

Decree 39/01 of 22 June

The Petrol Business Law - Law 13/78 of 26 August stipulates that SONANGOL is the only concessionary of mining rights for the research and production of liquid and gas hydrocarbons that are the property of the Angolan people and defines mining rights as all the powers allocated to the Concessionary so that it may perform the oil operations required of any oil concession. Mining rights include the authority to use, enjoy and manage Government ownership of liquid and gas hydrocarbons.

Risk management is therefore a specialized part of the authority allocated to SONANGOL (as part of the mining rights).

Bearing in mind that there has been, in the last few years, fast growth in the Angolan oil business and, at the same time, in the international energy insurance markets, and that there has been an integration of financial services and the consolidation of the interests of the main participating groups, the Concessionary needs to adjust the management of the national interest to this new reality, by improving traditional risk management methods and by introducing new techniques for its management and financing.

Therefore, since there is a need to regulate the Oil Business Law - Law 13/78 of 26 August, regarding the risk management activities of any oil operations undertaken and carried out in the Republic of Angola;

Since there is also a need for SONANGOL, as the Concessionary, to assume control of all risk management activities in the concession areas;

Under these terms, in accordance with the combined provisions of paragraph *d)* of article 112 and article 113 of the Constitutional Law, the Government orders the following:

Article 1 - The control of the risk management activities of any oil operations is allocated to SONANGOL as exclusive Concessionary in accordance with the Oil Business Law - Law 13/78 of 26 August.

Article 2 - The regulation of the Risk Management Activities of any Oil Operations in the Republic of Angola has been approved; it is attached to the present decree, of which it is an integral part.

Article 3 - The period of 180 days from the date of publication of the present decree has been defined for the Concessionary to submit to the Government for its approval all the amendments imposed by the present decree on Association Contracts, on Production Sharing Contracts and on decrees relating to the Concession of Areas, in relation to which the Government has granted the Concessionary respective mining rights.

Article 4 - Any queries and omissions arising from the interpretation and application of the present ruling will be settled by executive decree from the Oil Minister.

Article 5 - This decree comes into force on the date of its publication.

Seen and approved at a Cabinet meeting, in Luanda, on 30 March 2001.

May it be published.

The President of the Republic, JOSÉ EDUARDO DOS SANTOS.

REGULATION OF THE RISK MANAGEMENT ACTIVITIES OF ANY OIL OPERATIONS

For purposes of the present regulation and unless it is indicated otherwise in the text itself, the words and expressions used therein will have the following meaning, and the definitions in the singular will also apply to the plural and vice-versa:

- a) *Risk Management Activities*: Every activity aimed at identifying, assessing, analysing, transferring or financing insurable and non-insurable risks which people, assets and earnings are exposed to;

- b) *Insurance and Re-insurance Agreements, Contracts and Treaties*: Agreements, policies and conventions or any other instruments, without limitation, entered into between insurance or re-insurance companies, brokers and risk underwriters and an individual or legal person or a syndicate, where the insurance and re-insurance purpose and conditions are set out, without prejudice of the definitions included in Annexure I of the General Insurance Business Law - Law 1/00 of 3 February;

- c) *"Angolan Oil Policy"*: Commercial program directed at the overall insurance and re-insurance consolidation and commercialization for any oil operations undertaken and carried out in the Concession Areas whose mining rights may have been granted to SONANGOL;

- d) *Concession Area*: Surface areas of the national territory, inland waters, the national sea and continental platform in relation to which, at any given moment, SONANGOL is an exclusive concessionary of mining rights for the research and production of liquid and gas hydrocarbons as described in more detail in the respective concession award ruling;

- e) *Control of Risk Management Activities*: Pursuit of all activities in the full risk management cycle, including, without limitation, the identification and evaluation of accidental loss risks, the generation and definition of risk management solutions, and risk transfer negotiation and contracting;

- f) *Risk Management Instruments*: Every legal, contractual, institutional, commercial and normative instrument that allows the pursuit and management of risk management risks;

- g) *"Manual for the Risk Management of Oil Operations in Angola"*: Normative guide where the Concessionary approves instructions, rules, procedures, mediators, cover specifications, contracts, as well as deadlines, cover values and additional contractual terms of agreements, contracts or treaties to be entered into for risk management, in accordance with the terms of the applicable legislation.

ARTICLE 2

(Control of risk management activities)

The control of risk management activities which people, assets and earnings are exposed to inherent to Oil Operations in the concession areas and respective financing, by means of insurance or another means, will be exerted by the concessionary.

ARTICLE 3

(Control content)

1. The control content of risk management activities mentioned in paragraph *e*) of article 1 includes, without limitation, the power to pursue the following activities:
 - a) to systematically identify and document the probability of accidental loss of physical assets, earnings and personnel and their impact on the balance of payments;
 - b) to define standards for the sharing of information pertaining to risk control activities and to ensure the management of its respective database;
 - c) to coordinate and control the process of defining, negotiating and contracting financing for insurable risks;
 - d) to approve instructions, rules, procedures, mediators, cover specifications, contracts, as well as deadlines, cover values and additional contractual terms of agreements, contracts or treaties to be entered into for risk management;
 - e) to place the "Angolan Oil Policy" in the market;
 - f) to change risk management plans and risks, as required.

2. The Concessionary's approval of the instruments mentioned in paragraph *d)* of the previous item must be systemized and will be included in a "Manual for the Risk Management of Oil Operations in Angola".

ARTICLE 4

(Risk management instruments and activities)

1. The Government authorizes the Concessionary to set up, under the terms and conditions of the applicable legislation, specialized instruments enabling it to pursue the economic and financial activities inherent to the global risk management control that people, assets and earnings in the Concession Areas are exposed to.
2. The activities mentioned in the previous item include the following, without limitation:
 - a) engineering and risk services;
 - b) risk identification, assessment and analysis;
 - c) insurance and re-insurance mediation and brokerage;
 - d) insurance and re-insurance business;
 - e) activities that are related and complementary to the insurance business;
 - f) pension fund management;
 - g) security and maintenance programs;
 - h) claims control and prevention programs;
 - i) management of funds for the restoration, destruction and abandonment of oil-production equipment, premises, buildings and structures;
 - j) providing other types of related risk and financial services.

ARTICLE 5

(Insurance and re-insurance)

1. All insurance and re-insurance related to Oil Operations must be contracted by the Concessionary, under the terms of the General Insurance Business Law - Law 1/00 of 3 February and of the Decree on Insurance and Re-insurance - Decree 6/01 of 2 March.

2. The Concessionary will secure the insurance and re-insurance required for protecting the interests of the State, its own and its Associates' interests and for the benefit of the State, for its own and its Associates' benefit and for the benefit of any other entities that may be contracted to supply goods and services for the Oil Operations in the Concession Areas, when this is deemed to be necessary and appropriate.
3. All insurance and re-insurance contracted by the Concessionary must be provided at market prices and offer excellent service quality.

ARTICLE 6

(Specifications of insurance contracts)

1. Insurance contracts entered into by the Concessionary, under the terms of the previous article, must respect the technical cover specifications that may be defined by the Concessionary and/or by the Concessionary, its Associates and any entities controlled by them.
2. The specifications must be the normal and specific ones and must ensure a prudent and economic cover of insurable risks.

ARTICLE 7

(Participation of captive re-insurers of the Concessionary Associates)

Concessionary Associates are recognized the right of participation of their captive re-insurers in the Oil Operations international reinsurance under the same conditions as other international re-insurers and under the terms that may be defined by the Concessionary.

ARTICLE 8

(Recovery of risk management expenses)

1. Risk financing costs, by means of insurance or any other means, are recoverable and/or deductible risks from the taxable income calculation, under the terms that have already been defined by the respective Concession rulings.

2. Expenses incurred in risk management activities that contravene the provisions of the present regulation will be considered to be non-recoverable and/or non-deductible risks from the taxable income calculation, under the terms that have already been defined by the respective Concession rulings.

ARTICLE 9
(Contracts in force)

For the implementation and execution of the provisions of the previous articles, the Concessionary must adopt the required measures in order to ensure that insurance or re-insurance agreements, contracts or treaties in force at the time of publication of the decree approving the present regulation will henceforth comply with the provisions of this regulation and conform to the national goals demanded by it, without prejudice of the applicable legislation.

The President of the Republic, JOSÉ EDUARDO DOS SANTOS