

The Transneft Strategy was approved by the Board of Directors of Transneft on 19 November 2014 (Minutes No. 23).

The Company's goal is to satisfy oil and petroleum products pipeline transportation demand of oil producing and refining companies on the domestic and foreign markets through efficient operation, development and upgrade of the Russian trunk pipeline transport system, based on:

- application of equipment manufactured in Russia;
- application of state-of-the-art sectoral technologies that ensure a high level of reliability, as well as industrial and environmental safety;
- ensuring that revenues from oil and petroleum products transportation are sufficient to implement the Development, Technical Upgrading and Revamping Programme of trunk pipeline facilities.

## 4.3. LONG-TERM DEVELOPMENT PROGRAMME

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

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

### Measures as per LDP

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

## Audit of the Transneft Long-Term Development Programme Implementation

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

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

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

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

## Changes in the Strategy and the Long-Term Development Programme

Due to the consequences of the spread of the new coronavirus infection (COVID-19) in 2020, the annual update of the LTDP was not carried out<sup>1</sup>.

The adjustment of the Strategy is planned after the approval of the General Development Plan for the Russian Oil Sector for the period up to 2035<sup>2</sup>.

1. Executive Orders of the Government of the Russian Federation No. 6739p-P13 dated 30 July 2020.

2. The draft General Development Plan for the Russian Oil Sector for the period up to 2035 was submitted by the Minenergo of Russia to the Government of the Russian Federation.