

## Obtaining insurance coverage

### THE GROUP INSURES RISKS TO:

- protect the assets of the Company's shareholders;
- comply with laws and regulations;
- secure financing to cover and manage losses;
- obtain risk assessment and mitigation advice on the insured risks;
- provide incentive and social support programmes for personnel as part of the benefits package.

To maximise efficiency in terms of the number of risks insured, the Group takes a centralised approach to risk insurance to develop and deliver a unified risk insurance strategy across the Group. To this end, mandatory insurance practices are implemented in all subsidiaries, with the latter having the opportunity to propose improvements to the Group's existing insurance framework. The Company develops, adopts, and maintains up-to-date rules and procedures with respect to different types of insurance that reflect specific nature of the insured risks.

The Company insures and reinsures its risks exclusively at insurance companies that meet the reliability and quality requirements for risk insurance. When drafting the terms and conditions of insurance contracts, the Group actively uses retention options to allow for loss indemnification without involving the insurance company. The retention level is the amount equal to potential losses of all subsidiaries over a period of one year that reduces by 5% the ROACE calculated based on the Group's consolidated business plan. Risks that could result in losses in excess of the retention level are subject to compulsory voluntary insurance.

The Group strictly complies with the insurance regulations in Russia and other countries where the Group companies operate and acquires all types of insurance provided for by the Russian and other host country laws. Insurance companies are selected based on the Group's rules and procedures for counterparty selection. Most of the Company's risks are insured by SOGAZ, Russia's leading insurance company, while certain risks are insured with Rosgosstrakh.

**The Group strictly complies with the insurance regulations in Russia and other countries where the Group companies operate**

The following are the Group's main insured risks and their coverage terms in 2018:

- > damage to property, including the risks of damage to equipment and machinery. For upstream subsidiaries, these risks are insured with an indemnity limit of up to ₱ 3.75 bn per occurrence for assets on land and up to € 2 bn for assets on water, including offshore projects. For downstream subsidiaries, the indemnity limit is € 1 bn, while the amount of deductible (the portion of losses not reimbursed by the insurer) ranges from ₱ 22 m in the upstream to € 7.2 m in the downstream;
- > losses from production interruption (lost profits and fixed costs) due to property loss. The insurance covers losses of up to € 800 m for the Group's upstream companies and up to € 700 m for the downstream. The insurance comes into effect upon the expiration of the waiting period of 70–90 days following the occurrence of property loss (waiting period deductible);
- > control of well insurance to cover additional expenses incurred by the Company to regain control of a damaged well. Insurance is obtained for wells worth over ₱ 600 m or when the deposit has abnormally high reservoir pressures and/or temperatures. Indemnity limits for this type of insurance are up to ₱ 5.5 bn per occurrence for offshore wells and up to ₱ 1.2 bn for onshore projects with deductibles of ₱ 100 m and ₱ 20 m for offshore and onshore wells, respectively;
- > property losses of construction projects. Insurance is obtained for major projects worth over ₱ 600 m for the upstream and ₱ 500 m for the downstream companies with indemnity limits equal to the project costs, which can be as high as ₱ 130 bn with deductibles of ₱ 70 m;
- > losses from the delay in commissioning of new construction, renovation, and restoration projects. The indemnity limits are up to ₱ 60 bn with waiting period deductibles of 120 days;
- > property loss in the process of transportation. Insurance of exported goods (oil, petroleum products, and petrochemicals) for up to \$ 100 m per shipment;
- > damage to transport (land, water, air);
- > employee health insurance and personal accident insurance. To provide employees with high-quality medical services and emergency care, the Group acquires voluntary health and personal accident insurance policies.

Various types of liability associated with damage to property, life and health of third parties, including (but not limited to) the following:

- > comprehensive liability (to third parties, commodity producers, for pollution, to terminal owners, etc.) with extension to cover government mandated losses for environmental damage with a limit of € 500 m per occurrence;
- > liability of directors and officers – with indemnity limit of € 47.6 m per occurrence;
- > liability of hazardous facility owners for damages triggered by an accident at the hazardous facility;
- > mandatory vehicle insurance (basic and additional insurance);
- > for damage resulting from a terrorist attack at an energy facility;
- > liability of tankers with indemnity limits of up to \$ 250 m;
- > liability of charterer;
- > liability of carrier;
- > liability of shipowner (P&I) with a limit of up to \$ 3 bn;
- > liability for defects affecting the safety of capital construction facilities.