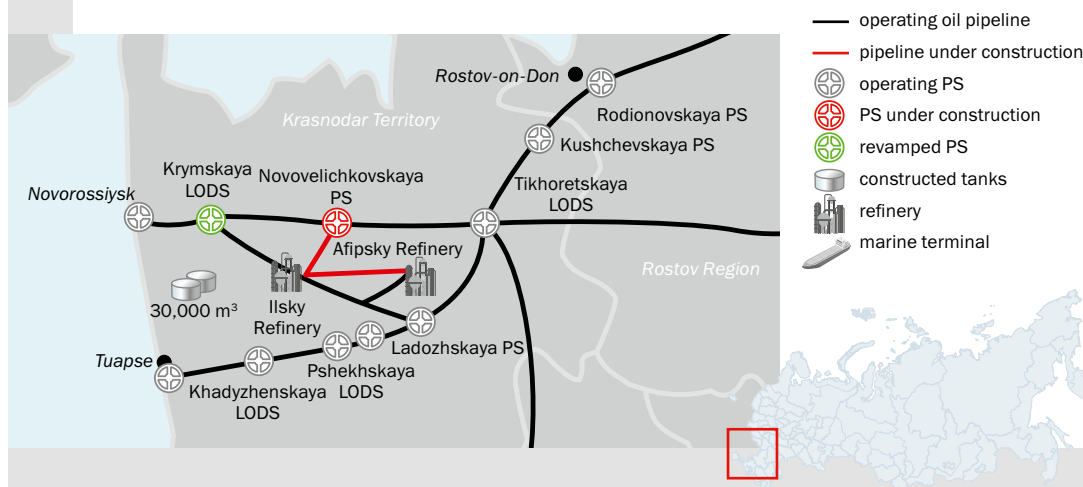
In the next 5 years, the Company will prioritise work aimed at maintaining a sufficient level of technical reliability of the equipment and systems in operation that ensure the transportation of oil and petroleum products (in compliance with the established safety standards). These include:

- revamping of the line to eliminate defects revealed by the results of in-line inspection;
- bringing storage tanks in line with regulatory requirements;
- revamping of power equipment of pumping stations to increase reliability;

- replacement of pumping equipment and stop valves to improve reliability;
- replacing process pipelines of pumping stations while taking into account their operating modes and service life;
- revamping telemechanics and automation systems to replace obsolete relay systems with modern microprocessor systems;
- introduction of a unified supervisory control system;
- revamping and construction of new oil and petroleum products' lease automatic custody transfer units (LACTs) to improve the quality and accuracy of commodity transport operations.

Within the framework of the Investment Programme, the implementation of the project on the revamping of oil trunk pipelines leading to the refineries of Krasnodar Territory and the project on a unified information system (UIS) will continue.

Revamping oil trunk pipelines for transportation of oil to refineries in Krasnodar Territory



PROJECT GOAL

- Ensure oil transportation by Transneft trunk oil pipeline system to Krasnodar Territory plants (Afipsky Refinery, Il'sky Refinery).

BASIS FOR IMPLEMENTATION

- Contracts for the provision of services for connecting oil refineries of Afipsky Refinery, LLC, and Il'sky Refinery, LLC, to the trunk pipeline system of Transneft.

DESCRIPTION

- The project provides for the construction of an oil pipeline and a new oil pumping station.

STATUS

- In 2019, the 1st stage of the project was completed with the process connection of the Il'sky Refinery. At the request of the Afipsky Refinery, the completion of the 2nd stage with the connection of the Afipsky Refinery was postponed to 2021.



Developing a Corporate Data Communication Network to Build Transneft's Unified Information System



PROJECT GOAL

- Improving the reliability of the technological communication networks of oil trunk pipelines, creating a high-speed communication network of Transneft Group for the modernisation of technological control systems and monitoring the operation of all oil pipeline facilities, as well as the introduction of modern information systems to solve production and management problems.

BASIS FOR IMPLEMENTATION

- Strategic Development Programme of the Company.

DESCRIPTION

- The project provides for the construction of a trunk fiber-optic communications link with a total length of more than 9 thousand km and about 300 antenna-mast communication structures.

STATUS

- The construction of 7,830 km of the trunk fiber-optic communications link (FOCL) and 169 antenna-mast structures has been completed.
- Completion of the project is scheduled for 2025.



4.6. EXECUTION OF THE TRANSNEFT DEVELOPMENT PROGRAMME

The Development, Technical Upgrading and Revamping Programme of trunk pipeline facilities of Transneft (Development Programme) is part of the Long-term Development Programme of Transneft and includes investment projects for the development of the trunk pipeline system, as well as measures for the revamping and technical upgrading of facilities of the existing infrastructure of Transneft's trunk pipelines.

The actual level of financing for the Development Programme in 2020 amounted to RUB 196.4 bn (81.7% of the planned amount of RUB 240.4 bn), including from loaned funds of RUB 1.5 bn, and RUB 194.9 bn from own funds.

The deviation of the actual funding from the 2020 plan is mainly due to the change in the implementation schedules for the facilities planned to be transferred to 2021, as well as for the facilities scheduled for completion both in 2020 and in subsequent years, due to a decrease in the funding limits for the programme.

Taking these factors into account, the planned values of key performance indicators for 2020 were updated, including the adjustment of the financing plan of the Development Programme, which amounted to RUB 195,187 million. Actual fulfillment of the adjusted financing plan is 100.6%.



The main works carried out within the framework of the Development, Technical Upgrading and Revamping Programme for Trunk Pipeline Facilities of Transneft in 2020:

- | | |
|--|---|
| replacement of 888 km of the line; | replacement of 103 pumps; |
| construction and revamping of 75 tanks; | replacement of 77 electric motors; |
| revamping of 22 pump station automation systems; | revamping of 34 facilities of technical security equipment; |
| construction and revamping of 33 LACTs; | revamping of 3 treatment plants. |
| replacement of 561 gate valves; | |



Execution of the Transneft Development Programme in 2020 (Financing)

Programme / Project name	Plan, RUB million	Actual, RUB million	Execution, RUB million
Total for the Development Programme, including:	195,187.4	196,417.3	1,229.9
own funds	193,056.6	194,933.2	1,876.6
loaned funds	2,130.8	1,484.1	-646.7
Total for investment projects, including:	3,806.1	3,138.0	- 668.1
own funds	1,675.3	1,653.9	-21.4
loaned funds	2,130.8	1,484.1	-646.7
Total for the Technical Upgrading and Revamping (TUR) Programme, including:	191,381.3	193,279.3	1,898.0
own funds	191,381.3	193,279.3	1,898.0
loaned funds	-	-	-
Oil Trunk Pipeline System Development Investment Projects	3,038.0	2,920.7	-117.3
Projects under implementation	1,650.3	1,595.7	-54.6
Revamping oil trunk pipelines for transportation of oil to refineries in Krasnodar Territory	589.5	497.7	-91.8
Developing a corporate data communication network to build Transneft's unified information system (the UIS Programme)	885.4	991.2	105.8
Expansion of the throughput capacity of the oil trunk pipeline system of Transneft to ensure the transportation of 12 million tonnes of oil per year to RN-Tuapse Refinery (the project is at the stage of design and exploration work, the terms will be determined based on the results of their implementation, as well as the approval by Transneft and Rosneft of further implementation and financing scheme).	175.4	106.8	-68.6
Completed projects (financing of works on support infrastructure facilities, seasonal works and payment of accounts payable)	1,387.7	1,325.0	-62.7
Petroleum Products Trunk Pipeline System Development Investment Projects	768.1	217.3	-550.8
Completed projects (financing of works on support infrastructure facilities, seasonal works and payment of accounts payable)	768.1	217.3	-550.8
The Oil Trunk Pipelines TUR Programme	162,022.5	164,185.8	2,163.3
The Petroleum Products Trunk Pipelines TUR Programme	29,358.8	29,093.5	-265.3

4.7. RAISING THE OPERATIONAL EFFICIENCY

Transneft Group constantly puts in effort to raise its operational efficiency. In pursuance of Executive Orders of the Government of the Russian Federation No. 3984p-P13 dated 24 June 2015, regulatory documents that helped form the long-term Programme for Operational Efficiency Improvement and Cost Cutting (the OEICC Programme) have been developed.

The targets set by the OEICC Programme were included in the KPI system of Transneft. According to the OEICC Programme, the increase in operational efficiency is being simultaneously implemented along two lines: improving the quality of oil (petroleum products) transportation services and raising the efficiency of resource use.

The first line comes down to ensure the reliability and fulness of the supply of oil and petroleum products to the domestic market and export routes due to:

- introducing innovative technologies and equipment;
- upgrading fixed assets;
- ensuring import substitution and setting up local manufacture to replace imported products in the Russian Federation;
- ensuring anti-terror security of Transneft's facilities.

The main indicator of the KPI system characterising the Company's activity in the given area in 2020 is the Integrated Indicator of Trunk Pipeline System Reliability, Environmental and Industrial Safety, which includes the following components:

- Specific accidents on trunk pipelines;
- Reduction of specific air pollutant emissions during oil and petroleum products transportation via trunk pipelines
- The second line comes down to a more efficient use of resources, due to:
 - more efficient fixed assets management;
 - higher efficiency in managing the maintenance and repair of equipment, buildings and facilities;
 - more efficient energy consumption;
 - improvement of the organisational and functional structure;
 - optimisation of the remuneration and personnel motivation system;
 - higher efficiency in managing the working capital;
 - cutting operating expenses;
 - use of modern technologies and innovations;

The main indicator of the KPI system that characterises the Company's activity in this area in 2020 is the Integrated Operational Activity Effectiveness Indicator, which includes the following components:

- Amount of dividends;
- Operating expenses reduction percentage;
- Annual volume of direct purchases from SMEs;
- Reduction of specific electricity consumption during oil transportation over trunk pipelines under comparable conditions;
- Raising labour productivity in oil and petroleum products transportation;

At the end of 2020, Transneft ensured 100% achievement of the established KPIs under the OEICC Programme.

On 27 November 2019, Transneft's Board of Directors approved the Programme for Operational Efficiency Improvement and Cost Cutting up to 2024 (Minutes No. 20).

Key Targets of the OEICC Programme until 2024

Indicator	Target
Keeping within the acceptable accident rate per 1,000 km of the line	0.065
Preventing (precluding) security incidents at protected facilities	0.992
In-kind productivity of labour	17.4 million tkm/person

Key Target Indicators of the OEICC Programme with a Target Annual Standard

Indicator	Target
Reduction of specific electricity consumption for the main type of business activity under comparable conditions	0.5% annually
Operating expenses reduction percentage	At least 2% annually
Personnel turnover rate	No more than 5% at the end of each year overall

4.8. INNOVATIVE DEVELOPMENT

Innovative development is one of Transneft Group priority areas. New engineering solutions are being introduced with the view to ensure reliability and safety of the system of oil and petroleum products trunk pipelines and uninterrupted transportation of oil and petroleum products to consumers in Russia and abroad.

As per Instruction of the Russian Government No. DM-P36-7563 dated 07 November 2015 and Executive Orders of the Government of the Russian Federation No. 1471p-P13 dated 03 March 2016, based on the results of an independent technological audit, the Transneft Innovation Development Programme for 2017-2021 was created in 2016. The Innovation Development Programme 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 07 October 2016) and then approved by the Board of Directors of Transneft on 11 November 2016 (Minutes No. 21).

Compared to the previous Innovation Development Programme for the period up to 2017, the new one was expanded and includes initiatives for developing the system of intellectual property management and cooperation with universities, scientific organisations, institutes of the Russian Academy of Sciences (RAS), technology platforms, development institutions, innovative territorial clusters, etc.

The Innovation Development Programme was highly appraised by the interdepartmental group of independent experts among Russian fuel and energy companies (98.7% out of 100%), which is one of the highest scores for companies fully or partially owned by the state.

The currently valid Profile of the Transneft Innovation Development Programme for 2017–2021 is available on the Company's website: <https://www.transneft.ru/development/innovations/>.

In 2020, the following equipment was put into commercial operation as part of the implementation of the innovative project titled "Development of a Set of High-Precision In-line Inspection Tools for Ensuring Reliability of Trunk Pipeline Facilities": 1 ultrasonic

inspection tool, 1 multichannel geometry tool, 2 magnetic inspection tools. In total, more than 80 tools have been commissioned since 2011 as part of the Innovation Development Programme.

New tools developed by Transneft Diascan boast accuracy and resolution equal, or even superior, to similar foreign articles.

Transneft Oil Pumps launched batch production of trunk and booster pump units. The plant ensured 100% localisation of the full cycle of pumping equipment production, which is unique and had not been produced in the Russian Federation before the launch of the plant in Chelyabinsk. Pumps with comparable parameters are manufactured by Flowserve (USA) and Sulzer (Switzerland), the world-leading companies. The plant also continued to create a test bench base for the development of modern samples of high-tech pumping equipment meeting the highest world standards.

In 2020, work continued in the field of R&D, design, experimental and engineering developments aimed at ensuring reliable, safe and efficient operation of oil and petroleum products trunk pipeline facilities, substitution of imported equipment and technology in the field of pipeline transportation, as well as improvement and optimisation of production processes.



[Innovation Development Programme of Transneft for 2017–2021](#)

AMONG THEM, THE FOLLOWING SOLUTIONS WERE COMPLETED:

1. Equipment for bench testing of mainline pumps (MLP type).

Based on results of development works (R&D) a prototype of testing equipment for NM 10000-210 mainline pumps was manufactured, sets of technical documents for a lineup of testing equipment for five standard sizes of mainline pumps (MLP 1250-260, MLP 2500-230, MLP 3600-230, MLP 7000-210, MLP 10000-210) were developed. This will optimise the testing of MLP type mainline pumps for all required diameters and pipe wall thicknesses by eliminating the need to readjust the test-room to various combinations of suction and pressure manifolds diameters.

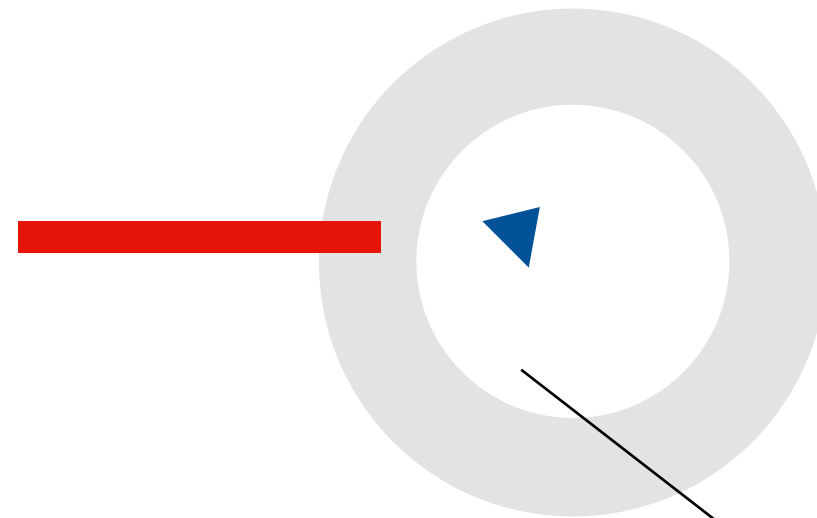
2. Drag reducing agents (DRAs) with improved performance indicators for use in low temperature transported media.

As part of the R&D, a technology for producing domestic additives was developed and a pilot batch was produced, which retains a higher efficiency compared to conventional polyhexene-based additives at temperatures below 10°C. This substance can be applied both to crude oil at the temperature of pumped media up to 0°C and to diesel fuel at the temperature up to -4°C. A set of equipment for producing DRA batches was created and is expected to be used for testing the technology of producing new additives.

3. Test benches for electric drives.

As part of the R&D project, 2 multi-purpose automated test benches (with ranges of set and controlled moments from 2,000 to 65,000 Nm and from 30,000 to 180,000 Nm) were developed and manufactured, capable of performing acceptance, standard and periodic tests of high-speed and part-turn actuators of pipeline valves with a torque at output shaft. The equipment design includes multi-purpose mounting seats for external optional frequency inverter (FI) from various manufacturers, which provides a check on performance of actuators in regulation modes. The standard cabinet control software helps set up user settings for the FI regarding its operational changes, indication of current breakdowns and limiting settings of the electric drive's output arm.

The use of test benches optimises the drive production process at TOMZEL due to the unification of measuring and testing equipment and methods.



Key Performance Indicators of the Transneft Innovation Development Programme

Indicator	Unit of measurement	Values			
		2018 actual	2019 actual	2020 target	2020 actual
Total amount of financing for innovative projects including R&D, from own funds as a percentage of Transneft's revenue from oil transportation services (under RAS)	%	1.41	1.41	1.42	1.42
Number of titles of protection for intellectual property obtained during the reporting period and two previous years	pcs.	94	100	95	117
Integrated effect of in-house commercialisation of innovative projects, including R&D, for the reporting period and two previous years in terms of percentage of Transneft's revenue from oil transportation services by RAS	%	1.48	1.48	1.49	1.49

4.9. ACHIEVEMENTS IN FOREIGN MARKETS



Transneft is one of the world leaders in production of equipment and provision of services for the needs of the pipeline industry. The Company continues sharing its experience in construction, operation, maintenance and repair of pipeline systems, as well as in developing cooperation with leading global companies.

- In 2020, Transneft Diascan inspected more than 1,100 km of pipelines for customers outside Transneft Group in Russia, as well as in both CIS and non-CIS countries.
- Transneft R&D benchmarked the energy efficiency of International Association of Oil Transporters companies' facilities for 2019 and H1 2020; practical recommendations were prepared to reduce energy costs.
- In 2020, Transneft Telecom provided telecommunication services for 30 commercial customers outside Transneft Group in Russia, as well as for 8 international customers in both CIS and non-CIS countries.



- In 2020, TOMZEL concluded a contract in favour of KazTransOil (Republic of Kazakhstan) to supply 10 Diogen devices for flushing out bottom sediments.

4.10. PROGRAMME FOR DISPOSAL OF NON-CORE ASSETS

The Programme for Disposal of Non-Core Assets of Transneft Group and the Register of Non-Core Assets of Transneft Group were approved by the resolution of the Board of Directors of Transneft (Minutes No. 17 dated 14 October 2016) under Executive Orders of the Government of the Russian Federation No. 4863p-P13 dated 07 July 2016 and updated by the resolution of the Board of Directors of Transneft (Minutes No. 20 dated 27 December 2017) under Executive Orders of

the Government of the Russian Federation No. 6604p-P13 dated 18 September 2017.

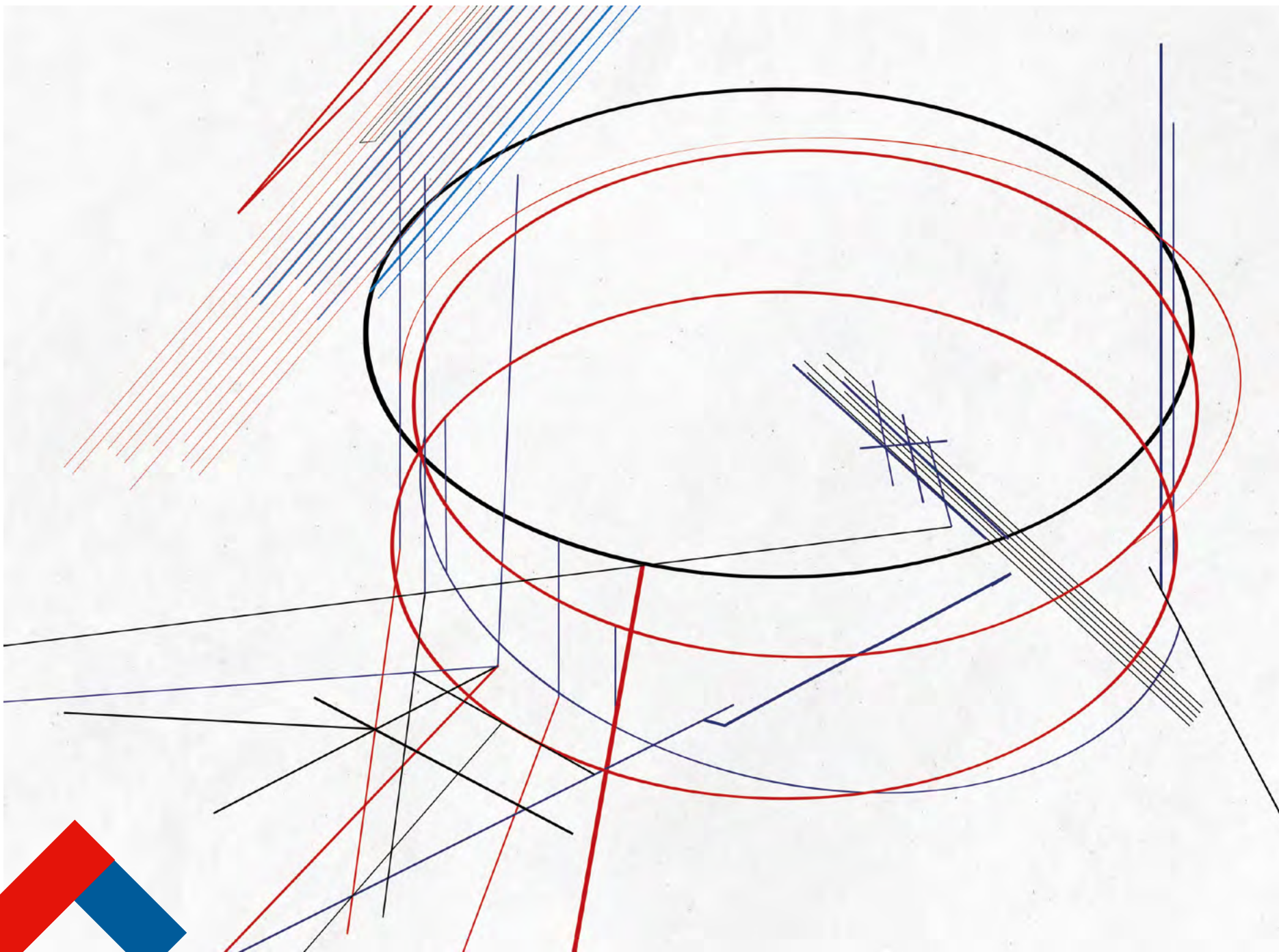
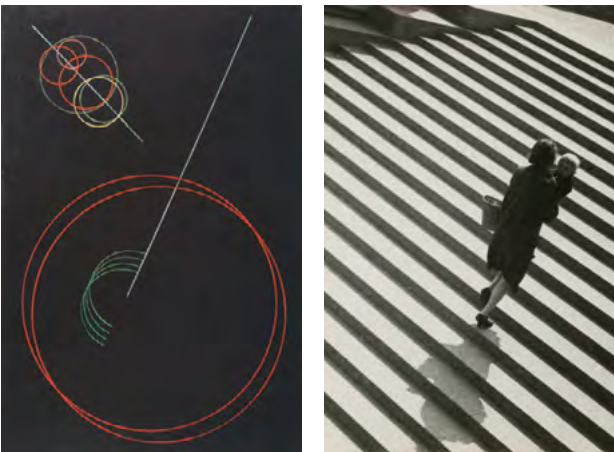
During the Programme implementation, 4 non-core assets were disposed. By the resolution of the Board of Directors of Transneft (Minutes No. 7 dated 20 April 2020), the Programme for Disposal of Transneft Group's Non-Core Assets (the NCA) was declared completed.

FINANCIAL OVERVIEW

- 5.1. — 86
Transneft Group's Key Financial and Economic Performance Indicators under IFRS
- 5.2. — 96
Key Financial and Economic Performance Indicators of Transneft under RAS
- 5.3. — 99
Financial Performance Indicators under RAS
- 5.4. — 99
Capital Investment Financing Sources

LINEARISM

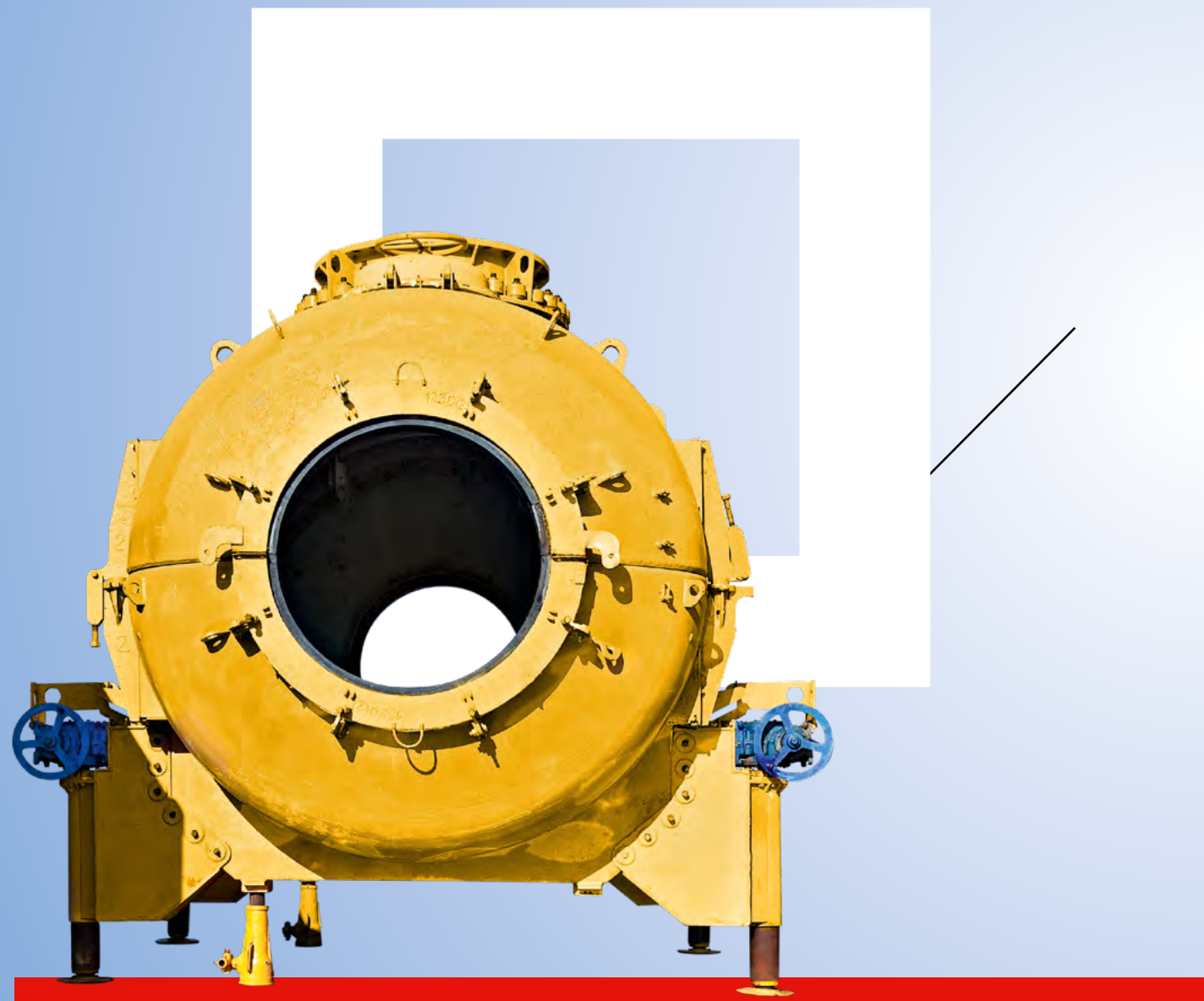
— in 1919, the term was invented by Alexander Rodchenko, thus designating one of the trends in non-objective art. "I introduced and announced the line as an element of construction and as an independent form of painting," he wrote in his Manifesto of Early Constructivism.



A Sketch Of A 50,000 m³ VSTP Tank
At Samara-2 PS
(VSTP – vertical steel tank with a pontoon)

TECHNOLOGICAL AVANT-GARDE

GK-25 shaft-type sealing chamber for pipeline repair



A deep-water sealing chamber (GK-25) is used at oil pipelines crossing rivers and reservoirs. This unique equipment is capable of repairing active pipelines having diameters from 300 to 1200 mm, laid as deep as 25 m beneath the surface, with the water temperature ranging between 0 and + 35°C and wind speed up to 10 m/s. The chamber was designed to repair mechanical and corrosion defects. GK-25 can be delivered on site by road, rail, water, and air transport.

The chamber is made of extra-high tensile steel to withstand strong water pressure. It accommodates a team of three workers at a time, to take care of insulation, assembly and welding. The chamber provides for polishing and welding of damaged parts, as well as installation of repair structures. GK-25 has enhanced security protocols, including an emergency escape hatch and compressed air cylinders (similar to scuba diving ones).

The sealing chamber submersion is phased into three steps. First, the lower part is pulled underneath the pipe. Concrete slabs prevent the 10-tonne structure from sinking deeper into the bottom soil. With the help of jacks (outriggers), the equipment is pressed tightly against the pipe. At the second stage, the upper part is submerged by the crane boat. Then divers bolt both parts together. At the third stage, a 21-m shaft and a shaft pontoon are installed, using which the workers go down to the chamber for repair and application of a composite sleeve on the pipe. To keep the whole structure stable against waves and currents, the shaft is anchored with special slabs and metal cables. By now, GK-25's operating track record includes the Kama, Ob, Irtysh, and a number of other waterways.

5.1. TRANSNEFT GROUP'S KEY FINANCIAL AND ECONOMIC PERFORMANCE INDICATORS UNDER IFRS

Reduced oil production led to lower volumes of oil delivered to the pipeline system and a reduction in the Company's crude oil and petroleum products transportation services.



[The consolidated financial statements under IFRS for 2020 are published by the Company](#)

Transneft Group's Core Operating Results for 2020, RUB mln

Indicator	2020	2019	Absolute change	Change, %	2018
Revenue	962,440	1,063,829	(101,389)	(9.5%)	979,958
Operating expenses, depreciation and amortisation exclusive	(519,172)	(578,040)	58,868	(10.2%)	(546,083)
Operating profit, depreciation and amortisation exclusive	443,268	485,789	(42,521)	(8.8%)	433,875
Depreciation and amortisation	(217,612)	(208,700)	(8,912)	4.3%	(178,610)
Operating profit	225,656	277,089	(51,433)	(18.6%)	255,265
Profit before tax	179,065	245,018	(65,953)	(26.9%)	277,711
Income tax expenses	(46,388)	(47,914)	1,526	(3.2%)	(52,298)
Profit for the reporting period	132,677	197,104	(64,427)	(32.7%)	225,413
Other gross expenses exclusive of income tax	6,151	(6,729)	12,880	x	(770)
Total comprehensive income exclusive of income tax	138,828	190,375	(51,547)	(27.1%)	224,643
EBITDA (Excluding crude oil sale and purchase transactions, based on contracts with Rosneft and China National United Oil Corporation).	442,624	486,255	(43,631)	(9.0%)	433,436
Debt/EBITDA	1.3	1.3	x	x	1.4

Sales Revenue

The decrease in the Group's adjusted revenue for 2020 by RUB 56,036 million, or 6.4%, compared to 2019 is due to significant global market shocks caused by the coronavirus pandemic and lower oil turnover.

The decrease in revenue from oil transportation in 2020, compared to 2019, amounted to RUB 42,071 million, or 6.0%. This is due to a decrease in the volume of oil transportation and freight flows.

The growth in revenue from petroleum products transportation for the year ended 31 December 2020 compared to the same period in 2019 amounted to RUB 1,624 million, or 2.3%. It is due to changes in tariffs and freight flows.

Revenue from oil sales for export was influenced by oil supplies to China within the agreement with China National United Oil Corporation for crude oil

Sales Revenue, RUB mln

Indicator	2020	Share of the total revenue, %	2019	Share of the total revenue, %	Absolute change	Change, %	2018
Revenue from oil transportation services	661,345	68.7	703,416	66.1	(42,071)	(6.0)	651,887
for export	410,247	42.6	456,527	42.9	(46,280)	(10.1)	391,459
on the domestic market	251,098	26.1	246,889	23.2	4,209	1.7	260,428
Revenue from petroleum products transportation services	72,655	7.5	71,031	6.7	1,624	2.3	72,167
Revenue from compounding services	4,755	0.5	6,258	0.6	(1,503)	(24.0)	5,849
Revenue from sales of oil on the domestic market	5,958	0.6	11,812	1.1	(5,854)	(49.6)	6,122
Revenue from sales of petroleum products	6,259	0.7	9,052	0.9	(2,793)	(30.9)	6,899
Revenue from commercial oil sales for export	141,547	14.7	186,900	17.6	(45,353)	24.3	200,286
Other revenue	69,921	7.3	75,360	7.0	(5,439)	(7.2)	36,748
Total revenue	962,440	100.0	1,063,829	100.0	(101,389)	(9.5)	979,958
Revenue from commercial oil sales for export	(141,547)	(14.7)	(186,900)	(17.6)	45,353	24.3	(200,286)
Total revenue (excluding the revenue from oil sales for export)	820,893	85.3	876,929	82.4	(56,036)	(6.4)	779,672

supplies in the amount of 6 MTPA, signed for 20 years, effective since 1 January 2011. The said agreement was concluded to repay the loan provided by the China Development Bank. The loan was repaid in full in 2018. The required amounts of crude are purchased from Rosneft.

The decrease in revenue from oil export sales in 2020 by RUB 45,353 million, or 24.3%, compared to 2019, is due to a decrease in the average oil price in USD per barrel for the year ended 31 December 2020, compared to the same period in 2019, with an increase in the average USD rate in the reporting period relative to the average USD rate for the same period of the previous year.

The decrease in revenue from sales of crude oil on the domestic market in 2020 by RUB 5,854 million, or 49.6%, compared to 2019 is due to a decrease in sales volumes and a decrease in the average selling price.

The decrease in revenue from the sale of petroleum products in 2020 by RUB 2,793 million, or 30.9%, compared to 2019 is due to a decrease in sales of petroleum products.

Oil Compounding

A decrease in revenue from oil compounding services in 2020 compared to 2019 by RUB 1,503 million, or 24.0%, is due to a 23.7% decrease in oil compounding volumes.

Other Revenue

The Other Revenue indicator includes revenue from sale of stevedoring services, additional port and fleet services, oil and petroleum products storage services, communication, pipeline inspection, construction and connection to the trunk pipeline system services, information services, services related to oil transportation, as well as revenue from property lease, commodity resale, organisation of freight transportation and other services.

The decrease in the Group's other revenue for 2020 compared to 2019 is due to a decrease in revenue from the sale of stevedoring services due to a decrease in freight turnover and the sale in April 2019 of a NGT subsidiary company from the Group.

Operating Expenses

Operating expenses, depreciation and amortisation exclusive, RUB mln

Operating expense (costs)	2020	Share of the total expenses, %	2019	Share of the total expenses, %	Absolute change	Change, %	2018
Employee remuneration, insurance premiums and social expenses	185,955	35.8	172,248	29.8	13,707	8.0	163,591
Electricity	42,613	8.2	48,785	8.4	(6,172)	(12.7)	42,360
Materials	34,112	6.6	36,543	6.3	(2,431)	(6.7)	33,297
Pipeline network repair and maintenance services	20,851	4.0	22,038	3.8	(1,187)	(5.4)	20,057
Insurance expenses	2,836	0.5	2,136	0.4	700	32.8	2,615
Expenses for voluntary insurance of employees	3,695	0.7	4,039	0.7	(344)	(8.5)	3,744
Taxes (income tax not included)	38,974	7.5	36,961	6.4	2,013	5.4	36,843
Pension expenses	5,609	1.1	10,422	1.8	(4,813)	(46.2)	(9,367)
Cost of commercial oil export (including the export customs duty)	140,903	27.1	187,366	32.4	(46,463)	(24.8)	199,847
Cost of oil sales on the domestic market	4,763	0.9	11,306	2.0	(6,543)	(57.9)	5,873
Cost of sales of petroleum products	6,126	1.2	8,259	1.4	(2,133)	(25.8)	6,350
Cost of other sold goods for resale	5,731	1.1	5,172	0.9	559	10.8	5,600
Other operating expenses	27,004	5.3	32,765	5.7	(5,761)	(17.6)	35,273
Operating expenses, depreciation and amortisation exclusive	519,172	100.0	578,040	100.0	(58,868)	(10.2)	546,083
Cost of oil sales for export (including the export customs duty)	(140,903)	(27.1)	(187,366)	(32.4)	46,463	(24.8)	(199,847)
Taxes (income tax not included)	(38,974)	(7.5)	(36,961)	(6.4)	(2,013)	5.4	(36,843)
Operating expenses (excluding depreciation and amortisation, oil sales for export and taxes)	339,295	65.4	353,713	61.2	(14,418)	(4.1)	309,393

Decrease in operating expenses for 2020, excluding depreciation and amortisation, by RUB 58,868 compared to 2019, or 10.2%, is due to the following factors:

- a decrease in the cost for oil export;
- a decrease in the cost of selling oil on the domestic market and in the cost of selling petroleum products;
- an increase of employee remuneration, insurance premiums and social expenses;
- lower electricity costs.

In 2020, operating expenses excluding depreciation and amortisation, taxes and cost of oil sales for export decreased by RUB 14,418 million or 4.1%.

Operating expenses excluding depreciation and amortisation, adjusted for the inflation rate, RUB mln

Operating expenses	2020	Share of the total expenses, %	Inflation rate (forecast for 2020 to 2019), %*	2019 (inflated by 2020)	Share of the total expenses, %	Absolute change	Change, %
Employee remuneration, insurance premiums and social expenses	185,955	35.8	3.2	177,760	31.6	8,195	4.6
Electricity	42,613	8.2	3.7	50,590	9.0	(7,977)	(15.8)
Materials	34,112	6.6	2.3	37,383	6.6	(3,271)	(8.7)
Pipeline network repair and maintenance services	20,851	4.0	6.2	23,404	4.2	(2,553)	(10.9)
Insurance expenses	2,836	0.5	3.2	2,204	0.4	632	28.7
Expenses for voluntary insurance of employees	3,695	0.7	3.2	4,168	0.7	(473)	(11.3)
Taxes (income tax not included)	38,974	7.5	2.3	37,811	6.7	1,163	3.1
Pension expenses	5,609	1.1	3.2	10,756	1.9	(5,147)	(47.9)
Cost of oil sales for export (including the export customs duty)	140,903	27.1	(13.5)	162,072	28.8	(21,169)	(13.1)
Cost of oil sales on the domestic market	4,763	0.9	(13.5)	9,780	1.7	(5,017)	(51.3)
Cost of sales of petroleum products	6,126	1.2	(8.3)	7,574	1.3	(1,448)	(19.1)
Cost of other sold goods for resale	5,731	1.1	2.3	5,291	0.9	440	8.3
Other operating expenses	27,004	5.3	2.3	33,519	6.2	(6,515)	(19.4)
Operating expenses, depreciation and amortisation exclusive	519,172	100.0	X	562,312	100.0	(43,140)	(7.7)
Cost of oil sales for export (including the export customs duty)	(140,903)	(27.1)	(13.5)	(162,072)	(28.8)	21,169	(13.1)
Taxes (income tax not included)	(38,974)	(7.5)	2.3	(37,811)	(6.7)	(1,163)	3.1
Operating expenses (excluding depreciation and amortisation, oil sales for export and taxes)	339,295	65.4	X	362,429	64.5	(23,134)	(6.4)

* The inflation values are based on the Forecast of Social and Economic Development of the Russian Federation for 2021 and for the planned Period of 2022 and 2023 prepared by the Ministry of Economic Development of the Russian Federation.

Breakdown of specific costs of oil transportation and petroleum products transportation, based on data under RAS

In the specific costs breakdown, the Company used the operating expenses indicator calculated on the basis of aggregated data under RAS, with the previous year's indicator adjusted to comparable conditions of the reporting period.

Oil transportation

Indicator	2020	2019	Absolute change	Change, %
Turnover, million tkm	1,132,226	1,247,584	(115,358)	(9.2)
Expenses per 100 tkm (2019 indicators inflated to 2020), RUB	22.55	20.85	1.70	8.2

Petroleum products transportation

Indicator	2020	2019	Absolute change	Change, %
Transportation volume, mln tonnes (based on petroleum products transportation acceptance certificates)	37.9	37.9	-	-
Specific costs per tonne, indicators for 2019 are inflated by 2020, RUB. (the calculation excludes the petroleum products transportation volume accepted on the territory of Belarus)	738.1	710.2	27.9	3.9

Reasons for Changing the Items on the List of Operating Expenses

Personnel expenses include salaries, expenses for creating a provision for the payment of remuneration at the end of the year and a provision for unused vacation and other benefits in accordance with IAS 19 "Employee remuneration".

The increase in personnel expenses, insurance premiums and social expenses in 2020 compared to 2019 by RUB 13,707 million, or 8.0%, is mainly due to the improvement of the wage system for employees of Transneft subsidiaries in order to comply with labour legislation in terms of minimum wage.

Factors influencing the decrease in pension accruals for 2020, compared to the indicator for 2019:

- reflection in 2019 of additional pension accruals related to the fact that since 2020 the wage pattern has changed for the majority of employees whose salaries did not exceed the minimum wage established since 01.01.2020. In order to ensure labour legislation, the fixed part of wages (salary) was increased and its variable part (bonus) decreased;

- inclusion in the indicators of the Group's consolidated financial statements under IFRS of changes in the pension obligations of Transneft NPF.

The outlay on pensions was influenced by the following factors, influencing the value of expenses:

- pension liabilities of Transneft NPF were included in the consolidated financial statement of the Group by IAS;
- The Group recognised the costs caused by the reflection of pension liabilities with mandatory payments in accordance with IAS 19 (Employee remuneration).

Energy costs for 2020 decreased by RUB 6,172 million, or 12.7%, compared to the previous year. The decrease in the amount of energy costs (capacity) mainly results from a decrease in the volume of purchased electricity (capacity) due to a decrease in oil turnover by 9.2%.

Cost of oil export for 2020 amounted to RUB 140,903 million, including the cost of sale of oil

bought from Rosneft, under the agreement signed in April 2009, which amounted to RUB 121,668 million and crude oil export customs duties in the amount of RUB 19,235 million. The figure resulted from crude oil supplies to China.

The decrease in the cost of oil export was due to the decrease in the oil price.

The decrease in the cost of oil sold on the domestic market in 2020 by RUB 6,543 million, or 57.9%, compared to 2019 was due to a decrease in sales volumes and a decrease in the average oil price during the year ended 31 December 2020, compared to the same period last year.

The decrease in the cost of petroleum products sold on the domestic market in 2020 by RUB 2,133 million, or 25.8%, compared to 2019 was due to a decrease in sales of petroleum products.

Other taxes paid by Transneft Group and included in its operating expenses refer to, above all, property tax, land and transport taxes.

Other operating expenses also include the outlay on communication services, transport and secondment expenses, as well as expenses and revenues resulting from disposal of fixed assets and other assets, fines and penalties received and paid along with other revenues and expenditures.

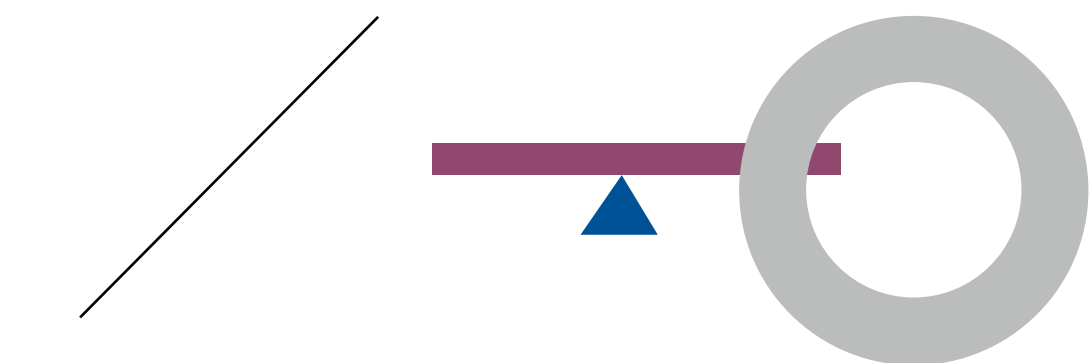
EBITDA Formation

Indicator	2020	2019	Change, %	RUB mln 2018
Profit for the year	132,677	197,104	(32.7)	225,413
Adjustments:				
income tax expenses	46,388	47,914	(3.2)	52,298
depreciation and amortisation	217,612	208,700	4.3	178,610
result from oil sales to China	(644)	466	x	(439)
net financial expenses	18,359	34,522	(46.8)	21,304
share of the profit of subsidiaries and jointly run companies	1,608	(16,073)	x	(10,231)
other expenses, including	26,624	13,622	95.4	(33,519)
EBITDA*	442,624	486,255	(9.0)	433,436

* Excluding crude oil sale and purchase transactions, based on contracts with Rosneft and China National United Oil Corporation.

Earnings before interest, tax, depreciation and amortisation (EBITDA) is a useful indicator for investors, since it reveals the efficiency of the Group's activities, including the Group's ability to finance capital costs, acquire businesses and make other investments, as well as its ability to raise and repay loans. For some investors, analysts and rating agencies EBITDA serves

as the ground to evaluate and forecast oil and gas businesses' cost and efficiency. This indicator should not be viewed separately, as an alternative to earnings for a given period, earnings from core activity or any other indicator showing the Group's efficiency and reflected in the consolidated financial statement by IFRS.



Cash Flow Analysis

RUB mln

Name	Year ended 31 December 2020	Year ended 31 December 2019	Absolute change	Change %	Year ended 31 December 2018
Cash generated by operational activities	338,467	361,223	(22,756)	(6.3)	346,215
Cash spent on acquisition of fixed assets, net	(198,732)	(268,226)	69,494	(25.9)	(267,974)
Free cash flow	139,735	92,997	46,738	50.3	78,241
Cash flow (used in)/received from other investment activities	(8,339)	7,463	(15,802)	x	101,551
Cash flow used in financial activities	(156,458)	(113,196)	(43,262)	38.2	(166,575)
Net cash (outflow) / flow	(25,062)	(12,736)	(12,326)	96.8	13,217
Change in the value of monetary funds and their equivalents, resulting from currency exchange rate fluctuations	4,273	(5,515)	9,788	x	12,473
Net (decrease)/increase in cash and cash equivalents	(20,789)	(18,251)	(2,538)	13.9	25,690

Operating Activities

The main source of the Group's funds are cash flows generated by operating activities. The amount of funds received from operating activities in 2020 decreased by RUB 22,756 million, or 6.3%, compared to 2019 and amounted to RUB 338,467 million.

The decrease was mainly influenced by the following factors:

- decrease in the amount of funds received from customers by RUB 117,081 million;
- reduction in the amount of payments to suppliers, contractors and employees by RUB 26,981 million;
- increase in the volume of insurance premium refunds, VAT and other taxes from the budget; RUB 42,638 million;
- decline in the amount of income tax paid by RUB 19,867 million;
- decrease in the amount of paid interest by RUB 6,447 million;
- increase in the amount of other use of funds by RUB 2,167 million.

Investment Activities

The main factors contributing to a decrease by RUB 53,692 million, or 20.6%, in the amount of funds used in investment activities recorded in the consolidated cash flow statement for 2020 compared to 2019 are:

- RUB 69,494 million decrease in the funds used for acquisition of fixed assets (net) compared to the same period last year;
- RUB 15,802 million increase in cash used for other investment activities, as a result of the following:

- → RUB 9,460 million increase in net cash used in debt securities sales and purchase along with deposit opening and closing as compared to the same period last year;

- → recording cash inflows for 2020 from the escrow account in a state-controlled bank in the amount of RUB 12,800 million compared to recording cash outflows for placement on the escrow account in the amount of RUB 12,800 million for the same period last year;

- → recording cash inflows during 2019 as a result of the sale of NGT, LLC, exclusive of its cash available in the amount of RUB 35,143 million.

Financial Activities

The main factors contributing to an increase in the use of funds in financial activities in 2020 by RUB 43,262 million, or 38.2%, compared to 2019, are:

- increase by RUB 33,438 million in the total amount of funds used in operations to attract/repay loans and borrowings mainly as a result of the following operations:
 - → redemption of bonds for RUB 45,000 million and repayment of loans and borrowings for RUB 51,962 million during 2020
 - → attraction of loans and borrowings for RUB 36,774 million during 2020
 - → redemption of bonds in the amount of RUB 58,675 million during 2019
 - increase in cash outflow for dividend payments by RUB 10,433 million as compared to the previous year.



Calculating Cash Flow from Operating Activities Using the Indirect Method

In addition to the consolidated statement of cash flows prepared using the direct method and included in the consolidated financial statement by IFRS for 2020, calculation of cash flows from operating activities using the indirect method is given below.

RUB mln			
Indicator	2020	2019	2018
Profit before tax	179,065	245,018	277,711
<i>Adjustments:</i>			
Depreciation and amortisation	217,612	208,700	178,610
Loss from disposal of fixed assets and intangible assets	1,699	355	601
Financial income	(82,211)	(53,942)	(100,930)
Finance Expenses	100,570	88,464	122,234
Gain from disposal of subsidiaries	-	(16,192)	-
Share in the loss (profit) of subsidiaries and jointly run companies	1,608	(16,073)	(10,231)
Revaluation of the existing share in NCSP (Omirico Limited) to the fair value at the date of acquisition of the controlling stake	-	-	(25,371)
Others	1,028	29,326	(23,505)
Operating profit before changes in working capital and reserves	419,371	485,656	419,119
Changes in operating assets and liabilities:			
Changes in inventories	8,726	10,186	(3,082)
VAT changes in receivables pertaining to operating activities and assets	10,564	(26,427)	(3,596)
Changes in payables and accruals pertaining to operating activities	(9,477)	9,037	12,937
Changes in contractual obligations	(4,312)	(4,256)	18,500
Cash flows from operating activities before paying income tax and interest	424,872	474,196	443,878
Income tax payments	(38,139)	(58,006)	(44,803)
Income tax refund	554	300	307
Interest paid	(48,820)	(55,267)	(53,167)
Net cash flows from operating activities	338,467	361,223	346,215

When the indirect method is used, the net cash flow from operating activities is calculated by adjusting profit before tax for the following values:

- changes in inventories, as well as receivables and payables, pertaining to operating activities during the reporting period;
- non-monetary transactions, such as depreciation and amortisation, outlay on valuation reserves, accrued unrealised foreign exchange gains and losses, interest

receivable and payable, subsidiaries and jointly run companies' profit share;

- other items generating cash flows from investment and financial activities.

Liquidity Analysis

RUB mln				
Name	31 December 2020	31 December 2019	Change, %	31 December 2018
Current assets	489,820	472,842	3.6	407,071
<i>including:</i>				
cash and equivalents	62,812	83,601	(24.9)	101,852
short-term deposits and bonds	289,021	217,426	32.9	179,069
Current liabilities	304,762	303,993	0.3	294,753
Net working capital	185,058	168,849	9.6	112,318
Current ratio	1.6	1.6	x	1.4
Quick ratio	1.3	1.1	x	1.1
Debt/EBITDA	1.3	1.3	x	1.4
Debt/equity	0.3	0.3	x	0.3

Given below is Information on the contractual maturity of financial liabilities, including interest payments calculated at the rates valid as at 31 December 2020 and 31 December 2019, with the debt in foreign currency calculated at the exchange rate of the Central Bank of the Russian Federation as at 31 December 2020, 31 December 2019 and 31 December 2018, respectively.

Cash flow under signed contracts 31 December 2020

	Book value	Total	2021	2022	2023	2024	2025	More than 5 years
Loans and borrowings	589,542	753,779	119,557	112,594	119,140	95,368	93,824	213,296
Lease obligations	20,851	41,758	3,792	3,362	3,130	2,536	2,434	26,504
Trade and other payables	60,671	60,748	60,245	288	171	43	1	-
TOTAL	671,064	856,285	183,594	116,244	122,441	97,947	96,259	239,800

Cash flow under signed contracts 31 December 2019

	Book value	Total	2020	2021	2022	2023	2024	More than 5 years
Loans and borrowings	637,352	855,045	117,247	107,098	112,133	88,747	128,340	301,480
Lease obligations	20,800	43,064	3,618	3,409	3,391	2,508	2,231	27,907
Trade and other payables	59,234	59,836	58,772	981	28	-	55	-
TOTAL	717,386	957,945	179,637	111,488	115,552	91,255	130,626	329,387

Cash flow under signed contracts 31 December 2018*

	Book value	Total	2019	2020	2021	2022	2023	Over 5 years
Loans and borrowings	672,992	871,741	136,262	87,287	89,861	81,941	88,666	387,724
Trade and other payables	66,018	66,087	64,599	1,118	253	113	-	4
TOTAL	739,010	937,828	200,861	88,405	90,114	82,054	88,666	387,728

* The Group first applied IFRS Leases from 1 January 2019.

5.2. KEY FINANCIAL AND ECONOMIC PERFORMANCE INDICATORS OF TRANSNEFT UNDER RAS



The RAS financial statements for 2020 are available on the Company's website

Incomes and Expenses on Core Activities

Revenues from Sale of Goods (Works, Services), RUB mln

Indicator	2020	2019	Change 2020/2019, RUB mln	Change 2020/2019, %	2018
Total revenue	870,901	960,812	(89,911)	-9.4	937,768
including: oil transportation services	651,754	697,646	(45,892)	-6.6	659,813
petroleum products transportation services	64,462	61,096	3,366	5.5	66,453
oil sales for export	141,547	186,900	(45,353)	-24.3	200,286
oil compounding services	4,755	6,258	(1,503)	-24.0	5,849
other	8,383	8,912	(529)	-5.9	5,367

Changes in revenues from the sale of goods (works, services) of the Company in 2020 as compared to 2019 were mainly due to:

- decrease in revenues from crude oil transportation services, which was mainly caused by changes in volumes of transported oil and oil freight flow routes;
- growth of revenue from petroleum products transportation services caused by changes in tariffs, transported volumes of petroleum products and freight flow routes;

- reduction in revenue from the provision of oil compounding services due to changes in compounding volumes;
- decrease in revenue from the sale of oil for export under the agreement with China National United Oil Corporation mainly due to lower oil prices and the growth of US dollar exchange rate.
- decrease in revenue from other activities.

Expenses on core activities, RUB mln

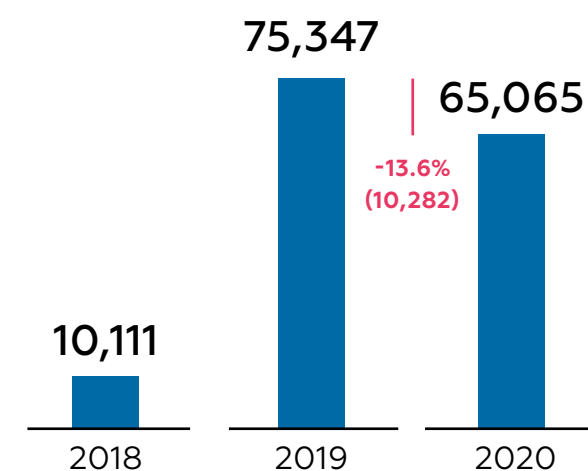
Indicator	2020	2019	Change 2020/2019, RUB mln	Change 2020/2019, %	2018
Expenses on core activities, total	798,405	856,021	(57,616)	-6.7	880,450
including: oil transportation services	555,093	566,979	(11,886)	-2.1	580,291
petroleum products transportation services	64,386	60,917	3,469	5.7	65,662
oil sales for export (selling expenses included)	140,980	186,687	(45,707)	-24.5	200,731
oil compounding services	2,853	3,755	(902)	-24.0	3,510
administrative costs	31,686	32,623	(937)	-2.9	27,688
Other	3,407	5,060	(1,653)	-32.7	2,568

Changes in expenses related to core activities in 2020 compared to 2019 were mainly due to:

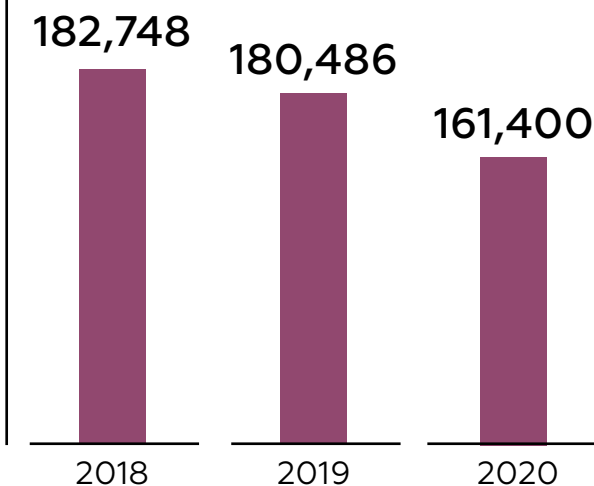
- a reduction in expenses under contracts for the provision of services on acceptance/delivery, pumping, transshipment, oil discharge/loading with Transneft subsidiaries, which is associated with a change in the oil transportation volume;
- a reduction in expenses under contracts for petroleum products acceptance services, delivery (pumping) to destinations, as well as shipping at

- destinations with Transneft subsidiaries, due to the change of petroleum products transportation volumes;
- a reduction in expenses from the provision of oil compounding services due to changes in compounding volumes;
- a decrease in expenses from the sale of oil for export under the agreement with China National United Oil Corporation mainly due to lower oil prices.
- a decrease in costs of other activities.

Net profit, RUB mln



Information on the net asset value, RUB mln



Payables and receivables

Payables, RUB mln

Type of debt	31 December 2020	31 December 2019	Change 2020/2019	31 December 2018
Long-term payables	49,941	41,849	8,092	1
Settlements with other creditors	49,941	41,849	8,092	1
Short-term payables	261,020	203,745	57,275	191,635
Suppliers and contractors	178,308	111,959	66,349	113,951
Payments for oil transportation services	147,451	78,120	69,331	86,333
Payments for petroleum products transportation services	10,934	8,612	2,322	8,631
Payments for the purchase of oil	15,551	16,199	(648)	12,911
Payments for oil compounding services	278	387	(109)	361
Payments for construction, revamping, modernisation and acquisition of fixed assets and intangible assets	259	4,035	(3,776)	1,396
Other payments	3,835	4,606	(771)	4,319
Tax due	93	83	10	33
Advances received (excluding VAT)	51,610	56,465	(4,855)	53,286
Under oil transportation contracts	41,519	44,617	(3,098)	41,584
Under petroleum products transportation contracts	9,456	10,826	(1,370)	10,395
Under other contracts	635	1,022	(387)	1,307
Agency contract payments	19,022	20,574	(1,552)	19,821
Payments under agency contracts for oil transportation	1,276	1,491	(215)	1,655
Payments under agency contracts for petroleum products transportation	267	313	(46)	718
Settlements with Transneft Group's subsidiaries under other agency contracts	16,941	18,361	(1,420)	16,937
Other agency contracts payments	538	409	129	511
CTG settlements	9,265	14,274	(5,009)	3,957
Settlements with shippers for compensation of property losses	1,949	0	1,949	0
Settlements with other creditors	773	390	383	587
Total:	310,961	245,594	65,367	191,636

Receivables, RUB mln

Type of debt	31 December 2020	31 December 2019	Change 2020/2019	31 December 2018
Long-term receivables	4,202	3,016	1,186	1,609
Trade receivables	3	3	0	33
Other advances paid	0	0	0	0
Payments for accrued interest on loans issued	4,110	2,188	1,922	1,309
Payments for a sold share in a partnership	81	82	(1)	107
Payments for interest-free loans	7	13	(6)	11
Payments for other transactions	1	730	(729)	149
Short-term receivables	99,538	101,386	(1,848)	91,977
Trade receivables	16,850	18,555	(1,705)	17,016
Payments for oil transportation services	3,890	3,890	0	3,890
Provision for doubtful debts	(3,890)	(3,890)	0	(3,890)
Payments for oil compounding services	463	644	(181)	602
Agency contract payments	483	156	327	145
Payments for property rental services	78	75	3	83
Payments for oil sales for export	14,608	16,476	(1,868)	15,925
Payments for consulting services	8	97	(89)	90
Oil storage payments	994	986	8	15
Provision for doubtful debts	(952)	0	(952)	0
Other	1,168	121	1,047	156
Advances paid	17,100	9,655	7,445	36,950
Under contracts for oil and petroleum products transportation	17,602	8,401	9,201	210
Under agency contracts for oil transportation	1,610	1,653	(43)	1,578
For the purchase of non-current assets	87	164	(77)	33,603
Others	748	865	(117)	7,660
VAT on advances paid	(2,947)	(1,428)	(1,519)	-6,101
Tax and due payments	55,493	61,359	(5,866)	29,666
Consolidated taxpayers group (CTG) income tax	10,713	9,120	1,593	2,342
VAT	44,774	52,226	(7,452)	27,304
Other taxes and charges	6	13	(7)	20
Other debtors	30,781	32,506	(1,725)	29,002
Payments for accrued interest on loans issued	3,520	6,928	(3,408)	4,635
Agency contract payments	1,462	2,573	(1,111)	2,356
Payments by CTG members	857	1,292	(435)	551
Other payments	24,942	21,713	3,229	21,460
Provision for doubtful debts	(20,686)	(20,689)	3	-20,657
Total:	103,740	104,402	(662)	93,586

Taxes and charges incurred during the year, RUB mln

Tax name	2020	2019	Change 2020/2019, RUB mln	Change 2020/2019, %	2018
Corporate income tax	42	21	21	100	85
Income tax accrued by the responsible CTG member	30,300	37,409	(7,109)	(19)	42,783
Income tax of controlled foreign companies (CFC)	0	0	0	0	6
Value-added tax (VAT)	(99,876)	(101,967)	2,091	(2)	(97,426)
Property tax	383	362	21	6	73
Other taxes and charges	3,342	3,243	99	3	3,187
Total:	(65,809)	(60,932)	(4,877)		(51,292)
including:					
to the federal budget	(95,233)	(96,192)	959	(1)	(90,810)
to regional and local budgets	29,401	35,235	(5,834)	(17)	39,493
to extrabudgetary funds	23	25	(2)	(8)	25

In 2020, Transneft accrued and paid income tax as the responsible member of the Transneft Consolidated Group of Taxpayers (CTG), which included 32 (36 in 2019) Transneft subsidiaries (in accordance with the Agreement on the Establishment of the CGT).

5.3. FINANCIAL PERFORMANCE INDICATORS UNDER RAS

Estimated Financial Indicators of Transneft

Indicator	2020	2019*	Absolute deviation 2020/2019	2018
Return on equity (excluding oil sales to China), %	33.07%	38.12%	-5.05	5.55%
Return on invested capital (by operating profit, excluding sale of oil to China) adjusted for nominal taxation rate, % (ROIC)	6.87%	10.00%	-3.13	5.41%
Return on sales excluding oil sales to China, %	9.86%	13.51%	-3.65	7.83%
Receivables turnover ratio	8.38	11.70	-3.32	13.94
Quick ratio	0.77	0.83	-0.06	0.74
Current ratio	0.77	0.83	-0.06	0.75

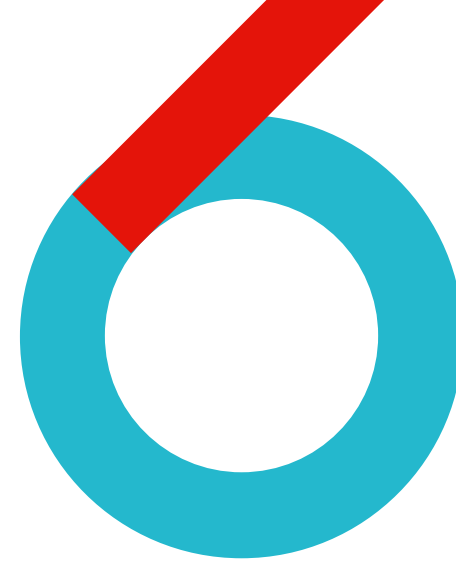
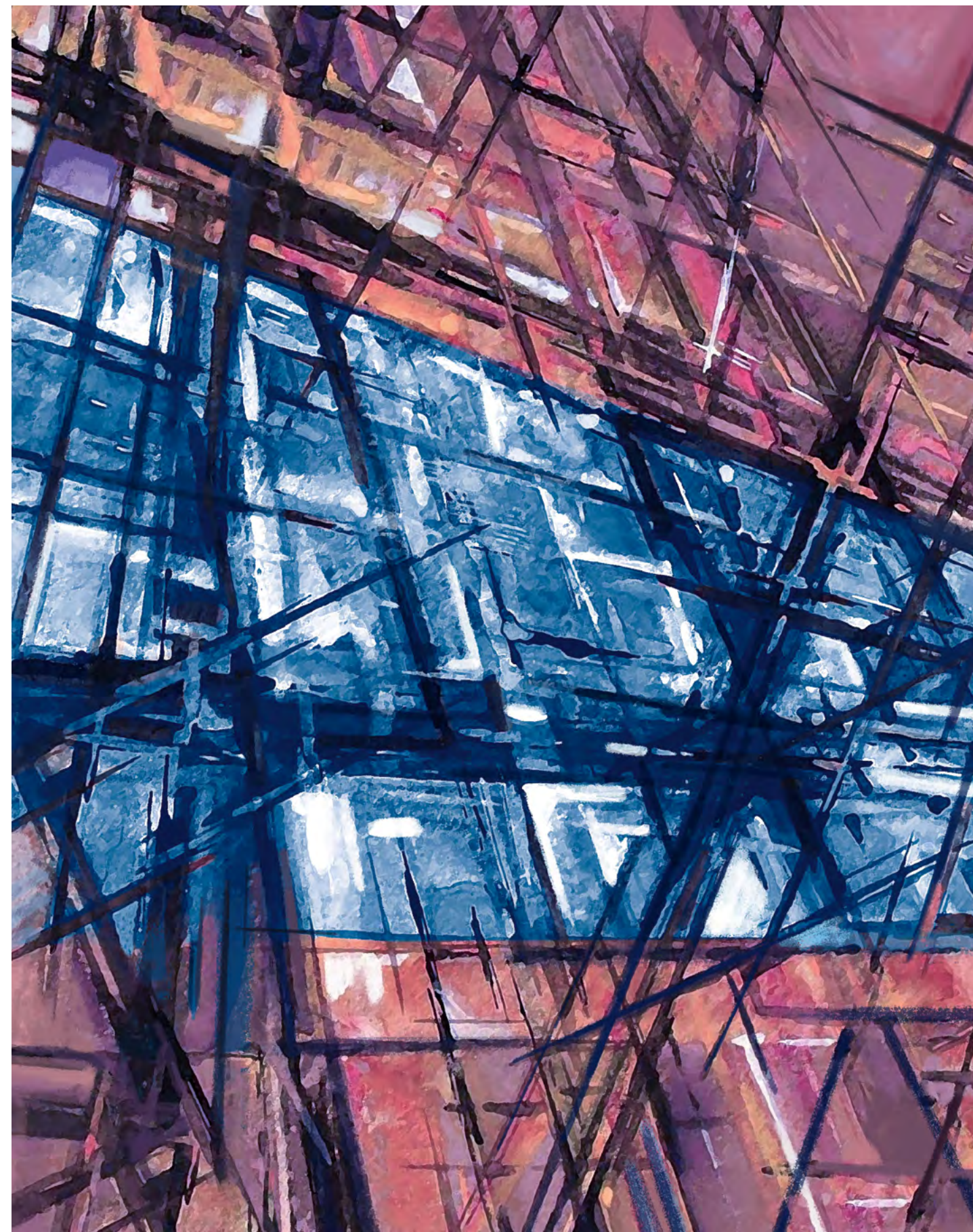
* The figures have changed compared to the 2019 Annual Report due to the retrospective recording of significant changes in the treatment of tax differences.

5.4. CAPITAL INVESTMENT FINANCING SOURCES

In 2020, Transneft's capital investments amounted to RUB 1,049.1 million.

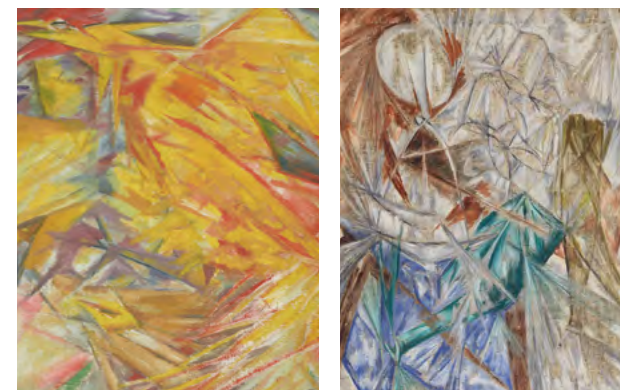
p. 192

The capital investment financing sources are presented in Appendix No. 5



RAYONISM

— the founder and theorist of the movement was the painter Mikhail Larionov. He proclaimed ideas of using the visual effect based on the shift of light spectra and light transmission (different light rays of the chromatic spectrum); with the help of which it becomes possible to create a special pictorial space by the intersection of the various objects' reflected rays. According to the theory of rayonism, in reality, people perceive not the object itself, but the sum of rays emitted by the light source and reflected from the object, which thus fall into our vision area.



 A Volumetric Model Of Transportation Logistic Flows In The Central Control Room

SUSTAINABLE DEVELOPMENT

- 6.1. — 104 Sustainable Development Principles of Transneft Group
- 6.2. — 108 Environmental Protection
- 6.3. — 114 Use of Energy Resources and Energy Conservation
- 6.4. — 116 HR Policy
- 6.5. — 119 Occupational Safety
- 6.6. — 119 Developing Regions of Operation
- 6.7. — 120 Social Responsibility
- 6.8. — 123 Interaction in Emergencies
- 6.9. — 125 Cybersecurity
- 6.10. — 126 Responsible Procurement
- 6.11. — 127 Company's Activities in the Field of Environment, Social and Corporate Governance

TECHNOLOGICAL AVANT-GARDE

Lease Automatic Custody Transfer (LACT)
Unit for crude oil and petroleum products



There are two common approaches to the accounting of oil and petroleum products in the world: whether in units of volume (barrel), or mass (tonne).

LACT is a measuring system designed for each specific facility that performs accounting operations both in volume and mass units. Thus, instruments and methods for measuring the quantity and quality indicators of oil and petroleum products are major metrological components of the transportation process.

The uniformity of measurements has great importance in accounting operations with oil and

petroleum products, as the accuracy indicators should not go beyond the established thresholds. The permissible relative error limit in gross-weight measurements of oil and petroleum products is 0.25% max. The permissible relative error limit in net-weight measurements of oil are 0.35% max.

Lease automatic custody transfer units are manufactured at the Transneftemash plant in Velikiye Luki and in many respects, including metrological characteristics, meet the highest world standards.

6.1. SUSTAINABLE DEVELOPMENT PRINCIPLES OF TRANSNEFT GROUP

Transneft Group seeks to increase reliability, industrial and environmental safety of its operations, reduce negative environmental impact and ensure social support in the regions of the Group's operations.

Transneft is guided in its activities by the formulations, principles and goals agreed by the international community within the framework of the United Nations. In particular, Transneft Group shares the basic principles of sustainable development stipulated in the Declaration on Environment and Development, adopted in Rio de Janeiro in June 1992 at the UN Conference on Environment and Development, and also contributes to the achievement of the UN Goals in the field of sustainable development, adopted by the resolution of the UN General Assembly on 25 September 2015.

Transneft Group is gradually introducing the principles of sustainable development and social responsibility into its business strategy. Compliance with these principles is considered by the Group as one of the key factors for long-term sustainability.



[For more information on standards and methods of disclosing sustainable development indicators, please see Transneft's 2020 Sustainable Development Report](#)

Compliance of the Company's Goals with the United Nations Sustainable Development Goals until 2030

The development strategy of Transneft covers all areas of the Company's activities, including economic, environmental and social development. The Transneft Sustainable Development Report for 2020 shows the

correspondence between the key lines of the Group's development and the United Nations Sustainable Development Goals, as well as presents specific indicators to achieve these Goals.

Key Events of the Year in Sustainable Development

In the reporting year, Transneft became one of the winners at the MediaTEK-2020 contest for the federal and regional media, press services of the FES companies and regional administrations held by the Russian Energy Ministry. The Company won the first prize in the Social and Environmental Initiative nomination for holding a mass-scale charity volunteer marathon called Helping with Good Deeds.

Based on the results of the work in 2020, specialised rating agencies for sustainable development (ESG agencies – Sustainalytics, ISS and SAM) raised the ratings of Transneft.

In 2020, Transneft was awarded the main prize of the competition for the best socially oriented company, which is held by the Ministry of Energy of Russia.

The company was also included in the 18th annual Forbes Global 2000 Ranking of The World's Largest Public Companies 2020 (forbes.com).

In recognition of the achievements in applying best sustainable development practices that meet international standards, Transneft's preferred shares have been included in the FTSE4Good index since 2019, calculated by the FTSE agency and serves as a guideline for investment portfolios by ESG investors. Based on the results of a review in 2020, the preferred shares were kept within this index.

Corporate Culture

The Company has the Code of Ethics and Conduct for Employees of Transneft and Transneft Subsidiaries (Code of Ethics and Conduct), which defines ethical standards and principles of relations and behaviour of employees regardless of their position.

The Code of Ethics and Conduct defines the basic ethical values and principles:

- ensuring strict compliance with Russian laws, with due account of the laws of the countries where Transneft and its subsidiaries operate, whether individually or in cooperation with other entities;

- observing the unconditional priority of the state interests of the Russian Federation, as well as a respectful attitude to the interests of foreign states' entities in all business aspects;
- ensuring financial transparency of the business;
- building relations with government authorities, legal entities and individuals pursuant to the principles of openness and fair practice;
- zero tolerance towards corruption of any form or manifestation;
- strong social focus.

In accordance with the Regulations on Internal Audit of Transneft and the general directions of the internal audit of Transneft for 2020, approved by the decision of the Board of Directors of Transneft No. 21 dated 23 December 2019, the Department of Internal Audit and Analysis of Core Business Activities conducted an audit verification of compliance with ethical principles and corporate values of Transneft, Transneft subsidiaries for the period 01.01.2019–30.09.2020. Based on the results, recommendations were issued on updating the Code of Ethics and Conduct.

Interaction with Stakeholders

The Transneft Group aims to increase the openness and transparency of information on its activities, to build a mutually beneficial dialogue with a range of stakeholders and considers constructive cooperation to be the most important element of

interaction. Such interaction is carried out at all levels of the Company management. For effective communication with the society, shareholders, investors and other stakeholders, the Group has developed and implemented an information policy.

Stakeholders of Transneft Group

Stakeholder group	Forms of engagement	Stakeholder value
Investment community (shareholders, investors, analysts, rating agencies)	- Publishing reports on the Company's website and on the Interfax: Centre of Corporate Information Disclosure website. - Holding General Meetings of Shareholders. - Holding meetings of the Board of Directors and meetings of the Committees under the Board of Directors. - Communicating with minority shareholders concerning the execution of their rights. - Placing reference information and presentations on the Company's website. - Meetings and conference calls with analysts and investors. - Providing answers from the Company's representatives to questions from analysts and investors. - Publishing the Analyst Handbook. - Providing information to rating agencies. - Providing information to specialised rating agencies for sustainable development.	Revenue, RUB bn – 962.4 Net profit, RUB bn – 132.7 Dividends, RUB bn – 84.2 In 2020, the investment bank Sberbank-CIB, SOVA Capital raised the recommendations on preferred shares of Transneft, Raiffeisenbank and Renaissance-Capital raised target prices. As regards the results of work in the field of sustainable development in 2020, specialised rating agencies (Sustainalytics, ISS and SAM) raised the ratings of Transneft.

Table continuation

Stakeholder group	Forms of engagement	Stakeholder value
Loan providers (lenders, bond holders)	- Holding meetings and negotiations with lenders and rating agencies. - Disclosing information about the debt structure and policy in the Company's financial statements and annual reports - Placing information on bonds (issue prospectuses, coupon rates, yield curve, payment schedule) on the Company's website	Equity capital, RUB bn – 2,222.7 Loan capital (loans and borrowings), RUB bn – 589.5 In 2020, the world's leading rating agencies, including Moody's, S&P, and Expert RA, confirmed the ratings of Transneft: - rating agency Moody's affirmed the Company's Baa2 credit rating at with a stable outlook; - S&P Global Ratings affirmed the Company's credit ratings at BBB- (in foreign currency) and at BBB (in local currency) with a stable outlook; - The Expert RA rating agency affirmed the credit rating of Transneft at the RuAAA level with a stable outlook; - The NKR rating agency assigned a credit rating to Transneft at the level of AAA.ru with a stable outlook.
Consumers (integrated oil companies, stock exchange participants trading in petroleum products, as well as companies storing petroleum products at loading depots)	- Participation of the Company's representatives in meetings of the Transneft Consumer Council for Operational Issues - Placing information on contracts signed on the Company's website - Placing tariff information on the Company's website - Feedback system	Oil turnover – 1,132.2 bn tkm Petroleum products turnover – 50.9 bn tkm The volume of oil transportation via the Transneft system – 442.2 million tonnes Volume of petroleum products transported via the Transneft system – 37.9 million tonnes
Transneft Group's employees and trade unions	- Collective bargaining agreements - Employee incentive system - Professional training and staff development - Mandatory health checkups - Sports and cultural events - Social benefits for employees: voluntary health insurance, accident insurance, recreation programmes for employees and their family members, provision of non-governmental pension schemes - Prevention of the spread of coronavirus infection COVID-19 among staff, voluntary vaccination of employees.	Salaries and other payments and benefits for employees, RUB bn – 189.6 Average headcount – 123.3 thousand employees Average salary in 2020, RUB thou. – 109.5 In 2020, the total amount of the Company's expenses on measures to counter the spread of COVID-19 is RUB 2.171 bn.
Professional associations	- Holding regular meetings - Disclosing information on the Company's website	The Company participated in two IAOT meetings in 2020. The Company's website was updated, and the list of voluntarily disclosed information was expanded significantly.
Government authorities (the Government of the Russian Federation, industry regulatory bodies and organisations, ministries and agencies, regional executive authorities)	- Participation in the sections of the Expert Council of the State Duma Committee on Energy. - Interaction within the scope of applicable rules and regulations. - Registration and placement of information in the SIS FES.	Based on the results of interaction between Transneft and the Ministry of Energy of the Russian Federation, the Energy Strategy of the Russian Federation for the period up to 2035 was agreed and approved by the Directive of the Russian Government No. dated 09 June 2020 No. 1523-r. During 2020, Transneft also took part in the development of the Plan for the Implementation of the Energy Strategy of the Russian Federation for the period up to 2035, as well as the General Scheme for the Development of the Oil Industry for the Period up to 2035. Transneft took part: - in a meeting of the working group of the Expert Council of the State Duma Committee on Energy. The meeting discussed the issues of responsibility of the subjects of the fuel and energy sector (FES) for failure to ensure the safety of the fuel and energy sector (amendments to Article 20.30 of the Administrative Code of the Russian Federation); - in a meeting of the subgroup of the Interagency Task Force of the Ministry of Energy of Russia on policy management in the field of ensuring the safety of fuel and energy facilities; - in the meeting of the subgroup of the Interagency Task Force of the Ministry of Energy of Russia on ensuring the safety of fuel and energy facilities in the North Caucasus Federal District, which was devoted to the prevention of offenses in the fuel and energy sector in the territory of the Republic of Dagestan. In accordance with the decisions of the meeting of the subgroup of the Interagency Task Force of the Ministry of Energy of Russia on improving measures in the field of ensuring the safety of fuel and energy sector on 6 February 2020, the Company provided the Ministry of Energy of Russia with information on interaction with the Federal National Guard Service in ensuring the safety of fuel and energy facilities.
Government supervision and oversight bodies	- Regular inspections. - Regular meetings and joint work.	280 facilities of Transneft subsidiaries were inspected to ensure their safety and anti-terror security. The Agreement on Cooperation between Transneft and the Federal Environmental, Industrial and Nuclear Supervision Service of Russia was updated.

Stakeholder group	Forms of engagement	Stakeholder value
Local governance bodies	- Cooperation agreements. - Social and charitable programmes. - Public hearings to assess the environmental impact of new projects.	Cooperation agreements were proceeded and concluded with eight constituent entities of the Russian Federation. More than 1,000 charitable projects were funded.
Population in the regions of operation (including indigenous minorities, as well as civil society organisations)	- Social and charitable programmes. - Public hearings. - Mass media publications.	Number of jobs created – over 750. Investments in local communities – RUB 8.6 bn
Suppliers and contractors	- Commission for Dealing with Suppliers and Contractors - Steering Committee. - Pursuing the Company's policy in quality control enhancement, development and adoption of standards and mechanisms for work performance and control. - Feedback system. - Placing information on procurement and other matters for suppliers and contractors on the Company's website. - Placing information about SME support on the Company's website.	In 2020, Transneft arranged 3,146 consolidated purchases Competitive procurements' share – 91% In 2018–2020, working meetings were held with representatives of 10 constituent entities of the Russian Federation and representatives of more than 200 organisations.
Business communities	Public events (forums, conferences, etc.)	Transneft took part in the meetings of the Russian Union of Industrialists and Entrepreneurs, the Russian-American Dialogue Fort Ross conference.
Social and charity organisations	- Interaction in social projects. - Cooperation agreements.	Spending on charity – RUB 8.01 bn More than 1,000 charitable projects were funded.
Public environmental organisations	- Certification of all divisions of the Group in accordance with the Environmental Management System. - Holding environmental audits and publishing environmental reports. - Public hearings to assess the environmental impact of new projects.	Current expenditure on environmental protection – 2.014 RUB bn Investment in environmental protection – 1,089.11 RUB million.
Educational institutions (universities etc.)	Personnel training, retraining and refresher courses.	There is ongoing cooperation with universities in terms of advanced staff training according to jointly developed programmes.
Research community (research institutes, hi-tech companies, startups etc.)	- Engaging with scientific organisations and placing requests for R&D. - Publishing the Profile of Transneft's Innovation Development Programme for 2017–2021 on the corporate website. - Publishing an innovation proposal submittal form on the website of Transneft R&D.	In 2020, in terms of R&D, Transneft cooperated with more than 50 research institutes, universities, scientific and industrial organisations.
Mass Media	- Holding events for the media (briefings, press conferences etc.) - Ensuring quick distribution of news. - Handling mass media requests.	31 press releases have been published.



[For more detail about stakeholder engagement, see the Transneft Sustainable Development Report for 2020](#)

6.2. ENVIRONMENTAL PROTECTION

Environmental protection and a high level of environmental safety at Transneft's operational facilities are the Company's highest and unswerving priorities.

In keeping with the Integrated Policy in Occupational Safety, Energy Efficiency, Industrial and Environmental Safety, the Company's key principles are:

- prevention and reduction of negative environmental impact, as well as the rational use of natural resources;
- involvement of personnel at all levels in improvement of the Environmental Management System;
- disclosure of relevant information on environmental activities.

The EMS (Environmental Management System) has been developed and implemented at the Transneft Group to pursue the Policy in accordance with the ISO 14001 international standard. The EMS is continuously improved. In 2020, 27 Environmental Management System audits were carried out to verify compliance with the provisions of ISO 14001:2015. The audits revealed that the Company's EMS meets the requirements.

An effective system for monitoring air, water and soil quality is in place at all operating facilities of Transneft. 53 environmental analysis laboratories staffed with highly skilled specialists and outfitted with state-of-the-art analytical equipment ensure that the system works; all the laboratories have been accredited by RusAccreditation.

Environmental and analytical monitoring is carried out in accordance with the schedules approved by regulatory authorities. In 2020, over 720 thousand environmental tests were performed, of which 653 thousand were performed by the Company's laboratories. The records of all the tests are timely submitted to supervisory bodies in accordance with the approved schedules. The tests revealed no violations of permissible limits.

In 2020, the current expenditures on environmental protection amounted to RUB 2,014.03 million, whereas the investments in fixed assets allocated for environmental protection totalled RUB 1,089.11 million.

In pursuance of the Federal Laws on Environmental Protection and on Protection of Atmospheric Air and the UN Framework Convention on Climate Change, in 2020 the Transneft Long-Term

In 2020, the current expenditures on environmental protection amounted to RUB 2,014.03 million, whereas the investments in fixed assets allocated for environmental protection totalled RUB 1,089.11 million.

Development Programme provided for a 1% reduction in the specific air pollutant emissions to reduce the negative environmental impact rendered by the Company's operations.

Specific air pollutant emissions went down by 0.01292 kg/t (9%) to reach 0.12810 kg/t in 2020. The specific air pollutant emissions reduction plan for 2020 was delivered to the full extent.

The gross emission of air pollutants decreased by 12.334 thousand tonnes compared to 2019 and amounted to 61.386 thousand tonnes.

Overall, during the reporting year, 12.202 thousand tonnes of pollutant emissions were captured and neutralised.

Water consumption came to 10.3 million m³ in 2020 (in 2019 – 11.1 million m³).

The volume of wastewater disposal in 2020 amounted to 7.3 million m³ (in 2019 – 8.8 million m³).

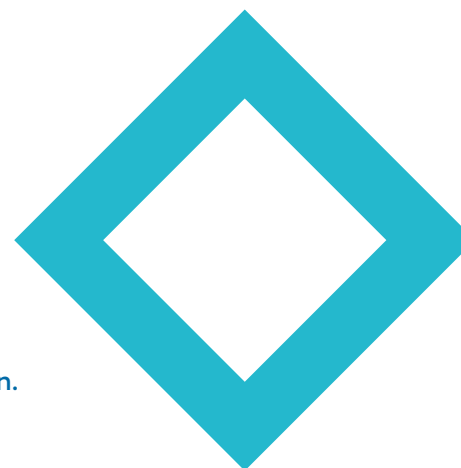
In 2020, four wastewater treatment plants were commissioned, including three treatment facilities for utility water, and one for industrial and storm wastewater. Two wastewater treatment plants were manufactured, assembled and brought to the design capacity through the effort of Tyumen Machinery and Repair Plant of Transneft Siberia.

The set of water protection measures resulted in the elimination of insufficiently treated wastewater discharged to water bodies.

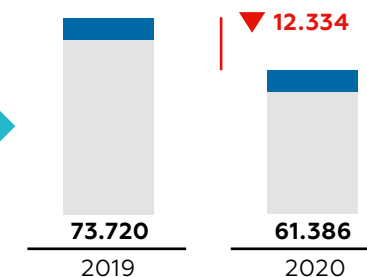
The main volume of greenhouse gas emitted from Transneft's operational facilities is attributable to stationary fuel combustion in boiler houses to generate thermal energy for own needs. The equipment used for this purpose enjoys the most advanced technical solutions available, ensuring minimum fuel consumption along with a high efficiency, thus achieving the lowest CO₂ emissions possible.

There was developed and approved a corporate Energy Saving and Energy Efficiency Enhancement Programme, under which measures are taken to reduce the volume of greenhouse gas emissions, such as:

- conducting technical upgrading of boiler houses and installing modern energy efficient boilers, as well as conversion from oil fuel to gas;



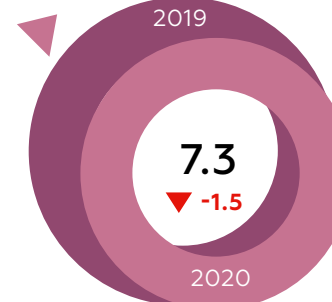
Gross emission of air pollutants, thou tonnes



Water consumption, million m³



Wastewater volume, million m³



- development and implementation of innovative heat and power equipment;
 - overhauling heating networks and replacing thermal insulation materials to reduce heat loss;
- Ongoing research covers:
- study on ways to reduce / neutralise greenhouse gas emissions into the atmosphere at oil and petroleum products transportation and storage facilities.

- development of methodological recommendations for the calculation of greenhouse gas emissions into the atmosphere at oil and petroleum products transportation and storage facilities.

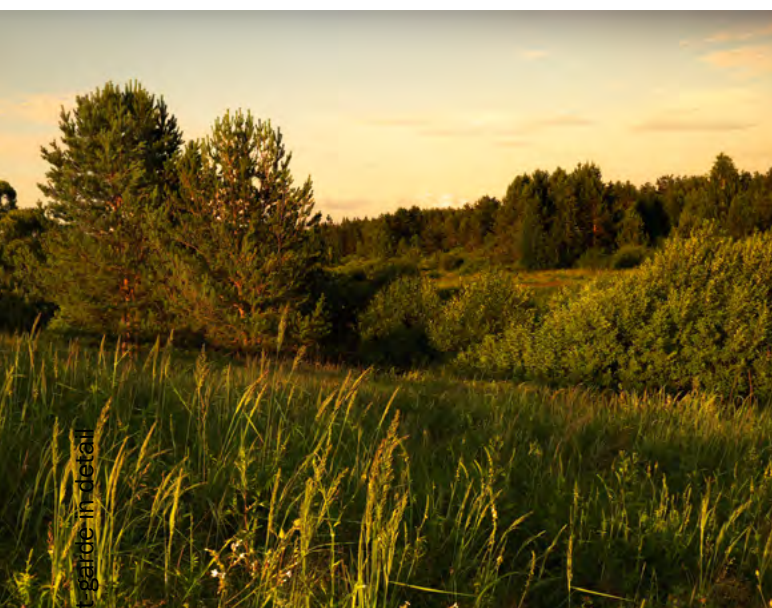
In 2020, greenhouse gas emissions decreased by 45.6 thousand tonnes compared to 2019 and amounted to 342.2 thousand tonnes.



As part of the Programme for the Biodiversity Conservation in the locations of the Company's facilities, the following key activities were implemented in 2020:

1. REPRODUCTION OF AQUATIC FAUNA

As part of the annual events for the artificial reproduction of aquatic biological resources and maintaining the balance of the ecosystem in the areas along the pipeline route, more than three million fish juveniles were released in 2020.



2. REFORESTATION, AFFORESTATION AND COAST&BANKS CLEAN UP ACTIVITIES

In 2020, with the support of Transneft, trees and shrubs were planted to preserve flora and clean water bodies and their water protection zones from debris. This makes it possible to preserve the ecosystems of water bodies and improve the sanitary and public health situation of the territories. In the course of such environmental campaigns, more than 5 thousand trees were planted.

In total, in accordance with the rules of reforestation in 2020, 1.7 million trees and 1.3 thousand shrubs were planted.

3. THE USE OF AQUACULTURE FOR ENVIRONMENTAL MONITORING OF MARINE AREAS IN THE PORTS OF TRANSNEFT

Biomonitoring was organised in Kozmino Bay in the Sea of Japan, 250 m east of the berths at Kozmino Port. A farm for breeding aquatic hydrobionts and plants was created on the area of 7 hectares.

Comprehensive monitoring of the environmental condition of the communities of such aquatic organisms as Japanese scallop, Pacific mussel, laminaria and trepangs showed that the operations of Transneft Kozmino Port provided no negative human impact on the adjacent waters.

The test farm contributes to biodiversity of the Bay and reproduction of precious fauna species through creation of favourable conditions for living and spawning for marine inhabitants, as well as preserving the population of valuable commercial species.

In 2020, in order to increase the biodiversity of the bay of Nakhodka, Transneft Kozmino Port, LLC released 10 thousand specimens of Japanese scallop.

In 2019, a mariculture test farm was commissioned in the water area of the Björkö Sund Strait in the Gulf of Finland. It is inhabited by 900 Baltic whitefish and 600 rainbow trout. Comprehensive monitoring of the state of the sea area and marine inhabitants is carried out. No negative anthropogenic impact of Transneft Primorsk Port, LLC was revealed on the water area of the strait as a result of observations in 2020.

A similar test farm is being created for biomonitoring in the area where the production facilities of Chernomortransneft, JSC are located in the Tsemes Bay of the Black Sea. In 2021, it is planned to place (install) a site for biological test objects.



4. SUPPORT OF THE EUROPEAN BISON POPULATION RESTORATION PROGRAMME

Since 2014, Transneft has been helping restore the bison population in Vladimir Region by providing financial support to Meshchera National Park. The company manages four protected areas (PAs) of federal significance: Meshchera and Meshchersky National Parks in Vladimir and Ryazan Regions respectively, as well as Murom and Klyazma Wildlife Reserves. Oil trunk pipelines and petroleum products pipelines run through the territory of all these specially protected natural areas.

The support of environmental projects helps mitigate the impact of hazardous production facilities on ecosystems. Thanks to the Company's financial assistance, a stable population of bison was formed and their number in Murom Wildlife Reserve increased from 47 bisons in 2014 to 101 bisons, which is the maximum number of animals that this habitat could sustain.

In December 2020, specialists from Meshchera National Park caught young bison in Murom Wildlife Reserve in Gorokhovetsky District, Vladimir Region. Five animals were moved to an open-air cage complex in Gus-Khrustalny District, Vladimir Region, built with the support of Transneft. Eight more were sent to Mordovsky State Natural Reserve in Mordovia.

In 2021, it is planned to continue supporting Meshchera National Park for the implementation of the bison resettlement programme.



5. MEASURES TO PREVENT AND REDUCE THE RISK OF BIRDS' DEATH DUE TO CONTACT WITH ELECTRIC POWER TRANSMISSION LINE (ETL)

Using electric power transmission line supports for rest and hunting, birds are at risk of death and can cause technological failures of power equipment. In 2020, work continued to improve the environmental safety of the Group's power grid facilities; as part of the project, route electric power transmission lines are equipped with bird protection devices. This minimises the risk for birds and preserves the flora by reducing the clearcut area. More than 200 km of track lines are equipped with bird protection devices.

The Company helps develop zoological parks, special protected zones and natural monuments, landscapes public gardens and park zones, promotes environmental culture and ecotourism.

In order to improve nesting conditions, restore lost nesting places and increase the population of rare bird species, 87 artificial nests were installed in Nizhny Novgorod Region. Monitoring revealed nests of the Ural owl and the red-listed Boreal owl and osprey. In 2020, equipment was purchased to organise remote monitoring of the osprey's nesting on an artificial nesting platform in Lyskovsky District, Nizhny Novgorod Region, in the immediate vicinity of the Surgut-Polotsk oil trunk pipeline. At the beginning of 2021, the equipment was installed and environmental monitoring of the nests is underway.



6.3. USE OF ENERGY RESOURCES AND ENERGY CONSERVATION

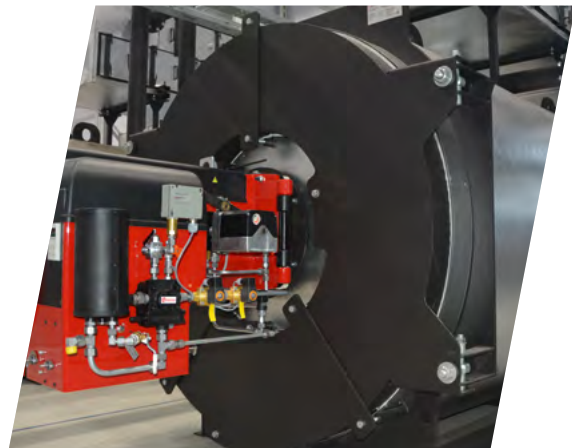
Energy Consumption

Metering the consumption of fuel and energy resources is organised by the Company in accordance with the standards, regulations and specifications in electric power engineering, heat and gas supply. Fiscal metering of power consumption at Transneft subsidiaries is performed using the automated measuring and information system of energy monitoring and metering (AMIS EMM). The Company uses the data provided by the automated system of electric power technical metering (ASEPTM).

Areas of improving the electrical energy metering system:

- creating a multilevel energy metering system with centralised data processing;
- ensuring that the electric power consumption data collected at each interval are as complete as possible;

- increasing the information transparency of the electric power market due to the formation of complete energy balances;
- calculating and analysing actual and acceptable electric power imbalance for electric plants of Transneft Group subsidiaries;
- creating automated systems and databases to monitor the dynamics of electric power consumption by months and years and its correspondence with the dynamics of oil and petroleum products turnover;
- reducing the level of commercial and technical energy losses due to their expedite detection and localising;
- accepting the metering devices of Transneft Group subsidiaries as standard, their inclusion in the AMIS EMM with retrofitting of delivery points with control metering devices.



Energy Saving

Transneft has developed and is implementing the Energy Saving and Energy Efficiency Enhancement Programme for 2021-2026 to save energy resources.

Its targets are:

- reduced specific electricity consumption for oil and petroleum products transshipment, intake, discharge, loading and delivery (thousand kWh/million tkm);

- reduced consumption of energy resources (gas, thermal and electrical energy, fuels and lubricants) used for internal consumption and operational needs when providing services related to oil and petroleum products transportation via trunk pipelines;
- availability of lighting fixtures with LEDs (%);
- reduction of greenhouse gas emissions.

Energy Consumption in 2020

Energy resource	Unit of measurement	Transneft subsidiaries engaged in transportation		Transneft subsidiaries engaged in support services	NCSP Group
		Number/amount	including for oil and petroleum products transportation	Number/amount	Number/amount
Electricity (purchased) (taking into account the cost of power)	thousand kWh	12,749,267	12,734,022	79,467	61,573
	RUB thousand (excluding VAT)	42,589,027	42,525,480	378,984	293,898
Thermal energy (purchased)	Gcal	138,351	128,514	44,354	1,431
	RUB thousand	235,042	211,006	73,182	2,591
Fuel for the Company's own needs, including:	toe	277,431	254,781	10,467	26,985
	RUB thousand	5,427,347	5,033,252	250,557	388,508
Oil for heat generation	tonnes	60,978	59,115	0	0
	RUB thousand	1,118,953	1,081,482	0	0
Oil for electricity generation	tonnes	2,324	2,324	0	0
	RUB thousand	42,761	42,761	0	0
Natural gas for heat generation	thousand m³	57,225	55,399	3,411	14,950
	RUB thousand	301,474	289,860	18,650	93,817
Natural gas for electricity generation	thousand m³	0	0	0	3,904
	RUB thousand	0	0	0	24,009
Diesel fuel for heat generation	tonnes	2,152	2,020	28	26
	RUB thousand	110,749	104,778	1,426	1,097
Diesel fuel for power generation (at emergency DPPs)	tonnes	67	67	0	9
	RUB thousand	3,211	3,211	0	444
Furnace oil	tonnes	7,956	0	0	316
	RUB thousand	116,145	0	0	4,436
Motor fuel for motor transport and special-purpose vehicles	tonnes	74,175	69,906	4,524	3,317
	RUB thousand	3,693,148	3,474,666	230,223	264,705
Motor fuel (natural gas) for motor transport and special-purpose vehicles	thousand m³	592	581	18	0
	RUB thousand	9,355	9,312	258	0
TOTAL	toe	1,863,252	1,837,324	26,564	34,752
	RUB thousand	48,219,864	47,742,556	702,723	684,997

6.4. HR POLICY

Transneft declares sufficient staffing of Transneft subsidiaries with highly qualified employees motivated for long-term labour relations as its HR priority.

In 2020, the number of employees at Transneft Group subsidiaries amounted to 123.3 thousand people

Main objectives of Transneft in personnel management:

Qualified staffing of Transneft Group, taking into account long-term and mid-term trunk pipeline system development plans and maintaining their stability.

Increasing the flexibility of financial and non-financial incentive systems considering regional factors and the place of certain groups of professionals on the labour market; offering a competitive remuneration system.

Improving and increasing the quality of personnel training, retraining and refresher courses in accordance with the laws of the Russian Federation and the directions of the Company's strategic and innovative development.

Social Policy

Social policy is an important component of the HR policy at Transneft. It is necessary to attract, consolidate and motivate employees of the Transneft subsidiaries, to create conditions for long-term and effective labour relations.

As part of the social policy, a range of measures is implemented to improve the standard of living and personnel efficiency, support employees, their families and corporate retirees. Within the policy, conditions are created for personnel treatment, health and recreation; healthy lifestyles are promoted and corporate culture is developed.

In response to the pandemic, many planned activities were canceled, but the existing savings at the end of 2020 enabled the Company to provide additional material assistance to employees who have children under the age of 18.



[More information on social benefits and guarantees is presented in the Sustainable Development Report of Transneft for 2020](#)

Medical Care for Employees

All Transneft Group employees are eligible for voluntary health insurance (VHI). The personnel are additionally insured against accidents and illnesses, which enables reimbursement of the employee's losses related to temporary or permanent disability, should an insured event occur.

Apart from that, better affordability of medical services to employees of Transneft Group is ensured through operation of health stations at facilities and

medical examinations carried out by mobile teams of medical specialists.

In 2020, health checks at mobile medical units were available to the personnel of operating facilities of Transneft subsidiaries located in Irkutsk, Amur, Vologda and Arkhangelsk Regions, Krasnoyarsk Territory, the Republic of Sakha (Yakutia) and the Komi Republic. The doctor teams conducted health checks for 6,857 employees.

Coronavirus Response

To prevent the spread of coronavirus infection COVID-19 among the personnel of Transneft Group subsidiaries and to ensure the smooth functioning of the system of oil and petroleum products pipelines in 2020, the following measures were taken:

- limiting of contact events and participation of the Company's employees, limiting the admission to facilities of persons who are not employees of Transneft Group subsidiaries;
- changing the work and rest patterns of employees;
- provision of personal protection for personnel;
- control of admission to stationary workplaces of staff with signs of illness;
- conducting laboratory tests for certain categories of workers for the presence of coronavirus infection;
- organisation of observation points for temporary accommodation of personnel before being sent to a shift;

- disinfection of premises and vehicles, air disinfection;
- monitoring the public health situation at the facilities of the Transneft Group, as well as in the regions of their presence;
- preparation of pipeline facilities for transition to autonomous work in complete isolation under command from reserve control rooms;
- voluntary vaccination of personnel.

In 2020, the Company's total expenditure on countermeasures against the spread of COVID-19 was RUB 2,171 million



Corporate Training System

Employees of Transneft Group subsidiaries constantly improve their professional skills under up-to-date training programmes provided by leading industry-focused universities and secondary vocational education schools, as well as at the Company's educational institutions.

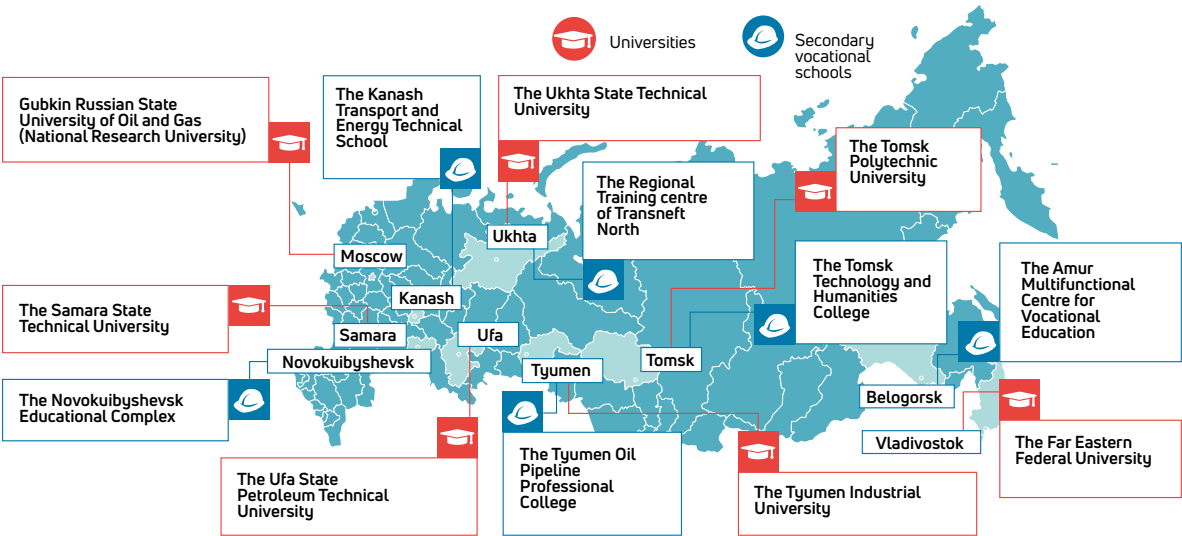
In 2020, despite the public health situation, training continued in full-time and distance learning in the main occupational areas:

- operation of power equipment installed at petroleum products pumping stations;
- operation of mechanical process equipment;
- operation of oil and petroleum products pipeline transportation facilities;
- automated process control systems.

1,474 employees underwent training with end-of-course assessment (including full-time – 962 people, remotely – 512 people).

In addition, in 2020, as part of the implementation of the Action Plan for the development of educational and methodological documentation (EMD), 49 sets of EMD were approved for 23 professions.

The staff is mostly trained by corporate and state educational institutions that have entered into agreements with the Company, accounting for more than 59.8% of the total number of employees involved in training and professional development programmes for employees.



Training of Transneft Group's employees, courses taken

	2018	2019	2020
Managers	17,621	20,467	28,759
Specialists	41,261	47,987	38,539
Workers and office staff	47,760	49,318	38,671
TOTAL	106,642	117,772	105,969

In order to provide Transneft Group subsidiaries with qualified personnel with higher education, targeted training of students is carried out at universities under long-term cooperation agreements.

In 2020, 484 students underwent training on the terms of employer-sponsored education, including 453 bachelor programmes and 31 master programmes. Most of the students majored in Engineering, Technology and Technical Sciences, as well as Oil and Gas.

6.5. OCCUPATIONAL SAFETY

The main priority of Transneft Group in the field of occupational safety is the protection of the life and health of employees. The Company ensures priority of safety and life and health of employees over operational results.

Occupational Safety Goals and Tasks

- to ensure employees' occupational health and safe working conditions when using buildings, structures and equipment as well as proceeding with technological processes;
- striving to achieve zero occupational injuries regardless of time frames and constraints;
- avoiding all work activities to the detriment of the employee's health and life;
- development of leadership qualities in management and the needs of personnel for safe work;
- observance and improvement of the culture of occupational safety;
- to plan and carry out activities to provide employees with personal protective equipment meeting state-of-the-art standards of occupational safety;
- carrying out special assessment of working conditions and assessment of occupational hazard levels;

- providing employees with mandatory sanitary maintenance and healthcare to meet occupational safety requirements; conducting mandatory preliminary and periodic medical examinations of employees;
- creating awareness in the field of occupational safety and workplace environment, existing health risks, and protection measures against harmful and hazardous workplace factors;
- ensuring continuous training in safe methods and techniques of conducting works and testing employees' knowledge;
- allocating organisational, physical and financial resources to ensure functioning of the occupational safety management system and implementation of measures in this field;
- personal responsibility of managers and employees for compliance with occupational safety requirements.

Compliance of the Occupational Safety Management System with International Standards:

The compliance of the Occupational Safety Management System of Transneft Group with international standards was confirmed by an international auditor in 2020:

- at 3 transport Transneft subsidiaries, 1 seaport, 4 service Transneft subsidiaries (OHSAS 18001 standard);
- at 12 transport Transneft subsidiaries, 1 seaport, 7 service Transneft subsidiaries and Transneft (ISO 45001 standard).

6.6. DEVELOPING REGIONS OF OPERATION

Transneft Group actively cooperates with federal and regional authorities, local authorities, non-governmental organisations, indigenous peoples of the North and other representatives of local communities. In 2020, the Company continued to implement cooperation agreements with Kurgan, Tula, Pskov and Samara Regions, Yamal-Nenets Autonomous Area and Khanty-Mansi Autonomous Area – Yugra, the Komi Republic, Khabarovsk Territory.

The documents signed set out the following cooperation priorities:

- further development of economy, improving the investment climate, creating favourable conditions for solving the most acute social issues in these regions of the Russian Federation;
- construction of infrastructure facilities;
- implementation of the Company's social projects and programmes.

6.7. SOCIAL RESPONSIBILITY

The Company’s targeted charity programme provides for the construction and repair of socially significant facilities, as well as support for projects in the field of culture, sports, nature and ecology.

Helping Regions to Implement Measures to Prevent and Minimise the Spread of Coronavirus Infection

In connection with the pandemic, Transneft and Transneft Group subsidiaries provide charitable assistance to healthcare centers throughout the country, purchasing specialised medical equipment, personal protective equipment and disinfectants. These measures increase the effectiveness of treatment of patients with COVID-19 and the safety of medical personnel, and limit the spread of the virus.

In 2020, Transneft provided assistance in this area to the regions of the Far Eastern Federal District, Khanty-Mansi Autonomous Area – Yugra. The Company allocated funds for the purchase of ventilators and personal protective equipment by healthcare centers and clinics of Krasnodar and Krasnoyarsk Territories, the Republic of Bashkortostan, the Komi Republic, Samara, Bryansk, Omsk, Irkutsk and other regions.

Helping Regions Stricken by Natural Disasters and Emergencies

Transneft Group vigorously helps respond to emergencies caused by natural disasters and man-caused accidents in Russia’s regions. Specialists of Transneft Siberia, JSC took part in the response and recovery works after the petroleum products spill at the Norilsk CHPP-3 in Taimyr Dolgano-Nenets Municipal District of Krasnoyarsk Territory.



In June, seven teams of Transneft Siberia, JSC worked in the area of emergency recovery. The spilled diesel fuel was collected from the surface of the Ambarnaya River, its channels and oxbow lakes, using oil skimmers and containment booms. A total of 9,288 m³ of petroleum products were collected from the water surface.

Svyaztransneft provided on-site communications to emergency rescue teams. 63 units of equipment, materials, instruments and measuring tools with the total weight of 550 kg were delivered to the site of works. To provide telephone and facsimile communications, as well as Internet access, a satellite station was deployed.

Thanks to specialised equipment promptly provided by Transneft Upper Volga, an oil spill was contained and subsequently eliminated in a short time frame at the site of a freight train derailment in Vladimir Region. The accident occurred on 16 November 2020 at the Novki-1 – Terekhovitsy stage. In order to prevent fuel oil spills outside the railway protection zone, specialists of Transneft Upper Volga were loading and carrying soil 24/7 to set up a rock-fill dam. They also assisted in the construction of an access road to remove railway tank cars and pump out the spilled fuel oil.



Health posts were opened in remote parts of Irkutsk Region devastated by floods in 2019

Charity

In 2020, the implementation of the Transneft’s corporate charitable programme for social infrastructure development of Far Eastern Federal District, designed for three years, was launched. Eleven general education and five healthcare institutions were assisted in purchasing equipment and carrying out planning, surveying, construction and installation works.

As part of the targeted charity programme, major repairs and equipping at the Neftyanik sports complex in Ukhta began, as well as the construction of the Novgorod technical school with subsequent landscaping of the adjacent recreational area.

Six health posts (HPs) were constructed in Irkutsk Region. The first four HPs were opened in 2019. The health posts were built as part of assisting in the restoration of the vital activity of the territories in Irkutsk Region, affected by the large-scale flood in 2019.

With the participation of Transneft, the construction of a memorial to the Soviet Soldier in Tver Region was completed. The memorial complex

dedicated to all soldiers of the Great Patriotic War was erected at the place of sanguinary battles near Rzhev in 1942-1943. The landscaping of the public garden named after the 75th anniversary of Victory Day in Novorossiysk was completed.

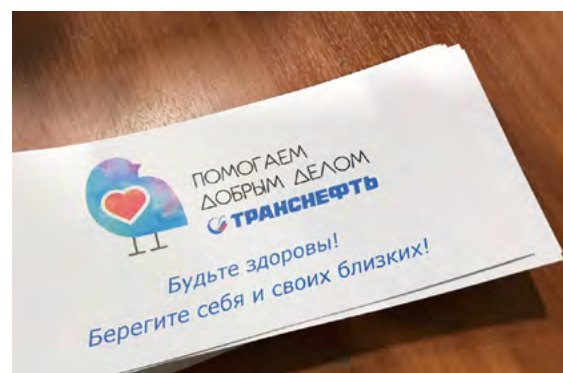
In 2020, the Company continued its cooperation with the Moscow Kremlin State Historical and Cultural Museum and Heritage Site: a comprehensive restoration of the Assumption Cathedral of the Moscow Kremlin is underway; holographic 3D pyramids depicting the Easter egg made by K. Faberge and named the Moscow Kremlin and the Jericho cap of Tsar Mikhail Fedorovich, a masterpiece of weaponry art, were transferred to the museum.

The Company has supported the most important projects of the State Tretyakov Gallery for many years, including technical projects related to the restoration, repair and renovation of the gallery’s buildings, research and restoration of artworks, work to modernise the website and create a corporate identity for the gallery.

Volunteer Effort

Year after year thousands of volunteers from among the employees of Transneft Group join the Company's corporate volunteer projects.

In 2020, more than 30 thousand employees joined the volunteer movement, having accomplished over 290 projects. Charitable campaigns were conducted in 198 cities and towns in all federal districts of the Russian Federation.



Sponsorship

The Company supports events contributing to the development of culture, preservation and promotion of spiritual values. In 2020, Transneft sponsored a set of events dedicated to the 75th anniversary of Victory in the Great Patriotic War. The official website энергия-победы.рф was created; meetings with veterans of the Great Patriotic War were held; an exhibition of children's drawings named The War as Viewed by Children, was organised.

The annual Russian-American Fort Ross Dialogue international conference was held online with the support of Transneft, Sovcomflot and Chevron.

Cooperation with the State Tretyakov Gallery, the Moscow Kremlin Museums, the Jewish Museum and Tolerance Center and the Russian Folk Arts and Crafts Association continued.



6.8. INTERACTION IN EMERGENCIES

The Transneft Emergency Prevention and Response System has been developed and introduced at Transneft Group (Transneft's Emergency System). It is an integral part of the functional subsystem of the Russian Ministry of Energy's unified state system of emergency prevention and response (USSEPR) at FES organisations (facilities).

Transneft and EMERCOM (the Emergencies Ministry) of Russia entered into an Agreement on their interaction in certain areas, including organisation and maintaining of civil defence, prevention and response to oil and petroleum products spills while accomplishing the tasks related to prediction of/response to man-caused emergencies in Transneft subsidiaries.

All Transneft Group subsidiaries constantly work on:

- improving the efficiency of the Transneft Emergency System's coordinating bodies;
- interaction with day-to-day management bodies of functional and regional subsystems of the USSEPR, as well as with the instant readiness forces of the USSEPR, when they perform their emergency response tasks and tackle issues related to coordination of forces of the Transneft Emergency System in the event of various accidents;
- improving the regulatory framework concerning the protection of Transneft Group's employees and territories from natural and man-caused emergencies.

Based on the central maintenance divisions, 40 emergency rescue teams were set up and certified: 16 of them are professional and 24 are non-regular emergency rescue teams, totalling 3,011 rescuers.

In September, a comprehensive tabletop drill on recovery works, related to oil and petroleum products spills, was held at the direction of the Minenergo of Russia, involving the headquarters of EMERCOM of Russia, the Main Directorate of EMERCOM of Russia for Saratov Region, the Middle Volga Directorate of the Federal Environmental, Industrial and Nuclear Supervision Service of Russia, the Interregional Directorate of the Federal Service for Supervision of Natural Resource Usage for Saratov and Penza Regions.

Transneft Group was represented by Transneft Volga Region which conducted a tabletop drill at the 331st km of the Kuybyshev – Lisichansk oil trunk pipeline near the underwater crossing over the Maly Karaman River in Marx District, Saratov Region.

In the course of the drill, the interaction of all emergency divisions was worked out, the practical deployment of forces and means was tested, business units' technical equipment for containment and elimination of oil spills was confirmed.

208 people and 43 pieces of Transneft Volga Region's equipment were involved in containment and elimination of the simulated oil spill. 490 m of booms and 11 temporary oil storage tanks with a total capacity of 1,125 m³ were arranged and installed; 1,140 kg of sorbent material was delivered to the emergency site. The environmental monitoring of water, soil and atmospheric air was organised on an ongoing basis. Commission sampling was carried out.





Fire Safety

Transneft Group has approved the Fire Protection Development Concept for Transneft subsidiaries. An effective fire safety system has been established at Transneft Group subsidiaries.

Transneft cooperates with EMERCOM of Russia on issues of ensuring fire safety at companies.

Facilities critical to national security are protected against fires by contractual units of the Federal Fire Fighting Service (FFFS) of EMERCOM of Russia.

130 fire guard units were established at Transneft Group subsidiaries accommodating tank farms, of which 43 are departmental fire guard units counting 1,034 people, 68 contractual fire guard units under the FFFS of EMERCOM of Russia counting 3,680 people, and 19 private fire guard units counting 953 people.

189 fire stations counting 1,016 people were established at Transneft Group subsidiaries having no tank farms, with a fleet of firefighting vehicles on guard 24/7.

In 2020, four contractual units under the FFFS of EMERCOM of Russia were formed:

- at the Skovorodino PS-21, Transneft East, totaling 64 people;
- at the Yaroslavl-3 PS, Transneft Baltic, totaling 43 people;
- at the Krotovka LODS, Transneft Volga Region, totaling 52 people;
- in Transneft-Terminal, totaling 51 people.

To equip fire guard units with modern firefighting vehicles, the Company, in cooperation with domestic manufacturers, has developed a range of high-tech fire trucks with improved fire performance and the ability to deliver a high flow of fire extinguishing agents with the required intensity for firefighting in tanks. Tank vehicles can deliver up to 12 tonnes of foaming agent to the fire site, and fire pumps fitted with an automatic dosing system are capable of supplying up to 150 l/s of fire extinguishing agents.

There were no fire-related emergencies at Transneft Group facilities in 2020.

6.9. CYBERSECURITY

In 2020, to conform with the requirements of Federal Law No. 187 On the Security of the Critical Information Infrastructure of the Russian Federation dated 26 July 2017 and regulations thereunder, measures at Transneft Group subsidiaries were taken to:

- improve the management and organisational structure of information security units;
- introduce end-to-end processes to ensure the security of critical information infrastructure at all lifecycle stages;
- develop a regulatory framework for the security of critical information infrastructure facilities;
- develop and implement standard technical solutions to protect information at critical information infrastructure facilities.

As part of the information security processes optimisation, including counteracting hacker attacks in 2020, the following measures have been implemented:

- provision of secure remote access to information resources for employees under the quarantine measures;
- development of the information security perimeter protection system;
- improvement of information resources security, including against distributed denial-of-service attacks;
- improvement of technical policy in terms of creating information security systems and accelerating the implementation of projects in the field of information security;
- updating regulatory documents on the protection of information processed in information and automated systems;
- re-engineering processes for managing vulnerabilities and information security incidents;
- improvement of interaction with the Russian State System for Detection, Prevention, and Mitigation of Computer Attacks (GosSOPKA);
- raising the personnel awareness around information security issues;
- conducting emergency response drills with a variety of hacker attack scenarios to exercise the emergency protocols with information security units, console operators and automation systems maintenance personnel

In 2020, the hacker attacks on the informational resources of Transneft Group subsidiaries were repelled and did not lead to failure of automated and information systems.

As part of ensuring cybersecurity in 2021, great attention will be paid to:

- compliance with legislation of the Russian Federation on security of critical information infrastructure, personal data and trade secrets;
- improving the information security management structure;
- development of technical measures to protect information;
- optimisation of regulatory and methodological documentation to ensure information security;
- increasing the level of information resources security, centralising information security systems.



6.10. RESPONSIBLE PROCUREMENT

In the procurement of goods, works and services Transneft Group is guided by Federal Law No. 223-FZ On the Procurement of Goods, Works and Services by Certain Legal Entities (Procurement Act) dated 18 July 2011, national laws and regulatory acts of the Russian Federation, as well as the Regulations on the Procurement of Goods, Works and Services of Transneft approved by the Company's Board of Directors (Regulations on the Procurement). Information about the procurement activities of Transneft is placed in the procurement section of the unified information system and uploaded onto the official website of Transneft.

Transneft is guided by the following principles in the procurement of goods, works and services:

- information transparency;
- equality, fairness, no discrimination or unreasonable restrictions of competition in relation to procurement parties;
- targeted and economically efficient spending on the procurement of goods, works and services (taking into account the cost of the life cycle of the products purchased, if necessary), and measures to reduce the purchaser's expenditures;

- unlimited access to participation in procurement activities due to absence of immeasurable requirements for participants.

Transneft also conducts online procurement of goods, works and services which are not included in the Procurement Act; thus, the share of Transneft's online purchases is constantly increasing.

Confidentiality of the information provided by participants is one of the principles of online procurement. In practice, online procurement is organized by operators of online platforms who transfer documents and information between procurement participants and the purchaser in a timely manner, in full and ensuring confidentiality of submitted bids. The operators of these e-commerce resources are independent from Transneft. The whole process promotes conscientious competition, publicity and transparency of procurement policies, preventing corruption and other abuses.

Dynamics of the Group's procurement in 2018–2020 (across Transneft Group, excluding NCSP and its subsidiaries and procurement within Transneft Group)

Indicator	2018	2019	2020
Number of procurements by the Company and its subsidiaries	47,027	60,515	68,005
Initial lot price (the maximum starting price), RUB bn, VAT included	326.3	376.0	258.9
Cost of contracts signed, RUB bn, VAT included	307.5	338.0	225.7
Share of e-commerce procurement, from the maximum starting price (as per Resolution No. 616 dated 21 June 2012, procurements from a single supplier are not accounted for in our calculations)	60%	66%	83%
Share of bidding procedures in total procurement (from the maximum starting price)	88%	93%	91%
Share of procurements from a single supplier in total procurement (from the maximum starting price)	12%	7%	9%
Share of procurement from SMEs in total procurement (In figuring the share of acquisitions from small and medium-sized enterprises (SMEs), the procurement of air patrol services, supplies of large-diameter pipes and other procurement types were deducted from the total value of contracts signed on the basis of procurement in the reporting period, in accordance with Clause 7 of Resolution No. 1352 the Russian Government On Specifics of SME Participation in the Procurement of Goods, Works and Services by Certain Types of Legal Entities dated 11 December 2014).	65%	63%	76%

6.11. COMPANY'S ACTIVITIES IN THE FIELD OF ENVIRONMENT, SOCIAL AND CORPORATE GOVERNANCE

Transneft understands the importance of consistent work and improvement of information disclosure in the field of sustainable development.

In order to reduce the risks for the Company's activities in the field of environment, social and corporate governance, the Company's management is actively working to develop and improve existing practices in the field of sustainable development and to enhance information disclosure in the following areas:

- corporate governance improvement;
- energy saving;
- environmental impact reduction.

The main contribution to reducing the risks of negative climate change and minimising environmental pollution in the medium term, however, is made in the following areas:

- decreasing the specific electricity consumption from oil and petroleum products pumping by at least 0.5% per year in 2021-2026 as a result of energy saving measures,
- reducing the negative impact of operational processes on the atmospheric air with the planned reduction of specific emissions by 0.7% in 2021 as a result of a set of technical measures,

- maintaining the standard level of wastewater treatment through the implementation of a complex of water protection measures aimed at ensuring the technical condition of treatment plants in full compliance with requirements of environmental legislation.

As part of ESG work, the Company in 2020:

- completed activities that allowed to completely eliminate the discharge of contaminated wastewater at the facilities;
- provided technical assistance to third-party organisations in the recovery works associated with petroleum products spill in the Ambarnaya River in Krasnoyarsk Territory (Norilsk), as well as in the derailment of a train carrying petroleum products in Vladimir Region;
- continued dialogue with representatives of the investment community on sustainable development issues;
- published presentation materials on sustainable development as part of a presentation for investors on the Company's website.

The Company plans to provide extended information to ESG agencies considering Russia's current regulation on disclosure of non-financial indicators against the backdrop of growing regulatory attention to disclosure of information on sustainable development issues.

There are plans to outline the Company's stance and disclose a list of existing measures and plans that contribute to combating climate change, as well as to further improve disclosure of information on sustainable development.

The Company plans to inform the investment community and interested users in detail on the results of its work in the field of sustainable development, and to analyse the proposals received following the discussion of these issues with representatives of the investment community and stakeholders.

In the field of corporate governance, it is planned to conduct an external assessment of the activities of the Board of Directors for the 2021/22 corporate year.

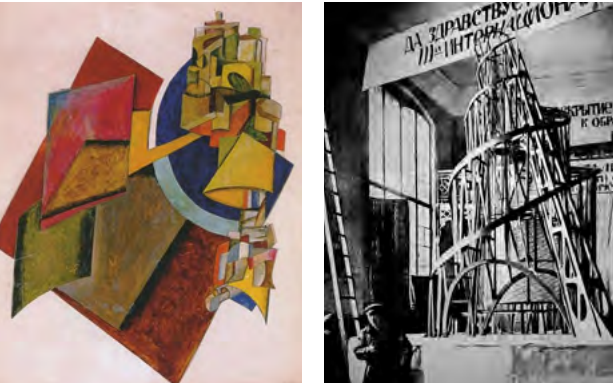
CORPORATE GOVERNANCE

- 7.1. — 132
Address on Behalf of the Board of Directors
- 7.2. — 133
Information on Following the Recommendations of the Corporate Governance Code
- 7.3. — 134
Key Events of the Year and the Period after the Reporting Date in Corporate Governance
- 7.4. — 136
Management and Control Bodies
- 7.5. — 138
General Meeting of Shareholders
- 7.6. — 139
Board of Directors
- 7.7. — 152
Executive Governing Bodies
- 7.8. — 158
Remuneration System for Key Management
- 7.9. — 160
Revision Commission
- 7.10. — 161
Risk Management System
- 7.11. — 170
Control and Audit System
- 7.12. — 176
Authorised Capital and Securities
- 7.13. — 181
Information on Transactions, Membership in Organisations and Legal Proceedings



CONSTRUCTIVISM

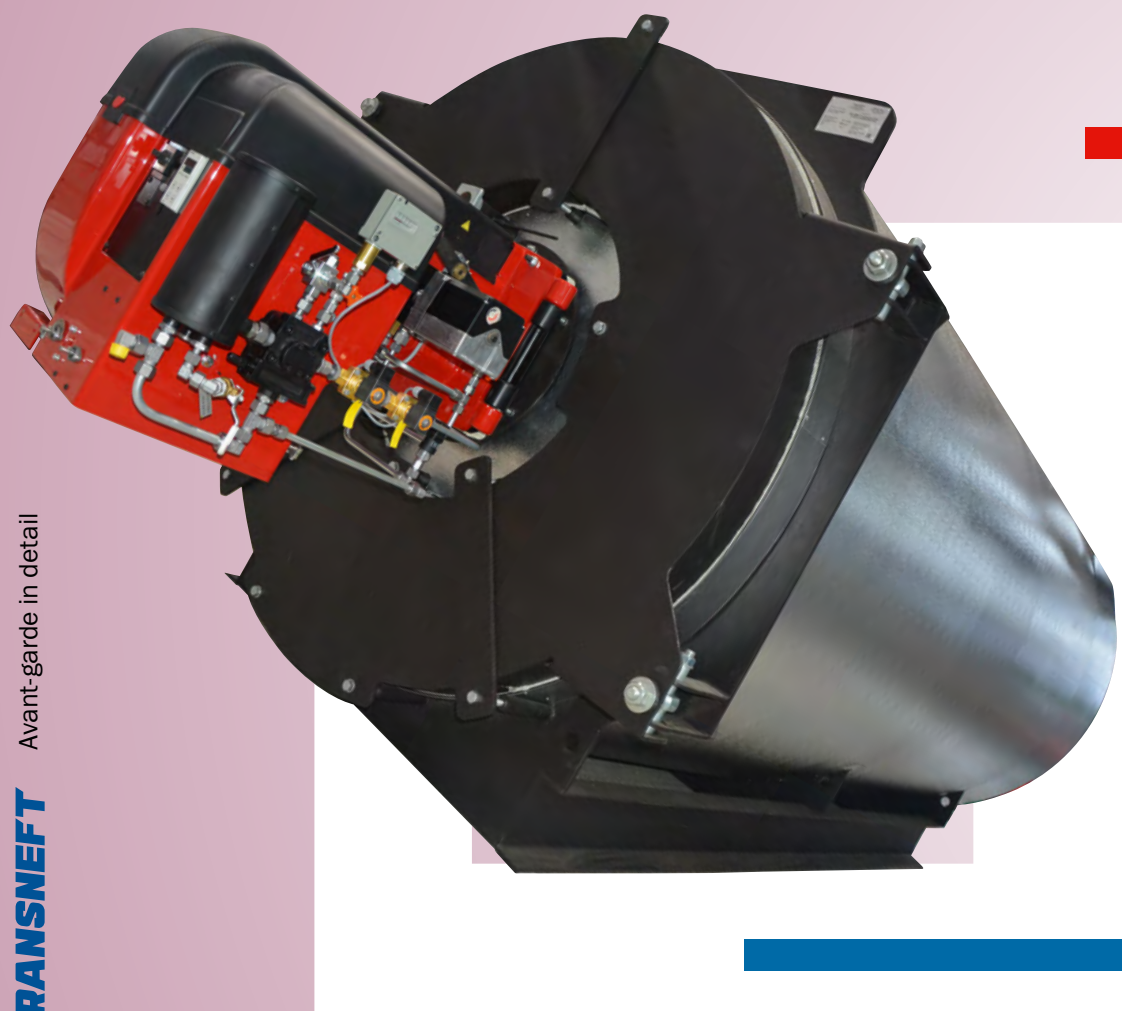
— is characterized by stringency, geometric patterns, laconic forms and solidity of external appearance. Alexander Rodchenko and Vladimir Tatlin were those who called themselves Constructivists. Constructivists sought to apply the functional pattern as the basis of spatial composition, searching for expressiveness in simple structures' dynamics rather than setting, in vertical and horizontal lines of a building, and in the freedom of its design.



Strictly Observe All Occupational Safety Rules!

TECHNOLOGICAL AVANT-GARDE

Modular boiler houses

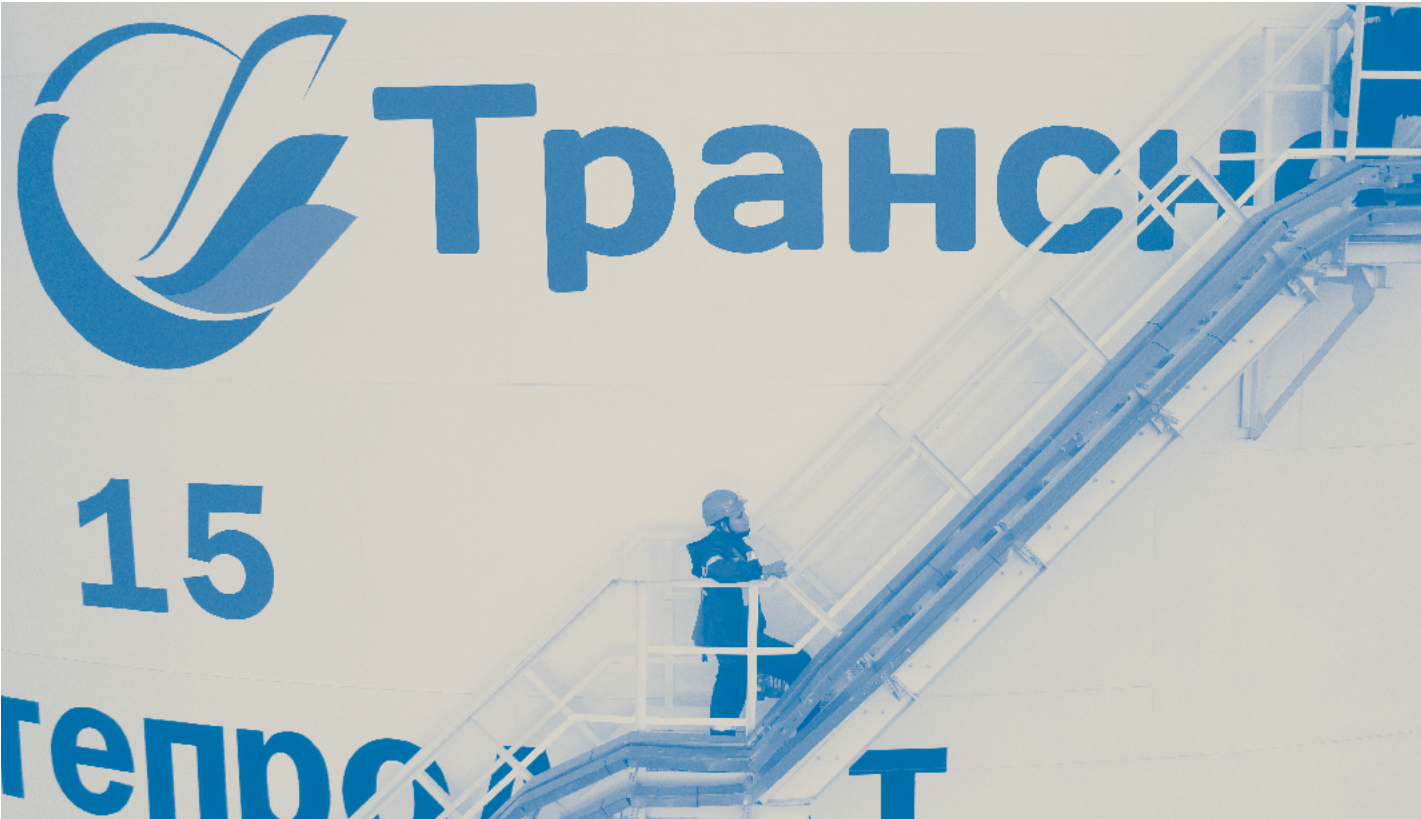


The production of energy- and cost-efficient new-generation modular boiler houses has been launched in Bryansk. These boiler houses are designed to reduce fuel costs, being the first oil-burning boilers with an external feed-water economizer that increases the equipment efficiency up to 95% and reduces energy consumption by 5-10% compared to similar products of other manufacturers.

The technical solutions used in the energy-efficient boilers of the new modular boiler houses are protected by three invention patents. Automation systems monitor efficient fuel consumption; the hydraulic separator maintains a constant temperature in the boiler circuit and regulates the flow rate of the heating medium inside the heating network. The modular design of the boiler house makes it convenient for transportation by rail or road to the assembly site.

The majority of Transneft's boiler houses run automatically and do not need constant supervision by man. As an effective indoor application, individual heating units are installed to regulate the supply of heat depending on the outside temperature, time of day, and day of the week.

7.1. ADDRESS ON BEHALF OF THE BOARD OF DIRECTORS ON THE CORPORATE GOVERNANCE PERFORMANCE IN THE REPORTING YEAR



DEAR SHAREHOLDERS, INVESTORS AND PARTNERS!

The Company strives to bring the corporate governance system in line with best international practice and recognises that an effective and transparent system of relationships between its management bodies, shareholders, investors and stakeholders will allow it to achieve its strategic goals and objectives, strengthen reputation, increase investment attractiveness and increase capitalisation of the Company.

Transneft is constantly improving its corporate governance practices, both at the level of the Company itself and at Transneft Group subsidiaries. In the past

year, work was actively carried out to develop a dialogue with investors, disclose information for investors, including in the field of environment, social policy, industrial safety and corporate governance (ESG).

The priority for corporate governance development in 2020 was to ensure a high level of satisfaction of investors and stakeholders.

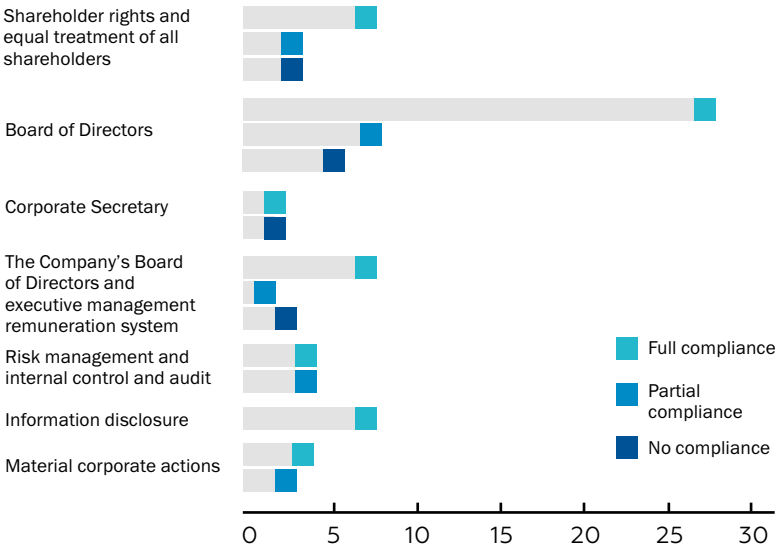
For further improvement of the internal control system, the Anti-Corruption Policy was updated, the Company's internal documents on countering illegal use of insider information were approved and updated, and an external assessment of the Risk Management System of Transneft was carried out.

In 2021, we intend to further improve the corporate governance system of Transneft: it is planned to conduct an external assessment of the work of the Board of Directors for the 2021/22 corporate year.

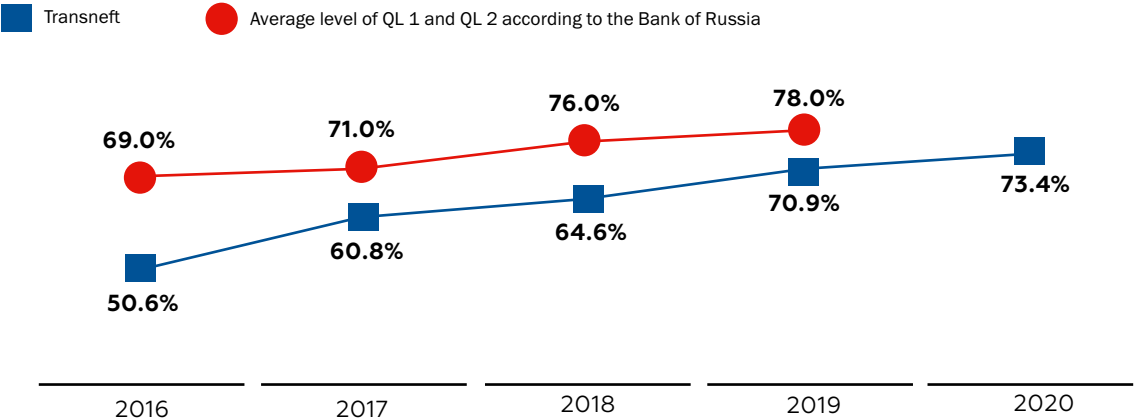
7.2. INFORMATION ON FOLLOWING THE RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

The Company fully complies with 73.4% of the principles of the Bank of Russia Code, and taking into account the non-applicability of four principles (5%) to the Company due to legal requirements, this figure is 78.5%, which corresponds to the overall level (78%) of implementation of the principles by major public joint stock companies whose shares are included in the top quotation lists of the Moscow Exchange.

Compliance with the Corporate Governance Code Principles in 2020



Implementation of the Corporate Governance Code principles by major public joint stock companies whose shares are included in the top quotation lists of the Moscow Exchange (QL1 and QL2).



The Methodology of Estimating Compliance with Corporate Governance Principles Stipulated in the Corporate Governance Code

The Company's compliance with the principles stipulated in the Corporate Governance Code (CGC) was estimated in accordance with the Bank of Russia Recommendations on Drawing a Report on Adherence to the CGC Principles and Recommendations.

The Corporate Governance Code Principles and Recommendations Adherence Report (Appendix No. 6) explains the key reasons, factors and (or) circumstances that barred the Company from full compliance with the principles of the CGC.

Results of estimating compliance with the CGC principles

Corporate Governance Principles	Principles Recommended in the CGC	2018			2019			2020		
		Full compliance	Partial compliance	No compliance	Full compliance	Partial compliance	No compliance	Full compliance	Partial compliance	No compliance
Shareholder rights and equal treatment of all shareholders	13	9	2*	2*	9	2*	2*	9	2*	2*
Board of Directors	36	25	9	2	28	7	1	28	7	1
Corporate Secretary	2	1	–	1	1	–	1	1	–	1
The Company's Board of Directors and executive management remuneration system	10	7	1	2	7	1	2	7	1	2
Risk management and internal control and audit	6	2	4	–	2	4	–	3	3	–
Information disclosure	7	6	1	–	7	–	–	7	–	–
Material corporate actions	5	1	3	1	2	3	–	3	2	–
Total score	79	51	20	8	56	17	6	58	15	6
	100%	64.6%	25.3%	10.1%	70.9%	21.5%	7.6%	73.4%	19.0%	7.6%

* 4 CGC principles (5%) are not applicable to the Company and cannot be fully observed due to the fact that all voting shares (100%) belong to the sole shareholder represented by the Russian Federation.

7.3. KEY EVENTS OF THE YEAR AND THE PERIOD AFTER THE REPORTING DATE IN CORPORATE GOVERNANCE

Improving the Process of Disclosing Information and Interacting with Shareholders and Investors:

- dialogue is being developed, and the process of increasing the volume of communications with investors, analysts and shareholders is underway: presentations on the results of the Company's IFRS reporting have been developed and published on the Company's website, a conference call was held by the management of Transneft on the results of IFRS reporting for 2019, 9 months of 2020 and 2020;
- a regular dialogue with investors and specialised analytical agencies on sustainable development was organised, a specialised section of the For ESG Investors website was created, a guide of key indicators for ESG investors was prepared and posted – <https://www.transneft.ru/investors/for-esg-investors/>;
- two independent directors were re-elected to the Board of Directors: A. Korsik and I. Klebanov, who fully comply with the independence criteria established by the Listing Rules of the Moscow Exchange. The Board of Directors recognised G. Shmal as an independent director;

- to increase the investment attractiveness, the Company and the Moscow Exchange agreed to split the futures on Transneft shares (0.1 of the cost of one preferred share). By order of Moscow Exchange dated 25 February 2020 No. MB-P-2020, the Futures Contract Specification for the Estimated Value was approved. Since April 2021, the futures contract has been put into circulation;
- a significant increase in the volume of investment in preferred shares of Transneft was recorded by Russian retail investors – individuals (the number of individual accounts increased by 7,095 compared to 2019 and amounted to 11,994*). Thus, the Company managed to avoid serious volatility of quotations as a result of the exit of preferred shares of Transneft from the MSCI indices.

*The information is provided taking into account the disclosure of nominee clients.

p. 180

[For more detail, see the Shareholder and Investor Relations section](#)

Key Risk Management and Internal Control Improvement Measures:

- the Risk Management Report and the Report on the Results of the Internal Audit of Transneft for 2019 were approved;
- By the decision of the Board of Directors of Transneft, the list of critical risks of Transneft was supplemented with the Adverse Effects Due to Unfavourable Public Health Situation risk;
- the external assessment of the risk management system of Transneft was carried out;

- the updated version of the Anti-Corruption Policy of Transneft was approved;
- the Board of Directors approved the terms and conditions of the employment agreement with the Director of the Department of Internal Audit and Analysis of the Core Business Activities of Transneft, as well as the Internal Audit Plan for 2021.

p. 170

[For more detail, see the Risk Management System and Control and Audit System sections](#)

Key Measures to Improve the Corporate Structure of Transneft Group:

Dispersed ownership of 4 companies was minimised:

- Transneft East, LLC
- Transneft Telecom, LLC
- SPIMEX, JSC
- Transneftstroy, LLC

The direct stake of Transneft in 4 companies was increased:

- Transneft Western Siberia, JSC (as a result of the termination of activities of Transneft Central Siberia, JSC by merging with Transneft Western Siberia, JSC)
- Transnefteproduct West, JSC
- Nevskaya Pipeline Company, LLC
- SPIMEX, JSC

2 companies were liquidated:

- PMC ESPO, LLC
- Transneft Central Siberia, JSC

Decisions were taken to liquidate 5 companies:

- Transneftstroy, LLC
- Transneft Security Services, LLC
- Transneft Ust-Luga, LLC¹
- PC-BA Ltd²
- NKHL, LLC

The powers of the sole executive body in REM, JSC and TOP, JSC were transferred to the managing organisation – UDM, LLC.

¹ Transneft Ust-Luga, LLC was liquidated on 18 March 2021.
² PC-BA Ltd was liquidated on 08 February 2021.

Measures were taken to improve the efficiency of corporate governance by introducing electronic forms for corporate decision-making:

- in Transneft Group organisations, execution of corporate decisions (decisions of the sole shareholder/participant, minutes of meetings, as well as minutes of voting results) using electronic signatures in the electronic document management system of organisations of the Transneft Group were introduced;
- in order to comply with the legal requirements for holding annual general meetings of participants in limited liability companies at the end of 2019, new regulations on general meetings of Transneft subsidiaries' participants were approved in presentia. The Regulations allowed the members of the companies to take part in the meeting in presentia in a new way, by preliminary filling out and sending to the Company an electronic voting ballot 1 day prior to the meeting;

- at the suggestion of the Company, the registrar of the Company and the Group, NRK-R.O.S.T., JSC, has made finalisation of electronic services for holding meetings in order to expand the opportunities for shareholders/participants of the Transneft subsidiaries for remote participation in meetings.

In 2020, electronic voting accounted for more than 80% of the corporate decision making in Transneft subsidiaries.

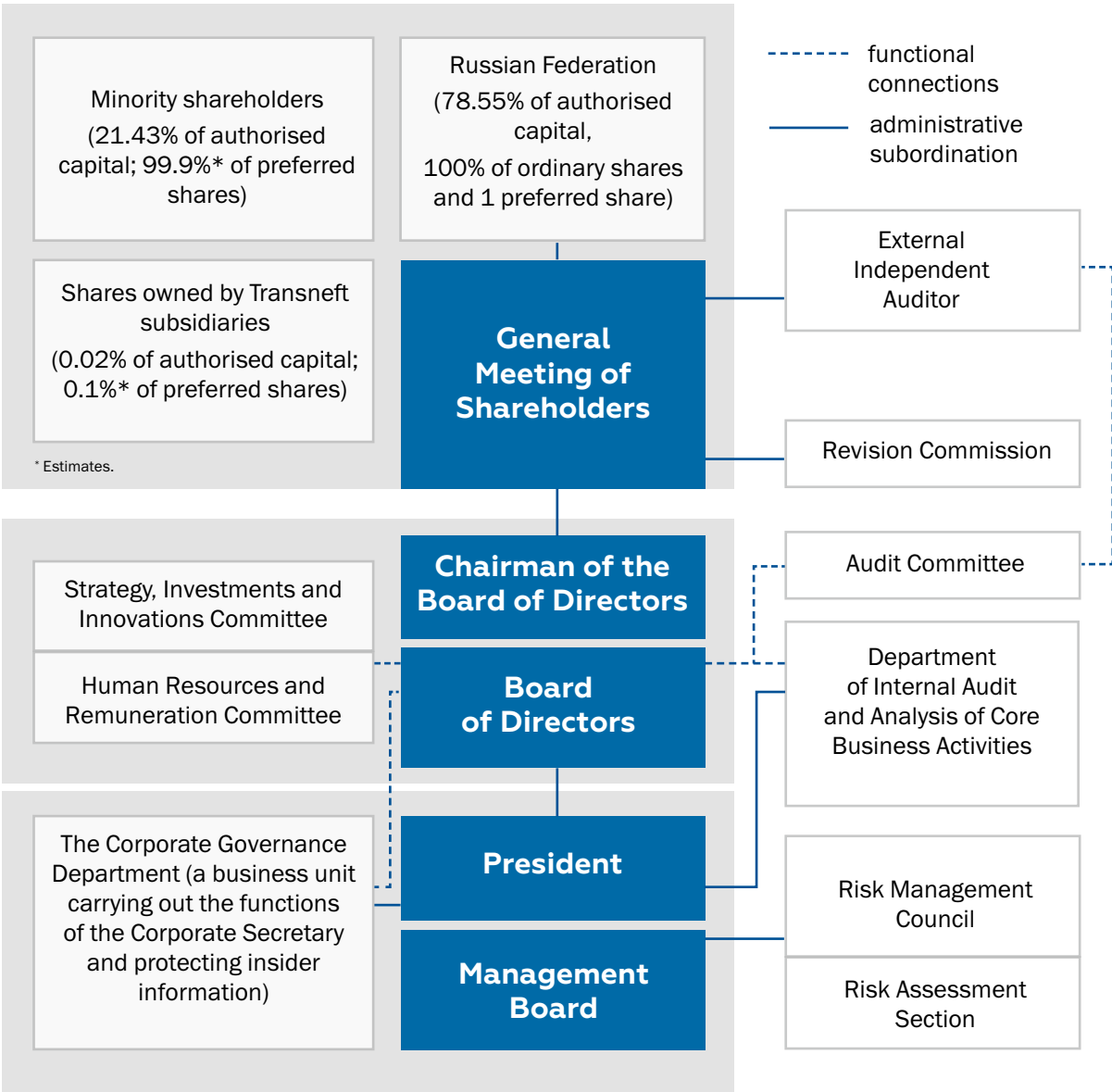
The introduction of digital services into the procedures for holding meetings of Transneft subsidiaries' shareholders/participants has made it possible to significantly reduce travel and postage costs, notification time for meetings and the timing of meetings, and to hold meetings in the safest way in a pandemic.

The Company's Plans on Further Improvement of Corporate Governance

- A regular dialogue with analysts and investors to increase their awareness of Transneft's activities.
- Interaction with investors and specialised rating agencies on ESG issues.
- Targeted meetings with investors (mainly in the format of a teleconference until the sanitary and epidemiological situation returns to normal).
- Updating internal documents in the field of corporate governance, internal control, illegal use of insider information and counteracting and preventing corruption.
- Conducting an external quality assessment of the Board of Directors.

7.4. MANAGEMENT AND CONTROL BODIES

Corporate Governance System



Management and Control Bodies

Governing / control body	Fundamental competences	Regulatory documents	Meeting frequency
General Meeting of Shareholders	Transneft's supreme governing body. Its competences include the most important issues of the Company's management, including: • to approve the Company's annual report and annual accounting (financial) statements; • to elect members of the Board of Directors and the Revision Commission; • to pass resolutions on paying dividends; • to approve external auditors.	Competences, timeframes, preparation and holding procedures for the General Meeting of Shareholders are determined by the Federal Law On Joint-Stock Companies, the Articles of Association, and the Regulations on the General Meeting of Shareholders of Transneft.	In 2020, an annual General Meeting of Shareholders and 2 extraordinary General Meetings of Shareholders were held.
Board of Directors	Responsible for strategic management of Transneft's business. It is the competence of the Board of Directors: • to protect and ensure the rights of shareholders; • to monitor the development and approval of the Company's strategy, long-term plans and major programmes regulating the Company's activities, as well as to consider reports on their implementation; • to participate in the establishment of effective mechanisms for internal monitoring of the Company's financial and operational activities, as well as the risk management system; • to approve the Company's budget; • to determine the KPIs for the Company, its President and Board members; • to facilitate timely disclosure of complete and accurate information on the Company's activities; • to pass resolutions on the key projects and major transactions.	The procedure for forming the Board of Directors, its status, membership, functions, goals and objectives, its competences, the procedure for its work and cooperation with other management bodies of Transneft are stipulated in the Company's Articles of Association and the Regulations on the Board of Directors.	In the form of joint presence, an average of 5-7 meetings of the Board of Directors are held per year, but in the context of the spread of the coronavirus infection COVID-19, most of the meetings scheduled to be held in presentia were held in 2020 via absentee voting. In 2020, 23 meetings were held, including 3 in-person meetings, 20 in absentia.
Committees under the Board of Directors	Committees under the Board of Directors are advisory bodies which provide preliminary examination of issues and prepare recommendations to the Board of Directors.	The activities of the committees are regulated by the relevant regulations approved by the Board of Directors of Transneft	The frequency and the format of meetings of Committees under the Board of Directors depend on the specifics of each Committee. In total, 27 meetings of Committees under the Board of Directors were held in 2020.
President	President is a sole executive body who manages day-to-day operations and reports to the Board of Directors and the General Meeting of Shareholders. President is appointed by the General Meeting of Shareholders for 5 years and serves as the Chairman of the Management Board. Nikolay Tokarev has been the President of Transneft since 2007.	The President acts in accordance with the current legislation, the Articles of Association and the Regulations on the President of Transneft.	
Management Board	The Management Board of the Company is a collective executive body responsible for day-to-day management of Transneft. The Management Board is chaired by the President of Transneft.	The Management Board is guided by the current legislation, the Articles of Association and the Regulations on the Management Board of Transneft.	Meetings of the Management Board are held according to the approved plan (at least once a month). In 2020, the Management Board held 44 meetings.
Revision Commission	The Revision Commission is a permanent elective body controlling financial and operational activities of Transneft.	The Revision Commission's activities are regulated by the Articles of Association and the Regulations on the Revision Commission of Transneft.	An inspection of financial and operational activities of Transneft was performed in 2020.

7.5. GENERAL MEETING OF SHAREHOLDERS

All resolutions on the issues within the competence of the General Meeting of Shareholders are formalised by orders of the Federal Agency for State Property Management (Rosimushchestvo), since the Russian Federation holds 100% of the voting shares of the Company.

In 2020, 3 General Meetings of Shareholders were held.

Extraordinary General Meeting of Shareholders of Transneft 17 April 2020 Order of the Federal Agency for State Property Management No. 146-r dated 17 April 2020	Annual General Meeting of Shareholders of Transneft 30 September 2020 Order of the Federal Agency for State Property Management No. 413-r dated 30 September 2020	Extraordinary General Meeting of Shareholders of Transneft 26 October 2020 Order of the Federal Agency for State Property Management No. 479-r dated 26 October 2020
By the decision of the General Meeting of Shareholders, the powers of the President of Transneft Nikolay Tokarev were extended for 5 years.	The Annual General Meeting of Shareholders approved: • The Annual Report and the annual accounting (financial) statements for 2019, • the auditor for 2020. Resolutions were also passed to elect members of the Board of Directors and the Revision Commission, to pay dividends on shares based on the results of 2019, to pay remuneration to members of the Board of Directors.	By the decision of the General Meeting of Shareholders, an amendment was made to the Regulation on the Revision Commission of Transneft in terms of the number of members of the Revision Commission: at least three persons.



7.6. BOARD OF DIRECTORS

According to Transneft's Articles of Association, the Board of Directors consists of nine persons.

According to the Company, the composition of the Board of Directors is optimal for achieving current and strategic goals and objectives of the Company, and also meets the applicable requirements of the legislation of the Russian Federation and the Listing Rules of the Moscow Exchange.

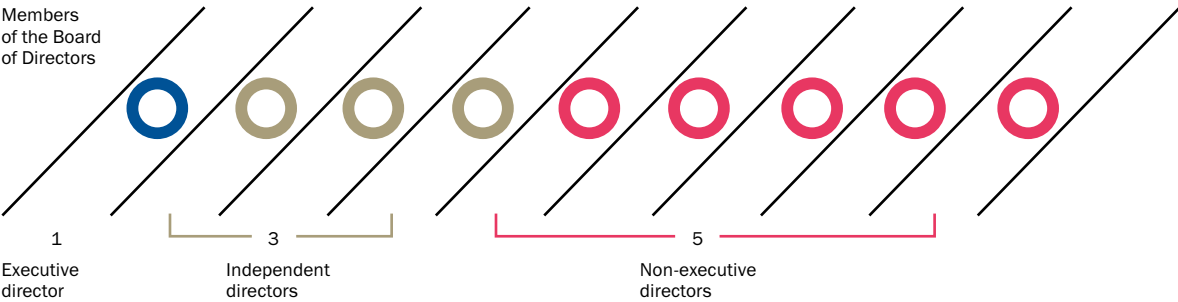
Members of the Board of Directors as of 2020

Until 30 September 2020 (the members were elected by the AGM, issued by Order of the Federal Property Management Agency dated 30 June 2019 No. 406-r).	Since 30 September 2020 (the members were elected by the AGM, issued by Order of the Federal Property Management Agency dated 30 September 2020 No. 413-r).
M. Warnig K.A. Dmitriev I.I. Klebanov (Independent Director) A.L. Korsik (Independent Director) A.V. Novak (Chairman) M.Yu. Sokolov N.P. Tokarev (Executive Director) V.P. Shantsev G.I. Shmal (Independent Director)	M. Warnig K.A. Dmitriev I.I. Klebanov (Independent Director) A.V. Kozlov A.L. Korsik (Independent Director) A.V. Novak (Chairman) N.P. Tokarev (Executive Director) V.P. Shantsev G.I. Shmal (Independent Director)

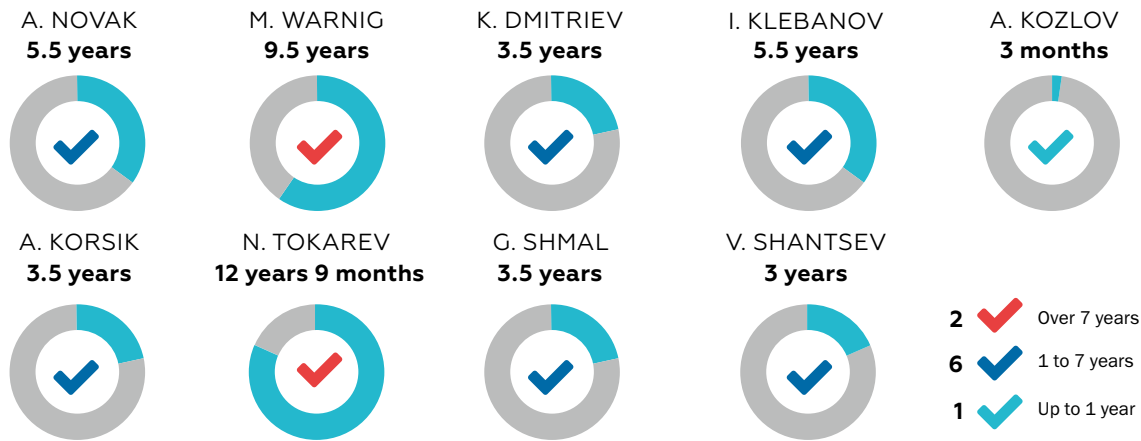
Members of the Board of Directors as of 31 December 2020

Directors representing executive bodies (executive directors)	N.P. Tokarev
Directors who are not members of executive bodies (non-executive directors)	A.V. Novak, M. Warnig, K.A. Dmitriev, A.V. Kozlov, V.P. Shantsev
Independent directors	I.I. Klebanov, A.L. Korsik, G.I. Shmal

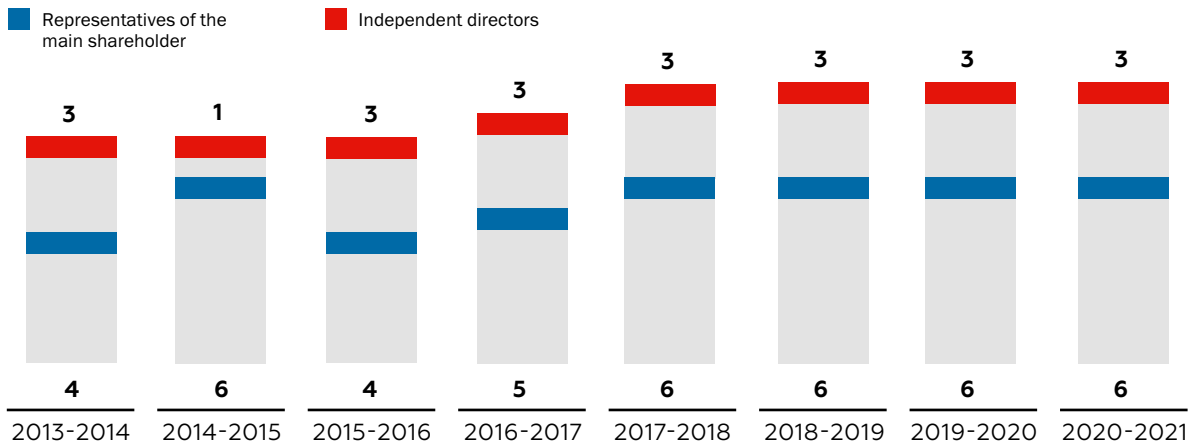
As of 31 December 2020, three independent directors were members of the Board of Directors



Duration of Service on the Board of Directors



Structure of the Board of Directors as of 31 December 2020



Independent directors

Independent directors play an important role in the efficient work of the Board of Directors as they provide an independent view on the issues discussed, based on their knowledge, experience and qualification. They play an especially important role when matters of protecting the interests of minority shareholders and investors are being considered. Such directors provide independent judgments and constructive criticism at meetings of the Board of Directors, which contributes to the development of corporate governance in the Company.



[Information on the recognition of the member of the Board of Directors as independent is available on the Company's website](#)

During 2020, the following independent directors were on the Company's Board of Directors: I.I. Klebanov, A.L. Korsik, G.I. Shmal. The senior independent director was not identified.

The independence of the Members of the Company's Board of Directors was verified in accordance with the Listing Rules of the Moscow Exchange and the provisions of the Corporate Governance Code. Based on the results of such an assessment by the decision of the Board of Directors of Transneft dated 19 October 2020 (Minutes No. 18), member of the Board of Directors G.I. Shmal was recognised as an independent member, despite the existence of formal criteria for connectedness. The Audit Committee and the Human Resources and Remuneration Committee fully consist of independent directors. The Strategy, Investments and Innovations Committee consists of two independent directors.



Corporate Secretary

The functions of Transneft's Corporate Secretary are carried out by a special business unit – the Corporate Governance Department (CGD).

As stipulated by the CGC recommendations, the Board of Directors approved the Regulations on the Corporate Governance Department and agreed on the head of this business unit.

Information on the Members of the Board of Directors as of 31 December 2020



Alexander Valentinovich Novak

Chairman of the Board of Directors
(Representative of the interests of the Russian Federation)

- Born in 1971.
- Graduated from Norilsk Industrial Institute in 1993, majoring in Economics and Management in Metallurgy;
- Graduated from Lomonosov Moscow State University in 2009, majoring in Management (Master's programme).

Positions held in the last 5 years:

- 2012-2020 – Minister of Energy of the Russian Federation;
- 2020 to the present day – Deputy Chairman of the Government of the Russian Federation.

Participation in governing bodies of other legal entities:

- 2012 to the present day – member of the Supervisory Board of the Global Energy Association on the development of international research and projects in the field of energy;
- 2012 to the present day – member of the Advisory Board of the Siberian Federal University;
- 2012 to the present day – member of the Supervisory Board of the State Atomic Energy Corporation Rosatom;
- 2013-2018 – Chairman of the Managing Board of the International Sustainable Energy Development Centre Autonomous Non-Commercial Organisation under the auspices of UNESCO.
- 2014 to the present day – Chairman of the Advisory Board of the MPEI National Research University;
- 2015 to the present day – member of the Advisory Board of Gubkin Russian State University of Oil and Gas (National Research University);
- 2015 to the present day – member of the Advisory Board of the Russian Basketball Federation national non-governmental organisation;
- 2015 to the present day – member of the Board of Directors of Rosneft Oil Company, PJSC;
- 2015 to the present day – Chairman of the Board of Directors of Rosseti, PJSC;
- 2015 to the present day – member of the Board of Directors of Gazprom, PJSC.

- 2016-2020 – member of the Advisory Board of the Motorcycle Federation of Russia national non-governmental organisation;
- 2017-2020 – Head of the Advisory Board of the All-Russia Athletics Federation national non-governmental organisation;
- 2018 to the present day – member of the Advisory Board of the Fund for Conservation and Development of the Solovetsky Archipelago;
- 2019 to the present day – Chairman of the Presidium of the fuel and energy industry association the Russian National Committee of the World Energy Council;
- 2019 to the present day – Chairman of the Managing Board of the International Sustainable Energy Development Centre Autonomous Non-Commercial Organisation under the auspices of UNESCO.
- 2020 to the present day – Member of the Supervisory Board of the World-Class Eurasian Scientific and Educational Centre scientific and educational centre.

Shareholding in the Company's authorised capital: none
Ordinary shares of the Company held: none
First elected to the Board of Directors on 30 June 2015.



Nikolay Petrovich Tokarev

Member of the Board of Directors
(Representative of the interests of the Russian Federation),
President,
Chairman of the Management Board

- Born in 1950.
- Graduated from the Karaganda Polytechnic Institute in 1973, majoring in Electrification and Automation of Mining.

Positions held in the last 5 years:

- 2007 to the present day – President, Chairman of the Management Board of Transneft.

Participation in governing bodies of other legal entities:

- 2013 to the present day – member of the Management Board of the Russian Union of Industrialists and Entrepreneurs non-governmental organisation (RSPP);
- 2013 to the present day – member of the Management Board of the Russian Union of Industrialists and Entrepreneurs all-Russia employers' association;
- 2015 to the present day – member of the Governing Board of the International Association of Oil Transporters;
- 2015 to the present day – member of the Supervisory Board of the MGIMO University of the MFA of Russia.

Shareholding in the Company's authorised capital: none
Ordinary shares of the Company held: none
First elected to the Board of Directors on 06 March 2008.



Matthias Warnig

Member of the Board of Directors
(Representative of the interests of the Russian Federation)

- Born in 1955.
- Graduated from Bruno Leuschner Higher School of Economics, Berlin – Karlshorst, in 1981, majoring in National Economy.

Positions held in the last 5 years:

- 2006-2016 – Managing Director of Nord Stream AG (Switzerland);
- 2008 to the present day – Director of Interatis AG (Switzerland);
- 2015 to the present day – Executive Director of Nord Stream 2 AG (Switzerland).

Participation in governing bodies of other legal entities:

- 2007 to the present day – member of the Supervisory Council of VTB Bank, PJSC;
- 2011 to the present day – Chairman of the Administrative Council of GAZPROM Schweiz AG (Switzerland);
- 2011 to the present day – member of the Board of Directors of Rosneft;
- 2014 to the present day – Deputy Chairman of the Board of Directors of Rosneft Oil Company, PJSC;
- 2012-2018 – Chairman of the Board of Directors of United Company RUSAL Plc (Jersey);
- 2013 to the present day – Chairman of the Supervisory Board of Gas Project Development Central Asia AG (G.P.D.) (Switzerland);
- 2013-2017 – Chairman of the Administrative Council of Interatis Engineering AG (Switzerland);
- 2013 to the present day – Chairman of the Administrative Council of Interatis Consulting AG (Switzerland).
- 2019 to the present day – Member of the Board of Directors of Fußballclub Gelsenkirchen-Schalke 04 e.V. (Germany)

Shareholding in the Company's authorised capital: none
Ordinary shares of the Company held: none
First elected to the Board of Directors on 30 June 2011.



Kirill Aleksandrovich Dmitriev

Member of the Board of Directors
(Representative of the interests of the Russian Federation)

- Born in 1975.
- Graduated from Stanford University in 1996, Bachelor of Arts in Economics.
- Graduated from Harvard University in 2000, Master of Business Administration.

Positions held in the last 5 years:

- 2011 to the present day – Director General of RDIF MC JSC.

Participation in governing bodies of other legal entities:

- 2009-2016 – member of the Board of Directors of AKB Prominvestbank (PJSC);
- 2012-2016 – Deputy Chairman of the Investment Council under the Chairman of the State Duma of the Russian Federation;
- 2012 to the present day – member of the Board of Directors of MD Medical Group Investment pls;
- 2012 to the present day – member of the Management Board of the Russian Union of Industrialists and Entrepreneurs all-Russia employers' association;
- 2013 to the present day – member of the Board of Directors of RCIF Asset Management Limited;
- 2013 to the present day – member of the Board of Trustees of Lomonosov Moscow State University;
- 2013 to the present day – representative of the Russian Federation in the BRICS Business Council;
- 2014 to the present day – member of the Board of Directors of Bank GPB (JSC);
- 2014 to the present day – member of the Board of Directors of Rostelecom, PJSC;
- 2015 to the present day – member of the Management Board of the Roscongress Foundation;
- 2016 to the present day – member of the Board of Directors of Russian Railways, OJSC;
- 2016 to the present day – representative of the Russian Federation in the APEC Business Advisory Council;
- 2017 to the present day – member of the Supervisory Board of ALROSA, PJSC;
- 2020 to the present day – member of the

Board of Directors of Rosseti, PJSC;
• 2020 to the present day – member of the Board of Directors of RCIF Investment Advisor Limited;
• 2020 to the present day – member of the Board of Directors of RCIF General Partner Limited;
• 2020 to the present day – member of the Board of Trustees of the Fatherland History Foundation.

Shareholding in the Company's authorised capital: none
Ordinary shares of the Company held: none
First elected to the Board of Directors on 30 June 2017.

Information on the Members of the Board of Directors as of 31 December 2020



Alexander Leonidovich Korsik

Member of the Board of Directors (Independent Director)

- Born in 1956.
- Graduated from Bauman Moscow Higher Technical School in 1979, majoring in Automated Control Systems.

Positions held in the last 5 years:

- 2011 to 2016 – President, Chairman of the Board of Bashneft, PJSC.
- 2019 to the present day – Chairman of the Board of the PRECHISTENKA 13 Homeowners Association.

Participation in governing bodies of other legal entities:

- 2009-2016 – member of the Board of Directors, Bashneft, PJSC

Shareholding in the Company's authorised capital: none
Ordinary shares of the Company held: none
First elected to the Board of Directors on 30 June 2017.



Ilya Iosifovich Klebanov

Member of the Board of Directors (Independent Director)

- Born in 1951.
- Graduated from Kalinin Leningrad Polytechnic Institute in 1974, majoring in Electrophysics.

Participation in governing bodies of other legal entities:

- 2011-2020 – member of the Board of Directors, Chairman of the Board of Directors (until 2019) of Sovcomflot, PJSC;
- 2012-2016 – Chairman of the Board of Directors of Neftegazindustriya-Invest, LLC;
- 2013 to the present day – Chairman of the Board of Directors of Shvabe, JSC.

Shareholding in the Company's authorised capital: none
Ordinary shares of the Company held: none
First elected to the Board of Directors on 30 June 2015.



Alexey Vladimirovich Kozlov

Member of the Board of Directors (Representative of the interests of the Russian Federation)

- Born in 1966.
- Graduated from the International Institute of Management LINK, Zhukovsky, in 1999, majoring in Management.

Positions held in the last 5 years:

- 2017-2018 – Adviser to the President of United Aircraft Corporation;
- 2018 to the present day – Assistant to Deputy Prime Minister of the Russian Federation.

Participation in governing bodies of other legal entities:

- 2013-2017 – Chairman of the Board of Directors of BelZAN, JSC;
- 2019 to the present day – member of the Supervisory Board of Promsvyazbank, PJSC;
- 2020 to the present day – member of the Board of Directors of Zarubezhneft, JSC;
- 2020 to the present day – member of the Board of Directors of RusHydro, PJSC.

Shareholding in the Company's authorised capital: none
Ordinary shares of the Company held: none
First elected to the Board of Directors on 30 September 2020.



Valery Pavlinovich Shantsev

Member of the Board of Directors (Representative of the interests of the Russian Federation)

- Born in 1947.
- Graduated from Godovikov Moscow Aviation Engineering College in 1966, majoring in Mechanical Engineering.
- Graduated from the Moscow Institute of Radio Engineering, Electronics and Automation in 1975, majoring in Radio Engineering.

Positions held in the last 5 years:

- 2005-2017 – Governor of Nizhny Novgorod Region, Chairman of the Government of Nizhny Novgorod Region.
- 2017-2018 – Deputy Director General and Deputy Chief Design Officer of CONCERN MORINFORMSYSTEM – AGAT, JSC;
- 2018-2019 – Director General of HC Dynamo-Moscow, LLC.

Participation in governing bodies of other legal entities:

- 2012-2018 – member of the Board of Directors of All-Russia Nizhegorodskaya Yarmarka, CJSC;
- 2012-2018 – member of the Board of Directors of Nizhny Novgorod international Airport, JSC;
- 2012-2018 – member of the Board of Directors of GAZ, PJSC;
- 2017-2019 – member of the Board of Directors of HC Dynamo-Moscow, LLC;
- 2019 to the present day – Chairman of the Board of Directors of Aeromax, LLC.

Shareholding in the Company's authorised capital: none
Ordinary shares of the Company held: none
First elected to the Board of Directors on 29 December 2017.



Genadii Iosifovich Shmal

Member of the Board of Directors (Independent Director)

- Born in 1937.
- Graduated from Urals Polytechnic Institute in 1959, majoring in Engineering and Metallurgy.
- Graduated from the Academy of National Economy under the USSR Council of Ministers in 1983, majoring in Economics.

Positions held in the last 5 years:

- 2002 to the present day – President of the Union of Oil and Gas Producers of Russia all-Russia non-governmental organisation.

Participation in governing bodies of other legal entities:

- 1992 to the present day – member of the Board of Directors of RITEK, JSC;
- 2002 to the present day – member of the Council of the Russian Union of Oil and Gas Builders;
- 2002 to the present day – member of the Supreme Mining Council of the Non-Commercial Partnership "Mining Industrialists of Russia" Association;
- 2002 to the present day – President of the Union of Oil and Gas Producers of Russia;
- 2002-2020 – member of the Council of the Russian Chemists Union;
- 2013-2020 – member of the Board of Directors of Yamal-Povolzhye, PJSC;
- 2016 to the present day – Chairman of the West Siberian Community Regional Non-Profit Organisation (Chairman of the Council of the Community);
- 2019-2020 – member of the Council of the Union of Oil and Gas Industry Employers.
- 2020 to the present day – Chairman of the Council of the Ugra Community Regional Non-Profit Organisation

Shareholding in the Company's authorised capital: none
Ordinary shares of the Company held: none
First elected to the Board of Directors on 30 June 2017.



Members of the Board of Directors made no transactions with Transneft shares in 2020.



No loans (credits) from the Company were issued to members of the Board of Directors in 2020.

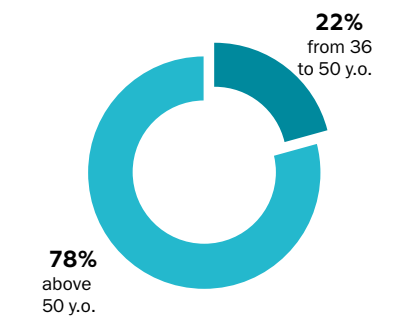
According to the information available to the Company, there are no conflicts of interest among members of the Board of Directors, including those related to the participation of these persons in the governing bodies of Transneft's competitors.

Members of the Board of Directors are not members of professional associations of corporate directors (managers).



There are no women on the Board of Directors of Transneft.

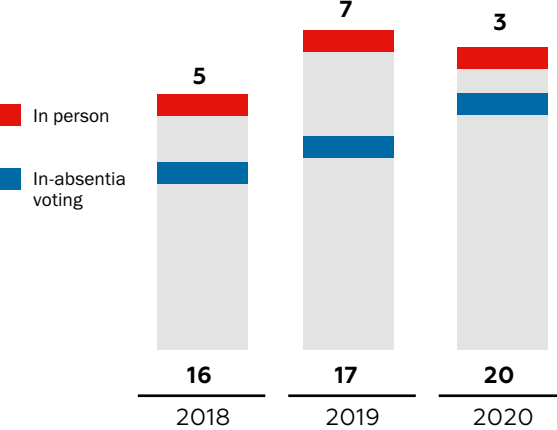
Members of the Board of Directors of Transneft by age group



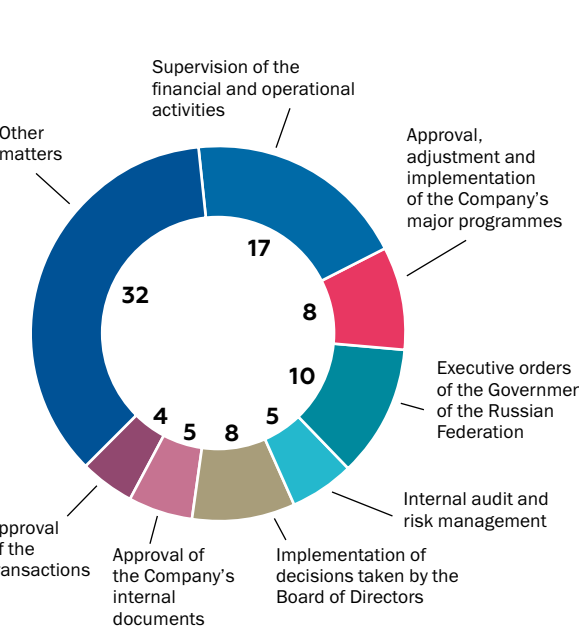
Results of the Board of Directors Operation

In 2020, 23 meetings were held, 3 of them were conducted in person and 20 in absentia. Due to the threat of the spread of coronavirus infection COVID-19, most of the meetings scheduled to be held offline were held by absentee voting. A total of 89 issues were considered*.

Total Number of Meetings of the Board of Directors



Issues Reviewed by the Board of Directors



Participation in meetings of the Board of Directors and the Committees under the Board of Directors in 2020

Members of the Board of Directors	In-person meetings of the Board of Directors (3 meetings)	In-absentia meetings of the Board of Directors (20 meetings)	Strategy, Investments and Innovations Committee (8 meetings)	Audit Committee (12 meetings)	Human Resources and Remuneration Committee (7 meetings)
A. Novak	3	20	not a member of the Committees		
M. Warnig	1 (including 1 written opinion)	17	7		
K. Dmitriev	3 (including 3 written opinions)	20	8		
I. Klebanov	3	20		12	7
A. Kozlov (member of the Board of Directors since 30 September 2020)	1 (including 1 written opinion)	5	3		
A. Korsik	3 (including 1 written opinion)	20	8	12	7
M. Sokolov (member of the Board of Directors until 30 September 2020)	2	15	5		
N. Tokarev	3	19	8		
V. Shantsev	3	20	8		
G. Shmal	3	20	8	12	7

In 2020, members of the Board of Directors did not provide any dissenting opinions on the issues considered at the meetings.

*The following are dates of the meetings of the Board of Directors and numbers of the corresponding minutes: 31 January 2020 No. 1; 17 February 2020 No. 2; 28 February 2020 No. 3; 06 March 2020 No. 4; 19 March 2020 No. 5; 06 April 2020 No. 6; 20 April 2020 No. 7; 23 April 2020 No. 8; 24 April 2020 No. 9; 07 May 2020 No. 10; 29 May 2020 No. 11; 22 June 2020 No. 12; 28 July 2020 No. 13; 29 July 2020 No. 14; 03 September 2020 No. 15; 21 September 2020 No. 16; 29 September 2020 No. 17; 19 October 2020 No. 18; 10 November 2020 No. 19; 03 December 2020 No. 20; 23 December 2020 No. 21; 25 December 2020 No. 22; 29 December 2020 No. 23.

Report on the Board of Directors' Performance in 2020

In 2020, the Board of Directors paid close attention to the financial and operational activities and corporate governance development strategy.

Strategy

Results of implementation of the following were considered:

- Long-Term Development Programme for 2019, for Q1 2020, for H1 2020 and for 9 months of 2020;
- Transneft Innovative Development Programme for 2019.

The specifications for auditing the implementation of the Transneft Long-Term Development Programme for 2020 was approved.

Financial and operational activities

The following reports and issues were considered:

- quarterly reports on procurement results;
- quarterly reports of the executive body on the financial and economic performance of Transneft and Transneft Group;
- the Company's charitable activities;
- approval of transactions.

The following issues were considered and approved:

- Report on implementation in 2019 of Transneft's Programme for Operational Efficiency Improvement and Cost Cutting;
- the revised version of the system of key performance indicators of Transneft's economic activities for 2019;
- Transneft's Budget for 2021; the Consolidated Budget of Revenues and Expenses of Transneft Group for 2021; the Consolidated Cash Flow Budget of Transneft Group for 2021;
- Adjusted projected values of key performance indicators of economic activities for 2020.

Corporate governance

The following documents in the field of corporate governance were considered and approved:

- Regulations for access to insider information of Transneft and internal control regulations for prevention, detection and suppression of unlawful use of insider information and (or) market manipulation;
- The Report on Compliance with the Information Policy;
- Transneft corporate governance practice in 2020.

The following documents in the field of counteracting corruption were considered and approved:

- The Report on Anti-Corruption Measures Implemented by Transneft in 2019;
- The revised version of Transneft's Anti-Corruption Policy.

The following documents in the field of risk management were considered and approved:

- Transneft's Risk Management Report for 2019;
- The list of critical risks was supplemented.

The following documents in the field of internal control were considered and approved:

- The revised Standards for the Procurement of Certain Types of Goods, Works and Services.

The following documents in the field of internal audit were considered and approved:

- The main lines of development for 2021;
- The report for 2019;
- The employment agreement with the Director of the Department of Internal Audit and Analysis of Core Business Activities of Transneft.

In the reporting year, the Board of Directors also considered issues related to the organisation of the activities of the Board of Directors and committees under the Board of Directors of the Company, directive issues and other issues within its competence.

In the reporting year, resolutions of the Board of Directors on the most significant issues were disclosed by the Company in the form of press releases and notifications on material facts in accordance with the legislation and the Regulations on Transneft's Information Policy.

Evaluation of the Board of Directors' Performance

In March 2021, an internal performance evaluation of the Company's Board of Directors (self-evaluation) was carried out using a questionnaire, including:

- evaluation of the activities of the Board of Directors as a management body of the Company;
- evaluation of activities of members of the Board of Directors/the Chairman of the Board of Directors;
- evaluation of activities of the Committees under the Board of Directors.

The evaluation assessed the work of the Board of Directors for the period since 30 September 2020. The results were considered at the meeting of the Company's Board of Directors on 19 May 2021 (Minutes No. 4).

The Evaluation confirmed the high efficiency of management of the Board of Directors' and its

committees' operations, as well as the high efficiency of the Board of Directors, including performance of the tasks set forth.

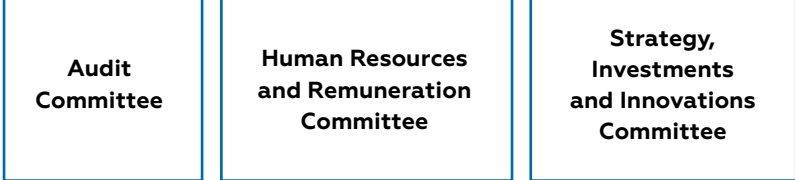
The implementation of all functions of the Board of Directors is under the constant attention of the Chairman.

The experience/competencies of the members of the Board of Directors in all important areas, taking into account the current activities and the Long-Term Development Programme of Transneft, correspond to the tasks at hand.

It was recommended to increase the number of in-person meetings of the Board of Directors in order to improve the efficiency of the work of the Board of Directors.

Committees under the Board of Directors

To ensure preliminary consideration of key issues and prepare recommendations for the Board of Directors, there were three Board Committees in 2020:

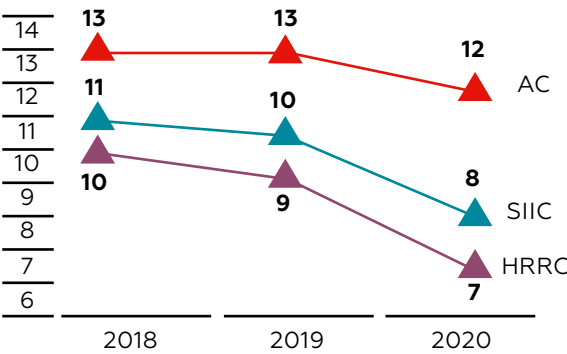


Committees contribute to the effectiveness of the decisions taken by the Board of Directors. A Committee's chairman has the right to invite employees of the Company, experts and third parties to participate in the meetings of the Committee without the right to vote.

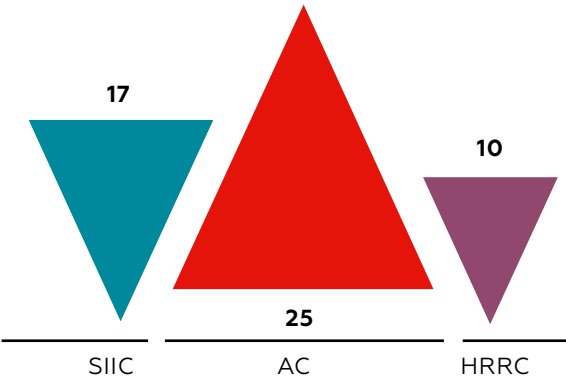
In 2020, the Board Committees held a total of 27 meetings to consider various issues and prepare detailed recommendations and proposals for the Board of Directors.

In total, **27** meetings of the Board Committees were held in 2020

Meetings of the Committees in 2018–2020



Issues Considered by the Committees in 2020



AUDIT COMMITTEE

The Audit Committee under the Board of Directors provides the Board of Directors with preliminary study of matters related to supervising the Company's financial and operational activities and on other matters delegated by the Board of Directors. The activities of the Committee are governed by the Regulations on

(composition elected by the decisions of the Board of Directors dated 24 July 2019, 19 October 2020 (minutes No. 13 and 18):

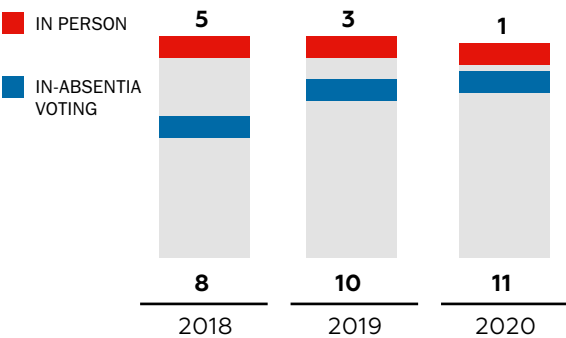
- I. Klebanov (Chairman of the Committee, Independent Director)
- A. Korsik (Independent Director);
- G. Shmal (Independent Director)

Key issues on which recommendations were prepared:

- on Transneft's Risk Management Report for 2019;
- on preliminary approval of Transneft's annual accounting (financial) statements, inclusive of the financial results statement;
- on preliminary distribution of Transneft's profits

the Audit Committee under the Board of Directors (approved by the Resolution of the Board of Directors of Transneft dated 19 January 2017 (Minutes No. 1).

Meetings of the Audit Committee



During 2020, the Audit Committee was composed entirely of independent directors.



- for 2019, including recommendations on dividend payments;
- on quarterly reports of Transneft's executive body on the financial and economic performance of Transneft and Transneft Group for Q1, 1H 2020 and 9 months of 2020;
- Expected implementation of the consolidated budget of Transneft Group and the budget of Transneft for 2020.
- on the consolidated budget of Transneft Group and the budget of Transneft for 2021;

- on reviewing the Annual Report of Transneft for 2019;
- on supplementing the list of critical risks of Transneft for 2020;
- on approval of Regulations for Access to Insider Information of Transneft and Internal Control Regulations for Prevention, Detection and Suppression of Unlawful Use of Insider Information and (or) Market Manipulation.

The most important issues of external and internal audit that were considered:

External Audit

- the Regulations on Holding an Open Tender to Select an Auditor for the Mandatory Annual Audit of Transneft for 2020 and Reviewing the Interim Consolidated Financial Statements for Q1 2021;
- composition of the tender commission to select an auditor for the mandatory annual audit of Transneft;
- scope and plans for the audit of the annual reports for 2020 by the external auditor;
- Transneft's Report on the Remarks of the Auditor for 9 Months of 2019 and Remedial Actions;
- on the offered initial (maximum) price for the open tender for the auditor selection for the mandatory annual audit of Transneft for 2021 and reviewing the interim consolidated financial statements for Q1 2022;
- on the conclusion of Transneft's auditor on the results of the audit of Transneft's financial and operational activities for 2019 and the assessment of the auditor's report, that is to be provided to persons entitled to participate in the annual general meeting of Transneft shareholders.

Internal Audit

- consideration of the report on the results of the activities of the Internal Audit Unit of Transneft for 2019, including issues of independence, objectivity and efficiency of the internal audit function;
- consideration of the general areas (planning) for internal audit in Transneft for 2021.
- recommendations on approval of the terms and conditions of the current employment agreement with the Director of the Department of Internal Audit and Analysis of Core Business Activities of Transneft.

Dates of the Audit Committee's meetings and numbers of the corresponding minutes: 24 January 2020 No. 1; 01 April 2020 No. 2; 17 April 2020 No. 3; 01 May 2020 No. 4; 05 June 2020 No. 5; 26 June 2020 No. 6; 08 July 2020 No. 7; 16 September 2020 No. 8; 23 October 2020 No. 9; 20 November 2020 No. 10, 07 December 2020 No. 11; 18 December 2020 No. 12.



[The Regulations on the Audit Committee under the Board of Directors of Transneft](#)



HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Human Resources and Remuneration Committee under the Board of Directors provides preliminary study of issues and prepares recommendations to the Board of Directors on issues of human resources and social policies as well as remuneration policy. The Committee's operations are governed by the Regulations on the Human Resources and Remuneration Committee (approved by the Resolution of the Board of Directors of Transneft dated 19 January 2017 (Minutes No. 1)).

Due to the threat of the spread of the coronavirus infection COVID-19, offline meetings were not held in 2020.

During 2020, the Human Resources and Remuneration Committee was composed entirely of independent directors.

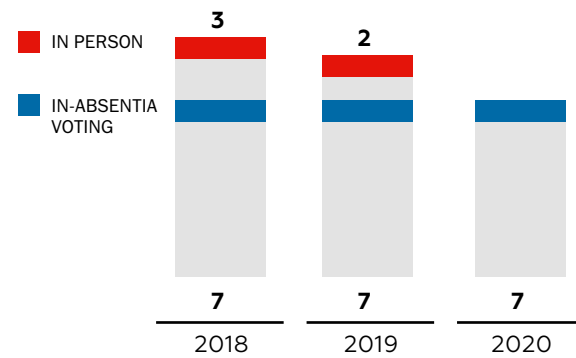
(composition elected by the decisions of the Board of Directors dated 24 July 2019, 19 October 2020 (minutes No. 13 and 18):

- A. Korsik (Chairman of the Committee, Independent Director);
- I. Klebanov (Independent Director);
- G. Shmal (Independent Director)

Key issues on which recommendations were prepared:

- on the concurrence of positions in governing bodies of other organisations by the President of Transneft and members of the Management Board of Transneft;
- on recommendations for the payment of remuneration to members of the Board of Directors of Transneft;
- on recommendations for the payment of remuneration to the sole executive body;
- on recommendations for the payment of remuneration to managers and employees of Transneft

Meetings of the Human Resources and Remuneration Committee



3
Independent director

and Transneft subsidiaries, as well as to members of the Revision Commission;

- on amending the remuneration system based on the performance of Transneft and Transneft subsidiaries' managers and employees for the year;
- on the implementation of the Plan for Introduction of Professional Standards in Transneft and Transneft subsidiaries in 2016-2020.
- on the proposed candidates for Transneft's Board of Directors and the Revision Commission for 2021-2022.

Dates of the Human Resources and Remuneration Committee's meetings and numbers of the minutes: 31 January 2020 No. 1, 02 April 2020 No. 2, 13 April 2020 No. 3; 22 May 2020 No. 4; 26 June 2020 No. 5; 20 October 2020 No. 6; 23 November 2020 No. 7.



[The Regulations on the Human Resources and Remuneration Committee under the Board of Directors](#)

STRATEGY, INVESTMENTS AND INNOVATIONS COMMITTEE

The Strategy, Investments and Innovations Committee under the Board of Directors provides the Board of Directors with preliminary study of issues regarding the development of the Company's long-term strategy and its investment, innovation and dividend policy, as well as the improvement of Transneft's performance. The activities of the Committee are governed by the Regulations on the Strategy, Investments and Innovations Committee under the Board of Directors (approved by the resolution of the Board of Directors dated 19 January 2017 (Minutes No. 1)).

Due to the threat of the spread of the coronavirus infection COVID-19, offline meetings were not held in 2020.

1
Executive Director

2
Independent director

4
Non-executive directors

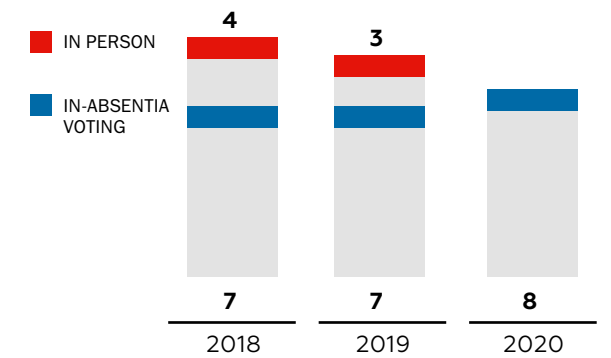
The members appointed by the Board of Directors on 24 July 2019 (Minutes No. 13)

- **K.A. Dmitriev (Chairman of the Committee);**
- M. Warnig;
- A.L. Korsik ([Independent Director](#));
- M.Yu. Sokolov;
- N.P. Tokarev;
- V.P. Shantsev;
- G.I. Shmal ([Independent Director](#), Representative of the Transneft Consumer Council).

Key issues on which recommendations were prepared:

- on the reports on implementation of the Transneft Long-Term Development Programme (LDP) for 2019, for H1 2020, for 9 months of 2020;
- on the report on implementation of Transneft's Programme for Operational Efficiency Improvement and Cost Cutting up to 2024;
- on the implementation of key performance indicators of Transneft's economic activities for 2019;
- on the auditor's opinion regarding the implementation of the Transneft Long-Term Development Programme for 2019;
- on the implementation of the Transneft Innovation Development Programme in 2019.
- on the adjustment of the LDP;
- on the specifications for auditing of the implementation of the LDP for 2020;
- on consideration of Transneft's Programme for Operational Efficiency Improvement and Cost Cutting up to 2025;

Meetings of the Strategy, Investments and Innovations Committee



2020 saw two lists of members included in the Strategy, Investments and Innovations Committee.

The members appointed by the Board of Directors on 19 October 2020 (Minutes No. 18)

- **K.A. Dmitriev (Chairman of the Committee);**
- M. Warnig;
- A.V. Kozlov;
- A.L. Korsik ([Independent Director](#));
- N.P. Tokarev;
- V.P. Shantsev;
- G.I. Shmal ([Independent Director](#), Representative of the Transneft Consumer Council).

- on the key performance indicators system of Transneft's operational activities.
- on the target key performance indicators of Transneft's economic activities for 2020.

Dates of the Strategy, Investments and Innovations Committee's meetings and numbers of the minutes: 27 March 2020 No. 1; 21 April 2020 No. 2; 21 May 2020 No. 3; 29 June 2020 No. 4; 24 September 2020 No. 5; 27 October 2020 No. 6; 15 December 2020 No. 7; 24 December 2020 No. 8.



[The Regulations on the Strategy, Investments and Innovations Committee under the Board of Directors](#)

7.7. EXECUTIVE GOVERNING BODIES

The President (the sole executive body) and the Management Board (the collective executive body) of Transneft bear the responsibility for managing the Company's day-to-day operations and ensuring that the Company's objectives and development strategy are effectively implemented. The area of competence of the executive bodies does not include issues falling within the competence of the General Meeting of Shareholders and the Board of Directors.

President

The President of Transneft manages the day-to-day activities of the Company and is the Board Chairman.

The President of Transneft is Nikolay Tokarev.

In 2007, Nikolay Tokarev was first elected as the President of Transneft. The powers of Nikolay Tokarev were extended twice, in 2015 and 2020, for consecutive periods of five years.*

The competences of the President include:

- carrying out day-to-day management of the Company's operations in accordance with the resolutions of the General Meeting of Shareholders and the Board of Directors;
- execution of transactions on behalf of the Company for up to RUB 50 billion;
- submitting proposals to the Board of Directors

Management Board

As of 31 December 2020, the Management Board of Transneft consisted of 9 members.

In 2020, the Management Board of the Company held 44 meetings and considered 205 issues.

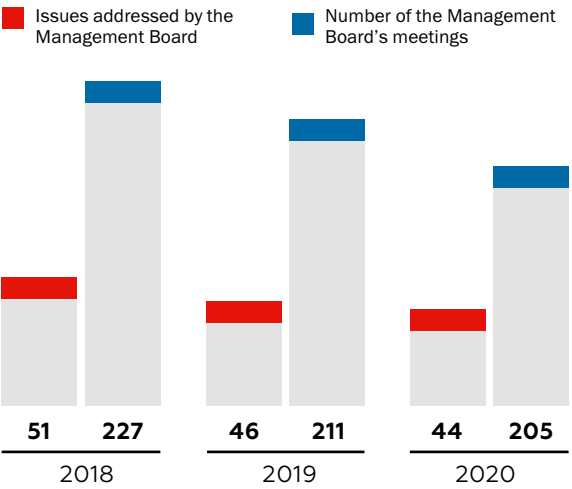
The competences of the Management Board include:

- approval of the Company's transactions worth between RUB 50 billion (exclusive) and RUB 100 billion (inclusive), unless a different transaction approval procedure is established by the Articles of Association;
- making decisions about the Company's participation and termination of participation in other entities, except when such a decision is to be taken by the General Meeting of Shareholders or the Board of Directors;
- approval of key performance indicators for the Company's subsidiaries and performance of follow-up analysis;

regarding the appointment or dismissal of members of the Management Board;

- arrangement of work and holding meetings of the Management Board;
- approval of the list of essential Transneft subsidiaries based on the criteria established by the Board of Directors;
- determination of the Company's position on issues concerning Transneft subsidiaries;
- making decisions on any issues other than those within the competence of the General Meeting of Shareholders, the Board of Directors and the Management Board.

Number of the Management Board's meetings and issues addressed by the Management Board in 2018–2020

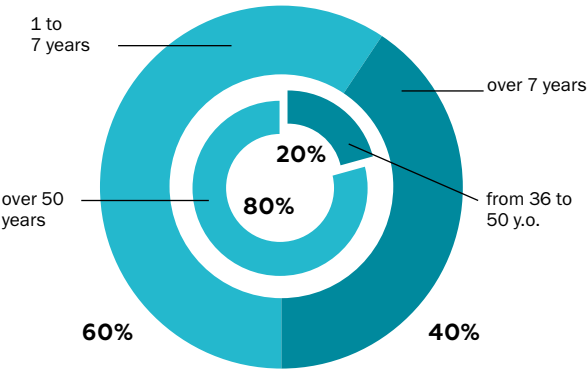


- determination of the Company's position on issues concerning Transneft subsidiaries;
- preparation of proposals on the Company's priority business areas for the Board of Directors;
- preparation of proposals on change and expansion of the Company's operations for the Board of Directors.

Members of the Management Board as of 31 December 2020

Nikolay Petrovich Tokarev	President, Chairman of the Management Board
Maksim Sergeyevich Grishanin	First Vice President
Sergey Aleksandrovich Andronov	Vice President
Larisa Vyacheslavovna Kalanda	Vice President
Boris Mikhailovich Korol	Vice President
Pavel Aleksandrovich Revel-Muroz	Vice President
Vyacheslav Mikhailovich Skvortsov	Vice President
Rashid Ravelevich Sharipov	Vice President
Sergey Aleksandrovich Shotsky	Vice President

Duration of service on the Management Board



*Orders of the Federal Agency for Federal Property Management dated 12 October 2007 No. 3264-r, dated 24 April 2015 No. 264-r, dated 17 April 2020 No. 146-r.

Biographies of the President and Members of the Management Board as of 31 December 2020



**Nikolay
Petrovich
Tokarev**

President,
Chairman of the Management Board
Member of the Board of Directors

- Born in 1950.
- Graduated from the Karaganda Polytechnic Institute in 1973, majoring in Electrification and Automation of Mining.

Positions held in the last 5 years:

- 2007 to the present day – President, Chairman of the Management Board of Transneft.

Participation in governing bodies of other legal entities:

- 2013 to the present day – member of the Management Board of the Russian Union of Industrialists and Entrepreneurs non-governmental organisation (RSPP);
- 2013 to the present day – member of the Management Board of the Russian Union of Industrialists and Entrepreneurs all-Russia employers' association;
- 2015 to the present day – member of the Governing Board of the International Association of Oil Transporters;
- 2015 to the present day – member of the Supervisory Board of the MGIMO University of the MFA of Russia.

Shareholding in the Company's authorised capital: none
Ordinary shares of the Company held: none



**Maksim
Sergeevich
Grishanin**

Member of the Management Board,
First Vice President

- Born in 1968.
- Graduated from Christian-Albrechts-University of Kiel (Germany) in 1995, majoring in Economics.

Positions held in the last 5 years:

- 2011 to the present day – Vice President and First Vice President of Transneft.

Participation in governing bodies of other legal entities:

- 2012 to the present day – member of the Board of Directors of NCSP, PJSC (from 2013 to 2017 – Chairman of the Board of Directors of NCSP, PJSC).

Shareholding in the Company's authorised capital: none
Ordinary shares of the Company held: none



**Sergey
Aleksandrovich
Andronov**

Member of the Management Board,
Vice President

- Born in 1969.
- Graduated from Lesgaft National State University of Physical Education, Sport and Health in 1991, qualified as a coach-instructor. Graduated from Lobachevsky State University of Nizhny Novgorod in 1997, qualified as an economist-manager.

Positions held in the last 5 years:

- 2014 to the present day – Vice President of Transneft.

Participation in governing bodies of other legal entities:

- 2011-2016 – Chairman of the Board of Directors of Rosneft-Shell Caspian Ventures Ltd;
- 2011-2018 – member of the Supervisory Board of Trans-Balkan Pipeline B.V.;
- 2015 to the present day – member of the Board of Directors of NCSP, PJSC;
- 2016 to the present day – member of the Board of Directors of CPC-R, JSC;
- 2017 to the present day – member of the Board of Directors of CPC-K, JSC;
- 2018 to the present day – member of the Board of Directors of Ust-Luga Oil, JSC.

Shareholding in the Company's authorised capital: none
Ordinary shares of the Company held: none



**Larisa
Vyacheslavovna
Kalanda**

Member of the Management Board,
Vice President

- Born in 1964.
- Graduated from Rudenko Sverdlovsk Law University in 1985, majoring in Legal Studies.
- Completed the post-graduate course at the Institute of Philosophy and Law under the National Academy of Sciences of Belarus in 1994.

Positions held in the last 5 years:

- 2016 to the present day – Vice President of Transneft.
- 2006-2016 – Vice President of Rosneft Oil Company, PJSC (since 2012 – State Secretary – Vice President, since 2015 she also served as Chief of Staff of the company);
- 2007-2016 – Acting Director General of ROSNEFTEGAZ, JSC.

Shareholding in the Company's authorised capital: none
Ordinary shares of the Company held: none



**Boris
Mikhailovich
Korol**

Member of the Management Board,
Vice President

- Born in 1955.
- Graduated from the Military Institute of Foreign Languages in 1981, majoring in Legal Sciences.

Positions held in the last 5 years:

- 2010 to the present day – Vice President of Transneft.

Participation in governing bodies of other legal entities:

- 2011 to the present day – member of the Board of Directors of KHL, LLC.

Shareholding in the Company's authorised capital: none
Ordinary shares of the Company held: none

Biographies of the President and Members of the Management Board as of 31 December 2020



Pavel Aleksandrovich Revel-Muroz

Member of the Management Board,
Vice President

- Born in 1974.
- Graduated from the Chelyabinsk State University of Agroengineering in 1996, majoring in Mechanisation of Agriculture.
- Graduated from Ufa State Petroleum Technological University in 2000, majoring in Design, Construction and Operation of Gas and Oil Pipelines and Oil and Gas Storage Facilities.

Positions held in the last 5 years:

- 2008 to the present day – Vice President of Transneft.

Participation in governing bodies of other legal entities:

- 2012 to the present day – Chairman of the Board of Directors of Nevskaya Pipeline Company, LLC;
- 2017 to the present day – Chairman of the Board of Directors of Transneft Oil Pumps, JSC;
- 2017 to the present day – member of the Board of Directors of CPC-R (JSC)

Shareholding in the Company's authorised capital: none
Ordinary shares of the Company held: none



Vyacheslav Mikhailovich Skvortsov

Member of the Management Board,
Vice President

- Born in 1958.
- Graduated from the Military Institute of Foreign Languages in 1985, majoring in Legal Sciences.
- In 1995, he graduated from Institute of Professional Development and Advanced Professional Training for Financial and HR Specialists of the Financial Academy under the Government of the Russian Federation.

Positions held in the last 5 years:

- 2010-2019 – Advisor to the President, Advisor to the President – Deputy Vice President of Transneft.
- 2019 to the present day – Vice President.

Participation in governing bodies of other legal entities:

- 2019 to the present day – Chairman of the Board of Directors, member of the Board of Directors of NCSP, PJSC.

Shareholding in the Company's authorised capital: none
Ordinary shares of the Company held: none



Rashid Ravelevich Sharipov

Member of the Management Board,
Vice President

- Born in 1968.
- Graduated from the Moscow State Institute of International Relations under the Ministry of Foreign Affairs of the USSR in 1991, majoring in International Relations.

Positions held in the last 5 years:

- 2016 to the present day – Deputy Vice President and Vice President of Transneft.

Participation in governing bodies of other legal entities:

- 2016 to the present day – member of the Board of Directors, Chairman of the Board of Directors of NCSP, PJSC (2017-2020)
- 2016 to the present day – member of the Board of Directors of CPC-R, JSC;
- 2017 to the present day – member of the Board of Directors of CPC-K, JSC;
- 2018 to the present day – member of the Board of Directors of Ust-Luga Oil, JSC.

Shareholding in the Company's authorised capital: none
Ordinary shares of the Company held: none



Sergey Aleksandrovich Shotsky

Member of the Management Board,
Vice President

- Born in 1972.
- In 1997, he graduated from the Novosibirsk State Academy of Water Transport majoring in Electric Drive and Automation of Industrial Installations and Technological Complexes.
- In 2006, he graduated from Tyumen State Oil and Gas University, majoring in Design, Construction and Operation of Gas and Oil Pipelines and Oil and Gas Storage Facilities.

Positions held in the last 5 years:

- 2016-2017 – Deputy Director General of Transneft R&D;
- 2017-2017 – Deputy Director General for Design and Installation Works of ZIO, JSC;
- 2017-2019 – Director General of GEOTECH Seismorazvedka, PJSC;
- 2020 to the present day – Vice President of Transneft.

Shareholding in the Company's authorised capital: none
Ordinary shares of the Company held: none

During 2020, members of the Management Board did not make any transactions with Transneft's shares.

In 2020, the President and members of the Management Board did not receive loans (credits).

According to the information available to the Company, there was no conflict of interest among members of the Management Board in 2020.

7.8. REMUNERATION SYSTEM FOR KEY MANAGEMENT

The key managers include members of the Board of Directors and the Management Board of Transneft (including the President of Transneft), as well as directors general of essential Transneft subsidiaries.

Transneft's Remuneration Policy and Overview of Key Changes in the Reporting Period Compared with the Previous Reporting Period

Remuneration for the key managers is governed by the regulatory documents and governing bodies of Transneft

- for members of the Board of Directors – by means of decisions of the annual General Meeting of Shareholders (Order of the Federal Agency for State Property Management);
- for members of the Management Board of the Company (including the President of the Company) and directors general of essential Transneft subsidiaries, by respective resolutions of the Board of Directors;
- in 2020, the key managers' remuneration policy was not subject to any significant changes (the key principles and payment procedures were retained).

Remuneration for Members of the Board of Directors

Remuneration is governed by the Regulations on Remuneration to Members of the Board of Directors of Transneft adopted by the Annual General Meeting of Shareholders (Order of the Federal Agency for State Property Management No. 541-r dated 30 June 2015).

No amendments were made to the said Regulations in 2020.

Members of the Board of Directors receive remuneration for participating in the work of the Board of Directors and its committees. Remuneration for members of the Board of Directors is approved at the Annual General Meeting of Shareholders.

According to the Regulations on Remuneration to Members of the Board of Directors, the remuneration consists of the following parts:

- fixed;
- variable;
- allowances for additional duties.

Fixed part	The fixed part of the remuneration is payable for exercising the powers of a member of the Board of Directors
Variable part	The variable part of the remuneration is payable for achieving the key performance indicators established by the Regulations;
Allowances for additional duties	These are paid to members of the Board of Directors performing additional duties related to exercising the powers of the Chairman of the Board of Directors and work in the specialised Committees under the Board of Directors.

The remuneration paid to members of the Board of Directors in 2020 amounted to RUB 59,112.5 thousand.



[The Regulations on Remuneration to Members of the Board of Directors of Transneft](#)

Individual Remuneration to Members of the Board of Directors in 2020, RUB thousand

Member of the Board of Directors/Full Name	Fixed Part	Variable part	Allowances for Participation in the Committees under the Board of Directors	Total
Matthias Warnig	1,160.6	5,475.1	663.6	7,299.3
Kirill Aleksandrovich Dmitriev	1,160.6	5,475.1	1,327.1	7,962.8
Ilya Iosifovich Klebanov	1,160.6	5,475.1	1,990.7	8,626.4
Aleksandr Leonidovich Korsik	1,160.6	5,475.1	2,654.3	9,290.0
Maxim Yuryevich Sokolov	430.7	2,032.0	246.3	2,709.0
Nikolay Petrovich Tokarev	1,160.6	5,475.1	663.6	7,299.3
Valery Pavlinovich Shantsev	1,160.6	5,475.1	663.6	7,299.3
Genadii Iosifovich Shmal	1,160.6	5,475.1	1,990.7	8,626.4
Total				59,112.5

No separate remuneration was payable for the costs associated with the performance of the duties of members of the Board of Directors in 2020.

Remuneration was not paid to the members of the Board of Directors who were subject to restriction or prohibition on receiving remuneration from commercial organisations; no remuneration was paid for the corresponding period of work in 2020 in connection with the performance of civil service.

Remuneration to directors general of essential Transneft subsidiaries

Directors general of Transneft subsidiaries receive salary and other payments according to their employment contracts.

Annual performance-based remuneration payable to the directors general of essential Transneft subsidiaries is carried out in accordance with the Key Performance Indicators System of Transneft's Economic Activities (approved by the decision of the Board of Directors dated 27 November 2019 (Minutes No. 20) and the Regulations Annual Performance-Based Remuneration to the Managers and the Employees of Transneft and Transneft Subsidiaries (approved by the decision of the Management Board dated 29 December 2011 (Minutes No. 45, as amended).

The remuneration of directors general of essential Transneft subsidiaries for 2020 amounted to RUB 479,839 thousand.

Remuneration for Members of the Management Board of Transneft, including the Sole Executive Body

The Regulations on the Annual Remuneration to the Sole Executive Body of Transneft (approved by the resolution of the Board of Directors of Transneft dated 23 April 2018, Minutes No. 5, as amended) stipulate that the remuneration depends on the achievement of target efficiency indicators.

Members of the Management Board of Transneft are employees of Transneft and thus receive remuneration in the form of monthly salaries and other payments (including annual remuneration depending on the achievement of corporate key performance indicators for the reporting period). No separate remuneration is payable for the performance of the duties of members of the Management Board, additional costs are not reimbursed.

In 2020, the remuneration, benefits and compensations to the members of the Management Board of Transneft, including the sole executive body, amounted to RUB 1,229,185.2 thousand.

The Remuneration, benefits and compensations to the members of the Management Board of Transneft in 2020, RUB thousand

Types of Remuneration	Amount, RUB thousand
Remuneration for participation in the governing body	–
Salaries	440,927.8
Bonuses	768,316.8
Commission fees	–
Benefits	18,534.5
Compensation of expenses	1,406.1
Other types of remuneration	–
Total	1,229,185.2

Remuneration on the basis of share ownership was not provided at Transneft.

7.9. REVISION COMMISSION

The Revision Commission is a permanent elective body that controls financial and operational activities of the Company. Its activities are governed by the Regulations on the Revision Commission of Transneft. The Revision Commission is made up of a minimum of three persons. There were two lists of members of the Revision Commission during the reporting period.

Members of Transneft's Revision Commission are remunerated in accordance with the Regulations on Remuneration and Compensation for Members of the Revision Commission. No remuneration was paid to members of the Revision Commission in 2020 in relation to the civil service. Members of the Revision Commission did not receive compensation for expenses related to the performance of their functions.

- In the reporting year, the Revision Commission's agenda included the following items:**
- Audit of Transneft's financial and operational activities;
 - Checking the correctness of calculation, accrual and transfer of dividends for 2019;
 - Analysis of Transneft's internal regulations governing the Revision Commission's activities;
 - Audit of the purchases made by Transneft;
 - Monitoring of execution of instructions from the President and the Government of the Russian Federation;
 - Monitoring of disposal of Transneft's non-core assets;
 - The procedure for revision and update of the Transneft Long-Term Development Programme.
- Following the audit of the Company's financial and operational activities from 1 January 2019 to 31 December 2019, the Revision Commission issued an opinion on the validity of the data contained in the Company's financial statements and annual report for 2019.

Composition of the Revision Commission of Transneft in 2020

Before 30 September 2020 (the members were elected by the AGM on 30 June 2019 (Order of the Federal Agency for State Property Management No. 406-r dated 30 June 2019)).	After 30 September 2020 (the members were elected by the AGM on 30 September 2020 (Order of the Federal Agency for State Property Management No. 413-r dated 30 September 2020)).
• Alexander Gladkov (Chairman) • Dmitry Vladimirov • Pavel Shumov	• Alexander Gladkov (Chairman), elected on 01 February 2021 • Yuri Gusev • Nikita Kozhemyakin • Alexander Sapunkov • Pavel Shumov

The members of the Revision Commission have no shares in the Company's authorised capital and do not hold any of the Company's ordinary shares.

Members of the Revision Commission in 2020	Position held
Dmitry Vladimirov	Deputy Head of the Property Relations Department of the Ministry of Transport of the Russian Federation
Alexander Gladkov Chairman of the Revision Commission of Transneft	Head of the Oil and Gas Production and Transportation Department of the Ministry of Energy of the Russian Federation. Director of Projects for Developing Government Relations, Gazprom Neft, PJSC
Yuri Gusev	Member of the Board of Directors, Chairman of the Audit Commission of the Interdepartmental Analytical Centre; Director for Anti-Corruption Programmes of the Centre for the Development of Corporate Relations Association of Business and Professional Unions
Nikita Kozhemyakin	Director of Innovative, Corporate and Privatisation Technologies of the Department of Property Affairs and Privatisation of Major Organisations of the Federal Agency for State Property Management
Alexander Sapunkov	Director General of the Federal Centre for Geoecological Systems
Pavel Shumov	Deputy Director of the Department for State Regulation of Tariffs and Infrastructural Reforms of the Ministry of Economic Development of the Russian Federation



7.10. RISK MANAGEMENT SYSTEM

Corporate Risk Management System

The Company has the Regulations on the Risk Management System in place, developed in accordance with the Methodological Instructions for Preparation of Regulations on Risk Management Systems issued by the Ministry of Economic Development of the Russian Federation and approved by the resolution of the Board of Directors of Transneft on 16 November 2015 (Minutes No. 28) The following documents were referred to for the purpose of the development of the Regulations:

- GOST R ISO 31000-2010. Risk management. Principles and guidelines;
- GOST R 51897-2011. ISO guide 73:2009 Risk management. Terms and definitions;
- Russian versions of the applicable international ISO standards.

The Regulations on the Risk Management System set the general principles for building the Risk Management System (hereinafter referred to as the

RMS), its goals and objectives, general approaches to setting it up, as well as to distribution of functions and responsibility between the RMS subjects and the nature of their interaction.

The Board of Directors of Transneft adopted the key RMS parameters, including the preferred and admissible risk levels, as well as risk assessment scales and the matrix for classifying risks as critical.

Based on the general requirements to setting up the RMS contained in the Regulations on the Risk Management System, the Company has the Risk Management Rules of Procedure, defining the procedures of interaction between business units within the RMS.

For coordination of the Risk Management System, the Management Board of Transneft approved the Regulations on the Risk Management Council of Transneft and created the Risk Management Council. The Council includes:

*In 2019, the updated Regulations on the Risk Management Council of Transneft OR-03.100.00-KTN-261-19 and the updated composition of the Risk Management Council were approved (Resolution of the Management Board of Transneft dated 19 September 2019, Minutes No. 32).

- Nikolay Tokarev (President of Transneft and Chairman of the Risk Management Council);
- Maksim Grishanin (First Vice President of Transneft);
- Larisa Kalanda (Vice President of Transneft);
- Pavel Revel-Muroz (Vice President of Transneft);
- Vyacheslav Skvortsov (Vice President of Transneft);
- Rashid Sharipov (Vice President of Transneft).

The RMS ensures that Transneft's strategic goals and the main objectives of the LDP are reached. Special emphasis is placed on:

- ensuring that Transneft Group's operations are safe and uninterrupted, as well as meeting the Company's contractual obligations in respect to crude oil and petroleum products transportation;
- keeping the Company's property intact and unlocking the potential of Transneft Group;
- increasing the resilience of Transneft Group in the fast changing external and internal environment;
- ensuring resources and opportunities are used rationally and efficiently.

The Risk Assessment Section under the Directorate of Financial Support and Risk Assessment of the Department of Economy of Transneft is the

business unit ensuring the RMS functions at Transneft. The main objectives and functions of the given business unit include:

- coordinating risk management processes, including risk management process monitoring;
- developing and amending essential methodological and regulatory risk management documents;
- developing RMS parameters;
- training the Company's personnel to work with the RMS;
- supporting risk identification procedures carried out by the Company's business units, including through use of the results of monitoring procedures conducted by the internal audit unit;
- compiling and updating the Company's risk registers, as well as approving access thereto for the Company's business units;
- gathering information and preparing materials on RMS matters, including all types of risk reporting;
- providing advisory and methodological support of risk assessment and analysis processes jointly with the Company's business units;
- participating in quantitative estimation of critical risks.

Key Principles and Objectives of the RMS

Objectives	Principles
• forming a methodological basis for functioning of the RMS; • distributing powers and responsibility for risk management at all corporate management levels; • identifying, analysing and assessing risks; • developing and implementing risk management measures; • monitoring risk statuses and managing risks; • reporting on risk management	• ensuring uniformity and integration of risk management approaches and standards across the Company's corporate governance system; • ensuring comprehensive and continuous risk management in all lines of the Company's business and across all business processes; • ensuring the essential and sufficient effort to manage risks and keep the risk level within the acceptable limits while providing for the most efficient implementation of the Company's goals and objectives; • providing RMS subjects with the authority and resources (including information) that are essential and sufficient for managing risks; • ensuring timeliness of impact upon the risk, mainly through preventive procedures and measures, as well as availability of action plans, should any risk materialise; • prioritising essential and sufficient measures for managing critical risks; • regulating risk management processes in accordance with the distribution of functional obligations of RMS subjects; • providing for RMS's adaptivity to changes and constant improvement.

Interaction between the Subjects of the Transneft Risk Management System

The Board of Directors of Transneft

- approving the principles and approaches to RMS organisation;
- approving the key RMS parameters;
- approving the critical risks;
- approving the annual risk management report, including monitoring the RMS's reliability and efficiency, as well as analysis and assessment of observance of the Regulations on the Risk Management System.

The Audit Committee under the Board of Directors of Transneft

- Preliminary review and preparation of recommendations for the Board of Directors on the principles of and approaches to RMS organisation:
- key RMS parameters;
- critical risks;
- annual risk management report, including monitoring the RMS's reliability and efficiency, as well as analysis and assessment of execution of the Regulations on the Risk Management System.

Management Board of Transneft

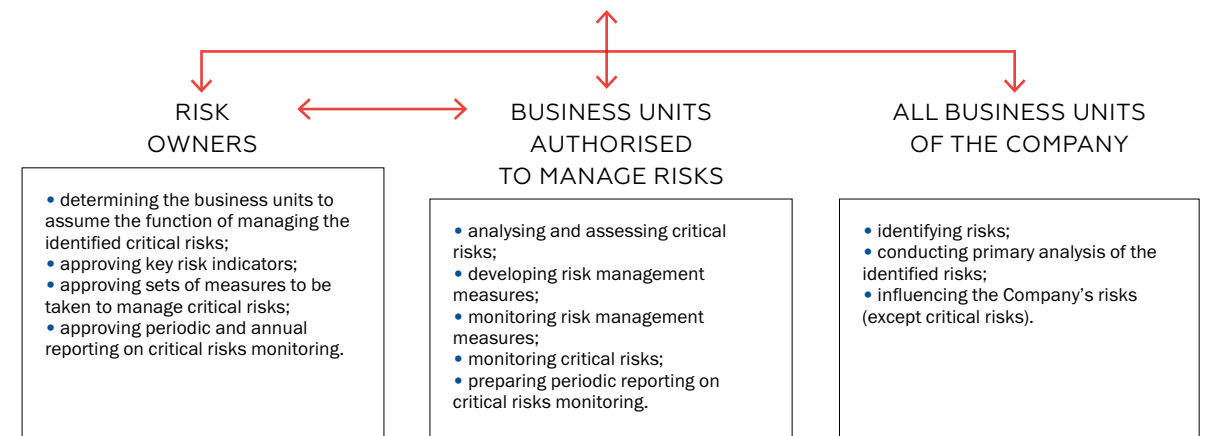
- approving the Risk Management Rules of Procedure;
- approving the key RMS parameters;
- reviewing and approving the annual risk management report, including monitoring the RMS's reliability and efficiency, as well as analysing and assessing observance of the Regulations on the Risk Management System

The Risk Management Council

- prioritising risks in order to identify critical risks;
- deciding upon the critical risks' owners;
- analysing the risk portfolio, response strategy and redistribution of resources in relation to risk management;
- monitoring the risk management process conducted by risk owners and the Company's business units;
- reviewing and approving periodic critical risk monitoring reports

The Risk Assessment

- coordinating risk management processes, including monitoring the risk management process;
- developing and amending essential methodological and regulatory risk management documents;
- developing RMS parameters;
- training the Company's personnel to work with the RMS;
- supporting risk identification procedures carried out by the Company's business units, including through use of the results of monitoring procedures conducted by the internal audit unit;
- compiling and updating the Company's risk registers, as well as approving access thereto for the Company's business units;
- gathering information and preparing materials on RMS matters, including all types of risk reporting;
- providing advisory and methodological support of risk assessment and analysis processes, with the participation of the Company's business units;
- participating in quantitative estimation of critical risks



Critical Risks

The key parameters of the Risk Management System annually approved by the Board of Directors of the Company serve as the basis for classifying a risk as critical. When prioritising, each risk is assessed according to two scales, the damage assessment scale and the risk probability assessment scale. Damage assessment implies that a risk is evaluated by its possible financial consequences and by its potential industrial safety impact. The worst-case scenario is taken as the risk impact score. The resulting estimates are then compared with the matrix for classifying risks as critical.

The 2020 list of critical risks was approved by the Board of Directors of Transneft on 30 December 2019 (Minutes No. 24) and amended by the resolution of the Board of Directors of Transneft dated 28 July 2020 (Minutes No. 13). In 2020, the register of risks was updated for further prioritisation and adoption of the list of critical risks for 2021. The risk prioritisation was

approved by the resolution of the Risk Management Council of Transneft dated 29 December 2020 (Minutes No. 7). The list of critical risks for 2021 was approved by the resolution of the Board of Directors of Transneft dated 20 February 2021 (Minutes No. 1).

Appointed for each of the Transneft critical risks is a risk owner who determines and authorises a business unit to manage the given risk, decides on the key risk indicators to monitor the risk dynamics and approves an action plan to manage the critical risk developed by the authorised business unit. The register of risks is revised annually, with special reporting on critical risks being generated.

Actual materialisation of risks in 2020

In 2020, partial materialisation of the Illegal Tappings into Oil and Petroleum Products Trunk Pipelines risk had no impact on the implementation of oil and petroleum products pumping plans.

Amendments to the List of Critical Risks

Critical Risks in 2020	Critical Risks in 2021
- Adverse effects due to unfavourable public health situation; - State regulation of oil and petroleum products transportation tariffs - Fiscal risks - Shutdown of external power supply to Transneft's facilities - The risk of new technical standards and (or) changes to the existing ones, which may affect the technological processes related to design, construction and operation of the trunk pipeline (including environmental and industrial safety requirements). - Non-compliance of oil (petroleum products characteristics) quality indicators with established standards - International sanctions - Credit risk concerning partner banks	- Fiscal risks - Impairment of investments of Transneft and its subsidiaries - Adverse effects due to unfavourable public health situation; - The risk of new technical standards and (or) changes to the existing ones, which may affect the technological processes related to design, construction and operation of the trunk pipeline (including environmental and industrial safety requirements).

Critical Risks Management at Transneft in 2020

Possible consequences	Measures taken to reduce risk materialisation likelihood and to mitigate the impact of materialised risks	Actual materialisation of risks in 2020
1. Adverse effects due to unfavourable public health situation		
Adverse effects due to unfavourable public health situation associated with the spread of particularly dangerous infections. World economic crisis as a result of the pandemic caused by the spread of the COVID-19 virus.		
Unbudgeted costs. Decrease in revenue. Decrease in oil and petroleum products transportation volume. Temporary suspension of transportation in certain directions. Temporary (permanent) disability of some personnel. Delays in performance/non-performance of contracts by suppliers and contractors. Project schedule slips.	- Monitoring the public health situation in the Company and Transneft subsidiaries, as well as the dynamics of critical risk; - Vaccinal prevention; - Individual protection of employees; - Disinfection and sanitisation; - Changing the work and rest patterns of employees; - Monitoring employees for signs of illness; - Limiting unnecessary employee travel, as well as social distancing at the Company's events; - Health centres switched to intensive operations mode; - Preparation of the OTP (PPTP) facilities of Transneft subsidiaries for transition to autonomous work in complete isolation.	The risk materialised in 2020. Given the significant impact of the new coronavirus infection COVID-19 on the Company's operations, the planned values of a number of key performance indicators (KPI) and indicative performance indicators (IPI) were updated. The updated planned values of KPI for 2020 were approved by the resolution of the Board of Directors of Transneft dated 19 October 2020 (Minutes No. 18).
2. State regulation of oil and petroleum products transportation tariffs		
Restrictions on oil and petroleum products transportation tariffs below the level required for the development of the Transneft system or below the level required to ensure reliable operation of the Transneft system in the long term. Dependence of petroleum products transportation tariffs upon the Russian Railways tariffs or any changes thereof at the same transportation routes, which, in turn, affects the tariff-based revenue of the Company.		
Project schedule fallout. Reduced efficiency of certain transportation routes. Insufficient revenue to cover the costs required for reliability maintenance of the Transneft system.	- Interaction with the Federal Antimonopoly Service (FAS) of Russia on the matters of scheduled (or, where necessary, unscheduled) review of oil and petroleum products transportation tariffs, as well as on setting and abolishing oil and petroleum products transportation tariffs. - Interaction with the FAS of Russia in setting (review, abolishment) of approved oil and petroleum products transportation tariffs.	The risk did not materialise in 2020.
3. Fiscal risks		
Changes to tax, customs, social security and pension insurance laws and regulations.		
Unbudgeted costs. Claims by tax authorities.	- Determining the level of tax burden on revenue and monitoring its change. - Tracking changes in the tax law, studying bills submitted to the State Duma. - Monitoring specialised press and other information resources. - Monitoring the legislation and arbitration practices. - Adjusting budget items, based on changes to the law, taxation, customs regulations, social and pension insurance. - Analysing certain aspects of operational activities and projects for taking tax risks into account. - Adjusting the accounting policy and other methodological documents. - Collecting information on the number of tax disputes and the sum in dispute.	The partial risk materialisation in 2020 did not substantially affect the Company's financial performance.

Possible consequences	Measures taken to reduce risk materialisation likelihood and to mitigate the impact of materialised risks	Actual materialisation of risks in 2020
4. Shutdown of external power supply to Transneft's facilities		
Interruption of external power supply to the Company's facilities through no fault of "in-house" reasons.		
Pipeline downtime. Unbudgeted costs. Emergency.	- Conducting joint investigations into shutdowns of external power supply to facilities run by Transneft subsidiaries, as per the signed cooperation agreements with SO UPS, Rosseti, Rosseti FGC UES and other power engineering companies. Participating in the development of measures to prevent blackouts at Transneft's facilities; - Ensuring that Transneft subsidiaries coordinate requests for changing the operational condition of electrical equipment in keeping with the Company's sectoral rules of procedure based on the analysis of the operation mode of the adjacent grid; - Updating Transneft subsidiaries on the decreased reliability of power supply, based on the analysis of monthly maintenance and repair schedules for 220–500 kV class power supply equipment. - Cooperating with Rosseti personnel to inspect overhead transmission lines (OTL) providing external power supply to Transneft subsidiaries' facilities. - Cooperating with technical security equipment personnel to inspect overhead transmission lines (OTL) providing external power supply to Transneft subsidiaries' facilities. - Monitoring the checks of Transneft subsidiaries' stable operation when one source is disconnected.	The risk did not materialise in 2020. Failure to implement the plan in the field of oil/ petroleum products pumping for 2020, caused by the shutdown of external power supply, was not allowed.
5. The risk of new technical standards or changes to the existing ones, which may affect the technological processes related to design, construction and operation of the trunk pipeline system (including environmental and industrial safety requirements)		
Adoption of new or amendment of existing standardisation documents, other documents of federal executive authorities that require mandatory consideration in Transneft regulatory documents (organisation standards) and updating of the regulatory and technical base of technical control in the field of Transneft's oil and petroleum products trunk pipeline transportation.		
Unbudgeted costs. Project schedule slips. Suspension of operations.	Monitoring approved standardisation documents, other documents of federal executive authorities that establish technical standards, which may affect the technological processes related to design, construction and operation of the trunk pipeline system (including environmental and industrial safety requirements).	The risk did not materialise in 2020.
6. Non-compliance of oil (petroleum products characteristics) quality indicators with established standards		
Non-compliance of quality indicators during acceptance, transportation and delivery of oil to the final consignee with the established standards in terms of requirements for oil indicators of the Technical Regulations on Safety of Oil Prepared for Transportation and (or) Utilisation (TR EAEU 045/2017) and characteristics of petroleum products in terms of the requirements of the Technical Regulations of the Customs Union On Requirements for Automobile and Aviation Gasoline, Diesel and Marine Fuel, Jet Fuel and ATB Heating Oil (TR CU 013/2011).		
Unbudgeted costs. Pipeline downtime. Reputational losses. Decision of the main shareholder (the Russian Federation represented by the Federal Agency for State Property Management) on the payment of dividends to Transneft for 2019, excluding the Company's expenses related to the contamination in 2019 of the Druzhba pipeline by organochlorine compounds.	- Interaction on timely provision of oil/petroleum products testing laboratories (OTL) with materials and equipment for quality control. - Inspection of OTLs at Transneft subsidiaries to check their compliance with the requirements of the Quality Management System (QMS), risk management approach and impartiality. - Interaction on minimising oil batches that do not meet the requirements of the Rational (Process) Routing Scheme. - Cooperation on issues related to minimisation of oil batches not meeting the requirements of GOST R 51858. - Interaction on oil blending to improve its quality after the repairs. - Interaction on implementation of the approved Road Map for Measures to Replace Oil with Excess Organic Chloride Mass Fraction. - Interaction on minimisation of off-spec petroleum products and implementation of measures to improve the quality of petroleum products by blending them with fuel with a quality reserve. - Interaction on minimisation of volumes of off-spec petroleum products. - Interaction on improving the quality of petroleum products by sedimentation and filtering.	In April 2019, an incident at the Druzhba oil trunk pipeline was caused by third parties' illegal actions, when a release of high concentrations of organochlorine compounds into the transported oil happened. The operability of the Druzhba oil trunk pipeline was restored. On 21 May 2020, the activities were completed under the updated and approved by Transneft Road Map for Measures to Replace Oil with Excess Organic Chloride Mass in the Fraction at Boiling Point of 204 °C under GOST R 51858 in Transneft's OTP system. Transneft Druzhba tried to bring into compliance oil residues with a high content of organochlorine compounds in accordance with separately developed measures.

Possible consequences	Measures taken to reduce risk materialisation likelihood and to mitigate the impact of materialised risks	Actual materialisation of risks in 2020
7. International sanctions		
Foreign economic restrictions, embargoes, freezing of accounts and settlements, US extraterritorial sanctions and sanctions retaliation.		
Ban on the import of necessary equipment into the Russian Federation. Disruptions in supply of imported components. Restrictions on settlements with foreign contractors. Restrictions on access to international markets, including stock markets. Closing accounts of foreign Transneft subsidiaries in foreign banks. Levy of execution on the assets of foreign Transneft subsidiaries. Refusal of secretarial companies to service foreign Transneft subsidiaries.	- Participation in the development of a comprehensive response to restrictive measures at the state level (including through intergovernmental committees / combined intergovernmental committees, business councils and field-specific panels and committees); - Search for, establishment and development of contacts with relevant influencer agencies abroad and identification of opportunities to circumvent restrictions; - Development of proposals for gaining access to services and technologies through neutral or friendly jurisdictions, or alternative suppliers. - Monitoring and analysis of draft laws and regulations, as well as of laws that have been passed, and official press releases of the US and the EU departments in charge of sanctions.	The risk did not materialise in 2020.
8. Credit risk concerning partner banks		
The risk of failure of partner banks to fulfill obligations to Transneft and Transneft subsidiaries.		
Financial and reputational losses. Delayed contract settlements.	- Establishing limits for transactions with partner banks; - Monitoring compliance with the set limits; - Monitoring partner banks' creditworthiness.	The risk did not materialise in 2020.

Risk Insurance

The Company uses the system of property risk insurance quite effectively on a par with the risk management tools introduced within the RMS framework. Insurance is an instrument of managing risks, allowing to fully or partially transfer financial losses from materialisation of risks to insurance companies and thus indemnify for losses of the Group.

The main principles of the property risk insurance system, as well as of insurance application and types used for oil and petroleum products trunk pipeline transport, are approved by the Regulations on Property Risk Insurance of Transneft and its Subsidiaries.

The objects of property insurance contracts are all types of fixed operational assets that, if damaged, may affect the operations of Transneft subsidiaries; they are insured against loss (demise) or damage on the terms of insurance "against all risks". Transneft subsidiaries also insure vehicles and civil liability for damage to third parties and the environment. In the course of operational activities, Transneft subsidiaries independently ensure cargoes and construction risks as required.

Risk Management System Efficiency Assessment

The Internal Audit Unit conducts an annual assessment of the reliability and efficiency of the RMS and provides the Board of Directors of Transneft with a report on the results of the assessment.

Taking into account the internal audits conducted, the implementation of corrective action plans by the Company and its subsidiaries, comprehensive assessments, the RMS of the Company and its subsidiaries in general is recognised as effective.

The report on the results of the activities of the Internal Audit Unit of Transneft for 2020 was submitted for consideration to the Board of Directors and approved in May 2021 (Minutes No. 4 dated 19 May 2021).

According to the results of an external assessment of the RMS conducted in 2020 by Ernst & Young Valuation and Advisory Services, LLC, the RMS of Transneft in general complies with the requirements and recommendations of the regulatory documents in the field of risk management. A number of key strengths of the RMS of Transneft were highlighted, and recommendations for further improvement of the RMS were formulated.

Ensuring Security and Anti-Terror Protection of OTP Facilities

Departmental security units of Transneft subsidiaries provide physical protection of facilities of Transneft and its 15 subsidiaries located in 62 constituent entities of the Russian Federation, as well as of a corridor of more than 44 thousand km of trunk pipelines (hereinafter referred to as the line), which is about 67 thousand km if calculated as a single line.

The list of facilities to be protected in the reporting year was approved by the President of Transneft in agreement with the management of the Federal National Guard Service.

In 2020, in pursuance of Resolution of the Government of the Russian Federation No. 234 dated 5 March 2020, Transneft carried out a reform of its departmental security, liquidating Transneft Security Services. Until October 2020, this unit ensured the safety of property and production and technological complexes of the Company and its subsidiaries; from Q4 2020, the departmental security functions were transferred to the departmental security units of the security departments of Transneft subsidiaries.

In accordance with the requirements of Federal Law No. 256-FZ On Security of Fuel and Energy Facilities dated 21 July 2011, 6 facilities were classified and provided with security profiles; 163 inspections were conducted by interagency commissions and 60 safety security profiles for FES facilities were updated in 2020.

As of 31 December 2020, 316 categorised facilities of Transneft subsidiaries were included in the Register of FES Facilities of the Ministry of Energy of Russia, among them 303 facilities were categorised as low hazard class facilities and 13 as medium hazard class facilities.

The level of technical security equipment (TSE) availability at the key elements of trunk pipelines as of 31 December 2020:

- OTP – 93.5%;
- PPTP – 79%.

The total technical security equipment availability at Transneft subsidiaries' facilities is 91.5%.

The level of technical security equipment availability along the line amounted to:

- OTP – 75%;
- PPTP – 50%.

At the line sections which are most exposed to criminal interference, innovative security equipment was installed to ensure their protection.

As part of the Technical Upgrading and Revamping (TU&R) programme, 34 technical security equipment complexes were commissioned at Transneft subsidiaries in 2020.

Thefts of oil and petroleum products via illegal tapplings dominate among the threats to the security of trunk pipelines, with a 55% share in all security incidents in 2020. In 2020, 141 illegal tapplings were detected in oil and petroleum products trunk pipelines of the Company, which is 33.8% less than in 2019 (213), including:

- in OTP – 35, which corresponds to the indicator of 2019 (during the same period last year – 35);
- in PPTP – 106, which is 40.4% less than last year (during the same period last year – 178).

100 cases of property theft were recorded (during the same period last year – 119), including 37 cases of theft of route structures and equipment (in 2019 – 54).

In 2020, law enforcement officers, with the assistance of security units of Transneft subsidiaries and the Company's departmental security units, prevented 25 oil and petroleum products thefts, including theft attempts (-28.6% compared to the same period last year – 35), for the commission of which 113 suspects were detained (+ 22.8% to the indicator of 2019 – 92), and so were 44 vehicles (+ 9% to the indicator of the same period last year – 40), 14 of which contained stolen oil and petroleum products (-6.6% compared to 2019 – 15).

In 2020, there was a downward trend in the number of illegal tapplings into trunk pipelines. The most significant decrease was achieved in Leningrad Region (from 18 to 10, or -44.4%), Nizhny Novgorod Region (from 18 to 9, or -50%), Penza Region (from 13 to 6, or -53.8%).

In 2020, in accordance with Federal Laws No. 35-FZ On Counteracting Terrorism dated 6 March 2006 and No. 256-FZ On Security of Fuel and Energy Facilities dated 21 July 2011, law enforcement agencies, local subdivisions of federal executive authorities and interagency commissions inspected firearms storage rooms and facilities of Transneft subsidiaries to ensure their protection and anti-terror security.

In the reporting period, interaction with federal legislative and executive authorities, government authorities of constituent entities of the Russian Federation, scientific organisations and economic entities was strengthened.



7.11. CONTROL AND AUDIT SYSTEM

Internal Control System

The Transneft internal control policy is stipulated in the Regulations on Internal Control Procedures. As per the Regulations, internal control is exercised by authorised units of Transneft to fulfil the following tasks:

- to ensure that investors trust Transneft and its management bodies, to protect capital investments of shareholders and Transneft's assets;
- to maintain the high level of Transneft's business reputation;
- to ensure fullness and accuracy of Transneft's financial and managerial reports;
- to ensure compliance with Russian regulatory acts, decisions of management bodies and local regulatory acts of Transneft;
- to ensure safety of Transneft's assets and efficient use of its resources;
- to ensure execution of Transneft's financial and business plans.

The Internal Audit Unit conducts an annual assessment of the reliability and efficiency of the internal control system and provides the Board of

Directors of Transneft with a report on the results of the assessment.

Taking into account the internal audits conducted, the implementation of corrective action plans by the Company and its subsidiaries, comprehensive assessments, the internal control system of the Company and its subsidiaries in general is recognised as effective.

The report on the results of the activities of the Internal Audit Unit of Transneft for 2020 was submitted for consideration to the Board of Directors and approved in May 2021 (Minutes No. 4 dated 19 May 2021).

The Company does not have a special business unit for internal control.

 [For more detail, please see Sections Protection of Insider Information and Countering Corruption](#)

Internal Audit System

The internal audit policy of Transneft is stipulated in the Regulations on Internal Audit (approved by the resolution of the Board of Directors of Transneft dated 20 September 2019 (Minutes No. 16)). Internal audit helps the Company and its subsidiaries reach the set targets through the use of a systematic and consistent approach to assessing and raising the efficiency of the risk management system, the internal control system and the corporate governance of the Transneft system.

Internal audit within the Company and its subsidiaries is performed by the department of internal audit and analysis of core business activities.

In 2020, Transneft's Department of Internal Audit and Analysis of Core Business Activities operated in accordance with Transneft's General Guidelines (Plan) for Internal Audit for 2020 approved by the Board of Directors of the Company. In pursuance of this plan, 109 internal audits were conducted in relation to the Company and its subsidiaries for the following main types of activities:

- execution of certain provisions of the Long-Term Development Programme;

- organisation and conduct of procurement and contract execution procedures;
- capital investments in fixed assets;
- fixed assets and inventories;
- implementation of commercial operations with oil (petroleum products), ensuring oil (petroleum products) preservation;
- financial management and budgeting;
- forming the financial results, distribution and use of revenue;
- automation systems and information systems;
- comprehensive assessment of the internal control and risk management systems;
- other specific issues of financial and operational activities.

Such audits resulted in recommendations on improvement of the business processes, elimination of the existing shortcomings and remarks, followed by checking whether the recommendations were observed.

The Audit Committee under the Company's Board of Directors annually assesses the efficiency

Internal Audit is carried out for the following types of activities

Type of activity	Measures
Assessment of the reliability and efficiency of the internal control system	• analysing the business processes aims conformity, projects, business units in the Company and its subsidiaries to the goals of Transneft Group. • checking the efficiency, reliability and integrity of business processes (operations) and information systems, including the reliability of procedures for countering illegal actions, abuse and corruption; • checking the accuracy of accounting (financial), statistical, managerial and other reports; determining to what extent the results of activities of the Company's business units and subsidiaries achieve the set goals; • determining the adequacy of criteria established for analysing the degree of achievement of the set goals; • detecting flaws of the internal control system which bar (barred) the Transneft system from reaching the set targets; • assessing the results of measures tailored to eliminate violations and flaws while improving the internal control system taken by the Company and its subsidiaries on all corporate governance levels; • checking the efficiency and expediency of using resources of the Company and its subsidiaries; • checking the safety of assets owned by the Company and its subsidiaries; • checking compliance with the law, the Articles of Association and internal regulatory documents of the Company and its subsidiaries.
Assessment of the reliability and efficiency of the risk management system	• checking the sufficiency and maturity of the risk management system's elements possessed by the Transneft system for efficient risk management. These elements of the RMS include goals and objectives, infrastructure including corporate structure, automation tools and such, arrangement of processes, regulatory and methodological framework, interaction of business units within the RMS and reporting; • checking whether the risks are fully exposed and correctly assessed by the management of the Company and its subsidiaries on all corporate governance levels; • checking the efficiency of monitoring procedures and other risk management measures, including the efficiency of use of the resources allocated for these purposes; • analysing information about the materialised risks (including violations detected during inspections, underperformance to target, lawsuits and other cases).
Assessment of corporate governance	• checking adherence to business ethic principles and corporate values of the Transneft system; • checking the procedure of goal-setting by the Company and its subsidiaries as well as monitoring their implementation; • checking the level of regulatory support and information exchange procedures (including regarding risk management and internal control) at all corporate governance levels of the Transneft system, the Company and its subsidiaries, including engagement with stakeholders; • checking whether the shareholders' rights are respected, including subsidiaries' shareholders, as well as whether interaction with stakeholders is efficient; • checking the procedures of disclosing information about the activities of the Company and its subsidiaries.

of performing internal audit functions, considers the matters of essential limitations and threats to the independence in performing internal audit functions. The Company's Board of Directors annually approves a report on the performance results of the internal audit unit.

The Board of Directors of Transneft approved the Measures to Improve the Internal Audit of Transneft and its Subsidiaries (Minutes No. 10 dated 7 May 2020), developed, in particular, taking into account the recommendations issued by KPMG following the results of the external assessment of the quality of internal audit in 2019.

Based on the 2020 performance, the Audit Committee under the Board of Directors of the Company recognised the performed internal audit function as efficient at the Company and its subsidiaries, recognised the absence of essential limitations and threats to the objectivity of the internal auditors, as well as to the independence in performing internal audit functions at the Company

and its subsidiaries, in 2020. The Company's Board of Directors approved a report on the performance results of the internal audit unit.

List of Internal Documents Governing the Internal Audit Functions:

- The Regulations on Internal Audit (approved by the resolution of the Board of Directors of Transneft on 20 September 2019 (Minutes No. 16));
- Regulations on Transneft's Department of Internal Audit and Analysis of Core Business Activities No. 08-03/001 dated 08 December 2015;
- The Internal Auditors' Code of Ethics (approved by Transneft Order No. 87 dated 21 April 2016);
- The Internal Audit Quality Assessment and Improvement Programme (approved by Transneft Order No. 136, dated 14 July 2016)
- The Regulations on Planning Internal Audits and Analysing the Core Business Activities of Transneft and its subsidiaries (approved by the Transneft President on 24 November 2016).

External Audit

Pursuant to Paragraph 4 of Article 5 of Federal Law No. 307-FZ On Auditing dated 30 December 2008, a contract for mandatory audit of accounting (financial) statements of a company where the government owns at least a 25% stake in the authorised (joint) capital shall be signed with an audit company or an individual auditor winning an open tender to be held at least once in five years as per the procedure stipulated in Federal Law No. 44-FZ On the Contractual System of the Federal and Municipal Procurement of Goods, Works and Services dated 05 April 2013.

The auditor selection tender for 2020 was conducted in accordance with the Regulations on Holding an Open Tender to Select an Auditor for the Mandatory Annual Audit of Transneft for 2020 and Reviewing the Interim Consolidated Financial Statements by IFRS for Q1 2021.

Bidding Terms and Conditions:

- an auditing organisation that applies for participation in the tender shall comply with the requirements defined in the Regulations;
- the open tender notice is posted by the customer on its corporate website and on Transneft's website at least 20 days before the day when the envelopes containing the tender applications are opened and access to the tender applications submitted in the form of electronic documents is provided;
- to participate in the tender, an application should be submitted within the time specified in the open tender notice; acceptance of open tender applications is closed on the day when the envelopes containing the tender applications are opened and access to the tender applications submitted in the form of electronic documents is provided;
- the open tender applications should contain the necessary information and documents about the open tender participant, as well as technical and financial proposals;
- evaluation and comparison of the open tender applications is to be completed no later than twenty days after the opening;

- evaluation and comparison of the applications is carried out by scoring the technical and financial proposals contained therein in accordance with the criteria and the procedure established by the Tender documentation. Each open tender application is assigned a reference number to be listed in order of descending profitability of the terms of contract performance contained therein. The winner of the open tender is the participant whose open tender application was assigned to the first number;

- the minutes of evaluation and comparison of the applications is posted on the corporate website and on the Company's website on the day following the aforementioned minutes signing day.

Based on the open tender results, the Board of Directors of the Company nominates the winner of the tender for the General Meeting of Shareholders to approve.

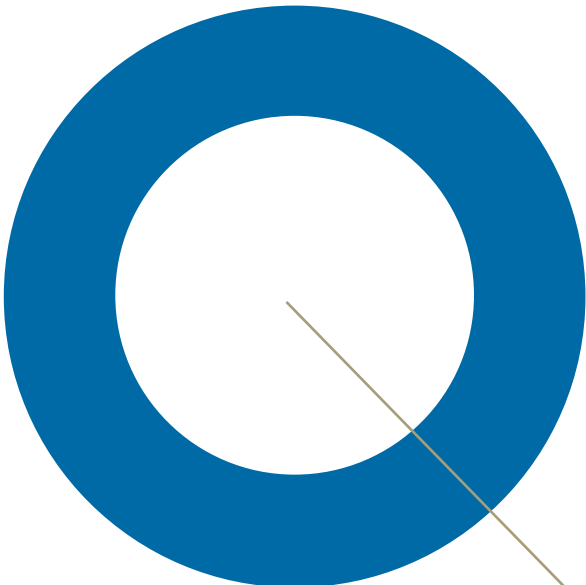
The auditor's remuneration for auditing services is determined after conducting the open tender. As per the contract for auditing the statements of Transneft for 2020, it amounted to RUB 12.9 million excluding VAT.

Results of Audit Efficiency Assessment by the Audit Committee

The Audit Committee under the Transneft Board of Directors evaluates the auditor's opinion's conformity to Federal Law No. 307-FZ On Audit Activities, dated 30 December 2008, as well as its compliance to the effective auditing standards.

The audit report on the accounting (financial) statements of Transneft for 2019 was provided by KPMG on 26 March 2020. The report was reviewed by the Audit Committee and recognised as complying with the requirements established by the International Auditing Standards in Force in the Russian Federation

The audit report on the accounting (financial) statements of Transneft for 2020 was considered by the Board of Directors of Transneft in April 2021.



Insider Information Protection

In connection with the entry into force of the Bank of Russia Directive dated 01 August 2019 No. 5222-U On Requirements for Internal Control Rules for the Prevention, Detection and Suppression of the Unlawful Use of Insider Information and/or Market Manipulation by Legal Entities Specified in Clauses 1, 3 - 8, 11 and 12 of Article 4 of the Federal Law of July 27, 2010 No. 224-FZ On Counteracting Unlawful Use of Insider Information and Market Manipulation and on Amendments to Certain Legislative Acts of the Russian Federation:

- the Regulations for Access to Insider Information of Transneft and Internal Control Regulations for Prevention, Detection and Suppression of Unlawful Use of Insider Information and (or) Company's Market Manipulation were approved (Minutes of the meeting of the Board of Directors No. 16 dated 21 September 2020);
- members of the management and control bodies and employees of the Company familiarised themselves with the Regulations and Requirements for Prevention, Detection and Suppression of Unlawful Use of Insider Information and (or) Market Manipulation;
- the Order on Counteracting Unlawful Use of Insider Information was approved;

- the Corporate List of Insider Information was approved;
- the For the Insiders special section has been created and is maintained on the official website and internal corporate portal of the Company, where information about the beginning and end of moratorium on transactions with the Company's financial instruments is posted quarterly.



[Regulations for Access to Insider Information of Transneft](#)



[For more details, see Information for the insiders](#)

Countering Corruption

Anti-Corruption activities of Transneft are organised in accordance with Federal Law No. 273-FZ On Combating Corruption dated 25 December 2008, the National Anti-Corruption Plans and annual Transneft's Action Plans for Preventing and Countering Corruption.

The priority areas of the Company's activities in the field of preventing and countering corruption are determined by the Board of Directors of Transneft, which approves the Company's Anti-Corruption Policy and an annual report on the measures taken to prevent and combat corruption.

Transneft's Commission for Countering Corruption coordinates the activities of the Company's business units and officials in implementing the Company's Anti-Corruption Policy. The Anti-Corruption Division provides support for anti-corruption activities and coordination of measures aimed at preventing and combating corruption in Transneft.

The Company's anti-corruption hotline is there for employees to report possible acts of corruption in the activities of the Company or its subsidiaries' personnel. Every employee must inform the employer about the

facts of being contacted in an attempt to induce them to commit corruption offenses and about corruption offenses that have become known to them, committed by other employees of Transneft and its subsidiaries or counterparties of Transneft and its subsidiaries.

Transneft is taking measures to identify and resolve employees' conflicts of interest. Additional measures were introduced for employees holding positions with high corruption risk to prevent and manage conflicts of interest, i. e. annual submission of declarations on conflict of interest. Conflict of interest notifications are considered collectively at meetings of Transneft's Commission for Countering Corruption.



[For more details on anti-corruption measures, see Transneft's web site](#)

Results for the Reporting Year

In 2020, in accordance with the Resolution of the Government of the Russian Federation No. 613 dated 22 July 2013, Transneft ensured that the employees holding the positions of the President, the First Vice President and Vice Presidents of Transneft, as well as candidates to fill these positions, submitted information on their income, expenses, assets and liabilities to the Government of the Russian Federation.

In 2020, as part of improving the regulatory framework, the Anti-Corruption Policy of Transneft, the Regulations on Conflicts of Interests of Transneft, the Memo to the Employees on the Basics of Anti-Corruption Behavior and other internal regulatory documents governing measures to prevent and combat corruption in Transneft were updated.

In 2020, in pursuance of the National Anti-Corruption Plan, advanced training was organised for employees involved in implementation of anti-corruption measures, as well as training for persons holding positions in the additional anti-corruption measures list. For these purposes, the Company engages specialists from the Federal State Research Institute of Legislation and Comparative Law under the Government of the Russian Federation and the Higher School of Economics National Research University.

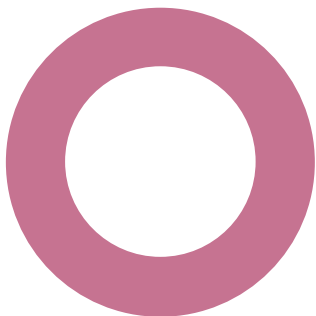
Based on the results of the taken anti-corruption measures in 2019, the Internal Audit Unit conducted a comprehensive assessment of the risk management and internal control system in the field of preventing and combating corruption. The level of efficiency of the system was found to be satisfactory. Recommendations to improve the efficiency of the anti-corruption measures taken at Transneft were included in Transneft's Action Plan for Preventing and Countering Corruption for 2020 and were implemented. In 2020 and in Q1 2021, measures were also taken to assess the Risk Management and Internal Control System in the field of preventing and combating corruption – the level of efficiency of the system was found to be satisfactory.

Measures for preventing and countering corruption, carried out in accordance with the Methodological Instructions of the Ministry of Labour of Russia on a regular basis, measures to fulfill the orders of the Government of the Russian Federation, as well as additional measures to improve the efficiency of countering corruption in Transneft and proposals received from independent business units of the Company are included in Transneft's Action Plan for Preventing and Countering Corruption for 2021.

Information on Business Ethic Performance

The Code of Ethics and Conduct for Employees of Transneft and Transneft Subsidiaries defines the ethical standards and principles of corporate relations and conduct for employees of Transneft and Transneft

subsidiaries in regulation of internal relations, as well as during official functions and hospitality events. Compliance with the Code is mandatory for all employees.



7.12. AUTHORISED CAPITAL AND SECURITIES

As at 31 December 2020, the authorised capital of the Company amounted to RUB 7,249,343 (seven million two hundred and forty-nine thousand three hundred and forty-three rubles) and was split into 7,249,343 shares, including:

- 5,694,468 ordinary shares at par value of RUB 1 each;
- 1,554,875 preferred shares at par value of RUB 1 each.

The Russian Federation represented by the Federal Agency for State Property Management owns 100% of Transneft's ordinary voting shares and 1 preferred share.

Preferred shares of the Company are non-voting and entitle their owners only to receive fixed dividends based on the Company's performance during the year.

Information on the Company's securities as of 31 December 2020, including on the Company's placement of additionally issued shares and on capital flows during the year

Type of shares	Total number	Par value of all shares, RUB	State registration number of the issue and date of state registration
Ordinary	5,546,847	5,546,847	No. 1-01-00206-A dated 20 December 2007
	21,901	21,901	No. 1-01-00206-A-002D dated 17 November 2016
	125,720	125,720	No. 1-01-00206-A-003D dated 11 January 2018
According to Paragraph 8 of Article 20 of Federal Law dated 22 April 1996 N 39-FZ On Securities Market and on request of the Issuer, the Bank of Russia retains individual numbers (codes) of the second and third additional share issues after three months from the date of state registration of reports on the results of the additional issue of equity securities.			
Preferred	1,554,875	1,554,875	No. 2-01-00206-A dated 20 December 2007

Shareholders of the Company whose share in the authorised capital of Transneft exceeds 2%, and information on the shares owned by companies that are members of Transneft Group, as of 31 December 2020*

Name	Address	Share in the authorised capital	Share for ordinary shares	Share for preferred shares
The Russian Federation represented by the Federal Agency for State Property Management	9 Nikolsky Lane, 109012, Moscow	78.55%	100%	0.000064% (1 preferred share)
National Settlement Depository (nominee)	12 Spartakovskaya Street, 105066, Moscow	20.86%	None	97.23%
Legal entities controlled by Transneft	–	0.02%	None	0.10% (1,561 preferred share)
Others	–	0.57%	None	2.67%

The Russian Federation enjoys no special right to participate in the management of the Company (the golden share).

As of 31 December 2020, the following were registered in the shareholder register:

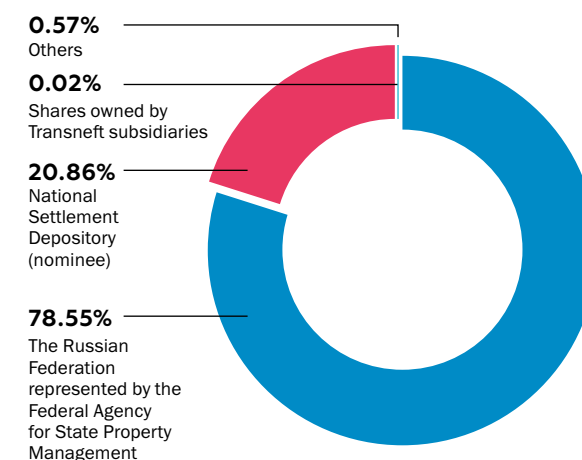
- 2,549 natural persons;
- 26 legal entities, including 1 nominee.

*The information is presented based on the list of persons registered in the shareholder register of Transneft as of 31 December 2020. If the Company's shares amounting to two or more percent of the authorised capital or ordinary shares are registered in the shareholder register of the Company in the name of a nominee, this fact is specified. Pursuant to the Federal Law On Securities Market, the list of holders of the Company's securities can be provided if it is needed to perform the obligations stipulated by federal laws.

As of 31 December 2020, 0.02% of the authorised capital was owned by Transneft subsidiaries.

Full name and address of the registrar: R.O.S.T. Registrar, Joint-Stock Company, 18 bldg. 5B room 9, Stromynka Street, 107076, Moscow.

Authorised Capital Structure as of 31 December 2020



Stock Exchange Information on Trading the Company's Shares

Preferred shares of the Company are included in the Level One listing of the Moscow Exchange, they are among the key indexes of the Exchange.



The information on trading of preferred shares of Transneft is available in the [For Investors and Shareholders/Share Listings section](#)

On 16 April 2020, the Moscow Exchange revised the free float factor of Transneft preferred shares and set it at the 37% mark (previously 32%). The upgraded free float factor will apply in the MOEX indices calculation from 19 June 2020.

Due to a sharp decline in share prices in the Russian stock market amid the coronavirus pandemic and falling oil prices, Transneft preferred shares were excluded from the MSCI indices in May 2020.

General information on the preferred shares of Transneft

Share category	Preferred registered book-entry share
Par value	RUB 1
Moscow Exchange ticker symbol	TRNFP
ISIN code	RU0009091573
Bloomberg Code	TRNFP RX

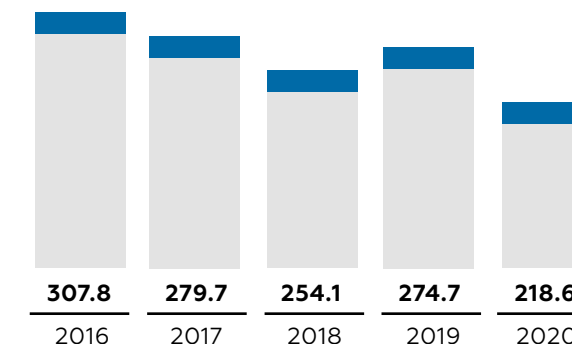
Weight of Transneft's preferred shares in the stock indexes of the Moscow Exchange, as of 31 December 2020

Index name	Weight, %
Broad Market Index	0.44
Moscow Exchange Index	0.48
Oil & Gas Sectoral Index	6.76

Trading results for preferred shares of the Company

Period	2017	2018	2019	2020
Trading volume, RUB bn	131.7	62.5	62.0	110.5
Minimum price, RUB	156,000	142,500	146,000	128,700
Maximum price, RUB	222,500	185,000	179,850	179,100
Year-end price, RUB	179,900	163,450	176,700	140,600

Market capitalisation of preferred shares, RUB bn



The Company's Bonds

Issues of exchange bonds repaid in 2020

Series	Date of placement	Date of maturity	Nominal volume, RUB	Coupon rate, % per annum
Exchange bonds, series BO-001R-07	3 May 2017	28 October 2020	30,000,000,000	8.75%
Exchange bonds, series BO-001R-11	31 May 2019	27 November 2020	15,000,000,000	7.90%

Issues of exchange bonds in circulation as of 31 December 2020

Series	Date of placement	Date of maturity / date of offer	Nominal volume, RUB	Coupon rate (current), % per annum
Exchange bonds, series BO-05	21 April 2016	9 April 2026/15 April 2021	17,000,000,000	10.10%
Exchange bonds, series BO-06	6 September 2016	25 August 2026/30 August 2022	17,000,000,000	9.30%
Exchange bonds, series BO-07	26 April 2017	17 April 2024	17,000,000,000	8.75%
Exchange bonds, series BO-001R-01	10 June 2016	2 June 2023	20,000,000,000	9.90%
Exchange bonds, series BO-001R-02	8 July 2016	30 June 2023	10,000,000,000	9.65%
Exchange bonds, series BO-001R-03	11 August 2016	3 August 2023	15,000,000,000	9.45%
Exchange bonds, series BO-001R-04	6 October 2016	29 September 2022	15,000,000,000	9.30%
Exchange bonds, series BO-001R-05	3 February 2017	26 January 2024	15,000,000,000	9.25%
Exchange bonds, series BO-001R-06	29 March 2017	24 March 2021	20,000,000,000	9.00%
Exchange bonds, series BO-001R-08	19 October 2017	9 October 2025	25,000,000,000	7.90%
Exchange bonds, series BO-001R-09	26 February 2018	21 February 2022	15,000,000,000	7.15%
Exchange bonds, series BO-001R-10	13 April 2018	8 October 2021	15,000,000,000	7.00%
Exchange bonds, series BO-001R-12	09 July 2019	05 July 2022	15,000,000,000	7.90%
Exchange bonds, series BO-001R-13	08 November 2019	30 October 2026	15,000,000,000	6.85%

Information on credit ratings as of 31 December 2020

Rating agency	Rating tier 31 December 2020
Standard & Poor's	In foreign currency:
	BBB (stable outlook)
	In national currency:
	BBB (stable outlook)
Moody's	Baa2 (stable outlook)
Expert RA	RuAAA (stable outlook)
NCR	AAA.ru (stable outlook)



[For more detail, see Bonds on the Company's website](#)

In November 2020, the NCR rating agency assigned Transneft the AAA.ru credit rating with a stable outlook. The Agency pointed to the Company's strong market positions and sales markets' resilience, as well as the balanced throughput capacity of its westward and eastward pipelines.

Dividend Policy and Profit Distribution

Subject to the Dividend Policy of Transneft, the following principles shall be observed when determining the amount of dividends paid out for shares of all categories (kinds):

- transparency of dividend amount determining procedure;
- unconditional accomplishment of the Company's primary objectives stipulated in the Articles of

Association, including investment activities for the development of the operational assets, expansion, revamping and technical upgrading of the trunk pipeline system;

- focus on enhancing the Company's investment appeal;
- ensuring financial stability and minimisation of potential negative effects on the Company's credit ratings;

- consideration of the amount of dividends on shares of all categories (kinds) when calculating tariffs for oil trunk pipeline transportation services set by the Federal Antimonopoly Service;
- sufficiency of the funds available to the Company and obtained from rendering services of oil and petroleum products transportation via trunk pipelines, with regard to the set values of tariff indexation, to finance operational, investment and financial activities.

Pursuant to the approved Policy, the base level of dividend payments amounts to 25% of the consolidated net profit for the reporting year calculated under IFRS and normalised taking into account the share of profit in subsidiaries and jointly controlled companies; income gained from revaluation of financial investments; exchange rate positive balance and other irregular (non-recurring) nonmonetary components of the net profit. From the 2017 reporting year, dividends were paid in the amount of at least 50% of the normalised net profit under IFRS.

The total amount of dividends is distributed between the categories (kinds) of the Company's shares pursuant to the Company's Articles of Association and requirements of the relevant Russian laws. According to the Articles of Association, 10% of the Company's net profit for any particular year is to be paid as dividends on all preferred shares. Nevertheless, the dividend paid on one preferred share cannot be less than the dividend paid on one ordinary share.

According to Order of the Federal Agency for State Property Management No. 413-r dated 30 September

2020, the dividends totalling RUB 84,180,820,784.60 were paid for 2019, including:

RUB 11,612.20 per one ordinary share (5,694,468 shares), amounting to RUB 66,125,301,309.60 in total;

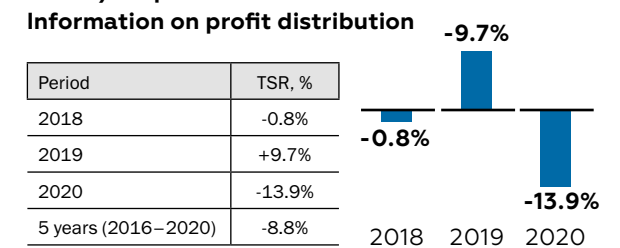
RUB 11,612.20 per one preferred share (1,554,875 shares), amounting to RUB 18,055,519,475 in total.

The dividends resulting from the 2019 performance were paid in full and within the timeframe prescribed by the applicable Russian laws. As of 31 December 2020, Transneft has no dividend debt due to the federal budget.

Dividends paid, RUB million

Name	2018	2019	2020
Dividend payments	54,937.5	77,611	84,181

Dynamics of the TSR indicator (total shareholder return) for preferred shares



Transneft's Dividend History

Name	2017 (interim, based on 1H 2017 results)	2018 (for 2017)	2019 (for 2018)	2020 (for 2019)
Share category, RUB per share	Ordinary	3,875.49	7,578.27	10,705.95
	Preferred	3,875.49	7,578.27	10,705.95
Total number of shares	7,123,623	7,249,343	7,249,343	7,249,343
Total amount of dividends, RUB	27,607,496,252.96	54,937,478,576.61	77,611,103,690.85	84,180,820,784.60
Dividend payout ratio from normalised net profit of Transneft under IFRS	50%		51.2%	53.1%
Resolution on dividend payment	EGM dated 30 August 2017	AGM dated 30 June 2018	AGM dated 30 June 2019	AGM dated 30 September 2020

The amount of dividends paid included dividends paid out from the retained earnings of the previous years

Information on profit distribution

Name	2018 (for 2017)	2019 (for 2018)	2020 (for 2019)
Retained profit (loss) in the reporting period (RUB million), including:	58,843.6	10,110.9	76,374.9
Dividends paid, RUB million	58,843.5	10,110.9	76,374.9
Reserve fund replenishment, RUB million	0.02		
Kept at Transneft's disposition, RUB million	0.06	0.036	0.009



[For more details, see the Dividends section on the Company's website](#)

Shareholder Relations

The Company seeks most efficient interaction with the shareholders, investors and other stakeholders, ensuring regular, prompt, accessible, complete and unbiased disclosure of information, with emphasis on concurrently providing material information to stakeholders.

The Company mandatorily discloses information on its activities:

- on its official website <https://www.transneft.ru/>
- on the issuer's webpage <https://www.e-disclosure.ru/portal/company.aspx?id=636>.

In accordance with the Regulations on the Information Policy, the Company implements a number of activities for voluntary disclosure of information, including:

- publishing (placing) information on the Company's website;
- managing corporate social media accounts (Facebook, VK, Twitter, Instagram, Youtube, Viber);
- disclosing information during direct interaction of the Company with shareholders, investors, mass media and other stakeholders;

- issuing corporate publications (the Oil Pipeline Transportation magazine, the Science & Technologies: Oil and Oil Products Pipeline Transportation scientific journal);
- providing comments (both written and oral) to questions asked by mass media, securities' market professionals and other stakeholders;
- preparing and disclosing the Company's Sustainable Development Report compiled in accordance with the international GRI standards.

During the year, work with shareholders was carried out regarding changes in the information of their personal accounts, payment of dividends and registration of inheritance rights (~30 applications in 2020).

Investor Relations

To improve work with the investment community, the Investor Relations Division was established in Transneft. Its main tasks are the development and implementation of measures aimed at enhancing the Company's investment appeal and capitalisation.

In 2020, the Investor Relations Division organised:

- a regular dialogue with analysts and investors to increase their awareness of Transneft's activities.
- coverage of the financial results of Transneft under IFRS in the format of a conference call with the Company's management, publication of presentations in Russian and English for investors;
- development and posting of presentation materials on the NCSP, PJSC Strategy on the website; support for disclosure of information on the NCSP segment in the Company's presentation materials.
- regular interaction with investors and specialised rating agencies on sustainable issues (ESG), creation and support of a specialised section and a guide of indicators for ESG investors on the website, communication with the functional divisions of the Company on key issues;
- participation of Transneft in major investment conferences.

The Company's website regularly publishes materials for analysts and investors in Russian and English: presentations, investor's calendar, information on dividends and others.

At the end of 2020, the valuation of shares and the activities of Transneft Group was covered by financial analysts of large investment banks and companies (Bank of America Merrill Lynch, VTB Capital, Raiffeisenbank, Renaissance Capital, Sberbank CIB, Sova Capital), as well as analysts from key rating agencies on sustainable development (ESG-agencies). Information about analysts studying the activities of Transneft is published on the Company's website in the For Investors and Shareholders section.

Transneft is interested in developing an effective dialogue with the investment community.

Investor Relations Division Contacts:

Head of Division: Ivan Khromushin
Telephone: +7(495) 950-84-54
Email: ir@ak.transneft.ru

7.13. INFORMATION ON TRANSACTIONS, MEMBERSHIP IN ORGANISATIONS AND LEGAL PROCEEDINGS

Information on Major Transactions Made by Transneft

In 2020, Transneft did not make transactions that are considered major in accordance with Article 78 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995. The list of major transactions concluded by essential Transneft subsidiaries is presented in Appendix No. 4.

Information on Interested-Party Transactions of Transneft

The list of transactions made by Transneft in the reporting year, that are considered interested-party transactions in accordance with the Federal Law On Joint-Stock Companies, is presented in Appendix No. 3.

Information on Transneft's Membership in Business Entities and Non-Profit Organisations

Transneft is a holding.

For information on Transneft's membership in business entities and non-profit organisations as of 31 December 2020, see Appendix No. 1.

Information on Concluded Agreements on Purchase and Sale of Stakes, Shares, Equity Interests in Business Partnerships and Entities, Including Data on the Parties, Business to be Transacted, Price, as well as other Terms and Conditions of these Agreements

For more information on agreements concluded by Transneft in 2020 on purchase and sale of shares (stakes) in business entities, see Appendix No. 2.

Information on Transneft's Investments with an Expected Annual Income in Excess of 10%

In 2020, Transneft made no investments with an expected income of more than 10% per annum.

Information on Pending Legal Proceedings where Transneft Acts as the Defendant in Debt Recovery Claims

As of 31 December 2020, there were no pending legal proceedings where Transneft acted as the defendant in debt recovery claims and which may have substantial impact on its financial and operating performance.

Information on Pending Legal Proceedings where Transneft Acts as the Plaintiff in Debt Recovery Claims

As of 31 December 2020, there were no pending legal proceedings where Transneft acted as the plaintiff in debt recovery claims and which may have substantial impact on its financial and operating performance.

Dividends received by Transneft in 2020, RUB

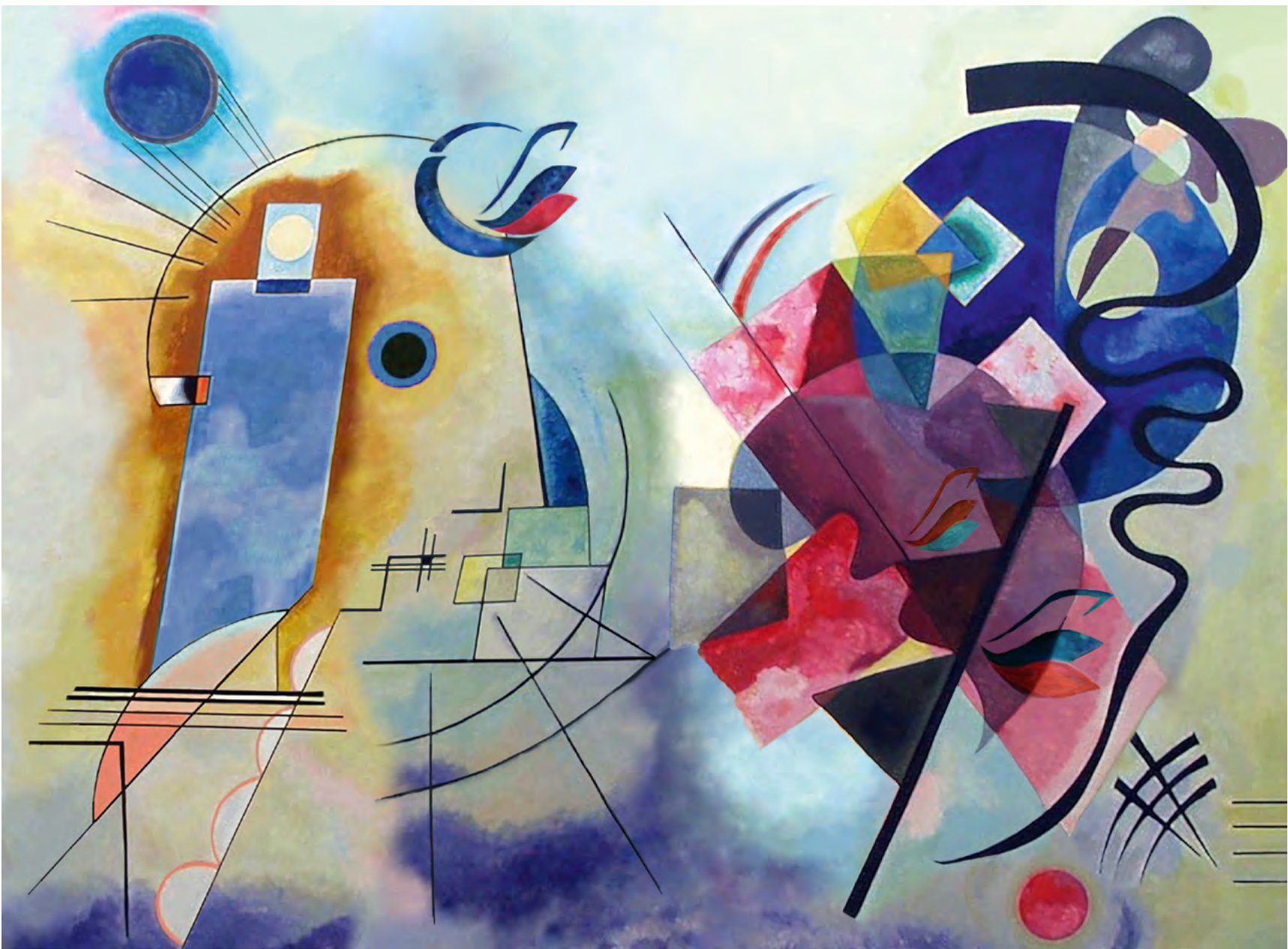
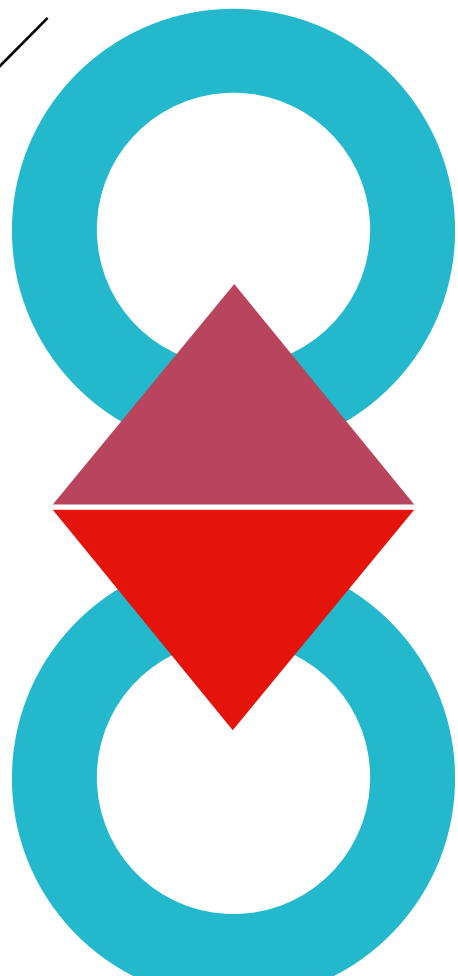
Company Name	Amount
SPIMEX, JSC	79,995,000.00
By the resolution of the General Meeting of Shareholders dated 30 June 2020 (Minutes No. 30 dated 30 June 2020)	
PC-BA, LLC	8,793,527.05
By the resolution of the General Meeting of Shareholders dated 30 April 2020 (Minutes No. 1 dated 30 April 2020)	
NCSP, PJSC	13,028,232,537.00
By the resolution of the General Meeting of Shareholders dated 17 July 2020 (Minutes No. 59-OSA NCSP dated July 22, 2020)	
Nevskaya Pipeline Company, LLC	247,780,682.24
By the resolution of the General Meeting of Shareholders dated 28 December 2020 (Minutes s/n dated 28 December 2020)	
CPC Investments Company	5,054,562,750.00
By the resolutions of the Corporate Director dated 9 April 2020, 20 May 2020, 07 July 2020, 17 August 2020, 06 October 2020	

APPENDICES

Appendix No. 1 — 186
 Information on Transneft's Membership in Business Entities and Non-Profit Organisations as of 31 December 2020
 Appendix No. 2 — 190
 Information on Agreements Concluded by Transneft in 2020 on Purchase and Sale of Shares (Stakes) in Business Entities
 Appendix No. 3 — 190
 List of Interested-Party Transactions
 Appendix No. 4 — 192
 List of Major Transactions Made by Essential Transneft Subsidiaries in 2020
 Appendix No. 5 — 192
 Capital Investment Financing Sources of Transneft in 2020
 Appendix No. 6 — 193
 Corporate Governance Code Principles Compliance Report
 Appendix No. 7 — 215
 Execution of Instructions from the President and the Government of the Russian Federation

The Company's History and Outlook — 228
 Glossary — 230

 A Pumping Station Veteran Instructing Young Specialists



ABSTRACT ART

— Wassily Kandinsky is one of the founders of Russian abstract art. The essence of Kandinsky's abstraction is the search for a universal synthesis of music and painting, considered as parallel with philosophy and science. He divided his abstract paintings into three categories: impressions, improvisations, and compositions. The first is direct impressions from contemplation, the second is the flow of the unconscious mind, and the third is, on the contrary, consciously constructed painting.



TECHNOLOGICAL AVANT-GARDE

Integrated control system



Throughout the entire Transneft system, the technological control of pipelines is now being transferred from regional control rooms to territorial ones to centralize the decision-making process and bring all control systems to a single software platform.

An ever-growing diversity of new tools is being added to the console operators' "armory" to optimize the process of oil and petroleum products' transportation management. The Gidrouklon (hydro slope) automated system and leak detection systems are already in place. A centralized emergency control system is now being installed at different parts of the pipeline system, featuring both independent decision-making and negative scenarios prediction ability.

There are also improvements underway in the control room environment, including re-equipment that will help redistribute the workload in a more rational way.

To keep the personnel fit for work, control rooms are equipped with simulators imitating a variety of scenarios for the pipeline system. All this contributes to achieving a safer transportation of oil and petroleum products and more efficient management of flows.

APPENDIX NO. 1. INFORMATION ON TRANSNEFT'S MEMBERSHIP IN BUSINESS ENTITIES AND NON-PROFIT ORGANISATIONS AS OF 31 DECEMBER 2020

Information on Transneft's Membership in Business Entities as of 31 December 2020

Item No.	Company Name	Type of activity	Share of participation, including via subsidiaries, % ¹
Information about businesses where the Company holds from 50% + 1 share to 100% of the authorised capital			
1	Joint-Stock Company Transneft Siberia (Transneft Siberia, JSC)	Transportation of oil and petroleum products	100
2	Joint-Stock Company Transneft Druzhba (Transneft Druzhba, JSC)	Transportation of oil and petroleum products	100
3	Joint-Stock Company Transneft Volga Region (Transneft Volga Region, JSC)	Transportation of oil and petroleum products	100
4	Joint-Stock Company Transneft Kama Region (Transneft Kama Region, JSC)	Transportation of oil and petroleum products	100
5	Joint-Stock Company Transneft Western Siberia (Transneft Western Siberia, JSC)	Transportation of oil and petroleum products	100
6	Joint-Stock Company Transneft Urals (Transneft Urals, JSC)	Transportation of oil and petroleum products	100
7	Joint-Stock Company Transneft Upper Volga (Transneft Upper Volga, JSC)	Transportation of oil and petroleum products	100
8	Joint-Stock Company Transneft North (Transneft North, JSC)	Oil transportation	100
9	Joint-Stock Company Chernomorskiye Magistralnye Nefteprovody (Chernomortransneft, JSC)	Transportation of oil and petroleum products	100
10	Limited Liability Company Transneft Baltic (Transneft Baltic, LLC)	Transportation of oil and petroleum products	100
11	Limited Liability Company Transneft East (Transneft East, LLC)	Oil transportation	100
12	Limited Liability Company Transneft Far East (Transneft Far East, LLC)	Oil transportation	100
13	Joint-Stock Company Transnefteproduct (Transnefteproduct, JSC)	Fuel wholesale	100
14	CPC Company	Any type of business activity which is not prohibited by law	100
15	CPC Investments Company	Any type of business activity which is not prohibited by law	100
16	Sredne-Volzhsky Joint-Stock Company of Petroleum Products Pipeline Transportation (Sredne-Volzhsky Transnefteproduct, JSC)	Transportation of petroleum products	100
17	Joint-Stock Company Transnefteproduct West (Transnefteproduct West, JSC)	Providing financial services other than insurance and pension coverage services	100
18	Limited Liability Company Transneft Primorsk Port (Transneft Primorsk Port, LLC)	Other cargo handling	100
19	Limited Liability Company Transneft Kozmino Port (Transneft Kozmino Port, LLC)	Oil transportation	100
20	Joint-Stock Company Transneft UW Service (Transneft UW Service, JSC)	Inspection and repair of underwater crossings	100

¹ For the purposes of information disclosure, shares of participation are indicated in accordance with the provisions of Federal Law No. 39-FZ On Securities Market dated 22 April 1996.

Item No.	Company Name	Type of activity	Share of participation, including via subsidiaries, %
21	Joint-Stock Company Giprotuboprovod Institute for Trunk Pipeline Design (Giprotuboprovod, JSC)	Preparing design and estimate documentation	100
22	Joint-Stock Company Oil Transportation and Product Telecommunications (Svyaztransneft, JSC)	Providing technological communication for oil trunk pipelines' facilities	100
23	Joint-Stock Company Transneft Diascan (Transneft Diascan, JSC)	Inspection of pipelines	100
24	Joint-Stock Company Transneft Metrology (Transneft Metrology, JSC)	Metrological support of oil transportation	100
25	Limited Liability Company Transneft – Pipeline Construction Directorate (Transneft PCD, LLC)	General construction works	100
26	Joint-Stock Company Transneft Non-Governmental Pension Fund (Transneft NPF, JSC)	Non-governmental pension plans	100
27	Limited Liability Company Transneft Invest Management Company (TN Invest MC, LLC)	Trust management of the non-governmental pension fund's assets	100
28	Limited Liability Company Transneft Media (Transneft Media, LLC)	Publishing	100
29	Limited Liability Company Transneft Finance (Transneft Finance, LLC)	Accountancy, tax and management accounting services	100
30	Limited Liability Company Transneft Energy (Transneft Energy, LLC)	Electricity sales	100
31	Limited Liability Company Transneft Research and Development (Transneft R&D, LLC)	Research and development	100
32	Limited Liability Company Transneftstroy (Transneftstroy, LLC)	Construction of buildings and structures	100
33	Limited Liability Company Transneft Service (Transneft Service, LLC)	Ensuring safety in emergency situations	100
34	Joint-Stock Company Transneft-Terminal (TNT, JSC)	Services for transportation of oil and petroleum products	100
35	Joint Stock Company Transneft Service (Transneft Service, JSC)	Fuel wholesale	100
36	Limited Liability Company Transneft Ust-Luga Port (Transneft Ust-Luga Port, LLC)	Other cargo handling	100
37	Limited Liability Company Transneft Security Services (Transneft Security Services, LLC)	Departmental security	100
38	Limited Liability Company Transneft-Logistics (Transneft-Logistics, LLC)	Freight logistics	100
39	Limited Liability Company Uralskie Dinamicheskie Mashiny (UDM, LLC)	Business activities and management consulting services	100
40	Limited Liability Company Gruzovaya (Gruzovaya, LLC)	Railway transport	100
41	Joint-Stock Company Tomsk Plant of Electric Drives (TOMZEL, JSC)	Precision engineering	100
42	Limited Liability Company Transneft Electric Network Service (Transneft Electric Network Service, LLC)	Providing electricity transmission services	100
43	Limited Liability Company Transneft Technology (Transneft Technology, LLC)	Maintenance of means of automation, telemetry and automated process control systems	100
44	Limited Liability Company Executive Company Evolution (Executive Company Evolution, LLC)	Lease and management of own or rented non-residential real estate	100
45	Limited Liability Company Transneft Supervision (Transneft Supervision, LLC)	Technical and construction supervision & monitoring	100
46	Limited Liability Company Transneft Ust-Luga (Transneft Ust-Luga, LLC) ²	Investments in securities	100
47	Limited Liability Company Transneft Telecom (Transneft Telecom, LLC)	Telecommunications	100

² Transneft Ust-Luga, LLC was liquidated. Information on the liquidation was entered into the Unified State Register of Legal Entities on 18 March 2021.

Item No.	Company Name	Type of activity	Share of participation, including via subsidiaries, %
48	Joint-Stock Company PROMSFERA (PROMSFERA, JSC)	Lease of immovable property	100
49	Limited Liability Company Tikhoretsk-Nafta (Tikhoretsk-Nafta, LLC)	Other cargo handling	100
50	Unitary Production Enterprise Zapad-Telecomnefteproduct Zapad-Telecomnefteproduct Unitary Enterprise	Providing communications services	100
51	Unitary Production Enterprise Zapad-Transnefteproduct (Zapad-Transnefteproduct Unitary Enterprise)	Transportation of petroleum products	100
52	Joint-Stock Company Prometheus Health Resort (Prometheus Health Resort, JSC)	Recreation and health resort services	100
53	Limited Liability Company Transneft-Consulting (TN-C, LLC)	Software development	100
54	Omirico Limited	Any type of business activity which is not prohibited by law	100
55	Festina Alliance Ltd	Any type of business activity which is not prohibited by law	100
56	Swelton Investments Ltd	Any type of business activity which is not prohibited by law	100
57	Fenti Development Ltd	Any type of business activity which is not prohibited by law	100
58	Mcgraw Limited	Any type of business activity which is not prohibited by law	100
59	Wemor Limited	Any type of business activity which is not prohibited by law	100
60	Novoport Holding Ltd	Any type of business activity which is not prohibited by law	100
61	TN Shipping & Trading AG	Any type of business activity which is not prohibited by law	100
62	Limited Liability Company Novorossiysk Fuel Oil Terminal (NFOT, LLC)	Cargo handling, storage	100
63	Limited Liability Company Primorsk Commercial Port (Primorsk Commercial Port, LLC)	Cargo handling	100
64	Limited Liability Company SoyuzFlot Port (SFP, LLC)	Auxiliary marine transportation services	100
65	Joint-Stock Company Importpishcheprom-Transservice (Importpishcheprom-Transservice, JSC)	Freight forwarding services	100
66	Limited Liability Company Baltic Stevedore Company (Baltic Stevedore Company, LLC)	Freight forwarding services	100
67	Joint-Stock Company NMTP-Resurs (NMTP-Resurs, JSC)	General construction works	100
68	Limited Liability Company NMTP-Kapital (NMTP-Kapital, LLC)	Activities of investment funds and similar financial organisations	100
69	HENFORD LOGISTICS LIMITED	Any type of business activity which is not prohibited by law	100
70	Limited Liability Company IPP (IPP, LLC)	Cargo handling, storage	100
71	Limited Liability Company Nochnaya Khokeinaya Liga (NKhL, LLC)	Activities in the field of sport	100
72	Limited Liability Company Ceramic Materials Plant (Ceramic Materials Plant, LLC)	Production of brick, roof tiles and other building materials	99.9977
73	Limited Liability Company Sibnefteprovod On-site Catering (Sibnefteprovod OC, LLC)	Providing catering and retail services	99.9
74	Limited Liability Company Port Petrovsk (Port Petrovsk, LLC)	Auxiliary activities related to water transport	99
75	Joint-Stock Company Novorossiysk Shiprepair Yard (NSRY, JSC)	Cargo handling and storage, ship repair	98.26
76	Joint-Stock Company Fleet of Novorossiysk Commercial Sea Port (FNCSF, JSC)	Provision of port and auxiliary fleet services	95.19
77	Joint-Stock Company Novoroslesexport (NLE, JSC)	Cargo handling, storage	91.38
78	Public Joint-Stock Company Novorossiysk Commercial Sea Port (NCSF, PJSC)	Cargo handling, storage	62

Item No.	Company Name	Type of activity	Share of participation, including via subsidiaries, %
79	Joint-Stock Company Transneft Oil Pumps (TOP, JSC)	Development, production and sale of pumping equipment for trunk pipeline transportation facilities	51
80	Joint-Stock Company RUSSIAN ELECTRIC MOTORS (REM, JSC)	Manufacture of electric motors for oil and petroleum products trunk pipeline transportation facilities	51
81	Limited Liability Company Transneft Synthesis (Transneft Synthesis, LLC)	Production of petroleum products	51
Information on businesses where the Company holds from 20% to 50% of the authorised capital			
82	Limited Liability Company Nefte-Shipping Agency (Nefte-Shipping Agency, LLC)	Auxiliary marine transportation services	50
83	Gynura Trading Limited	Any type of business activity which is not prohibited by law	50
84	Joint-Stock Company OMEGA (OMEGA, JSC)	Manufacture of pipeline monitoring systems	49.99997
85	Limited Liability Company LatRosTrans (LatRosTrans, LLC)	Transportation of petroleum products	34
86	Limited Liability Company Burgas — Alexandroupolis Pipeline Consortium (PC-BA, LLC) ³	Design and construction of the Burgas – Alexandroupolis oil pipeline	33.34
87	Limited Liability Company Nevskaya Pipeline Company (Nevskaya Pipeline Company, LLC)	Other cargo handling	26
88	Sandmark Operations Limited	Any type of business activity which is not prohibited by law	25.1
89	Joint-Stock Company Ust-Luga Oil (Ust-Luga Oil, JSC)	Cargo handling	25.000052
90	Limited Liability Company RUSENERGORESOURCE (RUSENERGORESOURCE, LLC)	Electricity sales	25
Information on businesses where the Company holds from 2% to 20% of the authorised capital			
91	Joint-Stock Company St. Petersburg International Mercantile Exchange (SPIMEX, JSC)	Control and monitoring of stock, mercantile, commodity and foreign exchange markets	20
92	Limited Liability Company Kontinental Hockey League (KHL, LLC)	Sports events services	11.7647
93	Joint-Stock Company Mortsentri-TEK (Mortsentr-TEK, JSC)	Freight forwarding services for cargoes of legal entities and individuals	7.5
94	Joint-Stock Company Caspian Pipeline Consortium-R (CPC-R, JSC)	Oil transportation	7
95	Joint-Stock Company Caspian Pipeline Consortium-K (CPC-K, JSC)	Oil transportation	7

Information on Transneft’s Membership in Non-Profit Organisations as of 31 December 2020

Item No.	Name of the organization	Duration of participation	Role (place) and functions in the organisation
1	Helicopter Industry Association (HIA)	since 2019	HIA full member ⁴
2	National Association for Technology Transfer (NATT)	since 2018	NATT member
3	Forum-Dialog Non-Profit Partnership (Forum-Dialog NPP)	since 2017	Forum-Dialog NPP member
4	U.S.-Russia Business Council (USRBC)	since 2017	USRBC member ⁵
5	International Association of Oil Transporters (IAOT)	since 2015	IAOT member
6	Russian Union of Industrialists and Entrepreneurs all-Russia employers' association (RSPP)	since 2014	RSPP member
7	Non-Profit Partnership Technological platform "Technologies for Sustainable Ecological Development" (NPP TP Technologies for Sustainable Ecological Development)	since 2013	TP Technologies for Sustainable Ecological Development member

³ PC-BA, LLC was liquidated. Date of making the entry on the liquidation into the Unified State Register of Legal Entities: 08 February 2021.

⁴ Starting from 29 October 2020, the Company’s membership in HIA has been suspended for a period not exceeding six months.

⁵ The Company terminated its membership in the U.S.-Russia Business Council on 04 February 2021.

APPENDIX NO. 2. INFORMATION ON AGREEMENTS CONCLUDED BY TRANSNEFT IN 2020 ON PURCHASE AND SALE OF SHARES (STAKES) IN BUSINESS ENTITIES

Item No.	Parties	Business to be transacted and other significant conditions of the transaction	Price, RUB
1	Transnefteproduct, JSC Transneft, PJSC	Purchase and sale of 750,000 ordinary registered book-entry shares of SPIMEX, JSC at par value of RUB 58	75,000,000
2	Transnefteproduct, JSC Transneft, PJSC	Purchase and sale of 142,288 ordinary registered book-entry shares of Transnefteproduct West, JSC at par value of RUB 1	192,815,204
3	Transneft Ust-Luga, LLC Transneft, PJSC	Purchase and sale of a 26% stake in the authorised capital of Nevskaya Pipeline Company, LLC.	549,989,200

APPENDIX NO. 3. LIST OF INTERESTED-PARTY TRANSACTIONS

INFORMATION ABOUT THE INTERESTED-PARTY TRANSACTIONS CONCLUDED BY TRANSNEFT IN 2020 IS NOT DISCLOSED (PROVIDED) ON THE BASIS OF RESOLUTION OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 400 DATED 4 APRIL 2019 ON THE SPECIFICS OF DISCLOSURE AND PROVISION OF INFORMATION SUBJECT TO DISCLOSURE AND PROVISION IN ACCORDANCE WITH THE REQUIREMENTS OF THE FEDERAL LAW ON JOINT-STOCK COMPANIES AND THE FEDERAL LAW ON SECURITIES MARKET. A CORRESPONDING NOTIFICATION WAS SENT TO THE BANK OF RUSSIA (PARAGRAPH 6 OF ARTICLE 30.1 OF FEDERAL LAW NO. 39-FZ ON SECURITIES MARKET DATED 22 APRIL 1996).



APPENDIX NO. 4. LIST OF MAJOR TRANSACTIONS MADE BY ESSENTIAL TRANSNEFT SUBSIDIARIES IN 2020

INFORMATION ABOUT THE MAJOR TRANSACTIONS MADE BY ESSENTIAL TRANSNEFT SUBSIDIARIES IN 2020 IS NOT DISCLOSED (PROVIDED) ON THE BASIS OF RESOLUTION OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 400 DATED 4 APRIL 2019 ON THE SPECIFICS OF DISCLOSURE AND PROVISION OF INFORMATION SUBJECT TO DISCLOSURE AND PROVISION IN ACCORDANCE WITH THE REQUIREMENTS OF THE FEDERAL LAW ON JOINT-STOCK COMPANIES AND THE FEDERAL LAW ON SECURITIES MARKET. A CORRESPONDING NOTIFICATION WAS SENT TO THE BANK OF RUSSIA (PARAGRAPH 6 OF ARTICLE 30.1 OF FEDERAL LAW NO. 39-FZ ON SECURITIES MARKET DATED 22 APRIL 1996).

APPENDIX NO. 5. CAPITAL INVESTMENT FINANCING SOURCES OF TRANSNEFT IN 2020

Item No.	Name	Amount, RUB million
1.	Total capital investments	1,049.1
1.1	Transneft's information and computing infrastructure (hardware and software)	83.3
1.2	Information systems (application software)	728.7
1.3	Capital investments in the multifunctional complex Evolution Tower	38.5
1.4	Other capital investments	198.6
2.	Capital Investment Financing Sources	1,049.1
2.1	Own funds	1,010.6
2.2	Depreciation	1,010.6
2.3	Loans	38.5

APPENDIX NO. 6. CORPORATE GOVERNANCE CODE PRINCIPLES COMPLIANCE REPORT

The Transneft Board of Directors confirms that the data cited contain complete and accurate information for 2020 about the Company's compliance with the corporate governance principles and recommendations set out in the Corporate Governance Code approved by the Bank of Russia's Board of Directors on 21 March 2014.

Information on compliance with the principles and an explanation of reasons why a given principle is only partially complied with or not complied with completely, as well as the planned measures and the deadlines related to observance of the principles, are given below.

Item No.	Corporate governance principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
1.1	The Company must ensure an equitable and just attitude to all shareholders who would like to use their right to participation in the Company's governance.			
1.1.1	The Company ensures that the shareholders enjoy the most favourable conditions for participating in the General Meeting, the best conditions for working out a reasonable position on the agenda of the General Meeting, for coordinating their actions and that they have an opportunity to speak out and voice their opinions on the issues under discussion.	1. Publicly available is the Company's internal document adopted by the General Meeting of Shareholders and regulating the procedure of holding the General Meetings. 2. The Company provides accessible methods of communication with the Company, including hotlines, email or an online forum, which enable shareholders to speak out and send queries on the agenda while preparing for the respective General Meeting. The above actions were undertaken by the Company on the eve of each General Meeting held in the reporting period.	Observed	
1.1.2	Procedure of reporting on the General Meeting and providing materials for the General Meeting gives shareholders a chance to duly prepare for participation therein.	1. A message about the General Meeting of Shareholders shall be published on the official website at least 30 days before the date of the General Meeting. 2. Any notice about a meeting shall indicate the place of the meeting, as well as the documents needed for access to the premises. 3. Shareholders were given access to the information about who suggested the agenda's issues and who nominated the candidates to the Board of Directors and to the Company's Revision Commission.	Partially observed	Not observed as regards Clauses 1 and 2. A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: In view of the Company's joint-stock capital specifics (100% of the voting shares belong to the Russian Federation), the abovementioned standards are not applicable by law: in the period when all the voting shares of the Company are owned by one shareholder, decisions on all matters lying within the competence of the General Meeting of Shareholders are made by the shareholder, which is the Russian Federation represented by the Federal Agency for State Property Management, solely and in writing. Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Not applicable by law. Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks by virtue of the fact that the Company is constantly in touch with the shareholder who owns all the voting shares of the Company, ensuring, among other things, their access to information. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Nonconformity to the provision of the Code is limited in time: until the Company's joint-stock capital structure changes. The Forecast Plan (Programme) of Federal Property Privatisation and the Guidelines of Federal Property Privatisation for 2020–2022 approved by Directive of the Government of the Russian Federation No. 3260-r dated 31 December 2019 do not envisage alienation of state-owned shares of Transneft. If the joint-stock capital structure changes in the future, the Company intends to observe the given elements of the Code.

Item No.	Corporate governance principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
1.1.3	In the course of preparation for and conduct of the General Meeting, shareholders had unrestricted and timely access to all information about the meeting and materials thereto, could address questions to the Company's executive bodies and members of the Board of Directors, as well as interact with each other.	1. During the reporting period, shareholders were granted the opportunity to address their questions to the members of the Company's executive bodies and the Board of Directors before and during the annual General Meeting. 2. The stance of the Board of Directors (including special opinions included in the minutes) on every issue of the general meetings' agenda was included in the materials for the General Meeting of Shareholders. 3. The Company gave the shareholders entitled to this information access to the list of persons having the right to participate in the General Meeting since the date of its receipt by the Company in all cases of holding General Meetings during the reporting period.	Partially observed	Not observed as regards Clauses 1 and 3. A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: In view of the Company's joint-stock capital specifics (100% of the voting shares belong to the Russian Federation), the abovementioned standards are not applicable by law: in the period when all the voting shares of the Company are owned by one shareholder, decisions on all matters lying within the competence of the General Meeting of Shareholders are made by the shareholder, which is the Russian Federation represented by the Federal Agency for State Property Management, solely and in writing. Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Not applicable by law. Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks by virtue of the fact that the Company is constantly in touch with the shareholder who owns all the voting shares of the Company, ensuring, among other things, their access to information. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Nonconformity to the provision of the Code is limited in time: until the Company's joint-stock capital structure changes. The Forecast Plan (Programme) of Federal Property Privatisation and the Guidelines of Federal Property Privatisation for 2020–2022 approved by Directive of the Government of the Russian Federation No. 3260-r dated 31 December 2019 do not envisage alienation of state-owned shares of Transneft. If the joint-stock capital structure changes in the future, the Company intends to observe the given elements of the Code.
1.1.4	The right of shareholders to demand the calling of the General Meeting, put forward nominees to the management bodies and suggest items to be included in the agenda of the General Meeting could be exercised without any unjustified complications.	1. In the reporting period, the shareholders had the opportunity to suggest items to be included in the agenda of the Annual General Meeting for the period of at least 60 days after the end of the respective calendar year. 2. In the reporting period, the Company did not reject suggested agenda items or nominees to the management bodies because of misprints or other minor defects in a shareholder's proposal.	Not observed	A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: In view of the Company's joint stock capital specifics (100% of the voting shares belong to the Russian Federation), the abovementioned standards are not applicable by law. Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Not applicable by law. Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks by virtue of the fact that the General Meeting is not held in view of the Company's joint stock capital specifics. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Nonconformity to the provision of the Code is limited in time: until the Company's joint-stock capital structure changes. The Forecast Plan (Programme) of Federal Property Privatisation and the Guidelines of Federal Property Privatisation for 2020–2022 approved by Directive of the Government of the Russian Federation No. 3260-r dated 31 December 2019 do not envisage alienation of state-owned shares of Transneft. If the joint-stock capital structure changes in the future, the Company intends to observe the given elements of the Code.

Item No.	Corporate governance principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
1.1.5	Each shareholder had the opportunity to exercise their voting right in the simplest and most convenient manner without any obstruction.	1. The Company's internal document (internal policy) contains provisions ensuring that before the end of the respective General Meeting each participant of the General Meeting can demand a copy of the ballot completed by them and authenticated by the ballot commission.	Observed	
1.1.6	The procedure of holding the General Meeting established by the Company provides equal opportunity for all persons in attendance to express their opinion and ask questions.	1. When holding general meetings of shareholders during the reporting period in the form of a meeting (joint presence of shareholders), adequate time was planned for reports on agenda issues, as well as for their discussion. 2. Candidates for the Company's managing and control bodies were open for answering the questions of shareholders at the meeting where their candidatures were put up for voting. 3. When making decisions related to the preparation and conduct of general meetings of shareholders, the Board of Directors contemplated the use of telecommunications to provide the shareholders with remote access for participation in general meetings during the reporting period.	Not observed	A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: In view of the Company's joint-stock capital specifics (100% of the voting shares belong to the Russian Federation), the abovementioned standards are not applicable by law: in the period when all the voting shares of the Company are owned by one shareholder, decisions on all matters lying within the competence of the General Meeting of Shareholders are made by the shareholder, which is the Russian Federation represented by the Federal Agency for State Property Management, solely and in writing. Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Not applicable by law. Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks by virtue of the fact that the General Meeting is not held in view of the Company's joint stock capital specifics. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Nonconformity to the provision of the Code is limited in time: until the Company's joint-stock capital structure changes. The Forecast Plan (Programme) of Federal Property Privatisation and the Guidelines of Federal Property Privatisation for 2020–2022 approved by Directive of the Government of the Russian Federation No. 3260-r dated 31 December 2019 do not envisage alienation of state-owned shares of Transneft. If the joint-stock capital structure changes in the future, the Company intends to observe the given elements of the Code.
1.2	The shareholders are given equal and fair opportunity to participate in the Company's profits by way of receiving dividends			
1.2.1	The Company developed and implemented a transparent and understandable mechanism of determining the amount of dividends and the procedure of distribution thereof.	1. The dividend policy is developed at the Company, adopted by the Board of Directors and disclosed. 2. If the Company's dividend policy makes use of the Company's reporting data to determine the amount of dividends, the respective provisions of the dividend policy take account of the consolidated financial reporting data.	Observed	
1.2.2	The Company does not make the decision on paying dividends, if such decision, while avoiding any breach of the limitations stipulated by the law, is economically unjustified and can result in a false conception of the Company's activities.	1. The Company's dividend policy contains clear reference to the financial/economic circumstances, under which the Company shall refrain from paying dividends.	Observed	
1.2.3	The Company does not allow deterioration of the dividend rights of the existing shareholders.	1. In the reporting period, the Company avoided any actions that could result in deterioration of the dividend rights of the existing shareholders.	Observed	

Item No.	Corporate governance principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
1.2.4	The Company seeks to ensure that the shareholders do not receive profit at the Company's expense by any way other than dividends and liquidation cost.	1. In order to ensure that the shareholders do not receive profit at the Company's expense by any way other than dividends and liquidation cost, the Company's internal documents stipulate control mechanisms which provide for timely discovery and necessitate the procedure of approval of deals with persons affiliated with (related to) major shareholders (those who are entitled to control the votes assigned to the voting shares) in the instances where the law does not recognise such transactions as interested-party transactions.	Observed	
1.3	The corporate governance system and practice provide equal conditions for all shareholders of the same category (kind), including minority shareholders and foreign shareholders, and equal treatment of those on the part of the Company.			
1.3.1	The Company created conditions for fair treatment of each shareholder by the Company's management bodies and controlling persons, including the conditions which make it inadmissible for major shareholders to abuse minority shareholders.	1. In the reporting period, the management of potential conflicts of interest of major shareholders was effective and the conflicts between shareholders, if any, were duly addressed by the Board of Directors.	Observed	
1.3.2	The Company refrains from any actions which lead or may lead to artificial redistribution of corporate control.	1. No quasi-treasury shares existed or participated in voting during the reporting period.	Observed	
1.4	The shareholders are provided with reliable and effective methods of recording the rights to shares, as well as the opportunity of free and unhindered alienation of the shares held by them.			
1.4.1	The shareholders are provided with reliable and effective methods of recording the rights to shares, as well as the opportunity of free and unhindered alienation of the shares held by them.	1. The quality and reliability of the activities of the Company's registrar in maintaining the shareholder register are aligned with the needs of the Company and its shareholders.	Observed	
2.1	The Board of Directors carries out strategic management of the Company, determines the main principles of and approaches to organising the Company's risk management and internal control system, inspects the Company's executive bodies and performs other key functions.			
2.1.1	The Board of Directors is in charge of making decisions related to the appointment to and dismissal of personnel from their positions in executive bodies, including on account of undue performance of their duties. The Board of Directors also makes sure the Company's executive bodies act in accordance with the approved development strategy and the key areas of the Company's business activities.	1. The Articles of Association empower the Board of Directors to appoint to and dismiss a person from any position, as well as to determine the terms of contracts signed by members of executive bodies. 2. The Board of Directors reviewed a report (reports) of the sole executive body and members of the collegial executive body on execution of the Company's strategy.	Partially observed	Not observed as regards Clause 1 (appointment of the Company's President). A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: In keeping with the Articles of Association approved by the only shareholder who owns all the voting shares, it is the General Meeting of Shareholders that makes appointment to the President's position. Yet forming the Management Board is the Board of Directors' responsibility. Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Not observed by virtue of the decision made by the sole shareholder which owned all the voting shares at the time when the Articles of Association of the Company were being approved. Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks by virtue of the fact that Transneft is a Company of strategic importance and any decision by the Board of Directors regarding the President's election would have been based on Executive Orders of the Government of the Russian Federation as well. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Nonconformity to the Code's provision is limited in time: until the shareholder (shareholders) approves respective changes to the Company's Articles of Association.

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1	2	3	4	5
2.1.2	The Board of Directors sets the main guidelines for the Company's long-term activities, evaluates and adopts the key performance indicators and the principal business goals of the Company, evaluates and approves the strategy and business plans for the main activities of the Company.	1. In the reporting period, the meetings of the Board of Directors were concerned with the issues related to the fulfillment and updating of the strategy, adoption of the financial and operational plan (budget) of the Company and review of the criteria and indicators (including intermediate ones) of implementation of the Company's strategy and business plans.	Observed	
2.1.3	The Board of Directors determines the principles of and approaches to organising the Company's risk management and internal control system.	1. The Board of Directors determined the principles of and approaches to organising the Company's risk management and internal control system. 2. The Board of Directors assessed the risk management and internal control system in the Company during the reporting period.	Observed	
2.1.4	The Board of Directors determines the Company's policy with regard to remuneration and (or) reimbursement of the members of the Board of Directors, executive bodies and other key managers of the Company.	1. The Company developed and implemented the policy(ies) of remuneration and reimbursement for the members of the Board of Directors, executive bodies and other key managers of the Company, as approved by the Board of Directors. 2. In the reporting period, the meetings of the Board of Directors dealt with issues related to the said policy(ies).	Observed	
2.1.5	The Board of Directors plays the key role in preventing, unveiling and settling internal conflicts between the Company's bodies, shareholders and employees.	1. The Board of Directors plays the key role in preventing, unveiling and settling internal conflicts. 2. The Company created a system of identifying transactions related to conflict of interests and a system of measures to resolve such conflicts.	Observed	
2.1.6	The Board of Directors plays the key role in making the Company's activities transparent, ensuring timely and complete information disclosure by the Company, unhindered access of the shareholders to the Company's documents.	1. The Board of Directors adopted the Regulations on Information Policy. 2. The Company appointed the officials responsible for the implementation of its information policy.	Observed	
2.1.7	The Board of Directors controls the practice of corporate governance in the Company and plays the key role in major corporate events.	1. In the reporting period, the Board of Directors considered issues of corporate governance practice.	Observed	
2.2	The Board of Directors is accountable to the Company's shareholders.			
2.2.1	Information on the work of the Board of Directors is disclosed and provided to the shareholders.	1. The Company's Annual Report includes information on directors' attendance of the meetings of the Board of Directors and its Committees. 2. The Annual Report contains information on the results of assessment of the Board's performance in the reporting period.	Observed	
2.2.2	The Chairman of the Board of Directors is available for communication with the Company's shareholders.	1. A transparent procedure was introduced, enabling shareholders to forward their questions and their stance to Chairman of the Board of Directors.	Observed	
2.3	The Board of Directors is an efficient and professional managing body of the Company, capable of making unbiased independent judgments, as well as decisions in the best interests of the Company and its shareholders.			
2.3.1	Only people having untarnished business and personal reputation, as well as the knowledge, skills and experience necessary for making decisions within the competence of the Board, as well as for the Board's functioning, are elected as members of the Board of Directors.	1. The procedure of assessing the performance of the Board of Directors used in the Company also allows to assess the qualification possessed by members of the Board of Directors. 2. During the reporting period, the Board of Directors (or its Committee for Nominations) estimated candidates to the Board of Directors in terms of the necessary experience, knowledge, business reputation, the lack of conflict of interests, etc.	Observed	

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1	2	3	4	5
2.3.2	Members of the Company's Board of Directors are elected via a transparent procedure allowing the shareholders to receive adequate information about the candidates for the shareholders to have an idea about their personal and professional qualities.	1. In all the cases of holding the General Meetings of Shareholders during the reporting period, whose agenda included the Board election issues, the Company provided the shareholders with bios of all the candidates; the results of those candidates' assessment conducted by the Board of Directors (or its Committee for Nominations), as well as information about the candidates' compliance with independence criteria, in keeping with Recommendations 102-107 of the Code, and a written consent of the candidates to being elected as directors on the Board of Directors.	Partially observed	Not observed as regards the assessment of candidates. A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The list of candidates to be elected as representatives of the Russian Federation or independent directors in the Company's Board of Directors is approved by a decision (directive) of the Government of the Russian Federation. As per Paragraph 3 of Resolution of the Government of the Russian Federation No. 851 On Amending Certain Acts of the Government of the Russian Federation dated 19 July 2017, the Ministry of Finance of Russia approves the criteria for candidate election to the boards of directors of joint-stock companies whose shares are owned by the Russian Federation. Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: In view of the Company's joint-stock capital specifics (100% of the voting shares belong to the Russian Federation). Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks as the candidates for the Board of Directors are determined by the sole shareholder, the owner of all voting shares of the Company, as well as by virtue of the fact that the Company makes sure the independence of the Board members elected by such shareholder is reviewed by the Board of Directors. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Nonconformity to the provision of the Code is limited in time: until the Company's joint-stock capital structure changes. The Forecast Plan (Programme) of Federal Property Privatisation and the Guidelines of Federal Property Privatisation for 2020–2022 approved by Directive of the Government of the Russian Federation No. 3260-r dated 31 December 2019 do not envisage alienation of state-owned shares of Transneft. If the joint-stock capital structure changes in the future, the Company intends to observe the given elements of the Code.
2.3.3	The Board of Directors is balanced, including in terms of the level of skills possessed by its members, their experience, knowledge and business qualities, enjoying shareholders' trust.	1. As part of the procedure to assess the performance of the Board of Directors, conducted during the reporting period, the Board of Directors analysed its own need for professional and business skills, as well as experience.	Observed	
2.3.4	Numerical composition of the Company's Board of Directors makes it possible to organise the Board's activities most efficiently, including the formation of the Board's Committees, also granting substantial minority shareholders a chance to elect the candidate they vote for to the Company's Board of Directors.	1. As part of the Board of Directors' evaluation procedure conducted during the reporting period, the Board of Directors considered conformity of the Board's numerical composition to the Company's needs and best interests of shareholders.	Observed	

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1	2	3	4	5
2.4	The Board of Directors includes a sufficient number of independent directors.			
2.4.1	An independent director is a person possessing sufficient professional knowledge, experience and self-reliance to form their own stance, capable of exercising non-biased and honest judgements independent of the influence of the Company's executive bodies, groups of shareholders or other interested parties. That said, account should be taken of the fact that under normal conditions, a nominee (elected member of the Board of Directors) cannot be considered independent if he/she is related to the Company, a major shareholder, a major counterpart or competitor of the Company or is connected to the state.	1. In the reporting period, all independent members of the Board of Directors complied with all criteria of independence stated in Recommendations 102-107 of the Code or were recognised to be independent by the decision of the Board of Directors.	Observed	
2.4.2	The compliance of candidates for the Board of Directors with the independence criteria is assessed, followed up with a regular analysis of the independent Board members' compliance with the independence criteria. Content or substance shall prevail over form in such assessment.	1. In the reporting period, the Board of Directors (or its Committee for Nominations) formed an opinion on independence of each candidate for the Board of Directors and presented its respective opinion to shareholders. 2. During the reporting period, the Board of Directors (or its Committee for Nominations) reviewed independence of the incumbent Board members indicated by the Company in its Annual Report as independent directors at least once. 3. The Company has developed procedures detailing the necessary actions to be taken by a member of the Board of Directors if the latter ceases being independent, including the commitment to make the Board of Directors aware of this change in their status.	Partially observed	Not observed as regards Clause 1. A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The list of candidates to be elected as representatives of the Russian Federation or independent directors in the Company's Board of Directors is approved by a decision (directive) of the Government of the Russian Federation. As per Paragraph 3 of Resolution of the Government of the Russian Federation No. 851 On Amending Certain Acts of the Government of the Russian Federation dated 19 July 2017, the Ministry of Finance of Russia approves the criteria for candidate election to the boards of directors of joint-stock companies whose shares are owned by the Russian Federation. Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: In view of the Company's joint-stock capital specifics (100% of the voting shares belong to the Russian Federation). Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks by virtue of the fact that the Company makes sure the independence of the Board members elected by the sole shareholder, the owner of all voting shares, is reviewed by the Board of Directors. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Nonconformity to the provision of the Code is limited in time: until the Company's joint-stock capital structure changes. The Forecast Plan (Programme) of Federal Property Privatisation and the Guidelines of Federal Property Privatisation for 2020–2022 approved by Directive of the Government of the Russian Federation No. 3260-r dated 31 December 2019 do not envisage alienation of state-owned shares of Transneft. If the joint-stock capital structure changes in the future, the Company intends to observe the given elements of the Code.
2.4.3	Independent Directors account for at least one third of the elected Board of Directors.	1. Independent Directors account for at least one third of the Board of Directors.	Observed	
2.4.4	Independent directors play the key role in preventing internal conflicts in the Company and in performing material corporate actions by the Company.	1. Independent directors (having no conflict of interests) preliminarily assess material corporate actions, with a possible conflict of interests involved, whereas the results of such assessment are submitted to the Board of Directors.	Observed	

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1	2	3	4	5
2.5	The Chairman of the Board of Directors contributes to most efficient performance of the functions laid upon the Board of Directors.			
2.5.1	An independent director is elected as the Chairman of the Board of Directors, or a senior independent director coordinating the work of independent directors and interacting with the Board's Chairman is appointed from among the elect independent directors.	1. The Chairman of the Board of Directors is an independent director, or a senior independent director appointed from among the independent directors. 2. The role, rights and obligations of the Chairman of the Board of Directors (and, if applicable, of the senior independent director) are duly defined in the Company's internal documents.	Partially observed	Not observed as regards Clause 1. A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: In view of the Company's joint-stock capital specifics (100% of the voting shares are owned by the Russian Federation), as well as the fact that the Company is on the list of companies of strategic importance, the Board of Directors is chaired by a professional fiduciary – a representative of interests of the Russian Federation. Furthermore, the Company believes that the current structure (the ratio of professional fiduciaries to independent directors) and system of the Board of Directors' operations is effective without establishing the position of a senior independent director. Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Given the structure of the joint-stock capital, election of the Chairman of the Company's Board of Directors is stipulated by Executive Orders of the Government of the Russian Federation. According to the decision of the Company's Board of Directors dated 19 October 2020, based on the executive order of the Government of the Russian Federation, the professional fiduciary representing the interests of the Russian Federation, Alexander Novak, Deputy Chairman of the Government of the Russian Federation, was voted to be the Chairman of the Board of Directors. The Board of Directors made no decisions to appoint a senior independent director. Description of the Company's measures taken to mitigate additional risks: The Regulations on the Company's Board of Directors, approved by Directive of the Federal Agency for State Property Management No. 392-r dated 30 June 2017, provide for the opportunity for the Board of Directors to appoint a senior independent director. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: The requirement of Paragraph 1. of the Report concerning election of an independent director to be the Chairman of the Board of Directors cannot be met because the election of the Chairman of the Board of Directors of the Company is stipulated by Executive Orders of the Government of the Russian Federation. Nonconformity to the provision of the Code is limited in time: until the Company's joint-stock capital structure changes. The Forecast Plan (Programme) of Federal Property Privatisation and the Guidelines of Federal Property Privatisation for 2020–2022 approved by Directive of the Government of the Russian Federation No. 3260-r dated 31 December 2019 do not envisage alienation of state-owned shares of Transneft. If the joint-stock capital structure changes in the future, the Company intends to observe the given elements of the Code.
2.5.2	The Chairman of the Board of Directors makes provision for constructive meetings, free discussion of the issues included in the agenda and oversight of implementation of the decisions made by the Board of Directors.	1. The performance of the Chairman of the Board of Directors was assessed within the procedure of performance appraisal of the Board of Directors in the reporting period.	Observed	
2.5.3	The Chairman of the Board of Directors takes measures required for timely provision of the members of the Board of Directors with the information necessary for making decisions on the agenda items.	1. The duty of the Chairman of the Board of Directors to take measures for timely provision of the members of the Board of Directors with the materials on the agenda of the meeting of the Board of Directors is stipulated by the Company's internal documents.	Observed	

Item No.	Corporate governance principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
2.6	Members of the Board of Directors conscientiously and reasonably promote the best interests of the Company and its shareholders being sufficiently informed, with due care and prudence.			
2.6.1	Members of the Board of Directors make decisions taking into account all the information available, when no conflict of interests is present, with an equal attitude towards the Company's shareholders within the usual entrepreneurial risk.	1. The Company's internal documents prescribe that a member of the Board of Directors is bound to notify the Board of Directors in case a conflict of interests arises relative to any issue of the agenda at a meeting of the Board of Directors or a meeting of a Board's Committee, prior to discussing the respective issue of the agenda. 2. The Company's internal documents prescribe that a member of the Board of Directors shall abstain from voting on any matter where a conflict of interests is present. 3. The Company has established a procedure for the Board of Directors to receive professional advice on matters within its competence at the Company's expense.	Observed	
2.6.2	The rights and duties of the members of the Board of Directors are clearly formulated and stipulated in the Company's internal documents.	1. The Company adopted and published an internal document clearly defining the rights and duties of the members of the Board of Directors.	Observed	
2.6.3	Members of the Board of Directors have enough time to perform their duties.	1. Individual attendance of meetings of the Board of Directors and committees, as well as the time spent on preparation for meetings were taken into account within the procedure of evaluation of the Board of Directors during the reporting period. 2. In keeping with the Company's internal documents, members of the Board of Directors are obliged to notify the Board of their intention to enter managing bodies of other organisations (other than the Company's subsidiaries and controlled entities), as well as of the fact of their appointment.	Observed	
2.6.4	All the members of the Board of Directors have equal access to the Company's documents and information. Newly elected members of the Board of Directors are provided with ample information about the Company and the Board of Directors' work at the shortest possible notice.	1. In keeping with the Company's internal documents, members of the Board of Directors have the right to get access to documents and file queries regarding the Company and subordinate entities, whereas the Company's executive bodies are obliged to provide respective information and documents. 2. A formal programme of introductory events for newly elected members of the Board of Directors is in place at the Company.	Observed	

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1	2	3	4	5
2.7	Meetings of the Board of Directors, preparations for them and participation therein of the members of the Board of Directors assure efficient operations of the Board of Directors.			
2.7.1	Meetings of the Board of Directors are held as and when required, taking account of the scale of activities and the challenges facing the Company in a certain period.	1. The Board of Directors held at least six meetings in the reporting year.	Observed	
2.7.2	The Company's internal documents formalise the procedure of preparing and holding meetings of the Board of Directors, which ensures that the members of the Board of Directors have an opportunity to get ready for the meeting in a proper way.	1. The Company adopted an internal document stipulating the procedure for preparing and holding meetings of the Board of Directors, including the provision stating that notifications of the meeting shall be provided, as a rule, at least 5 days before the date of the meeting.	Observed	
2.7.3	The form of holding meetings of the Board of Directors is chosen with regard for importance of the items on the agenda. The most important issues are resolved at in-person meetings.	1. The Company's Articles of Association or internal documents specify that most important items (pursuant to the list given in Recommendation 168 of the Code) shall be addressed at in-person meetings of the Board of Directors.	Partially observed	Not observed as regards formal inclusion in the internal documents (Articles of Association) of the provision to the effect that the most important matters are to be considered at in-person meetings of the Board of Directors. A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The Company's Articles of Association determine the range of issues addressed and resolved by the Board of Directors at its meetings held mainly in person. Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Not observed by virtue of the decision made by the sole shareholder who owned all the voting shares at the time when the Articles of Association and the Regulations on the Board of Directors of the Company were being approved. Description of the Company's measures taken to mitigate additional risks: The Regulations on the Board of Directors stipulate that the Chairman of the Board of Directors determines the form of the meeting to be held, with in-person meetings being preferable for addressing major issues. In 2020, the following issues were considered at in-person meetings of the Board of Directors: 1) on election of the Chairman of the Board of Directors of Transneft. 2) on the members of the Management Board of Transneft. 3) on preliminary approval of the Company's Annual Report and annual accounting (financial) statements; 4) on preliminary distribution of profit of Transneft for 2019, including on the amount, form and procedure of annual dividends payment on all types of shares of Transneft (Recommendations). 5) on consolidated budget of the Group and the Company's budget; 6) on approval of the target key performance indicators of Transneft's activities for 2021. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: The Company's full observance of this recommendation largely depends on the work schedule of the Chairman of the Board of Directors, who is the Deputy Chairman of the Government of the Russian Federation. Additionally, the approach currently being applied meets the Company's needs. Nonconformity to the Code's provision is limited in time: until the decision of the sole shareholder, the owner of all voting shares of the Company, on approval of respective changes to the Company's Articles of Association.
2.7.4	Decisions on the critical issues of the Company's activities are passed at the meetings of the Board of Directors by a qualified majority or a majority vote of all elected members of the Board of Directors.	1. The Articles of Association stipulate that decisions on critical issues, as stated in Recommendation 170 of the Code, shall be adopted at the meeting of the Board of Directors by a qualified three-quarter majority vote or more, or by a majority vote of all elected members of the Board of Directors.	Observed	

Item No.	Corporate governance principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
2.8	The Board of Directors establishes committees to carry out preliminary consideration of the most important issues related to the Company's activities.			
2.8.1	For preliminary review of issues related to monitoring the Company's financial and operational activities, the Audit Committee, composed of independent directors, was established.	1. The Board of Directors set up the Audit Committee entirely composed of independent directors. 2. The Company's internal documents stipulate the responsibilities of the Audit Committee, including those mentioned in Recommendation 172 of the Code. 3. At least one member of the Audit Committee, who is an independent director, has experience and expertise in the field of preparation, analysis, assessment and auditing of accounting (financial) statements. 4. The meetings of the Audit Committee were held at least once a quarter in the reporting period.	Observed	
2.8.2	For preliminary review of issues related to the establishment of efficient and transparent practice of remuneration, the Remuneration Committee composed of independent directors and headed by an independent director other than the Chairman of the Board of Directors was set up.	1. The Board of Directors set up the Remuneration Committee entirely composed of independent directors. 2. The Remuneration Committee is chaired by an independent director other than the Chairman of the Board of Directors. 3. The Company's internal documents stipulate the responsibilities of the Remuneration Committee, including those mentioned in Recommendation 180 of the Code.	Observed	
2.8.3	For preliminary review of issues related to human resource planning (business continuity planning), professional composition and efficiency of the work of the Board of Directors, a committee for nominations (staffing, appointment) was set up, which is mainly composed of independent directors.	1. The Board of Directors set up the Committee for Nominations (otherwise its responsibilities stated in Recommendation 186 of the Code are fulfilled by another committee) mainly composed of independent directors. 2. The Company's internal documents stipulate the responsibilities of the Committee for Nominations (or the committee with respective functions), including those mentioned in Recommendation 186 of the Code.	Observed	
2.8.4	Taking into account the scope of activities and the risk level, the Company's Board of Directors made sure that the composition of its committees is in full accordance with the goals of the Company. Additional committees were either established or not deemed necessary (the Strategy Committee, the Corporate Governance Committee, the Ethics Committee, the Risk Management Committee, the Budget Committee, the Health, Safety and Environment Committee, etc.)	1. During the reporting period, the Company's Board of Directors considered whether the composition of its Committees was in line with the tasks of the Board of Directors and the Company's goals. Additional committees were either established or not deemed necessary.	Observed	

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1	2	3	4	5
2.8.5	The composition of the committees was determined in a way allowing for comprehensive discussion of the issues requiring preliminary consideration, so that various opinions would be taken into account.	1. The Committees under the Board of Directors are chaired by independent directors. 2. The internal documents (policies) of the Company contain provisions determining that individuals who are not members of the Audit Committee, the Committee for Nominations and the Remuneration Committee may attend committee meetings strictly at the invitation of the chairman of the respective committee.	Partially observed	Partially observed as regards Clause 1. A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: Two of the three committees under the Board of Directors are entirely composed of independent directors and are headed by independent directors (the Audit Committee and the Human Resources and Remuneration Committee). The Strategy, Investments and Innovations Committee of the Company consists of 7 members, the Committee includes 2 independent directors, and in accordance with the decision of the Company's Board of Directors dated 19 October 2020 is headed by Kirill Dmitriev, a professional fiduciary. Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: According to the decision of the Board of Directors, the Strategy, Investments and Innovations Committee is chaired by the professional fiduciary K. Dmitriev, who, in the view of the members of the Board of Directors, has the necessary experience and expertise to carry out the respective duties and responsibilities. Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not pose any extra risks since the Company's Board of Directors includes a sufficient number of independent directors. Independent directors actively discuss and take part in the decision making on agenda items at meetings of the Board of Directors, including major decisions that can affect the interests of shareholders, including interests of the Company's preferred shareholders. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: The Company intends to comply with this provision of the Code in the future, if the number of independent directors is expanded. The Regulations on the Board of Directors provide for the position of a senior independent director, if elected, to chair the Strategy, Investments and Innovations Committee under the Board of Directors.
2.8.6	Chairpersons of the committees regularly inform the Board of Directors and its Chairperson about the work of their committees.	1. In the reporting period, the Chairpersons of the Committees regularly reported on the work of their committees to the Board of Directors.	Observed	

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1	2	3	4	5
2.9	The Board of Directors ensures assessment of performance of the Board of Directors, its committees and members of the Board of Directors.			
2.9.1	Evaluation of performance of the Board of Directors is aimed at identifying the level of efficiency of the Board of Directors, its Committees and the members of the Board of Directors, as well as how their performance complies with the development needs of the Company; it is also aimed at intensifying the activities of the Board of Directors and detecting the areas of activities allowing for improvement.	1. Self-evaluation or external evaluation of the performance of the Board of Directors carried out during the reporting period included evaluating the performance of the committees, individual members of the Board of Directors, and the Board of Directors as a whole. 2. The results of self-evaluation or external evaluation of the performance of the Board of Directors carried during the reporting period were considered at an in-person meeting of the Board of Directors.	Partially observed	Not observed as regards Clause 2. A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: Under the conditions of the coronavirus infection outbreak, almost all meetings of the Board of Directors in the corporate year 2020/21 were held in absentia. Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: According to the Work Schedule of the Board of Directors of the Company for the corporate year 2020/21, the item was included in the agenda of the meeting of the Board of Directors in absentia. Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not pose any extra risks since this practice is of an exceptional and temporary nature, the results of the assessment in 2018 and 2019 were considered at the in-person meetings of the Board of Directors. The Company provides a complete set of documents for meetings of the Board of Directors in absentia, as well as uses a special communication channel: the email of the Board of Directors for communication when necessary. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: In the event that restrictive measures related to the coronavirus infection outbreak are lifted, the Company will plan for holding meetings of the Board of Directors in person.
2.9.2	Performance of the Board of Directors, its Committees, and members of the Board of Directors is evaluated on a regular basis, at least once a year. An independent evaluation of the performance of the Board of Directors is conducted at least once in three years by an external organisation (analyst).	1. An independent evaluation of the performance of the Board of Directors was conducted at least once during the last three reporting periods, with an external organisation (analyst) engaged by the Company for this purpose.	Not observed	A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The document regulating the procedure of the Board of Directors evaluating its performance, specifically the Regulations on Assessment of the Transneft Board of Directors' Performance, was approved by the Board of Directors on 19 October 2017. In accordance with the Regulations, the internal assessment of the Board of Directors' performance was carried out twice. The Regulations also provide for an external assessment of the Board of Directors' performance. However, this assessment, planned for 2020 (Minutes of the meeting of the Board of Directors No. 2 dated 17 February 2020), was postponed to the corporate year 2021/22 (Minutes of the meeting of the Board of Directors No. 1 dated 20 February 2021). Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Under the conditions of the coronavirus infection outbreak, the external assessment was postponed by the decision of the Board of Directors to the corporate year 2021/22. Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not pose any extra risks since the Board of Directors has been conducting internal assessment of its performance since 2018. The results of such assessment are disclosed in the Company's Annual Reports. In addition, external assessment of the Board of Directors' performance is planned by decision of the Board of Directors. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: External assessment was postponed to the corporate year 2021/22.

Item No.	Corporate governance principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
3.1	The Company's Corporate Secretary is in charge of efficient current interaction with shareholders, coordination of the Company's activities protecting shareholders' rights and interests, as well as support of efficient performance of the Board of Directors.			
3.1.1	The Corporate Secretary has the knowledge, expertise and qualification sufficient for performing their duties and enjoys an impeccable reputation, as well as shareholders' trust.	1. An internal document, the Regulations on the Corporate Secretary, was adopted and implemented by the Company. 2. Biographical information on the Corporate Secretary is available on the Company's website and in the Annual Report; it has the same level of detail as the equivalent information on the members of the Board of Directors and the Company's executive management.	Not observed	A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The functions of the Corporate Secretary are carried out by a dedicated business unit (the Corporate Governance Department). The candidate to be appointed as the head of the business unit acting as the Company's Corporate Secretary was approved by the Board of Directors in January 2017. Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Such information cannot be provided for the reason that the Corporate Secretary's functions are carried out by a dedicated business unit (the Corporate Governance Department). The information contained in the Regulations on the Corporate Governance Department is confidential in accordance with the confidentiality policy adopted by the Company. Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks by virtue of the fact that the Corporate Secretary's functions are carried out not by an individual, but by a dedicated business unit (in the field of Corporate Governance), whose employees have knowledge, expertise, and qualification sufficient for performing their duties. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Nonconformity to the Code's provision is limited in time: until a Corporate Secretary is elected as an individual official of the Company and the Regulations on a Corporate Secretary are approved.
3.1.2	The Corporate Secretary is reasonably independent of the Company's executive bodies and has the necessary authority and resources to perform the tasks at hand.	1. The Board of Directors approves appointment, removal from office and additional remuneration for the Corporate Secretary.	Observed	

Item No.	Corporate governance principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
4.1	The level of remuneration paid by the Company is sufficient to employ, motivate and retain persons having the competence and qualification required by the Company. Payment of remuneration to the members of the Board of Directors, executive bodies and other key managers of the Company is made in accordance with the remuneration policy adopted by the Company.			
4.1.1	The level of remuneration paid by the Company to the members of the Board of Directors, executive bodies and other key managers provides sufficient motivation for their effective performance, enabling the Company to employ and retain competent and qualified experts. Meanwhile, the Company avoids paying remuneration in excess of the necessary level and allowing an unjustifiably big gap between the levels of remuneration of the said persons and the Company's employees.	1. The Company adopted an internal document(s), i. e. remuneration policy(ies), for the members of the Board of Directors, executive bodies and other key managers, which clearly define(s) the approach to rewarding those persons.	Observed	
4.1.2	The Company's remuneration policy is developed by the Remuneration Committee and adopted by the Company's Board of Directors. The Board of Directors, supported by the Remuneration Committee, ensures control of introduction and implementation of the remuneration policy in the Company, and, as necessity arises, revises and amends it.	1. In the reporting period, the Remuneration Committee considered the remuneration policy(ies) and the practice of their implementation and, where necessary, submitted respective recommendations to the Board of Directors.	Observed	
4.1.3	The Company's remuneration policy lays down transparent mechanisms of determining the amount of remuneration for the members of the Board of Directors, executive bodies and other key managers of the Company, as well as regulates all kinds of payments and privileges provided to the said persons.	1. The Company's remuneration policy(ies) lay(s) down transparent mechanisms of determining the amount of remuneration of the members of the Board of Directors, executive bodies and other key officials of the Company, as well as regulate(s) all kinds of payments and privileges provided to the said persons.	Observed	
4.1.4	The Company determines the policy of reimbursing expenses (compensation) specifying the list of expenses which can be reimbursed and the service level that members of the Board of Directors, executive bodies and other key managers can claim. Such policy can be included into the Company's remuneration policy.	1. The remuneration policy(ies) or other internal documents of the Company stipulate the rules of reimbursing expenses of the members of the Board of Directors, executive bodies and other key managers of the Company.	Observed	

Item No.	Corporate governance principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
4.2	The system of remuneration for members of the Board of Directors ensures bringing the Directors' financial interests closer to shareholders' long-term financial interests.			
4.2.1	The Company pays a fixed annual remuneration to members of the Board of Directors. The Company does not pay remuneration for participation in individual Board meetings or meetings of committees under the Board of Directors. The Company offers no short-term incentives or additional material incentives for members of the Board of Directors.	1. The fixed annual remuneration was the only monetary reward paid to the members of the Board of Directors for their activities as Board members during the reporting period.	Partially observed	Not observed as regards the variable part (the non-fixed part depending on the actual deliverables and achievements according to the KPI system) and to the remuneration based on the performance for a period under three years. A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The annual remuneration paid to members of the Board of Directors consists of two parts: the base (fixed) amount and the variable (non-fixed part depending on the actual deliverables and achievements according to the KPI system) amount. The amount of the remuneration is differentiated in accordance with the scope of liabilities assigned to each member of the Company's Board of Directors. Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: In view of the Company's joint-stock capital specifics (100% of the voting shares belong to the Russian Federation), the Regulations on Remuneration to Members of the Board of Directors are approved by the sole shareholder, the owner of voting shares, who determines the policy as regards the system of remuneration for the members of the Board of Directors at their discretion. Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks since the Regulations on Remuneration to Members of the Board of Directors implemented at the Company are in line with its strategic objectives. Since most of the members of the Board of Directors represent interests of the Russian Federation and vote in accordance with Executive Orders of the Government of the Russian Federation, their financial motivation is not definitive in making decisions that may affect the long-term prospects of the Company's development. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Nonconformity to the Code's provision is limited in time: until the shareholder, which is the Russian Federation represented by the Federal Agency for State Property Management, alters their opinion on this issue.
4.2.2	Long-term ownership of the Company's shares contributes the most towards bringing the Board member's financial interests closer to shareholders' long-term financial interests. At the same time, the Company does not condition the right to disposition of shares upon achievement of certain performance indicators, and members of the Board of Directors are not granted stock options.	1. If an internal document(s) such as a corporate remuneration policy(ies) implies provision of the Company's shares to members of its Board of Directors, clear rules governing ownership of shares by Board members promoting long-term ownership of such shares must be introduced and communicated.	Not observed	A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: Pursuant to the Regulations on Remuneration to Members of the Board of Directors approved by the decision made by the sole shareholder that owns all the voting shares as of 30 June 2015, remuneration for the members of the Board of Directors does not include granting the Company's shares to them. Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: In view of the Company's joint-stock capital specifics (100% of the voting shares belong to the Russian Federation). Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks since the Regulations on Remuneration to Members of the Board of Directors implemented at the Company are in line with its strategic objectives. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: The Company plans to comply with this provision of the Code after the sole shareholder that owns all the voting shares approves the Equity Buyback Programme, as some of the equity can be provided to members of the Board of Directors.
4.2.3	The Company does not provide for any extra payment or compensation in case of early termination of the powers of the members of the Board of Directors due to change of control over the Company or otherwise.	1. The Company does not provide for any extra payment or compensation in case of early termination of the powers of the members of the Board of Directors due to change of control over the Company or otherwise.	Observed	

Item No.	Corporate governance principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
4.3	The system of remuneration of the Company's executive bodies' members and other key managers implies that the remuneration depends on the Company's performance and on their personal contribution thereto.			
4.3.1	Remuneration of the executive bodies and other key managers of the Company is determined so as to provide a reasonable and well-grounded ratio of the fixed part of the remuneration and the variable part contingent on the Company's performance and the manager's personal (individual) contribution to the result.	1. In the reporting period, the annual performance indicators approved by the Board of Directors were used in determining the amount of the variable part of remuneration of the members of the executive bodies and other key managers of the Company. 2. In the course of the latest assessment of the remuneration system of members of executive bodies and other key managers of the Company, the Board of Directors (the Remuneration Committee) ascertained the fact that the Company used an effective ratio of the fixed and the variable part of remuneration. 3. The Company has a procedure in place which ensures that any bonuses received by members of executive bodies and other key managers in a wrongful way shall be returned to the Company.	Observed	
4.3.2	The Company has introduced a long-term share incentive plan for members of its executive bodies and other key managers (stock options or other financial derivatives, with the Company's shares being the underlying).	1. The Company has introduced a long-term share incentive plan for members of its executive bodies and other key managers (financial derivatives based on the Company's shares). 2. The Company's long-term share incentive plan for members of its executive bodies and other key managers implies that the right to dispose of the shares and other financial derivatives used in such a programme comes into effect no earlier than in three years after their provision. The said right depends on the achievement of certain performance indicators by the Company.	Not observed	A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The incentive scheme for members of executive bodies and other key managers of the Company does not imply using the Company's shares. In view of the Company's joint-stock capital specifics (100% of the voting shares are owned by the Russian Federation), implementation of a long-term motivation programme for members of the Company's executive bodies and other key managers is only possible with the use of the Company's preferred shares. According to the Privatisation Master Plan, the Company's preferred shares were gratuitously distributed among the Company's employees and equal-status persons in 1996. The Company's preferred shares have been listed in the stock exchange since 2008. In October 2018, the Company's Board of Directors considered the possibility of introducing the Long-Term Share Incentive Plan for Members of Executive Bodies and Other Key Managers of the Company (Derivative Financial Instruments Based on the Company's Shares). Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Execution of this recommendation by the Company depends on the Government of the Russian Federation approving the conditions for the introduction in the Company of the Long-Term Share Incentive Plan for Members of Executive Bodies and Other Key Managers of the Company (Derivative Financial Instruments Based on the Company's Shares). In addition, a draft law On Amending the Federal Law On Joint-Stock Companies and Article 5 of the Federal Law On Counteracting Unlawful Use of Insider Information and Market Manipulation and on Amending Certain Legislative Acts of the Russian Federation, which would allow the Company to purchase shares in the stock exchange specifically for use in the Incentive Plan, is under discussion. Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks since the Incentive Plan is in place for the Company's executive officers and key managers based on the actual performance of the Company against its strategic goals. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: The Company plans to comply with this provision of the Code after the Government of the Russian Federation approves the Equity Buyback Programme, as some of the equity can be provided to executive bodies (the Company's Long-Term Share Incentive Plan for Members of Executive Bodies and Other Key Managers of the Company (Derivative Financial Instruments Based on the Company's Shares)). Another important condition is the adoption of the law On Amending the Federal Law On Joint-Stock Companies and Article 5 of the Federal Law On Counteracting Unlawful Use of Insider Information and Market Manipulation and on Amending Certain Legislative Acts of the Russian Federation, which is currently under discussion and would allow the Company to purchase shares in the stock exchange specifically for use in the Incentive Plan.

Item No.	Corporate governance principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
4.3.3	The amount of compensation (golden parachute) paid by the Company in case of early termination of the powers of members of the executive bodies or key managers at the initiative of the Company and in the absence of any unethical practices on their part shall not exceed twice the amount of the fixed part of the annual remuneration.	1. The amount of compensation (golden parachute) paid by the Company in case of early termination of the powers of members of the executive bodies or key managers at the initiative of the Company and in the absence of any unethical practices on their part did not exceed twice the amount of the fixed part of their annual remuneration in the reporting period.	Observed	
5.1	The efficient Risk Management and Internal Control System is in place at the Company, which provides reasonable assurance in that the Company will achieve its goals.			
5.1.1	The Board of Directors determined the principles of and approaches to organising the Company's Risk Management and Internal Control System.	1. The functions exercised by various management bodies and business units of the Company within the Risk Management and Internal Control System are clearly defined in internal documents/ respective policy of the Company approved by the Board of Directors.	Partially observed	Not observed as regards internal control. A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The Transneft Regulations on Internal Control Procedures approved by the decision of the Board of Directors on 10 September 2009 (Minutes No. 12), as amended by the decision of the Board of Directors on 05 September 2017 (Minutes No. 10) establish that internal control is exercised, among others, by authorised business units of the Company, without naming specific titles, functions, rights and responsibilities of such business units. At the time of approval of the Regulations on Transneft's Internal Control Procedures in 2009, no regulatory requirements or methodical recommendations with regard to the contents of the internal document stipulating the principles and approaches to the organisation of the Company's internal control system existed. Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: The Board of Directors approved the Report on the Performance of Transneft's Internal Audit Unit for 2020 by its resolution in May 2021 whereby the Risk Management, Internal Control and Corporate Governance System of the Company and its subsidiaries was recognised as generally efficient. Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not pose any extra risks since internal control procedures are carried out at the Company. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: The approach to organisation of the internal control system may be revised in the corporate year 2021/22, taking into account the recommendations of the Bank of Russia regarding organisation of risk management and internal control, internal audit and work of the Committee under the Board of Directors (the Supervisory Board) on audit in public joint-stock companies.

Item No.	Corporate governance principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
5.1.2	The Company's executive bodies provide for creation and maintenance of the efficient Risk Management and Internal Control System with the Company.	1. The executive bodies of the Company ensured that risk management and internal control functions and authorities were distributed among subordinate managers (heads) of business units and sections.	Partially observed	Not observed as regards internal control. A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: Local regulatory documents (provisions on business units) of the Company lack clear distribution of internal control functions and authorities. At the time of approval of the Regulations on Transneft's Internal Control Procedures in 2009, no regulatory requirements or methodical recommendations with regard to the contents of the internal document stipulating the principles and approaches to the organisation of the Company's internal control system existed. Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: The Board of Directors approved the Report on the Performance of Transneft's Internal Audit Unit for 2020 by its resolution in May 2021 whereby the Risk Management, Internal Control and Corporate Governance System of the Company and its subsidiaries was recognised as generally efficient. Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not pose any extra risks since internal control procedures are carried out at the Company. Besides, the Company has the efficient Risk Management System in place and has provided for internal audit by creating separate business units (Risk Assessment Section of the Financial Support Directorate and Risk Assessment Section of the Department of Economics; Department of Internal Audit and Analysis of Core Business Activities). Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: The approach to organisation of the internal control system may be revised in the corporate year 2021/22, taking into account the recommendations of the Bank of Russia regarding organisation of risk management and internal control, internal audit and work of the Committee under the Board of Directors (the Supervisory Board) on audit in public joint-stock companies.
5.1.3	The Company's Risk Management and Internal Control System ensure non-biased, fair and clear understanding of the Company's standing and prospects, integrity and transparency of the Company's reporting, soundness and acceptability of the risks taken by the Company.	1. The Company adopted an anti-corruption policy. 2. The Company organised an accessible method of notifying the Board of Directors or its Audit Committee of law infringement, breaches of the internal procedures or the Company's code of ethics.	Partially observed	Not observed as regards Clause 2. A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The Company formalised internal control procedures only with respect to countering corruption. The Transneft Regulations on Internal Control Procedures, approved by the resolution of the Board of Directors of Transneft on 10 September 2009 (Minutes No. 12), as amended on 5 September 2017 (Minutes No. 10), establish that internal control is exercised, among others, by authorised business units of the Company, without naming specific titles, functions, rights and responsibilities of such business units (except for the business unit for countering corruption). Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Creation of a hotline to inform the Board of Directors or its Audit Committee of law infringement, breaches of the internal procedures or the Company's code of ethics is not envisaged by the Company's internal documents. Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not pose any extra risks since the Company accepts any reports and letters, including through the anti-corruption hotline. If the information contains any signs of violation of the law, the internal procedures or the code of ethics, it can be submitted to the Board of Directors and the Audit Committee. The competence of the Audit Committee includes supervising the measures taken by executive bodies of the Company after being informed about potential cases of employees' dishonest behaviour and other violations. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: In the 2021/22 corporate year it is planned to create a hotline to inform the Board of Directors or its Audit Committee of law infringement, breaches of the internal procedures or the Company's code of ethics within the improvement of internal control procedures.

Item No.	Corporate governance principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
5.1.4	The Company's Board of Directors is taking the necessary measures to ensure that the Risk Management and Internal Control System implemented at the Company complies with the principles of and approaches to organising it established by the Board of Directors and operates efficiently.	1. During the reporting period, the Board of Directors or the Audit Committee under the Board of Directors assessed the efficiency of the Company's Risk Management and Internal Control System. The key results of this assessment are included in the Company's Annual Report.	Observed	
5.2	In order to perform regular independent assessment of the reliability and efficiency of the risk management and internal control systems and the corporate governance practice, the Company carries out internal audit.			
5.2.1	In order to conduct internal audit, the Company set up a special business unit or engaged an independent external organisation. The functional and administrative reporting relationships of the internal control unit are differentiated. The internal audit unit is functionally accountable to the Board of Directors.	1. In order to conduct internal audit, the Company set up a special internal audit business unit that is functionally accountable to the Board of Directors or the Audit Committee or engages an independent external organisation with the same principle of accountability.	Observed	
5.2.2	The internal audit unit assesses the efficiency of the internal control, risk management and corporate governance system. The Company applies the Generally accepted auditing standards when conducting internal audit.	1. In the reporting period, the internal audit was used to provide assessment of the efficiency of the internal control and risk management system. 2. The Company applies the generally accepted approaches to internal control and risk management.	Observed	
6.1	The Company and its activities are transparent to shareholders, investors, and other stakeholders.			
6.1.1	The Company developed and implemented the information policy that ensures effective information exchange between the Company, shareholders, investors and other stakeholders.	1. The Board of Directors adopted the Company's information policy with account taken of the recommendations of the Code. 2. The Board of Directors (or one of its Committees) discussed compliance of the Company with its information policy at least once in the reporting period.	Observed	
6.1.2	The Company discloses information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of the Code.	1. The Company discloses information on its corporate governance system and the general corporate governance principles applied at the Company, also making it available on its corporate website. 2. The Company discloses information on membership in its executive bodies and the Board of Directors, the independence of the Board's members, and their membership in Committees under the Board of Directors (as determined by the Code). 3. If the Company is controlled by any entity, the Company publishes a memorandum of the controlling entity containing the entity's corporate governance plans regarding the Company.	Observed	
6.2	The Company discloses full, up-to-date and true information about the Company on a timely basis so that its shareholders and investors are in a position to make well-grounded decisions.			
6.2.1	The Company discloses information observing the principles of regularity, consistency and immediacy along with accessibility, trustworthiness, completeness and comparability of the data disclosed.	1. The Company's information policy defines the approaches and criteria of identifying information which can materially affect the Company's evaluation and the cost of its securities, as well as the procedures providing for timely disclosure of such information. 2. If the Company's securities are traded in foreign stock markets, disclosure of material information in the Russian Federation and in such markets is made simultaneously and equally during the reporting year. 3. If foreign shareholders own significant quantities of the Company's shares, the disclosure of information during the reporting year was not only made in the Russian language but also in one of the most common foreign languages.	Observed	

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1	2	3	4	5
6.2.2	The Company avoids being formal in disclosing information and discloses material information on its activities even if such disclosure is not stipulated by the law.	1. In the reporting period the Company disclosed its annual and semi-annual financial statements drawn up according to the IFRS. The Company's Annual Report for the reporting period includes the annual financial statements drawn up according to the IFRS rules along with the auditor's opinion. 2. The Company discloses complete information on its capital structure in its Annual Report and on the Company's website following Recommendation 290 of the Code.	Observed	
6.2.3	The Annual Report, being a critical instrument of communication with shareholders and other stakeholders, contains information that helps to assess the Company's performance for the year.	1. The Company's Annual Report contains information on the key aspects of the Company's operating activities and financial performance. 2. The Company's Annual Report contains information on environmental and social aspects of the Company's activities.	Observed	
6.3	The Company provides information and documents upon shareholders' request, adhering to the principles of equal and unhindered access.			
6.3.1	Information and documents are provided by the Company upon shareholders' request in compliance with the principles of equal and unhindered access.	1. The Company's information policy determines the procedure of shareholders' unhindered access to information, including information on legal entities controlled by the Company, upon shareholders' request.	Observed	
6.3.2	When providing information to shareholders, the Company ensures a reasonable tradeoff between the interests of individual shareholders and the interests of the Company itself being concerned about confidentiality of important commercial information that can materially affect its competitiveness.	1. In the reporting period, the Company did not reject shareholders' requests for information, or else, such refusals were well grounded. 2. In the cases defined by the Company's information policy shareholders are warned of confidential character of the information and assume obligation to maintain confidentiality.	Observed	
7.1	Activities which affect or may affect the structure of the Company's joint-stock capital and financial standings and, consequently, shareholders' situation (material corporate actions), are carried out on fair terms providing for observance of shareholders' and other stakeholders' rights and interests.			
7.1.1	Material corporate actions include the Company's reorganisation, acquisition of 30 per cent or more of the Company's voting shares (takeover), entering into significant transactions, increase or decrease of the Company's authorised capital, listing and delisting of the Company's shares, as well as other actions that may lead to material change in the rights of the shareholders or violate their interests. The Company's Articles of Association define the list (criteria) of transactions or other actions that are considered to be material corporate actions, with such actions being referred to the competence of the Board of Directors of the Company.	1. The Company's Articles of Association define the list of transactions or other actions that are considered to be material corporate actions and state the criteria for their identification. Making decisions on material corporate actions is within the competence of the Board of Directors. In cases where the law puts such corporate actions within the competence of the General Meeting of Shareholders, the Board of Directors provides shareholders with respective recommendations. 2. According to the Company's Articles of Association, material corporate actions include, but are not limited to, reorganisation of the Company, acquisition of 30 per cent or more of the Company's voting shares (takeover), entering into significant transactions, increase or decrease of the Company's authorised capital, listing and delisting of the Company's shares.	Partially observed	Not observed as regards the inclusion of the list of material corporate actions specifically in the Company's Articles of Association. A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: In accordance with the Articles of Association approved by the decision of the sole shareholder, the owner of all voting shares, the list of transactions or other actions that are material corporate actions and the criteria for their determination were not determined. Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Not observed by virtue of the decision made by the sole shareholder which owned all the voting shares at the time when the Articles of Association of the Company were being approved. Description of the Company's measures taken to mitigate additional risks: The list of transactions or other actions that are material corporate actions (Company's reorganisation, acquisition of 30 per cent or more of the Company's voting shares (takeover), increase or decrease of the Company's authorised capital, listing and delisting of the Company's shares) and the criteria for their determination are established by the Company's Corporate Governance Code approved by the Board of Directors. In addition, the Company's Articles of Association delimits the management bodies competence regarding approval of transactions which, although not directly referred to therein as material corporate actions, are specified as such in Corporate Governance Code of Transneft. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Nonconformity to the Code's provision is limited in time: until the shareholder (shareholders) approves respective changes to the Company's Articles of Association.

Item No.	Corporate governance principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
7.1.2	The Board of Directors plays the key role in making decisions or developing recommendations regarding material corporate actions, and for this purpose the Board of Directors relies on the opinions of the Company's independent directors.	1. A procedure is in place at the Company for the independent directors to declare their opinion on material corporate actions before their approval.	Observed	
7.1.3	In concluding material corporate actions touching upon the rights and lawful interests of shareholders, equal conditions are provided for all Company's shareholders, and if the mechanisms stipulated by the legislation to protect the rights of shareholders are insufficient, there are additional measures in place which protect the rights and lawful interests of the Company's shareholders. In doing that, the Company is guided not only by formal requirements of the law, but also by the principles of corporate governance laid down in the Code.	1. The Company, in view of the specifics of its activities, has established in its Articles of Association lower minimum criteria of referring the Company's transactions to material corporate transactions than those stipulated by the legislation. 2. In the reporting period, all material corporate actions underwent the procedure of approval prior to their implementation.	Observed	
7.2	The Company ensures that the material corporate actions are taken in a way allowing shareholders to timely obtain full information on such actions and to influence such actions, ensuring that their rights are duly observed and protected when such actions take place.			
7.2.1	Information on performing material corporate actions is disclosed along with the explanation of the causes, circumstances and consequences of such actions.	1. In the reporting period, the Company disclosed information on material corporate actions on a timely basis and in sufficient detail, including the grounds for and time limits of such actions.	Observed	
7.2.2	The rules and procedures related to material corporate actions carried out by the Company are formalised in the Company's internal documents.	1. The Company's internal documents provide for a procedure for engaging an independent assessor to determine the cost of property alienated or purchased under a major transaction or an interested-party transaction. 2. The Company's internal documents provide for a procedure of engaging an independent assessor to determine the cost of acquisition and redemption of the Company's shares. 3. The Company's internal documents provide an extended list of grounds to recognise members of the Company's Board of Directors and other persons required by law as interested parties.	Partially observed	Not observed as regards Clause 3. A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The Company's internal document providing an extended list of grounds to recognise members of the Company's Board of Directors and other persons required by law as interested parties has not been approved yet. When qualifying an interested-party transaction, the Company is guided by the law. Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: The list of grounds for classifying a member of the Board of Directors as an interested party could previously only be extended in the Articles of Association. Since 2017, significant amendments have been made to the Federal Law On Joint-Stock Companies, including those in regard to interested-party transactions (both the subject matter and the grounds to classify a transaction as an interested-party transaction have been revised). Moreover, the legislative body has excluded the regulation for the articles of association of joint-stock companies to set out additional grounds for classifying someone as an interested party (Federal Law No. 343-FZ dated 3 July 2016) Description of the Company's measures taken to mitigate additional risks: When qualifying an interested-party transaction, the Company is guided by the law. Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Changes in the Company's internal documents will be made after amendments to the Federal Law On Joint-Stock Companies, allowing the internal documents of joint-stock companies to establish an extended list of grounds on which members of the Board of Directors of the Company and other persons stipulated by law are classified as interested parties.

APPENDIX NO. 7. EXECUTION OF INSTRUCTIONS FROM THE PRESIDENT AND THE GOVERNMENT OF THE RUSSIAN FEDERATION

7.1. Formation of Ad-Hoc Committees under the Company's Board of Directors, under Instruction of the Government of the Russian Federation No. V3-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 Innovation 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 Moscow Exchange, the regulations on committees were updated by the resolution of the Transneft Board of Directors dated 19 January 2017 (Minutes No. 1).

7.2. 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 (hereinafter referred to as the Programme). It is part of the Transneft Long-Term Development Programme. The Programme was approved by the Board of Directors of Transneft dated 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 this information, see the Other Documents section of the Transneft personal account. As regards the operational results in 2020, the Energy Saving Programme was carried out in full.

7.3. 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 Programme for Disposal of Non-Core Assets of the Annual Report. General description and results of the Programme.

7.4. 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. It 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-DO1 dated 7 October 2016) and then approved by the Board of Directors of Transneft on 11 November 2016 (Minutes No. 21).

7.5. 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. The commitments contribute to the 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 (EMS). 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 2020 audits revealed that the System complied with all ISO 14001 requirements.

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 non-financial reporting, Transneft annually publishes the non-financial Sustainable Development Report, that includes information on environmental responsibility, on its official website.

7.6. 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 rights at Transneft and its subsidiaries, in particular:

- an Intellectual Property Management Section (hereinafter – IP) in charge of intellectual property 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 Company'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. The annual Plan for Legal Protection (Security) of the Intellectual Property of Transneft and its subsidiaries is being developed and approved. Expert examination of reporting documents and deliverables at all R&D stages is being carried out to identify and keep records of potentially protectable IP and prepare recommendations for their legal protection. Patent research is carried out 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 is in progress. Supervision of notifications of authors on creation of potentially copyrightable IP, including initiative-based IP, etc. is carried out.
- 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. The annual research-to-practice workshop on Transneft's intellectual property involving highly qualified specialists in the field of intellectual property is held;
- annual monitoring of the efficiency of the IP rights management system was introduced at Transneft and its subsidiaries.

7.7. 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). Update of the LDP, its audit (based on the results of reporting periods up to 2019 inclusive), assessment (pursuant to Executive Orders of the Government of the Russian Federation No. 6739p-P19 dated 30 July 2020) of the LDP implementation involving an expert organisation (as from 2021 to the results of the 2020 reporting year) 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. The adjusted LDP was approved by the decision of the Board of Directors dated 24 December 2019 (Minutes No. 22).

In accordance with the Executive Orders of the Government of the Russian Federation dated 30 July 2020 No. 6739p-P13, due to the consequences of the spread of COVID-19, the requirement for the annual update of the LDP was suspended in 2020, and therefore it was decided to rearrange the update and approval of the new version of the LDP to 2021.

7.8. 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.

Transneft's Corporate Import Substitution Plan (hereinafter – CISP) has been developed and is being implemented at Transneft. It is part of the Transneft Long-Term Development Programme. The Programme was approved by the Board of Directors of Transneft dated 24 December 2019 (Minutes No. 22).

The CISP determines a set of measures (list of measures) aimed at scheduled and stage-wise replacement of imported products (works, services) with procurement equivalent in technical features and consumer properties of domestic products, based on the principles of economic and technological feasibility, as well as target indicators for the implementation of such events (hereinafter referred to as the import substitution measures).

Procurement of domestically produced products developed under the CISP

Item No.	Indicator	Units of measurement	Target 2020	Actual 2020
1	Mainline and booster pumps	pcs.	125	125
2	Stop and control valve (pressure and flow regulators)	pcs.	21	34
3	Sliding gate valve and expanding gate valve	pcs.	70	207
4	Spherical piston for MDP	pcs.	6	6
5	Heavy sea boom	pcs.	250	250
6	Lifting foam fire truck	rm	2	3
7	Oil and petroleum products' lease automatic custody transfer unit	pcs.	3	3
8	Turbine flow transducers DN250, DN400	pcs.	8	8
9	Mechanical displacement prover	pcs.	3	3
10	Fluid density transducer	pcs.	5	5
11	Fluid viscosity transducer	pcs.	3	3
12	Drag-reducing agent	tonnes	1,500	1,168.75
13	Measuring and computing complex as part of the data processing system of LACTs and operational CEUs and operational LACTs (in-house production)	pcs.	53	48
14	Oil and petroleum products level and temperature measurement system in tank farms (proprietary design)	pcs.	22	20
15	Linear electric drive for stop and control valves	pcs.	2	15
16	Electric motor	pcs.	42	75

7.9. 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)

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 (approved by the resolution of the Board of Directors of Transneft dated 26 December 2019 (Minutes No. 23). The update was carried out in accordance with Clause 4 of List of Instructions of the President of the Russian Federation dated 5 July 2013 No. Pr-1474 (Executive Order of the Government of the Russian Federation dated 25 April 2014 No. 2579p-P13), as well as 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. 1474-r dated 5 June 2013, by Executive Orders of the Russian Government No. 9054p-P13 dated 2 October 2014 and by other instructions of the federal authorities of the Russian Federation.

Regarding the KPIs for 2021, directive dated 2 March 2021 No. 1891p-P13 was received.
For more detail on the KPI system adopted by the Company, see Section 4.6 of the Annual Report.

7.10. 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 (Chapter 11, Personnel Management). The KPI System of Transneft was expanded to include the Increase in Labour Productivity indicator, with target values annually approved by the Transneft Board of Directors.

7.11. On Inclusion of the Main Characteristics of the Labour Resources Demand, including Engineering and Technical Professions, 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 in demand at Transneft subsidiaries, with engineering and technical professions among them, was included into the Transneft Long-Term Development Programme (Chapter 11, Personnel Management).

7.12. 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 Include 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.

Among the key activity areas ensuring OPEX reduction at Transneft are:

- 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 equals to those of the imported ones;
- setting baseline prices of bids equal to or lower than the previous year’s actual purchase prices.

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.

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 for evaluation of the achievement of the Operating Expenses Reduction Percentage KPI (Minutes No. 22). In pursuance of Paragraph 5 on 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, 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 2019, the Board of Directors of Transneft approved the KPI for 2020, including the OPEX Reduction Percentage KPI, with a target value of 2% for 2020 and the actual reduction of 2.7%.

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, in the relevant areas of the Company’s activities.”

7.13. 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 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. 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, calculation method and 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 Integrated Key Performance Indicator of Innovative Activities was included in the System of Key Performance Indicators of Transneft's Economic Activities and the Long-term Development Program of Transneft since 2016.

7.14. 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 Orders 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 new version of the Regulation on the Internal Audit was approved by the resolution of the Board of Directors of the Company, minutes No. 16 dated 20 September 2019.

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

7.15. 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) on 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 Corporate Governance Code of Transneft was approved (Minutes of the Board of Directors No. 16 dated 23 September 2019).

7.16. 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 has been submitted to the Ministry of Finance of Russia and to Rosfinmonitoring (the Federal Financial Monitoring Service) (letter dated 10 September 2020 No. PAO-17.2-01-TNF-02/36781).

7.17. 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 2020, Transneft (including its subsidiaries) spent RUB 3,551.25 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.

7.18. 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-P9-38pp 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 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.

7.19. 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. 4111p-P13 dated 8 May 2019, the Transneft Board of Directors made a decision (Minutes No. 11 dated 25 June 2019) to make amendments to the Transneft Regulations on the

Procurement of Goods, Works and Services, as regards the procedure of 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.

7.20. 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 the 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 updated and approved by the Board of Directors of Transneft (Minutes No. 13 dated 28 July 2020). 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.

7.21. On Introducing Professional Standards in the Activities of the Joint-Stock Company, in Pursuance of Paragraph 3, Section I of Minutes of Meeting 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 the Executive Order of the Government of the Russian Federation No. 5119p-P13 dated 14 July 2016, in 2020, two meetings of the Transneft Board of Directors were initiated to consider the following issues:

- report on implementation of the Plan for Introduction of Professional Standards in Transneft and its subsidiaries in 2016–2020.

As part of the implementation of the Plan, 13 professional standards were introduced in Transneft and the Transneft subsidiaries in 2020, covering 6.4% of the total number of staff. In general, following the results of the implementation of professional standards in 2016–2020, 44% of the staffing of Transneft and its subsidiaries, or 94.6% of the total number of staff units for which professional standards have been approved, were covered.

- on the approval of the Plan for Introduction of Professional Standards in Transneft and its subsidiaries in 2021.

Based on the results of monitoring the professional standards approval (updating), the Board of Directors approved the Plan for the Implementation of Professional Standards in Transneft and its subsidiaries in 2021, which provides for introduction of professional standards for 3.6% of the total staffing of Transneft subsidiaries.

7.22. 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.

In accordance with the Executive Orders of the Government of the Russian Federation dated 30 July 2020 No. 6739p-P13, due to the consequences of the spread of COVID-19, the requirement for the annual update of the LTDP was suspended in 2020, therefore it was decided to rearrange the update and approval of the new version of the LTDP to 2021.

7.23. 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 Orders of the Government of the Russian Federation No. 4863p-P13 dated 7 July 2016, the Board of Directors of Transneft approved (Minutes No. 17) the Programme for Disposal of Transneft Group’s Non-Core Assets and the Non-Core Assets Register on 14 October 2016.

Based on Executive Orders of the Government of the Russian Federation No. 6604p-P13 dated 18 September 2017, the Board of Directors of Transneft approved new versions of (Minutes No. 20) the Programme for Disposal of Transneft Group’s Non-Core Assets and the 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.

7.24. On Introduction of Recommendations on Intellectual Property Rights Management in Pursuance of 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 the decision of the Board of Directors of Transneft:

- in accordance with the recommendations, an analysis of Intellectual Property (IP) rights (approved

by the Instruction) management at Transneft was performed;

- the Fundamental Provisions on Management of Intellectual Property Rights at Transneft and its subsidiaries were developed and approved by the resolution of 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 the resolution of the Board of Directors of Transneft in accordance with the Recommendations.

Additionally, in order to improve the efficiency of the IP rights management system, the following measures were implemented at Transneft and its subsidiaries in 2018-2020:

- 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 its subsidiaries;
- the Intellectual Property Commission held 8 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 7 priority technology areas of Transneft;
- three research-to-practice workshops on Transneft’s intellectual property as well as 18 online workshops on intellectual property rights management were held for the personnel of Transneft and its subsidiaries, with highly qualified specialists in the field of intellectual property involved. Retraining and advanced training programmes and courses in the field of intellectual property were attended by 47 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;
- upgrade of the Intellectual Property Management Information System Database for Transneft and its Subsidiaries (IPMIS DB) was performed;
- the annual activities to identify, legally protect and defend IP rights continued.

7.25. 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 Living Standards and Business Environment No. 1 dated 9 February 2018 (Executive Orders of the Government of the Russian Federation No. 10068pP13 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 its subsidiaries to Prioritised Use of Domestic Software for 2019-2021. In accordance with this Plan, the following activities were implemented or launched in 2020.

Domestic Postgres DBMS was tested (Expert Opinion on PostgreSQL database management system, edition 12 No. TT-3.2-03/7304 dated 30 June 2020, Expert Opinion on Postgres PRO Enterprise 12 database management system No. TT-3.2-03/7303 dated 30 June 2020).

The following domestic operating systems for servers and workstations were tested:

- Astra Linux CE (Expert Opinion on the Astra Linux common edition 2.12 server operating system No. TT-27-03/17409 dated 11 December 2020);
- Alt Server (Expert Opinion on the Alt Server 9.1 server operating system No. TT-27-03/17411 dated 11 December 2020);
- ROSA Enterprise Linux Server (Expert Opinion on the ROSA Enterprise Linux Server 7.3 server operating system No. TT-27-03/17406 dated 11 December 2020);
- ROSA Enterprise Linux Desktop (reld) (Expert Opinion on the ROSA Enterprise Linux Desktop (reld) 7.3 server operating system No. TT-27-03/16742 dated 30 November 2020);
- Alt Workstation (Expert Opinion on the Alt Workstation 9 client operating system No. TT-27-03/16744 dated 30 November 2020);
- Astra Linux CE (Expert Opinion on the Astra Linux common edition Orel release 2.12 client operating system No. TT-27-03/17959 dated 23 December 2020).

Proposals for the Software Import Substitution Plan were developed. The proposals were considered by Minutes of the Absentee Meeting of the Coordinating Council for IT Import Substitution of Transneft No. 2632 dated 27 March 2020.

The Response and Accelerated Foreign Software Substitution Plan was developed and approved, Minutes No. 2966 dated 8 April 2020.

Work is underway to establish a list of foreign software requiring a response plan or early replacement with domestic software, Minutes No. 6684 dated 10 June 2020.

The Company is constantly 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. The necessary changes are constantly being made to the organisational and administrative documentation. The work with manufacturers of the domestic software is conducted on a regular basis.

7.26. 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 the Executive Orders of the Government of the Russian Federation No. 3262p-P13 dated 27 April 2018, Transneft compared the technological development level and current KPI values with the development level and values of leading peer companies. The comparison was performed in accordance with Methodological Recommendations for comparing the Technological Development Level and KPI values of joint-stock companies with state participation, state corporations, state-owned companies and federal state unitary enterprises with the development level and parameters of leading peer companies, approved by the Interagency Task Force for Implementing Priorities for Innovative Development under the Presidential Council for Economic Modernisation and Innovative Development Presidium of the Russian Federation (Minutes No. 2 dated 19 September 2017).

The Comparison Report was submitted to the Ministry of Economic Development of Russia by letter No. AK-06-01-08/52595-KT dated 31 October 2018 and the Ministry of Energy of Russia by letter No. AK-06-01-08/52594-KT dated 31 October 2018, and agreed by the ministries.

7.27. 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)

In pursuance of Executive Orders of the Government of the Russian Federation No. ISh-P8-5594 dated 30 August 2018 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 in 2018-2019 under the Order No. 166 dated 6 November 2019, the following measures were implemented in Transneft and its subsidiaries:

- The IP rights inventory was performed within the prescribed period — between 30 November 2018 and 03 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 and submitted 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.

7.28. 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 Russian Government Resolution 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 Russian Government Resolution No. 232 dated 6 March 2018), Transneft developed and implemented 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 Order No. 193 dated 20 December 2018).

7.29. 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)

In accordance with the Executive Orders of the Government of the Russian Federation No. 9984p-P13 dated 1 November 2019, the Board of Directors of Transneft made the decision on 23 December 2019 (Minutes No. 21) to amend Transneft's Regulations on the Procurement of Goods, Works and Services to establish priority for procurement of Russian products specified in the Annex to Order of the Russian Ministry of Finance No. 126n dated 4 June 2018 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, in accordance with provisions of Russian Government Resolution No. 925 dated 16 September 2016 On Priority of the Russian Origin Goods, Works and Services Carried out and Rendered by Russian Persons in Relation to the Foreign State Goods, Works and Services Carried out and Rendered by Foreign Persons.

7.30. 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.

The Raising Labour Productivity KPI assessment methodology was approved by the resolution of the Board of Directors of Transneft (Minutes of the meeting of the Board of Directors of Transneft No. 21 dated 23 December 2020) as part of the Methods to Evaluate Achievement of Transneft's KPI. Taking into account the received Methodological Recommendations for the Formation and Application of Key Performance Indicators of Joint-Stock Companies, whose shares are owned by the Russian Federation, and certain non-profit organisations, in order to determine the amount of remuneration for their management staff (Order of the Government of the Russian Federation No. 3579-p dated 28 December 2020) and Executive Order of the Government of the Russian Federation dated 2 March 2021 No. 1891p-P13, this KPI is not included in the list of Transneft KPIs for 2021.

7.31. 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 the Executive Orders of the Government of the Russian Federation No. 11528p-P13 dated 13 December 2019, the Board of Directors of Transneft was instructed to address the possibility of Transneft and its subsidiaries transition to tax control in the form of tax monitoring, taking into account provisions of Article 105.25 of the Russian Tax Code, as well as the technical and organisational readiness level (Minutes of the meeting of the Board of Directors of Transneft No. 1 dated 31 January 2020).

By the resolution of the Board of Directors of Transneft dated 10 November 2020 (Minutes No. 19 dated 10 November 2020), Transneft Baltic agreed to transit to tax control in the form of tax monitoring from 2021. Following amendments to Russian tax legislation in terms of exemption from desk audits of VAT returns with the amount of tax recoverable from the budget as part of tax monitoring, as well as following the pilot project results for transition of Transneft Baltic to tax monitoring from 2021, it was decided to initiate further consideration by the Board of Directors of Transneft on transition of Transneft and other Transneft subsidiaries conforming to the law, to tax control in the form of tax monitoring in 2022-2025.

7.32. 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)

In accordance with the Executive Orders of the Government of the Russian Federation No. 12119p-P13 dated 25 December 2019, Transneft is required to submit annual information to the Ministry of Economic Development of Russia and the Federal Agency for State Property Management on investment projects with the total amount of capital investment exceeding RUB 10 billion (excluding VAT). The corresponding decision was made by the Board of Directors of Transneft on 17 February 2020 (Minutes No. 2).

In pursuance of the executive orders and the resolution of the Board of Directors of Transneft, the relevant information on investment projects was submitted to the Ministry of Economic Development of Russia and the Federal Agency for State Property Management by letter dated 17 March 2020 (ref. No. AK-07.3-01-09/11326-KT) and by letter dated 6 October 2020 (ref. No. PAO-07.3/01-09/40407-KT). Moreover, at the additional request of the Ministry of Economic Development of Russia dated 13 March 2020 (ref. No. 7654-PK/D03i), Transneft on 08 April 2020 (ref. No. AK-10-00-05/15574-KT) submitted

information about its new investment project under development on ensuring the reliability of the trunk pipeline system and preserving the quality of export crude oil flows. The information was structured according to the format prescribed by Executive Orders.

7.33. On Amendments to Transneft's Procurement Documentation Regulating Competitive Procedures (Executive Orders of the Government of the Russian Federation No. 10464p-P13 dated 18 November 2019)

In accordance with the Executive Orders of the Government of the Russian Federation No. 10464p-P13 dated 18 November 2019, the Board of Directors of Transneft on 31 January 2020 (Minutes No. 1) decided to amend the procurement documentation (Transneft template contracts) regulating competitive procedures. The amendments address the possibility to use in certain cases surety agreements of affiliated procurement participants as security for obligations under agreements concluded with such organisations in respect of which or in respect of the beneficial owners of which restrictive measures have been imposed by foreign states. The aggregate share of direct and / or indirect participation of beneficial owners in the organisation is at least 25 percent.

7.34. On the Non-Application of Penalties and on the Possibility of Extending Contract Performance and Price Adjustments in 2020 in Case of Violation of Obligations by the Contractor due to Consequences of the Coronavirus Spread (Executive Orders of the Government of the Russian Federation No. 2850p-P13kv dated 3 April 2020)

In accordance with the Executive Orders of the Government of the Russian Federation No. 2850p-P13kv dated 3 April 2020, the Board of Directors of Transneft decided on 24 April 2020 (Minutes No. 9) to amend Transneft's Regulations on the Procurement of Goods, Works and Services in terms of not applying penalties in 2020 in connection with the violation by the supplier (contractor, performer) of obligations under the contract due to the coronavirus spread. Provision is made for changing the performance period and/or the price of the contract in 2020 if circumstances beyond the parties' control occur that make it impossible to perform due to the coronavirus spread.

7.35. On Conducting Advanced Purchases of Transports and Special-Purpose Vehicles in 2020, Scheduled for Delivery in 2021 and 2022 (Executive Orders of the Government of the Russian Federation No. 6781p-P13 dated 31 July 2020)

In accordance with the Executive Orders of the Government of the Russian Federation No. 6781p-P13 dated 31 July 2020, the Board of Directors of Transneft on 03 September 2020 (Minutes No. 15) decided:

- to establish an additional requirement on the Russian origin of goods to be procured when procuring motor vehicles, which is to be confirmed by an expert report submission from the Chamber of Commerce and Industry of the Russian Federation by procurement participants;
- on motor vehicles delivery by suppliers in 2020 pursuant to the scheduled needs of Transneft for 2021 and 2022 in accordance with the procurement plan;
- to perform advanced purchase(s) of motor vehicles based on the planned need of the said vehicles for 2021-2022 in accordance with procurement plans, providing for a deferred payment in respect of the scheduled delivery in 2021 for 1Q 2021 and in 2022 for 1Q 2022.

7.36. On Changes in the Company's Annual Report Structure (Executive Orders of the Government of the Russian Federation No. 2007p-P13 dated 6 April 2015)

The Annual Report 2020 of Transneft was prepared in accordance with the requirements for the contents of the annual report in Regulation No. 454-P of the Bank of Russia dated 30 December 2014, as well as taking into account the approximate structure of the annual report approved by the Russian Government Resolution No. 1214 dated 31 December 2010 On Improving the Procedure for managing Joint-Stock Companies whose shares are Federally owned, and Federal State Unitary Enterprises.

7.37. On Including a Clause in New Export Contracts on Making Settlements in Rubles, as well as Establishing a Reasonable Minimum Proportion of Export Settlements Made in Russian Rubles (Executive Orders of the Government of the Russian Federation No. 4807p-P13 dated 23 July 2015, Letter of the Federal Agency for State Property Management No. 11/33117 dated 12 August 2015)

In pursuance of these Executive Orders, the Board of Directors of Transneft on 30 September 2015 (Minutes No. 25) made a decision to include a clause in new export contracts on making settlements in rubles, as well as establishing a reasonable minimum proportion of export settlements made in Russian rubles.

7.38. On Expanding the Access of Small and Medium-Sized Enterprises to Procurement by Infrastructure Monopolies and Companies with State Participation. In Pursuance of Clauses 7, 8, 9, 10, 12, 17, 18, 19, 20, 24, 25, 26, 27, 28, 30, 31 of the Action Plan (road Map) Expanding Access of Small and Medium-Sized Enterprises to

Procurement by Infrastructure Monopolies and Companies with State Participation, Approved by Directive of the Russian Government No. 867-r dated 29 May 2013 (Executive Orders No. 6362p-P13 dated 24 October 2013 and No. 7377p-P13 dated 7 December 2013)

In pursuance of these Executive Orders, the Board of Directors of Transneft on 30 December 2013 (Minutes No. 20) made a decision to amend the Company's Regulations on the Procurement of Goods, Works and Services, developed the Regulation on the Advisory Body responsible for the public audit of the customer procurement effectiveness, adopted organisational and administrative documents and amended Company's regulatory documents governing procurement, as well as developed a programme of partnership of Transneft and its subsidiaries with small and medium-sized enterprises.

7.39. On the Development of a Programme for Improving the Quality of Procurement Management (Executive Orders of the Government of the Russian Federation No. 1519p-P13 dated 20 February 2019)

In pursuance of these Executive Orders, the Company approved the Programme for Improving the Quality of Procurement Management of Transneft and its subsidiaries (Transneft Order No. 36 dated 1 March 2019).

7.40. Provision of Information on Compliance with the Requirements of Russian Government Resolution No. 439 dated 3 April 2020 On Establishment of the Requirements for Terms and Conditions of Deferred Payment of Rent under Real Estate Lease Agreements (Instruction of the Government of the Russian Federation No. MKh-P16-3596kv dated 17 April 2020)

In pursuance of this Instruction, information was submitted to the Federal Agency for State Property Management on the absence of real estate lease agreements with tenants operating in sectors of the Russian economy most affected by the aggravating

situation as a result of the new coronavirus spread, the list of which was approved by Russian Government Resolution No. 434 dated 3 April 2020 in the form established by the Federal Agency for State Property Management letter No. 11/14467 dated 8 May 2020.

7.41. On Ownership of Assets Located in the Russian Federation Through Foreign Legal Entities (Executive Orders of the Government of the Russian Federation No. 5945p-P13 dated 25 August 2017)

In pursuance of these Executive Orders, information was submitted to the Federal Agency for State Property Management on the ownership structure of Transneft's assets in the Russian Federation through foreign legal entities.

7.42. On Allocation to the Federal Budget of Part of Net Profits in the Form of Dividends on Shares Owned by the Russian Federation, Decree of the President of the Russian Federation No. PR-758 dated 20 April 2017 (Executive Orders of the Federal Agency for State Property Management No. AP-08/12624, No. AP-08/12625, No. AP-08/12626 dated 16 April 2019)

Dividends for the last 3 years are paid in the amount of 50% of the Company's normalised net profit under IFRS.

According to Order of the Federal Agency for State Property Management No. 413-r dated 30 September 2020, the dividends totalling RUB 84,180,820,784.60 were paid for 2019, including:

- RUB 11,612.20 per one ordinary share (5,694,468 shares), amounting to RUB 66,125,301,309.60 in total (to the federal budget);
- RUB 11,612.20 per one preferred share (1,554,875 shares), amounting to RUB 18,055,519,475 in total.

The dividends resulting from the 2019 performance were paid in full and within the timeframe prescribed by the applicable Russian laws. As of 31 December 2020, Transneft has no dividend debt due to the federal budget.

THE COMPANY'S HISTORY AND OUTLOOK

Year	Development Stages
before 1993	In 1970, the Chief Directorate for Oil Transportation and Supply (Glavtransneft) was established with an eye on transporting crude oil from oilfields to domestic and foreign consumers. By 1987, 94,000 km of oil and petroleum products trunk pipelines were built all across the country. After the dissolution of the USSR, only about 44,500 km of trunk pipelines were left on the territory of Russia, along with 316 pumping stations and 13,200,000 m ³ of storage tank capacity.
1993	The Council of Ministers (the then Russian Government) issued a resolution on founding Transneft, a joint-stock oil transportation company.
2000	An oil pipeline bypassing the territory of the Chechen Republic was commissioned, thus increasing the reliability of Azerbaijani oil transit via the Baku – Tikhoretsk – Novorossiysk route. Construction of the Baltic Pipeline System (BPS) began, bringing to life the first north-west route for transportation of Russian oil that would not depend on transit through the territory of neighbouring states.
2001	Construction of the Sukhodolnaya – Rodionovskaya oil pipeline was completed, allowing to transport Russian oil towards the port of Novorossiysk bypassing the territory of Ukraine. Phase I of the BPS with the capacity of 12 million tonnes that linked oilfields in the Timan-Pechora Oil and Gas Basin, Western Siberia, the Urals and the Volga basin with the oil terminal in the port of Primorsk.
2003	The BPS's throughput capacity was gradually increased to 18 million tonnes and then to 30 million tonnes a year.
2004	Thanks to the construction of extra PSs and an increased storage tank capacity in the port of Primorsk, the BPS's throughput capacity was brought to 42 MTPA and then to 50 million tonnes.
2006	Construction of Phase I of the Eastern Siberia – Pacific Ocean pipeline system (ESPO PS) began, opening a new export oil transportation route and enabling national oil companies to enter markets in Asia and the Pacific. The BPS throughput capacity reached 74 MTPA.
2007	Integration of the petroleum products trunk pipelines operator Transnefteproduct into the Transneft Group system began.
2008	The facilities of the petroleum products pipeline system were commissioned within the framework of the Sever Project.
2009	The first joint of the Skovorodino – Mohe oil pipeline was welded, enabling supply of Russian crude oil to China. Construction of Phase II of the Baltic Pipeline System (BPS-2) began, which was intended for export of Russian oil via the port of Ust-Luga. Phase I of the ESPO PS was commissioned. The first 100,000 tonnes of Russian oil were loaded onto the Moskovsky Universitet (Moscow University) tanker in the port of Kozmino.
2010	Construction of Phase II of the ESPO pipeline system began. The Skovorodino – PRC border oil pipeline was commissioned. Construction of the Purpe – Samotlor oil pipeline began, which is part of the Zapolyarye – Purpe – Samotlor pipeline system, the northernmost oil trunk pipeline in Russia.
2011	The Purpe – Samotlor oil pipeline was commissioned, which linked the western and eastern parts of the Russian oil pipeline system.
2012	The first batch of Russian oil transported via the BPS-2 oil pipeline was shipped from the port of Ust-Luga. Construction of the Zapolyarye – Purpe oil pipeline began to ensure crude oil intake from new oilfields in Yamal-Nenets Autonomous Area and the north of Krasnoyarsk Territory. Facilities of the ESPO PS' Phase II were commissioned, transportation of oil via the trunk pipeline began within the section from Skovorodino to Kozmino.
2013	The first joint of the Kuyumba – Tayshet trunk pipeline was welded for oil intake from the Yurubchen – Tokhoma and Kuyumba oil and gas fields.
2014	Implementation of the Sever-15 project anticipating development of a trunk pipeline system to build up export supplies of diesel fuel via the port of Primorsk to 15 MTPA started.
2016	Transneft Oil Pumps, a plant for the manufacture of pumping equipment, was commissioned in Chelyabinsk. The Sever-15 project was completed. Implementation of the Sever-25 project was started to increase export supplies of diesel fuel via the port of Primorsk to 25 MTPA. The Zapolyarye – Purpe and the Kuyumba – Tayshet oil pipelines were commissioned.
2017	Throughput capacity of the Skovorodino – Mohe pipeline was expanded to 30 MTPA. The Yug-1 project and Stage 1 of the Yug-2 project were completed, ensuring diesel fuel supplies to the domestic market along with export to Europe via the port of Novorossiysk in the amount of up to 6 MTPA.

Year	Development Stages
2018	A plant of Russian Electric Motors was commissioned in Chelyabinsk. The equity stake held by Transneft in the capital of NCSP Group was increased to 62%. The quality of oil transported to the West for export and to Russian refineries was stabilised as the Company implemented measures for the construction of the Nizhnevarovsk – Aleksandrovskaya and the Yaroslavl – Yaroslavl-3 crossover lines and an oil blending station at the Samara site. A project to increase the transportation of petroleum products (motor petrol produced by LUKOIL and aviation kerosene) to Moscow Region was completed. The throughput capacity of petroleum products pipelines to the port of Primorsk (the Sever Project) was increased from 15 to 25 MTPA. A capacity was provided for receiving an additional volume of light petroleum products into the petroleum products trunk pipeline system from tank cars at the Tinguta initial pumping station (Volgograd Region). The throughput capacity of the OTP supplying oil to TANECO's refineries was increased to 14 MTPA.
2019	The implementation of the ESPO PS – Komsomolsk Refinery Oil Pipeline Offshoot investment project was completed. The technical capacities for oil supply through the oil trunk pipeline system to the Komsomolsk Refinery (Khabarovsk Territory) in the amount of up to 8 MTPA were provided. The expansion of the Usa – Ukhta and the Ukhta – Yaroslavl oil trunk pipelines' throughput capacity was completed, thus providing an option of receiving additional oil volumes from the Timan-Pechora region into the oil trunk pipeline system at the Ukhta-1 PS was ensured. An incident involving substandard crude oil injection into the Druzhba oil trunk pipeline due to third parties' fault and illegal actions occurred. The substandard crude had an excessive organic chloride mass in the fraction at boiling point of 204 °C under GOST R 51858-2002 National Standard of the Russian Federation. Crude Oil. General Specifications. Transneft Synthesis, a plant to produce drag-reducing agents, was launched in Yelabuga (the Republic of Tatarstan). The ESPO PS was brought to its maximum design capacity: within the Tayshet IPS – Skovorodino PS section to 80 MTPA, within the Skovorodino PS – Kozmino oil port section to 50 MTPA. A new industrial facility was commissioned at Tyumen Machinery and Repair Plant (TMRP) to manufacture equipment used in construction and operation of the pipeline system. Within the Revamping Oil Trunk Pipelines for Transportation of Oil to Refineries in Krasnodar Territory project, the Ilsky Refinery was connected to the Novoveliichkovskaya – Krasnodar oil trunk pipeline. A backup line of the underwater crossing of ESPO PS-2 across the Amur River was commissioned, which increased the reliability of the trunk pipeline.
2020	As regards the operational results in 2020, Transneft Group completed all the tasks set out in the Energy Saving and Energy Efficiency Enhancement Programme. Transneft, within the framework of the Development, Technical Upgrading and Revamping Programme for Trunk Pipeline Facilities implementation in 2020, commissioned more than 700 facilities: 888 km of trunk pipelines were replaced, 75 oil and petroleum products storage tanks, 33 oil and petroleum products' lease automatic custody transfer units and 34 facilities with technical security equipment were commissioned, 103 pumps and 77 electric motors were replaced.
Plans for 2021	The Company expects a gradual easing of crude production limits in Russia within the framework of the OPEC+ agreement, and, accordingly, an increase in oil transportation volumes as compared to the end of 2020. But in view of the fact that the said restrictions will be in effect throughout the year (in 2020, they were in effect from May to December), the planned transportation volumes will be somewhat lower as compared to 2020. The implementation of capital-intensive projects to increase export of crude oil via the port of Novorossiysk to 40 MTPA and comprehensive revamping of the Sheskhari Transshipment Complex, the Samara and the Sokur LODS will continue. Within the Investment Programme it is planned to complete the Revamping Oil Trunk Pipelines for Transportation of Oil to Refineries in Krasnodar Territory project with the connection of the Afipsky Refinery to the Novoveliichkovskaya – Krasnodar oil trunk pipeline. Within the framework of ensuring cybersecurity, special attention will be paid to improving the information security management structure, developing technical measures for information protection, optimising regulatory and methodological documentation in the field of information security and increasing the level of information resources security. Work will continue on the comprehensive digitalisation of production processes, the development and modernisation of corporate information systems. Transneft Group plans to extinguish exchange bonds worth RUB 52 bn in total and to partially repay the loans of NCSP to the tune of USD 223 million, while maintaining moderate levels of debt and credit ratings at or above the sovereign rating.



For more details visit:
<https://www.transneft.ru/about/story/>

GLOSSARY

AC	The Audit Committee under the Board of Directors of Transneft
ACS	Automated Control System
AGMS	Annual General Meeting of Shareholders
APAC	Asia-Pacific
ASEPTM	Automated System of Electric Power Technical Metering
BPS	The Baltic Pipeline System
CGC	Corporate Governance Code recommended by the Bank of Russia
CIS	The Commonwealth of Independent States
COE	Coefficient of efficiency
CorIS	Corporate Information System
CPC	Caspian Pipeline Consortium
CTD	Comprehensive Tabletop Drill
CTG	The Consolidated Taxpayers Group of Transneft
D	Development work
DRA	Drag-Reducing Agents
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EGMS	Extraordinary General Meeting of Shareholders
EMS	Environmental Management System
ESPO	The Eastern Siberia – Pacific Ocean
ETL	Electric Power Transmission Line
FD	Federal District
FEA	Federal Executive Authorities
FER	Fuel and Energy Resources
FES	Fuel and Energy Sector
FSP	Firearms Storage Premise
GDP	Gross Domestic Product
GOST	State Standard
HP	Health Post
HRRC	The Human Resources and Remuneration Committee under the Board of Directors of Transneft
IAOT	The International Association of Oil Transporters
IDP	The Innovation Development Programme of Transneft
IFC	International Financial Centre
IFRS	The International Financial Reporting Standards
ILI	In-line Inspection
ILT	Illegal Tappings
IO	Iron ore

IP	Intellectual Property
KPI	Key Performance Indicator
L/Line	Line
LACT	Oil and Petroleum Products' Lease Automatic Custody Transfer Unit
LDP	The Long-Term Development Programme of Transneft
LODS	Line Operation Dispatcher Station
MPU	Mainline Pump Unit
MSCI	Morgan Stanley Capital International
NCSP, PJSC	Novorossiysk Commercial Sea Port
OC	Oil Company
OEICC	The Programme for Operational Efficiency Improvement and Cost Cutting of Transneft
OPEC	Organisation of Petroleum Exporting Countries
OPEX	Operating Expenses
OPU	Oil Pumping Unit
OR	(Oil) Refinery
OS	Operating System
OTL	Overhead Transmission Lines
OTP	Oil Trunk Pipeline
PPTP	Petroleum Products Trunk Pipeline
PS	Oil Pumping Station
PS	Pipeline System
R	Research
R&D	Research and Development
RAS	Russian Accounting Standards
RMS	Risk Management System
SIIC	The Strategy, Investments and Innovations Committee under the Board of Directors of Transneft
SPIMEX	St. Petersburg International Mercantile Exchange
SSOP	Specialised Sea Oil Port
TOD FT	Transregional Operations Department of the Federal Treasury
TP	Trunk Pipeline
Transneft ES	The Emergency Prevention and Response System of Transneft
TS	Transneft Subsidiaries
TSE	Technical Security Equipment
TU&R	Technical Upgrading and Revamping
UAN	Urea Ammonium Nitrate
UIS	Unified Information System



GENERAL INFORMATION

Full corporate name:

Публичное акционерное общество «Транснефть».
Public Joint Stock Company Transneft

Abbreviated corporate name:

ПАО «Транснефть».
Transneft.

Transneft was registered in the Russian Federation in the federal city of Moscow by the Moscow Registration Chamber on 26 August 1993 under No. 026.800 (State Registration Certificate series LA No. 009851). Information on the state registration of Transneft was entered into the Unified State Register of Legal Entities by the Moscow Directorate of the Ministry for Taxes and Levies of the Russian Federation on 24 July 2002 under the primary state registration number (OGRN) 1027700049486 (Certificate of making an entry in the Unified State Register of Legal Entities on the legal entity registered before 1 July 2002, Series 77 No. 007893052).

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As of 31 December 2020, Transneft had 1,485 employees on the payroll

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In this Annual Report, the terms Transneft and the Company refer to the Public Joint Stock Company Transneft. The terms Transneft, Transneft Group and the Group shall refer to:

- Transneft and the legal entities that are Transneft subsidiaries in accordance with the Articles of Association of Transneft when describing economic activity and operating results;
- Transneft and its subsidiaries defined in accordance with the International Financial Reporting Standards (IFRS) when describing financial results.





ANNUAL REPORT
2020