

APPROVED BY

**Decision of the Rosneft Management Board
on 31 December 2014.**

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COMPANY POLICY

IN THE AREA OF LICENSING FOR THE USE OF SUBSOIL

№ P1-01.01 P-01

VERSION 1.00

(with amendments approved by the decision of Rosneft' Management Board (Minutes of the meeting dated 30.06.2017 № Pr-IS-22p) effective as of 28.08. 2017 by Order № 489)

(EXTRACT FOR PUBLICATION PURPOSES)

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INTRODUCTORY PROVISIONS

INTRODUCTION

The Company Policy in the Area of Licensing for the Use of Subsoil (hereafter referred to as the “Policy”) defines the general principles of the activities in the area of licensing for the use of subsoil areas located onshore, in the internal sea waters, in the territorial sea and on the continental shelf of the Russian Federation for the purposes of geological exploration, prospecting and production of hydrocarbon raw materials.

This Policy has been developed in accordance with legislation of the Russian Federation, including the following:

- RF Law № 2395-1, “On the Subsoil”, of 21.02.1992;
- Federal Law № 187-FZ, “On the Continental Shelf of the Russian Federation”, of 30.11.1995;
- PB 07-601-03, Rules of Subsoil Protection;
- Regulation on the Procedure for Licensing for the Use of Subsoil approved by Resolution of the RF Supreme Court № 3314-1 of 15.07.1992;
- Regulation on the Establishment and Change of the Boundaries of the Subsoil Areas to be Provided for Use, approved by Resolution of the RF Government № 429 of 03.05.2012;
- Regulation for the State Supervision of the Geological Exploration, Rational Use and Protection of Subsoil, approved by Resolution of the RF Government № 293 of 12.05.2005;
- Regulation for Consideration of Applications for Obtaining the Right to Use Subsoil for Mineral Prospecting and Production or Geological Exploration of Subsoil, Mineral Prospecting and Production under the Exploration and Production License in the Subsoil Areas Provided for Use without Holding an Auction, Subsoil Areas of Federal Significance on the Continental Shelf of the Russian Federation, Subsoil Areas of Federal Significance Located in the Territory of the Russian Federation and Extending to Its Continental Shelf and Subsoil Areas of Federal Significance Containing Gas, approved by Resolution of the RF Government № 4 of 08.01.2009;
- Regulation on the Making a Decision to Terminate the Right to Use Subsoil Areas of Federal Significance for Minerals Prospecting and Production in Case of Geological Exploration of Subsoil under the Exploration and Production License, approved by Resolution of the RF Government № 697 of 16.09.2008;
- Regulation for Consideration of Applications for Obtaining the Right to Use Subsoil for Exploration and Production in the Event of Establishment of the Fact of Discovery of a Mineral Deposit in the Subsoil Area of Federal Significance or Subsoil Area Classified as That of Federal Significance as a Result of Discovery of a Mineral Deposit by the Subsoil User who Performed Geological Exploration of that Area for and Financed it with His Own Funds, approved by Resolution of the RF Government № 897 of 27.11.2008;
- Federal Law № 127-FZ, “On the Insolvency (Bankruptcy)”, of 26.10.2002;
- Administrative Regulation of the Federal Agency for the Use of Subsoil on the Performance of State Functions of Issuance, Execution and Registration of Licenses for the Use of Subsoil, Introduction of Amendments and Additions to the Licenses for the Use of Subsoil Areas, Re-formalization of Licenses and Making Decisions, including Those Advised by the Federal Service for Subsoil Use Supervision and Other Authorized Bodies, on Early Termination,

Suspension and Restriction of the Right to Use Subsoil Areas, approved by Order of the Ministry of Natural Resources and Ecology (Minprirody) of the Russian Federation № 315 of 29.09.2009;

- Administrative Regulation of the Federal Service for Subsoil Use Supervision on the Performance of State Function of State Supervision over Geological Exploration, Rational Use and Protection of Subsoil, approved by Order of the Ministry of Natural Resources and Ecology (Minprirody) of the Russian Federation № 196 of 29.06.2012;
- Administrative Regulation of the Federal Service for Subsoil Use Supervision on the Performance of State Function of organization and Holding, in Accordance with the Established Procedure, of Tenders and Auctions for the Right to Use Subsoil, approved by Order of the Ministry of Natural Resources and Ecology (Minprirody) of the Russian Federation № 156 of 17.06.2009;
- Instruction on the Procedure for Establishing the Fact of Discovery of a Mineral Deposit, approved by Order of the Ministry of Natural Resources of Russia № 689 of 11.11.2004;
- Procedure for Consideration of Applications for Obtaining the Right to Use Subsoil for Geological Exploration of Subsoil (Except for Subsoil in the Subsoil Areas of Federal Significance), approved by the Order of the Ministry of Natural Resources of Russia № 61 of 15.03.2005;
- Procedure for Consideration of Applications for Obtaining the Right to Use Subsoil for Exploration and Production of Minerals of the Discovered Deposit in the Event of Establishment of the Fact of Discovery of a Mineral Deposit in the Subsoil Area, Except of the Subsoil Area of Federal Significance and Subsoil Area Classified as That of Federal Significance, as a Result of Discovery of a Mineral Deposit by the Subsoil User who Performed Geological Exploration of Subsoil Using Its Own Funds, approved by Resolution of the RF Government № 23 of 24.01.2005.

AIMS

The Policy defines the Company's position concerning the area of licensing for the use of subsoil areas located onshore, in the internal sea waters, in the territorial sea and on the continental shelf of the Russian Federation for the purposes of geological exploration, prospecting and production of hydrocarbon raw materials and formalizes uniform principles of the Company's activities in that area.

TASKS

The tasks of this Policy include the following:

- determination of the Company's objectives and tasks, as well as principles of its activities in the area of licensing for the use of subsoil areas located onshore, in the internal sea waters, territorial sea and on the continental shelf of the Russian Federation for the purposes of geological exploration, prospecting and production of hydrocarbon raw materials;
- definition of the system of management of the activities in the area of licensing for the use of subsoil areas located onshore, in the internal sea waters, territorial sea and on the continental shelf of the Russian Federation for the purposes of geological exploration, prospecting and production of hydrocarbon raw materials (including objects and levels of management and distribution of powers and responsibilities);

- definition of the structure and hierarchy of local regulatory documents regulating the Company's activities in the area of licensing for the use of subsoil areas located onshore, in the internal sea waters, in the territorial sea and on the continental shelf of the Russian Federation for the purposes of geological exploration, prospecting and production of hydrocarbon raw materials, as well as subsoil use;
- determination of the main risks in the area of subsoil licensing and risk management measures.

SCOPE

This Policy shall be obligatory for all the employees of Rosneft and its subsidiaries whose activities are directly or indirectly related to the use of subsoil and licensing for the use of subsoil areas located onshore, in the internal sea waters, in the territorial sea and on the continental shelf of the Russian Federation for the purposes of geological exploration, prospecting and production of hydrocarbon raw materials.

This Policy shall be recommended for voluntary observation by employees of Rosneft's dependable companies.

The requirements of this Policy shall be subject to compulsory implementation in subsidiaries and dependent companies of Rosneft, as well as in any other Company, in which Rosneft participates directly or indirectly, upon their implementation in the Company with due account of the specifics of the terms of the contracts or agreements on joint activities and in accordance with its Charter and pursuant to the procedure established in it.

Order documents and local regulatory and other internal documents must not contradict this Policy.

This Policy shall not apply to the activities of Rosneft and its subsidiaries which relate to licensing for the activities other than the use of subsoil areas located onshore, in the internal sea waters, in the territorial sea and on the continental shelf of the Russian Federation for the purposes of geological exploration, prospecting and production of hydrocarbon raw materials.

VALIDITY AND AMENDMENT PROCEDURE

This Policy shall be a permanent local regulatory document.

This Policy shall be approved in Rosneft by a decision of the Rosneft Management Board and put into effect in Rosneft by an Rosneft order.

The Regulation shall be deemed to have lost its force in Rosneft on the basis of a decision of the Management Board of Rosneft.

Amendments to this Policy shall be introduced on the basis of a decision of the Rosneft Management Board and put into effect by an Rosneft order.

Introduction of amendments into this Policy shall be initiated by: Rosneft top managers, Companies of the group upon agreement with the Rosneft top manager responsible for licensing for [the use] of subsoil.

Amendments shall be introduced into the Policy in the following instances: changes in the RF legislation, changes in the organizational structure or the authority of executive, etc.

1. TERMS AND DEFINITIONS

TERMS AND DEFINITIONS FROM THE CORPORATE GLOSSARY

AUCTION FOR THE RIGHT TO USE SUBSOIL AREAS – procedure of selection from a number of bidders, in the course of which the bidder who bid the highest amount of one-off payment for the use of subsoil shall be recognized as the auction winner.

Note: Decision to hold tenders or auctions for the right to use subsoil areas, on the composition and procedures of tender and auction commissions and determination of the procedure for and terms of such tenders or auctions in respect of each participant or group of participants shall be made by:

- 1. the Government of the Russian Federation in respect of subsoil areas of federal significance;*
- 2. government body of the respective subject of the Russian Federation in respect of the subsoil areas containing deposits of common minerals or subsoil areas of local significance;*
- 3. federal body for management of the state subsoil fund or its territorial bodies in respect of the subsoil areas excluding those specified in Items 1 and 2 of the Note.*

BUSINESS FUNCTION – a group of Rosneft structural subdivisions subordinate directly to the Rosneft top manager responsible for a business function, or a group of Companies of the Group and/or structural subdivisions of the Companies of the Group involved in the activities of a business function.

ESSENTIAL CONDITIONS OF THE USE OF SUBSOIL – obligations of the subsoil user which are specified in the Terms of the Use of Subsoil (License Agreement) in accordance with Article 12 of the RF Law № 2395-1, “On the Subsoil”, of 21.02.1992 or are stated as such in the Terms of the Use of Subsoil.

FUND OF LICENSES FOR THE USE OF SUBSOIL AREAS – totality of licenses for the use of subsoil areas which are held by Rosneft and Companies of the Group and are of the following types:

- “geological exploration with the purpose of discovery and evaluation of hydrocarbon deposits” for terms from 5 to 7 years for onshore exploration and up to 10 years for exploration in the internal sea waters, in the territorial sea and on the continental shelf of the Russian Federation;
- “geological exploration, prospecting and production of hydrocarbon raw materials” for a term of 25 years or for a term of deposit development;
- “prospecting and production of hydrocarbon raw materials” for a term of deposit development.

KEY LICENSE RISKS – risks arising as a result of breach of essential conditions of the use of subsoil, whose non-fulfillment may result in initiation of early termination of the right to use subsoil.

LICENSE OBLIGATIONS – obligations of the subsoil user which are stated in the Terms of Subsoil Area Use (License Agreement) relating to the use of subsoil.

LICENSE AREA – geometrized block of subsoil provided to the user in accordance with the license for the use of subsoil for geological exploration, prospecting and production of hydrocarbon raw materials.

LICENSE FOR THE USE OF SUBSOIL AREA (LICENSE) – a document certifying its holder’s right to use a subsoil area with specified boundaries for the purpose specified in it during a period stated in it, provided that its holder observes the stipulated conditions. The authorized government body and the subsoil user may conclude a contract which will establish the terms of the use of such subsoil area, as well as contractual obligations of the parties [RF Law № 2395-1, “On the Subsoil”, of 21.02.1992].

LIST OF MINERALS SUBSOIL– an official document approved by the authorized government body of the Russian Federation which contains a list of subsoil areas planned for provision for use for the purpose of geological exploration, prospecting and production of minerals.

RESOURCE BASE – reserves and resources of hydrocarbon raw materials of all categories booked and stated in the state balance of the Russian Federation in the name of the subsoil user.

SUBSOIL USE LICENSING – totality of processes aimed at acquisition/extension/re-formalization/termination of the right to use a subsoil area and amend (actualize) the Terms of the Use of Subsoil.

STATE LICENSING SYSTEM – uniform procedure for provision of licenses, which includes information, scientific and analytical, economic and legal preparation of materials and their execution.

STATE SUBSOIL FUND – the totality of the used areas (license areas) consisting of geometrized blocks of subsoil and unused part of subsoil located onshore, in the internal sea waters, in the territorial sea and on the continental shelf of the Russian Federation (undistributed subsoil fund).

TENDER FOR THE RIGHT TO USE SUBSOIL – procedure of selection from a number of bidders whose winner is the bidder who meets the tender requirements and who presented the best proposals concerning subsoil development.

Note: In the event that only one bid is submitted, the right to use subsoil may be given to that bidder on the announced tender terms.

TERM OF USE OF SUBSOIL AREA – time period stated in the license for the use of a subsoil area which begins at the time of state registration of the license for the use of that subsoil area.

TERMS OF THE USE OF SUBSOIL (LICENSE AGREEMENT) – a part of a license for the use of a subsoil area which specifies the rights and obligations of the subsoil user and retains its force within the time period specified in the license for the use of that subsoil area or during the entire term of the license of the use of the subsoil area.

TERMS AND DEFINITIONS USED FOR THE PURPOSES OF THIS DOCUMENT

PARTIES CONCERNED – individuals and legal persons, irrespective of their form of ownership, which can affect the Company's activities in the area of licensing for the use of subsoil or can be affected by the activities of the Company after it acquired such license.

2. DESIGNATIONS AND ABBREVIATIONS

AIB – authorized investment body of Rosneft.

COMPANY OF THE GROUP – a business entity in whose charter capital Rosneft directly and (or) indirectly owns 20% or a larger stake.

CRDI –Rosneft corporate research and design institutes.

COMPANY – group of legal entities of various forms of business organization, including Rosneft, in respect of which Rosneft plays the role of the principal or dominating (participating) company.

HCM – hydrocarbon raw materials.

ICC –Rosneft Investment Committee.

IM – investment memorandum.

MINPRIRODY OF RUSSIA – Ministry of Natural Resources and Ecology of the Russian Federation.

NP – type of license - “geological exploration with the purpose of discovery and evaluation of hydrocarbon deposits” provided for terms from 5 to 7 years for onshore deposits and up to 10 years for deposits in the internal sea waters, in the territorial sea and on the continental shelf of the Russian Federation.

NR – type of license - “geological exploration, prospecting and production of hydrocarbon raw materials” provided for a term of 25 years of for a term of deposit development.

NR – type of license - “geological exploration, prospecting and production of hydrocarbon raw materials” provided for a term of deposit development.

RIC – relevant subcommittee of the Rosneft Investment Committee.

ROSNEFT TOP MANAGERS – Rosneft First Vice-Presidents, Rosneft Vice-Presidents, Rosneft Chief Accountant, Rosneft Financial Director, advisors and heads of Rosneft structural subdivisions and Rosneft services in the rank of vice-presidents.

ROSNEFT CORE STRUCTURAL SUBDIVISION –Rosneft’s structural subdivision which is responsible, in accordance with its competence, for its core activities.

SUBSOIL MANAGER (ROSNEEDRA) – Federal Agency for the Use of Subsoil.

ROSPRIRODNADZOR – Federal Service for Supervision of the Use of Nature.

STRUCTURAL SUBDIVISION (SS) – structural subdivision with its own functions, tasks and responsibilities within the frameworks of its jurisdiction which is determined by a regulation for the structural subdivision.

SAFS – subsoil area of federal significance.

3. OBJECTIVES OF THE COMPANY'S ACTIVITIES IN THE AREA OF LICENSING FOR THE USE OF SUBSOIL

The objectives of the Company's activities in the area of licensing for the use of subsoil include the following:

- consolidation and development of the Company's leading positions in the area of the use of subsoil in the Russian Federation, ensuring growth of hydrocarbon raw materials production and capitalization through increasing its resource base:
 - ♦ retention and extension of the Company's current rights to use subsoil areas located onshore, in the internal sea waters, in the territorial sea and on the continental shelf of the Russian Federation for the purposes of geological exploration, prospecting and production of hydrocarbon raw materials;
 - ♦ obtaining new rights to use subsoil areas located onshore, in the internal sea waters, in the territorial sea and on the continental shelf of the Russian Federation which contain economically recoverable and/or significant HCM reserves or promise their discovery for the purposes of geological exploration, prospecting and production of hydrocarbon raw materials.
- optimization of the fund of licenses, including implementation of decisions concerning early termination of the right to use subsoil areas.

4. TASKS OF THE COMPANY IN THE AREA OF LICENSING FOR THE USE OF SUBSOIL

To attain its objectives, the Company undertakes to concentrate its efforts to resolve the following tasks:

- participation in the State Licensing Program being implemented by the Subsoil Manager;
- participation in the process of preparation and extension of the lists of subsoil areas which are offered by the Subsoil Manager for use and which contain economically recoverable hydrocarbon reserves and/or resources or promise their discovery;
- use of opportunities provided by Russian legislation to extend the terms of the effective licenses for the use of subsoil, acquire the right to use promising subsoil areas of the undistributed subsoil fund and change the boundaries of the subsoil areas provided for use through addition of the reserves of the undistributed subsoil fund;
- acquisition of the right to use subsoil areas which are promising from the viewpoint of deposit discovery and development or contain economically recoverable reserves of hydrocarbons and dissolved gas and/or natural gas and gas condensate;
- consideration of other owners' proposals relating to acquisition of control over the users of subsoil areas containing reserves and/or resources of hydrocarbon raw materials;
- carrying out the subsoil licensing activities in strict conformance with the norms, rules and provisions of the current subsoil legislation;
- planning and implementation of measures aimed at the extension of term of the right to use subsoil areas, changing (actualization) of the Terms of the Use of Subsoil, return of the subsoil areas that contain no hydrocarbon reserves or show no discovery prospects to the undistributed subsoil fund and alienation of the subsoil areas with no efficient development prospects.
- establishment and maintenance in the Company of an effective system of management of the licenses for the use of subsoil areas which ensures optimization of the fund of licenses through transfer of the subsoil areas with no confirmed prospects of commercially viable reserves discovery back to the undistributed subsoil fund and alienation of the licenses for the subsoil areas in which implementation of hydrocarbons production projects will be inefficient.

5. PRINCIPLES OF THE COMPANY'S ACTIVITIES IN THE AREA OF LICENSING FOR THE USE OF SUBSOIL

The Company's activities in the area of licensing for the use of subsoil shall be based on the following principles:

- **Observation of the provisions of legislation and other obligations assumed in the course of licensing for the use of subsoil areas.** The activities of the Company related to the licensing for the use of subsoil shall be carried out in strict conformity with the provisions of Russian legislation. In addition, the Company shall be fulfilling all the obligations to the Government of the Russian Federation, Minprirody of Russia, Subsoil Manager and subjects of the Russian Federation which it has assumed and which are stated in internal documents.
- **Taking into account interests and expectations of the parties concerned.** One of the main vectors of the Company's activities in the area of licensing for the use of subsoil shall be identification of interests and expectations of the parties concerned and their evaluation which will be carried on a regular basis. In the course of its activities, the company will seek to observe the balance of interests of all the parties concerned.
- **Participation in the state licensing system.** Active participation in the subsoil licensing plans and programs and tenders and auctions for the right to use subsoil for the purposes of geological exploration, prospecting and production of hydrocarbon raw materials areas which are implemented by the Subsoil Manager;
- **Participation in the preparation and extension of the lists of subsoil areas containing minerals which are offered for use.** Active participation in the process of preparation and extension of the lists of subsoil areas which are offered by the Subsoil Manager for use which contain hydrocarbon reserves and/or resources or promise their discovery.
- **Making decisions on the basis of the geological and economic evaluation of subsoil areas.** Decisions to acquire/extend the term of/terminate the right of use of a subsoil area shall be made on the basis of the subsoil area geological and economic evaluation.
- **Taking into account the probability of commercial deposits discovery in the course of subsoil exploration.** Geological and economic evaluation of a subsoil area containing hydrocarbon resources shall be carried out with account taken of the probability of discovery of commercial reserves.
- **Fulfillment of the Terms of Use of Subsoil Areas.** When using subsoil areas, the Company shall seek to completely fulfill all the Terms of Use of Subsoil Areas. In the event of objective impossibility or inexpediency to fulfill certain Terms of the Use of a Subsoil Area, the Company's subsoil users shall be obliged to initiate, timely and in accordance with the established procedure, introduction of appropriate changes into the Terms of the Use of Subsoil Areas
- **Optimization of the fund of licenses for the use of subsoil areas.** The Company's activities in the area of licensing for the use of subsoil shall be aimed at improving efficiency (optimization) of the fund of the current licenses for the use of subsoil areas for the purpose of their geological exploration, prospecting and production of hydrocarbon raw materials.
- **Control over observation by the Companies of the Group of provisions of the Russian legislation on the use of subsoil.** The legal entities involved in the use of a subsoil area must observe all the Russian legislation's requirements to subsoil users. The Company shall seek to adhere to the principles stated in the Social Charter of the Russian Business and follow the best Russian and international practices in the area of rational and safe use of subsoil.

6. OBJECTS OF MANAGEMENT IN THE AREA OF LICENSING FOR THE USE OF SUBSOIL

The objects of management shall include the following:

- Licenses for the use of subsoil for the purpose of geological exploration, prospecting and production of hydrocarbon raw materials of the following types:
 - ♦ NP – type of license - “geological exploration with the purpose of discovery and evaluation of HCM deposits” provided for terms from 5 to 7 years for onshore exploration and up to 10 years for exploration in the internal sea waters, in the territorial sea and on the continental shelf of the Russian Federation.
 - ♦ NR – type of license - “geological exploration, prospecting and production of hydrocarbon raw materials” provided for a term of 25 years or for a term of deposit development.
 - ♦ NR – type of license - “geological exploration, prospecting and production of hydrocarbon raw materials” provided for a term of deposit development.
- The process named "Coordination of the licensing activities in the area of subsoil use: management of licenses for the use of subsoil areas" and the processes that compose it, including geologic and economic evaluation of a subsoil area, acquisition/re-formalization/termination of the right to use a subsoil area, change (actualization, extension of the license term or timeframes of geological exploration of a subsoil area, change of the boundaries of a subsoil area) of the Terms of the Use of Subsoil, monitoring of the fulfillment of the essential conditions of the use of subsoil, identification and evaluation of the key license risks, support of subsoil use audits performed by the supervision bodies.
- Information resources relating to the safekeeping and management of the documents related to the licensing for the use of subsoil.
- Mandatory and management reporting related to licensing for the use of subsoil.

7. REQUIREMENTS TO THE USERS OF SUBSOIL

The Companies of the Group which are subsoil users and/or carry out operator activities in Rosneft's subsoil area under an agency contract in accordance with part 2, Article 22 of the RF Law № 2395-1, "On the Subsoil", of 21.02.1992 and this Policy must ensure the following:

- observation of the provisions of the Russian legislation, as well as the standards (norms, rules) approved in accordance with the established procedure and relating to the techniques of work related to the use of subsoil, as well as in the course of primary processing of hydrocarbon raw materials;
- observation of the requirements of the technical projects, plans and schemes of underground operations, prevention of the above-norm losses, attenuation and selective development of hydrocarbon deposits;
- maintenance of geological, surveying and other documentation in the process of the use of subsoil of any types, its safekeeping;
- provision of geological information to the federal and respective territorial funds of geological information;
- presentation of reliable information about the proven and recoverable hydrocarbon reserves, as well as about the reserves left in subsoil, its components and the use of subsoil for purposes other than minerals extraction to the federal and respective territorial funds of geological information and bodies of state statistics;
- safe performance of work related to the use of subsoil;
- observation of the standards (norms, rules) approved in accordance with the established procedure which regulate protection of subsoil, atmospheric air, land, forests and water bodies, as well as building and structures, from harmful impact of the work relating to the use of subsoil;
- bringing the plots of land and other natural objects disturbed in the course of the use of subsoil to a condition appropriate for their further use;
- preservation of prospecting and exploration wells that may be used in the course of hydrocarbon deposits development and/or for other economic purposes; liquidation, in accordance with the established procedure, of wells that cannot be used;
- fulfillment of the terms of the use of subsoil established by the license, making timely and correct payments for the use of subsoil;
- specific qualification and experience confirmed by the state license (certificate, diploma) for carrying out the respective activities: geological surveying, mineral exploration, prospecting and production, construction and operation of underground structures, other types of the use of subsoil.

8. MAIN RISKS AND PRINCIPLES OF THEIR MANAGEMENT

Table 1
Main risks associated with licensing for the use of subsoil and risk minimization measures

№	RISK	RESPONSIBILITY FOR IMPLEMENTATION OF RISK MINIMIZATION MEASURE	RISK MINIMIZATION MEASURE
1	2	3	4
1	Subsoil Manager's refusal to extend current licenses (right to use subsoil) and subsoil area geological exploration phases.	Companies of the Group, <i>Structural subdivision responsible for licensing-related activities and control of the use of subsoil shall perform control over fulfillment of the Essential Conditions of the Use of Subsoil.</i>	<ul style="list-style-type: none"> ▪ Fulfillment of the Essential Conditions of the Use of Subsoil by the Companies of the Group. ▪ Preparation of the plan of license extension and license area geological exploration phase, control of its implementation. ▪ Actualization of the project's hydrocarbon materials production documents.
2	Termination of the right to use subsoil (Part 1, Article 20 of RF Law № 2395-1, "On the Subsoil", of 21.02.1992).	Companies of the Group, <i>Structural subdivision responsible for licensing-related activities and control of the use of subsoil shall perform control over fulfillment of the Essential Conditions if the Use of Subsoil.</i>	<ul style="list-style-type: none"> ▪ Fulfillment of the Essential Conditions of the Use of Subsoil by the Companies of the Group. ▪ Prevention of conditions whose creation results in termination of the right to use subsoil. ▪ Preparation of plans of extension and re-formalization of licenses for the use of subsoil, control of their implementation.
3	Early termination, suspension or restriction of the right to use subsoil by the bodies which provided the license Part 2, Article 20 of RF Law № 2395-1, "On the Subsoil", of 21.02.1992).	Companies of the Group, <i>Structural subdivision responsible for licensing-related activities and control of the use of subsoil shall perform control over fulfillment of the Essential Conditions if the Use of Subsoil.</i>	<ul style="list-style-type: none"> ▪ Elimination of life and/or health threats. ▪ Fulfillment of the Essential Conditions of the Use of Subsoil by the Companies of the Group. ▪ Elimination of violations identified by the Federal Service for Supervision of the Use of Nature (Rosprirodnadzor) and other government bodies. ▪ Re-formalization of licenses in the event of liquidation of the enterprise to which subsoil was provided for use. ▪ Ensuring that subsoil is used to the extent envisaged, and within the time periods specified in the license. ▪ Timely presentation of reports to the Federal Agency for the Use of Subsoil (Rosnedra) and the Russian Federal Geological Fund.
4	Subsoil Manager's refusal to accept an application for obtaining the right to use subsoil on the terms of the tender/auction/without an auction (Article 14 of RF Law № 2395-1, "On the Subsoil", of 21.02.1992).	Companies of the Group – upon requests of the Companies of the Group, Structural subdivision responsible for the licensing-related activities and control of the use of subsoil – upon requests of Rosneft.	<ul style="list-style-type: none"> ▪ Ensuring checks of the completeness and reliability of the materials of the application package. ▪ Ensuring audit of the application package from the viewpoint of observation of the antimonopoly requirements and auction or tender terms.

Detailed descriptions and methods of license risk assessment are presented in the local regulatory documents related to the licensing for the use of subsoil.

9. STRUCTURE AND HIERARCHY OF THE LOCAL REGULATORY DOCUMENTS REGULATING ACTIVITIES IN THE AREA OF LICENSING AND THE USE OF SUBSOIL

The structure and hierarchy of the local regulatory documents regulating are shown in Figure 1.

COMPANY POLICY IN THE AREA OF SUBSOIL USE LICENSING
COMPANY STANDARD ON MANAGEMENT OF THE LICENSES FOR THE USE OF SUBSOIL AREAS
PROCEDURAL DOCUMENTS ON LICENSE MANAGEMENT, ASSESSMENT OF KEY LICENSE RISKS, EXECUTION OF DOCUMENTS DEFINING SUBSOIL ALLOTMENT BOUNDARIES, ETC

Fig 1. Structure and hierarchy of the local regulatory documents regulating activities in the area of licensing for the use of subsoil.

Development of the local regulatory documents must be carried out with account taken of the definitions, principles, approaches and provisions of in this Policy.

10. COMMUNICATION AND DISTRIBUTION OF THE POLICY

This policy is a public one.

Communication, distribution, availability and application of this Policy shall be carried out in accordance with the established procedure by way of provision of information to employees of Rosneft and Companies of the Group and publications at the internal and external information resources of the Company.

Implementation of this Policy and monitoring of its conformity to the activities of the Company shall be carried out by the Rosneft top manager responsible for licensing for the use of subsoil.

Control over fulfillment of the requirements of this Policy shall be carried out at the following two levels:

- control performed by the Rosneft top managers, heads of the Rosneft structural subdivisions and heads of the Companies of the Group involved in the process "Coordination of the Licensing Activities in the Area of the Use of Subsoil: Management of Licenses for the Use of Subsoil Areas";
- independent control (external and internal audit).

Based on the results of the above actions, changes may be introduced into the Policy with the purpose of its improvement in accordance with the established procedure.

The Company expects that all the parties concerned will adhere, in their relations with the Company, to the principles established by this Policy.

11. REFERENCES

1. RF Law № № 2395-1, “On the Subsoil”, of 21.02.1992.
2. Federal Law № 187-FZ, “On the Continental Shelf of the Russian Federation”, of 30.11.1995.
3. Federal Law № 127-FZ, «On the Insolvency (Bankruptcy)”, of 26.10.2002.
4. Administrative Regulation of the Federal Agency for the Use of Subsoil on the Performance of State Functions of Issuance, Execution and Registration of Licenses for the Use of Subsoil, Introduction of Amendments and Additions to the Licenses for the Use of Subsoil Areas, Re-formalization of Licenses and Making Decisions, including Those Advised by the Federal Service for Subsoil Use Supervision and Other Authorized Bodies, on Early Termination, Suspension and Restriction of the Right to Use Subsoil Areas, approved by Order of the Ministry of Natural Resources and Ecology (Minprirody) of the Russian Federation № 315 of 29.09.2009.
5. Administrative Regulation of the Federal Service for Subsoil Use Supervision on the Performance of State Function of State Supervision over Geological Exploration, Rational Use and Protection of Subsoil, approved by Order of Minprirody of the Russian Federation № 196 of 29.06.2012.
6. Administrative Regulation of the Federal Service for Subsoil Use Supervision on the Performance of State Function of organization and Holding, in Accordance with the Established Procedure, of Tenders and Auctions for the Right to Use Subsoil, approved by Order of Minprirody of the Russian Federation № 156 of 17.06.2009.
7. Instruction on the Procedure for Establishing the Fact of Discovery of a Mineral Deposit, approved by Order of the Ministry of Natural Resources of Russia № 689 of 11.11.2004.
8. PB 07-601-03, Rules of Subsoil Protection.
9. Regulation on the Procedure for Licensing for the Use of Subsoil, approved by Resolution of the RF Supreme Court № 3314-1 of 15.07.1992.
10. Regulation on the Establishment and Change of the Boundaries of the Subsoil Areas to be Provided for Use, approved by Resolution of the RF Government № 429 of 03.05.2012.
11. Regulation for the State Supervision of the Geological Exploration, Rational Use and Protection of Subsoil, approved by Resolution of the RF Government № 293 of 12.05.2005.
12. Regulation for Consideration of Applications for the Right to Use Subsoil for Mineral Prospecting and Production or Geological Exploration of Subsoil, Mineral Prospecting and Production under the Exploration and Production License in the Subsoil Areas Provided for Use without Holding an Auction, Subsoil Areas of Federal Significance on the Continental Shelf of the Russian Federation, Subsoil Areas of Federal Significance Located in the Territory of the Russian Federation and Extending to Its Continental Shelf and Subsoil Areas of Federal Significance Containing Gas, approved by Resolution of the RF Government № 4 of 08.01.2009.

13. Regulation on the Making a Decision to Terminate the Right to Use Subsoil Areas of Federal Significance for Minerals Prospecting and Production in Case of Geological Exploration of Subsoil under the Exploration and Production License, approved by Resolution of the RF Government № 697 of 16.09.2008.
14. Regulation for Consideration of Applications for Obtaining the Right to Use Subsoil for Exploration and Production in the Event of Establishment of the Fact of Discovery of a Mineral Deposit in the Subsoil Area of Federal Significance or Subsoil Area Classified as That of Federal Significance as a Result of Discovery of a Mineral Deposit by the Subsoil User who Performed Geological Exploration of that Area for and Financed it with His Own Funds, approved by Resolution of the RF Government № 897 of 27.11.2008.
15. Procedure for Consideration of Applications for Obtaining the Right to Use Subsoil for Geological Exploration of Subsoil (Except for Subsoil in the Subsoil Areas of Federal Significance), approved by the Order of the Ministry of Natural Resources of Russia № 61 of 15.03.2005.
16. Procedure for Consideration of Applications for Obtaining the Right to Use Subsoil for Exploration and Production of Minerals of the Discovered Deposit in the Event of Establishment of the Fact of Discovery of a Mineral Deposit in the Subsoil Area, Except of the Subsoil Area of Federal Significance and Subsoil Area Classified as That of Federal Significance, as a Result of Discovery of a Mineral Deposit by the Subsoil User who Performed Geological Exploration of Subsoil Using Its Own Funds, approved by Resolution of the RF Government № 23 of 24.01.2005.
17. Company Policy on Investment Management № P3-03 P-01, Version 1.00, approved by a decision of Rosneft Board of Directors of 07.02.2014 (Minutes № 24 dated 07.07.2014), introduced into effect by Rosneft Order № 189 of 11.04.2014.

12. BIBLIOGRAPHY

1. Social Charter of the Russian Business/Russian Union of Industrialists and Entrepreneurs (RUIE) - M., 2008.