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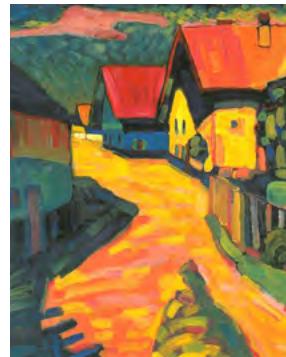


■ A Pumping Station Veteran Instructing Young Specialists



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

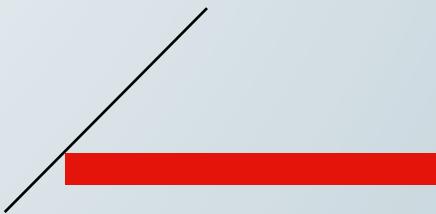
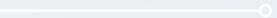
Integrated control system



Avant-garde in detail

TRANSNEFT

Annual report 2020



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
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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 Giprotruboprovod Institute for Trunk Pipeline Design (Giprotruboprovod, 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 (FNCS, 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 (NCSP, 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 Mortsentr-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	<p>Not observed as regards Clauses 1 and 2.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

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	<p>Not observed as regards Clauses 1 and 3.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
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	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

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	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
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	<p>Not observed as regards Clause 1 (appointment of the Company's President).</p> <p>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.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company:</p> <p>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.</p> <p>Description of the Company's measures taken to mitigate additional risks:</p> <p>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.</p> <p>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:</p> <p>Nonconformity to the Code's provision is limited in time: until the shareholder (shareholders) approves respective changes to the Company's Articles of Association.</p>

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
2.1.2	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	

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
2.3.2	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	<p>Not observed as regards the assessment of candidates.</p> <p>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:</p> <p>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.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company:</p> <p>In view of the Company's joint-stock capital specifics (100% of the voting shares belong to the Russian Federation).</p> <p>Description of the Company's measures taken to mitigate additional risks:</p> <p>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.</p> <p>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:</p> <p>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.</p> <p>If the joint-stock capital structure changes in the future, the Company intends to observe the given elements of the Code.</p>
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	

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
2.4	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	<p>Not observed as regards Clause 1.</p> <p>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.</p> <p>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).</p> <p>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.</p> <p>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.</p>
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	

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
2.5	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	<p>Not observed as regards Clause 1.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
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	

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
2.7 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	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>In 2020, the following issues were considered at in-person meetings of the Board of Directors:</p> <ol style="list-style-type: none"> 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. <p>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.</p> <p>Additionally, the approach currently being applied meets the Company's needs.</p> <p>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.</p>
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	

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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	

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
2.8.5	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	<p>Partially observed as regards Clause 1.</p> <p>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:</p> <p>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).</p> <p>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.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company:</p> <p>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.</p> <p>Description of the Company's measures taken to mitigate additional risks:</p> <p>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.</p> <p>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:</p> <p>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.</p>
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	

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
2.9	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.	<p>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.</p> <p>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.</p>	Partially observed	<p>Not observed as regards Clause 2.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
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	<p>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.</p> <p>In accordance with the Regulations, the internal assessment of the Board of Directors' performance was carried out twice.</p> <p>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).</p> <p>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.</p> <p>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.</p> <p>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.</p>

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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.	<p>1. An internal document, the Regulations on the Corporate Secretary, was adopted and implemented by the Company.</p> <p>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.</p>	Not observed	<p>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:</p> <p>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.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company:</p> <p>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.</p> <p>Description of the Company's measures taken to mitigate additional risks:</p> <p>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.</p> <p>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:</p> <p>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.</p>
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	

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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	<p>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.</p>	<p>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.</p>	Partially observed	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
4.2.2	<p>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.</p>	<p>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.</p>	Not observed	<p>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.</p> <p>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).</p> <p>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.</p> <p>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.</p>
4.2.3	<p>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.</p>	<p>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.</p>	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	<p>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:</p> <p>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).</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company:</p> <p>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.</p> <p>Description of the Company's measures taken to mitigate additional risks:</p> <p>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.</p> <p>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:</p> <p>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.</p>

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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	<p>Not observed as regards internal control.</p> <p>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:</p> <p>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.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company:</p> <p>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.</p> <p>Description of the Company's measures taken to mitigate additional risks:</p> <p>The Company believes that the established practice does not pose any extra risks since internal control procedures are carried out at the Company.</p> <p>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:</p> <p>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.</p>

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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	<p>Not observed as regards internal control.</p> <p>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:</p> <p>Local regulatory documents (provisions on business units) of the Company lack clear distribution of internal control functions and authorities.</p> <p>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.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company:</p> <p>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.</p> <p>Description of the Company's measures taken to mitigate additional risks:</p> <p>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).</p> <p>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:</p> <p>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.</p>
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	<p>Not observed as regards Clause 2.</p> <p>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:</p> <p>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).</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company:</p> <p>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.</p> <p>Description of the Company's measures taken to mitigate additional risks:</p> <p>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.</p> <p>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.</p> <p>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:</p> <p>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.</p>

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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	

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
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	<p>Not observed as regards the inclusion of the list of material corporate actions specifically in the Company's Articles of Association.</p> <p>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:</p> <p>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.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company:</p> <p>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.</p> <p>Description of the Company's measures taken to mitigate additional risks:</p> <p>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.</p> <p>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:</p> <p>Nonconformity to the Code's provision is limited in time: until the shareholder (shareholders) approves respective changes to the Company's Articles of Association.</p>

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	<p>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:</p> <p>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.</p> <p>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:</p> <p>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)</p> <p>Description of the Company's measures taken to mitigate additional risks:</p> <p>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:</p> <p>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.</p>

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-D01 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 1 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 Skvorodino – 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 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 Skvorodino – 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 Skvorodino 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 Skvorodino – 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 Nizhnevartovsk – 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).
2019	The throughput capacity of the OTP supplying oil to TANECO's refineries was increased to 14 MTPA.
	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.
2020	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 Il'sky Refinery was connected to the Novovelichkovskaya – 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.
	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.
	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.
Plans for 2021	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 Sheskharris 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 Novovelichkovskaya – 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



FOR NOTES



Annual report 2020: Avant-garde in detail

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.





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