

## 1.6. BUSINESS MODEL

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

### The strategy of Transneft provides for:

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



### Resources

#### Financial Capital

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

#### Operational Resources

Length of trunk pipelines, thousand km	67.2	-0.3
Number of pumping stations	511	0
Tanks' capacity, million m <sup>3</sup>	24.6	+0.4

#### Intellectual Capital

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

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

#### Natural Resources

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

#### Social and Reputational Capital

Procurement of goods, works and services, RUB bn	225.7	-112.4
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Detailed information on  
Transneft's critical risks is  
given in Section 7.10 Risk  
Management System

p. 161

### Critical Risks:

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

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

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

**661.4**  
RUB bn

### Revenue

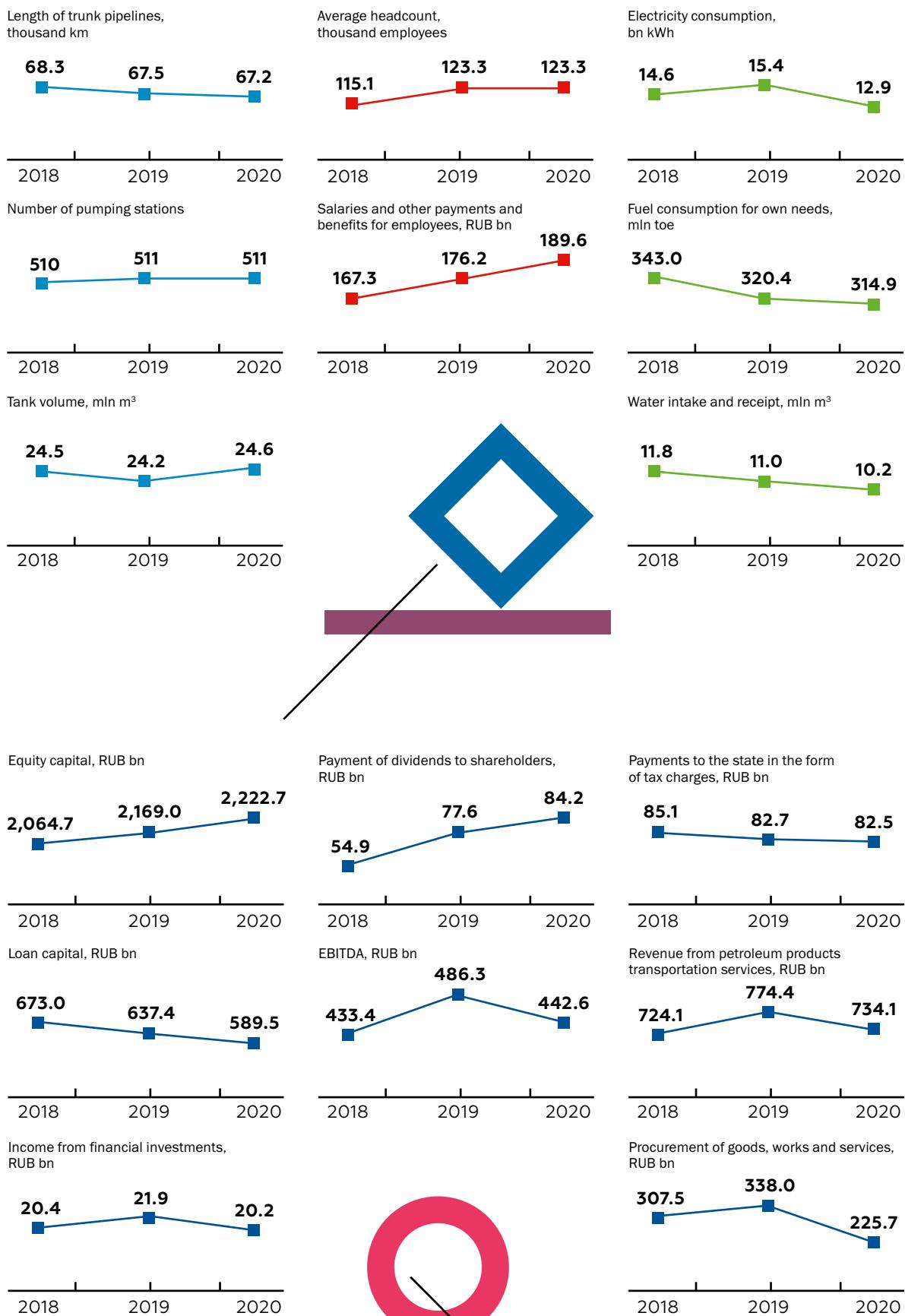
**72.6**  
RUB bn

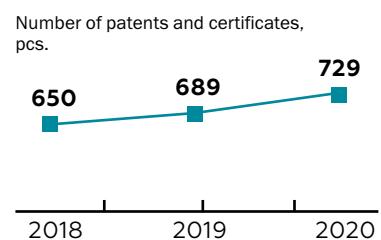
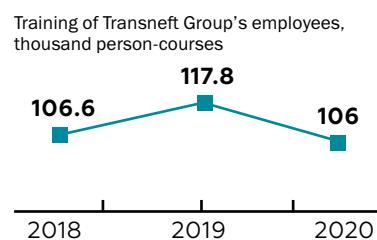
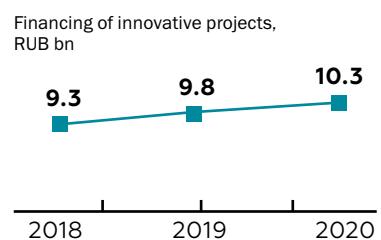
- shutdown of external power supply to Transneft's facilities;
- new technical standards or changes to the existing ones, which may affect the technological processes related to design, construction and operation of the trunk pipeline system (including environmental and industrial safety requirements);

### Results

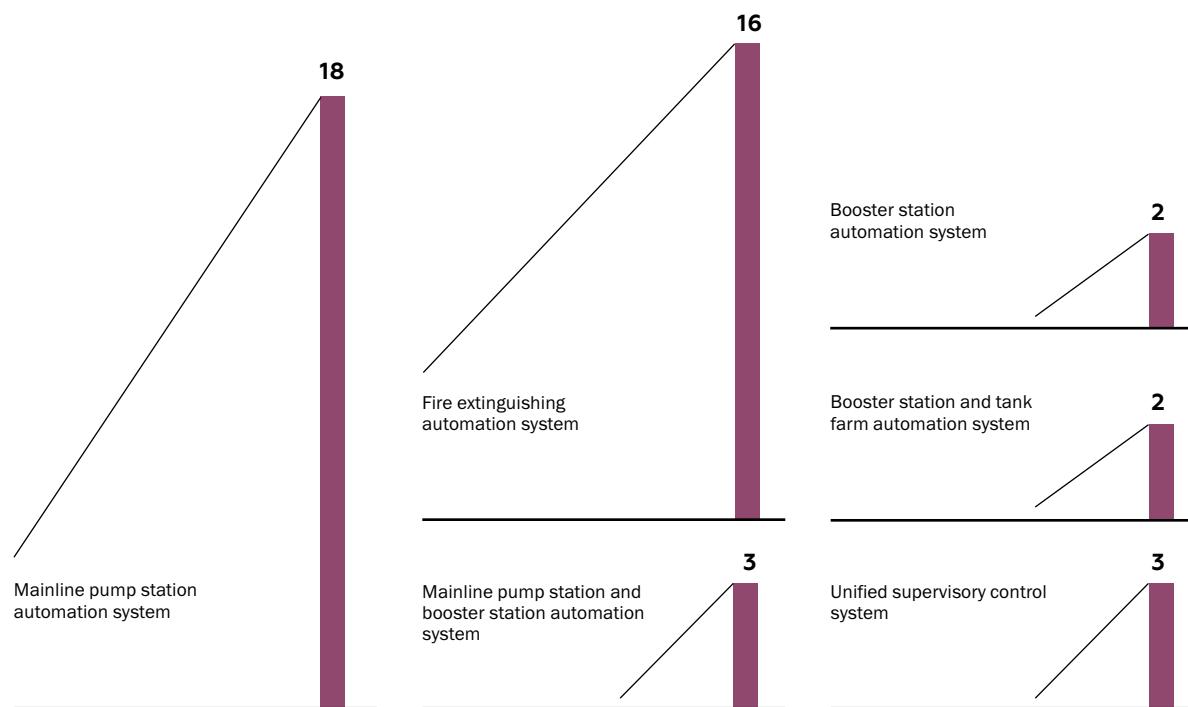
 Revenue, RUB bn	734	-40.3
 EBITDA, RUB bn	442.6	-43.7
 Dividend payments to shareholders, RUB bn	84.2	+6.6
 Oil turnover, bn tkm	1,132.2	+115.4
Petroleum products turnover, bn tkm	50.9	+1.1
 Number of patents and certificates	729	+40
Training of Transneft Group's employees, person-courses	106	-11.8
Number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

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



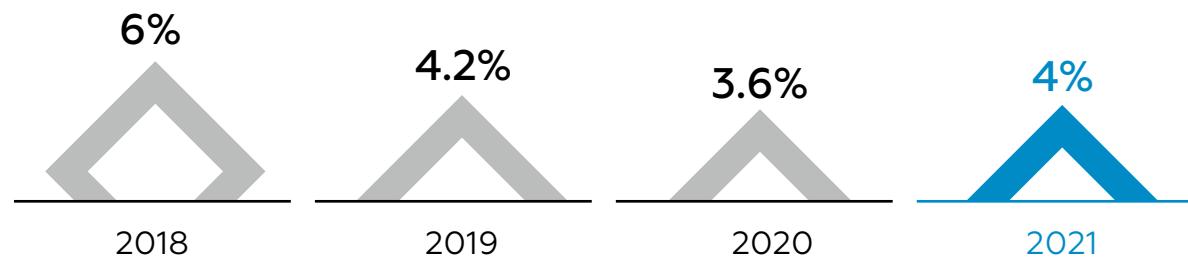


**Information on the implemented / technically upgraded automated process control systems (APCS) for 2020, pcs.**



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

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



## Sustainable Development Ratings (ESG)

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

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

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

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





## Transneft ratings and awards in 2020

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



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



## Forbes

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

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



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

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

