

General Meeting of Shareholders

The **General Meeting of Shareholders** is the supreme governance body responsible for dealing with the most significant aspects of the Company's activities.

General Meetings of Shareholders of Gazprom Neft held in 2018

Annual General Meeting of Shareholders 09 June 2018	The Company's annual report and accounting statements for 2017 were approved. Gazprom Neft's shareholders supported the recommendation of the Board of Directors to pay dividends in the total amount of ₹ 71.12 bn (₹ 15 per ordinary share, 28% of the Company's IFRS consolidated net profit for 2017). PricewaterhouseCoopers Audit (PwC) was approved as the auditor of Gazprom Neft for 2018. The shareholders also discussed several other items on the agenda of the Annual General Meeting: <ul style="list-style-type: none"> > new members of the Board of Directors and the Audit Commission were elected; > remuneration for the Board of Directors and the Audit Commission was approved.
Extraordinary General Meeting of Shareholders 14 December 2018	The Meeting resolved to: <ul style="list-style-type: none"> > pay interim dividends for nine months of 2018 in the total amount of ₹ 104.55 bn (₹ 22.05 per ordinary share); > amend the Charter and approve new versions of the following Company's by-laws: Regulation on the Board of Directors, Regulation on the General Meeting of Shareholders, Regulation on the Chief Executive Officer, and Regulation on the Management Board; > approve Gazprom Neft's decision to join the Russian National Committee of the World Energy Council.

Board of Directors

The Board of Directors is responsible for the Company's strategic management, determining priority development areas, defining key principles and approaches of risk management and internal controls, exercising control over the Company's executive bodies, and performing other functions.

The scope of authority of the Board of Directors is set out in Gazprom Neft's Charter and is clearly differentiated from the remit of the Company's executive bodies responsible for managing its ongoing operations.

The election of executive bodies, termination of their powers and control over the incentive system are all reserved to the Board of Directors. One of the key responsibilities of the Board of Directors is to set up strong executive bodies and exercise oversight over their performance. On top of that, the Board regularly reviews reports on the implementation of the Company's strategy and business plans.

The Board of Directors approves the Internal Control and Risk Management Policy and ensures implementation of the risk management and internal control initiatives. Also, the Board manages key risks related to the Company's strategic objectives.

The Board of Directors is also responsible for improving the Company's corporate governance system and practices, assessing the corporate governance framework, and reviewing reports on progress against the corporate governance improvement programme on a regular basis.

Given the strategic importance of its objectives, it is crucial for the Board of Directors to have trust of the Company's shareholders and make sure that all of its tasks are fulfilled in the most efficient way possible.

The key responsibilities of the Chairman of the Board of Directors are set forth in the Charter, the Regulation on the Board of Directors and the Corporate Governance Code. Those include:

- > providing organisational support to the Board of Directors;
- > promoting an open discussion of the agenda items and ensuring thoughtful consideration of all opinions expressed by the directors;
- > identifying key matters to be reviewed by the Board of Directors and choosing the right meeting format for the discussion;
- > representing the Board of Directors in relations with shareholders, management and other stakeholders;
- > preparing proposals for the distribution of responsibilities in the Board of Directors and its committees.

The scope of authority of the Board of Directors, its operating arrangements and the existing corporate procedures make it possible to adopt a substantial part of resolutions by a simple majority vote. That said, the Chairman must take into account the opinion of each director and seek to ensure a consensus on key items.

In 2018, the Board of Directors was chaired by Alexey Miller who did not sit on any of the Board's committees. Even though at that time Alexey Miller served as a director in some other companies and fulfilled the responsibilities of the Management Committee Chairman at Gazprom, the Company believes that these roles did not prevent him from effectively chairing the Board of Directors of Gazprom Neft.

Key competencies of the Board of Directors

Director	Years on the Board	Key competencies					Public and government relations
		Strategy	Finance and audit	Oil and gas	Law and corporate governance	Risk management	
Alexey Miller	13 years (since October 2005)	▼	▼	▼			▼
Andrey Kruglov	13 years (since October 2005)	▼	▼			▼	▼
Kirill Seleznev	13 years (since October 2005)	▼	▼	▼			
Valery Golubev	11 years (since June 2007)	▼	▼	▼			
Alexander Dyukov	11 years (since November 2007)	▼	▼	▼			▼
Vladimir Alisov	9 years (since June 2009)				▼		
Vsevolod Cherepanov	7 years (since June 2011)			▼			
Elena Mikhailova	6 years (since June 2012)		▼		▼		
Valery Serdyukov	6 years (since December 2012)		▼				▼
Mikhail Sereda	5 years (since December 2013)		▼			▼	
Sergey Fursenko	5 years (since February 2013)						▼
Igor Fedorov	6 months (since 9 June 2018)		▼		▼	▼	
Andrey Dmitriev	6 months (since 9 June 2018)	▼	▼	▼		▼	
Marat Garaev	4 years (from 2014 to 8 June 2018)			▼			
Nikolai Dubik	10 years (from 2008 to 8 June 2018)		▼		▼		

COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors must be made up in such a way so as to enable directors to discharge their duties in the most efficient manner possible. The Board of Directors is comprised of 13 elected directors. With 95.68% of the Company's ordinary shares held by PJSC "GAZPROM", the overwhelming majority of Gazprom Neft's directors are elected upon the recommendation of PJSC "GAZPROM", the Company's controlling shareholder. Out of 13 Board members, ten are non-executive directors (representing the majority shareholder), two are independent directors and one is the Company's executive director. The independence criteria used by Gazprom Neft are based on recommendations of the Corporate Governance Code of the Central Bank of the Russian Federation (Bank of Russia).

All directors have a balanced set of skills and experience required for their roles. The directors possess skills in strategic management, corporate governance, corporate finance, risk management, accounting, and other areas specific to the Company's operations.

The current composition of the Board of Directors ensures sufficient independence from the Company's management and enables effective control over the performance of the Management Board.

Gazprom Neft has put in place a transparent procedure for electing directors that includes:

- > giving shareholders a two-month period to propose nominees to the Board of Directors (applicable law only provides for a one-month nomination period);
- > disclosing information about the current composition of the Board and its nominees in due time;
- > using cumulative voting for electing the Board of Directors and providing comprehensive explanations about the associated voting procedures to the shareholders;
- > providing quorum details and the number of votes cast for each option when announcing the voting results;
- > publishing resolutions adopted by the General Meeting of Shareholders on Gazprom Neft's corporate website.

Balance of the Board of Directors by age

Name	Age
Alexey Miller	56
Valery Golubev	66
Andrey Kruglov	50
Kirill Seleznev	44
Vsevolod Cherepanov	52
Igor Fedorov	53
Elena Mikhailova	41
Alexander Dyukov	51
Andrey Dmitriev	44
Vladimir Alisov	58
Mikhail Sereda	48
Valery Serdyukov	73
Sergey Fursenko	64



- 3 > 45 and below
- 5 > 46-55
- 3 > 56-65
- 2 > 66 and above

Board of Directors composition

Name	Director	
	non-executive	independent
Alexey Miller	▼	
Valery Golubev	▼	
Andrey Kruglov	▼	
Igor Fedorov	▼	
Kirill Seleznev	▼	
Alexander Dyukov		
Vladimir Alisov	▼	
Vsevolod Cherepanov	▼	
Mikhail Sereda	▼	
Sergey Fursenko		▼
Elena Mikhailova	▼	
Valery Serdyukov		▼
Andrey Dmitriev	▼	

All directors are highly skilled professionals with an extensive board experience. They perform their duties in close collaboration with the Company's management team, business units, registrar and auditors.

The number of directors is aligned with the Company's current goals, objectives, and industry practices, and ensures the required balance of competencies in the Board of Directors.

Simultaneous participation of directors in other companies' boards of directors did not affect their performance in respect of Gazprom Neft's Board of Directors.

Directors are elected in a manner providing shareholders with sufficient information on candidates to get a clear idea of their personal and professional skills. Immediately after drafting the minutes of the relevant meeting, information on nominees to the Board of Directors is communicated to stakeholders by issuing a corporate action notice. Afterwards, full information is published on the corporate website in Russian and English 30 days prior to the General Meeting of Shareholders which will vote on the nominees.

Changes in the Board composition in 2018

Composition in 1 January – 8 June 2018	Composition in 9 June – 31 December 2018
INDEPENDENT DIRECTORS	
Valery Serdyukov	Valery Serdyukov
Sergey Fursenko	Sergey Fursenko
NON-EXECUTIVE DIRECTORS	
Alexey Miller	Alexey Miller
Valery Golubev	Valery Golubev
Andrey Kruglov	Andrey Kruglov
Nikolai Dubik	Igor Fedorov
Kirill Seleznev	Kirill Seleznev
Vladimir Alisov	Vladimir Alisov
Vsevolod Cherepanov	Vsevolod Cherepanov
Mikhail Sereda	Mikhail Sereda
Elena Mikhailova	Elena Mikhailova
Marat Garaev	Andrey Dmitriev
EXECUTIVE DIRECTOR	
Alexander Dyukov	Alexander Dyukov

Composition as at 31 December 2018



Alexey Miller

Chairman of the Board of Directors

Shareholding

(as at 31 December 2018)

None

Biographical details

- > Born in 1962
- > Graduated from Voznesensky Leningrad Institute of Finance and Economics
- > Since 2001 – Chairman of Gazprom's Management Committee
- > Since 2002 – Deputy Chairman of Gazprom's Board of Directors
- > Holds a PhD in Economics

Positions held in other organisations

- > Since 2003 – Chairman of the Board of Directors at Gazprombank
- > Since 2003 – Chairman of the Board of Directors at SOGAZ
- > Since 2007 – Chairman of the Board of Directors at Gazprom-Media Holding
- > Since 2010 – Chairman of the Supervisory Board at Gazprom Neft International S.A.
- > Since 2012 – Chairman of the Board of Directors at Rosippodromy
- > Since 2012 – member of the Board of Trustees at the Graduate School of Management of St Petersburg University
- > Since 2012 – member of the Board of Trustees at the Russian Geographical Society
- > Since 2012 – member of the Board of Trustees at the charity foundation for restoring the New Jerusalem Stauropegic Monastery of the Russian Orthodox Church
- > Since 2012 – member of the Board of Trustees at the Association of Lawyers of Russia
- > Since 2012 – member of the Bureau at the All-Russian Association of Employers (Russian Union of Industrialists and Entrepreneurs)
- > Since 2012 – member of the Bureau at the Russian Union of Industrialists and Entrepreneurs
- > Since 2013 – member of the Supervisory Board at the Global Energy Association (international research and energy projects)
- > Since 2013 – President and Chairman of the Management Board at the New Gas Industry Technology Association of Equipment Manufacturers
- > Since 2013 – member of the Board of Trustees at Moscow State University
- > Since 2013 – member of the Board of Trustees at the Moscow Church Construction Foundation
- > Since 2013 – First Deputy Chairman of the Board of Trustees at the Russian Cycling Federation
- > Since 2013 – member of the Supervisory Board at the Russian Volleyball Federation
- > Since 2014 – Chairman of the Board of Trustees at St Petersburg State University of Economics
- > Since 2015 – member of the Board of Trustees at the Russian Federal Public Academy of Education
- > Since 2016 – President, Chairman of the Board of Directors, Chairman of the Presiding Committee at the International Business Congress e.V. (IBC)
- > Since 2017 – member of the Board of Trustees at the Higher School of Economics (National Research University)
- > Since 2017 – member of the Board of Trustees of Doctors, Innovations and Science for Children Foundation (pediatric hematology, oncology and immunology research)
- > Since 2018 – member of the Board of Trustees at the Fund for the Conservation and Development of the Solovetsky Archipelago
- > Since 2018 – member of the Presidential Council for the Development of Physical Culture and Sport
- > Since 2018 – member of the Supervisory Board of Gubkin Russian State University of Oil and Gas
- > Since 2018 – member of the Board of Directors at Gazfond Private Pension Fund



Regulation on the Board of Directors is available on the corporate website



Valery Golubev

Member of the Audit Committee

Shareholding
(as at 31 December 2018)
None



Andrey Kruglov

Member of the Human Resources and Compensation Committee

Shareholding
(as at 31 December 2018)
None

Biographical details

- > Born in 1952
- > Graduated from Ulyanov (Lenin) Leningrad Electrotechnical Institute and from the Russian Presidential Academy of National Economy and Public Administration
- > 2006 – February 2019 – Deputy Chairman of Gazprom’s Management Committee
- > Holds a PhD in Economics

- > Born in 1969
- > Graduated from St Petersburg Technological Institute of Refrigeration
- > 2004–2005 – Head of Finance and Economics Department at Gazprom
- > 2004 – March 2019 – Deputy Chairman of Gazprom’s Management Committee
- > Holds a post-doctoral degree in Economics

Positions held in other organisations

- > Since 2005 – Chairman of the Board of Directors, member of the Board of Directors at Volgogradneftemash
- > Since 2006 – First Vice President, member of the Supervisory Board at the Russian Gas Society
- > Since 2006 – member of the Supervisory Board at KazRosGas
- > Since 2007 – Chairman of the Supervisory Board at Moldovagaz
- > Since 2007 – member of the Board at the International Consortium for the Ukrainian Gas Transmission System Management and Development
- > Since 2007 – member of the Board of Directors at Mosenergo
- > Since 2009 – member of the Board of Directors at Sakhalin Energy Investment Company Ltd.
- > Since 2010 – member of the Board of Directors, Chairman of the Board of Directors at Gazprom-South Ossetia
- > Since 2012 – member of the Supervisory Board at Gazprom Neft Finance B.V.
- > Since 2018 – Chairman of the Board at National Gas Vehicle Association

- > Since 2003 – Chairman of the Board of Directors at Belgazprombank
- > Since 2003 – member of the Board of Directors at Gazprombank
- > Since 2004 – member of the Board of Directors at Vostokgazprom
- > Since 2004 – member of the Board of Directors at Tomskgazprom
- > Since 2006 – member of the Board of Directors at SOGAZ
- > Since 2009 – Chairman of the Supervisory Board at Gazprom EP Finance B.V.
- > Since 2010 – Deputy Chairman of the Board at Directors at Overgas Inc.
- > Since 2010 – member of the Supervisory Board at Gazprom Neft Finance B.V.
- > Since 2012 – member of the Board of Trustees at the charity foundation for restoring the New Jerusalem Stavropegic Monastery of the Russian Orthodox Church
- > Since 2016 – member of the Board of Trustees at the International Foundation for the Unity of Orthodox Christian Nations
- > Since 2016 – member of the Presiding Committee at the International Business Congress e.V. (IBC)
- > Since 2018 – member of the Board of Directors at Gazfond Private Pension Fund



**Alexander
 Dyukov**

Shareholding
 (as at 31 December 2018)
 0.005357244%
 (254,003 shares)



**Kirill
 Seleznev**

Shareholding
 (as at 31 December 2018)
 None

Biographical details

- > Born in 1967
- > Graduated from Leningrad Shipbuilding Institute, Order of Lenin Holds an MBA degree from IMISP (2001)
- > 2003–2006 – President at SIBUR Holding
- > 2006 – CEO at SIBUR
- > Since 2006 – President, since December 2007 – Chairman of the Management Board and CEO at Gazprom Neft

- > Born in 1974
- > Graduated from Ustinov Baltic State Technical University and St Petersburg State University
- > 2002 – April 2019 – head of marketing and gas and liquids processing at Gazprom
- > Since 2003 – member of Gazprom’s Management Committee
- > 2004 – April 2019 – Director General at Gazprom Mezhtregiongaz
- > Since 2019 – CEO at RusKhimAlliance
- > Holds a PhD in Economics

Positions held in other organisations

- > Since 2005 – member of the Board of Directors, Chairman of the Board of Directors, Deputy Chairman of the Board of Directors at SIBUR Holding
- > Since 2007 – member of the Board of Directors, Chairman of the Board of Directors at Lakhta Centre
- > Since 2007 – member of the Supervisory Board at the Russian Gas Society
- > Since 2008 – Chairman of the Board of Trustees at St Petersburg Mining University
- > Since 2009 – member of the Board of Directors at National Oil Consortium
- > Since 2010 – member of the Board of Directors at SKA Ice Hockey Club
- > Since 2010 – member of the Board of Trustees at the Russian Geographical Society
- > Since 2012 – member of the Board of Directors at Hockey City
- > Since 2013 – member of the Bureau and Management Board, Chairman of the Committee on Industrial Security of the Russian Union of Industrialists and Entrepreneurs
- > Since 2014 – member of the Presidium at St Petersburg Football Federation
- > Since 2014 – member of the Board of Trustees at the Russian Chess Federation
- > Since 2015 – member of the Board of Trustees at the National Intellectual Development Foundation
- > Since 2015 – member of the Board of Trustees at Gubkin Russian State University of Oil and Gas
- > Since 2017 – Chairman of the Board of Directors at Zenit Basketball Club
- > Since 2018 – member of the Board of Trustees at Lomonosov Moscow State University High School
- > Since 2019 – President of the Football Union of Russia
- > Since 2019 – Chairman of the Board of Directors at Gazprom Neft Shelf

- > Since 2003 – member of the Supervisory Board at the Russian Gas Society
- > Since 2003 – member of the Board of Directors at Vostokgazprom
- > Since 2004 – member of the Board of Directors at Tomskgazprom
- > Since 2006 – member of the Board of Directors at Zenit Football Club
- > Since 2006 – member of the Council, Chairman of the Council at Latvijas Gāze
- > Since 2007 – member of the Board of Directors, Chairman of the Board of Directors at Mosenergo
- > Since 2008 – member of the Board of Directors, Chairman of the Board of Directors at TGC-1
- > Since 2009 – member of the Supervisory Board at KazRosGas
- > Since 2010 – member of the Board of Directors at Gazprombank
- > Since 2011 – member of the Board of Directors at Rossiya Bank
- > Since 2011 – member of the Supervisory Board at Gazprom Neft Finance B.V.
- > Since 2013 – member of the Supervisory Board at the Russian Regional Development Bank
- > Since 2017 – member of the Board of Directors at RusGazAlliance
- > Since 2018 – member of the Board of Directors at RusKhimAlliance



Mikhail Sereda

Chairman of the Audit Committee

Shareholding
(as at 31 December 2018)
None



Elena Mikhailova

Member of the Audit Committee

Shareholding
(as at 31 December 2018)
None

Biographical details

- > Born in 1970
- > Graduated from St Petersburg State University of Economics and Finance
- > Since 2002 – member of Gazprom’s Board of Directors
- > Since 2004 – Deputy Chairman of the Management Committee – Head of the Management Committee Administration at Gazprom

- > Born in 1977
- > Graduated from Moscow State Industrial University with a degree in Law; holds an MBA from the Russian Presidential Academy of National Economy and Public Administration
- > Since 2011 – head of property management and corporate relations at Gazprom
- > Since 2003 – Deputy Director General for Corporate Relations and Asset Management at Mezhrefiongaz (on a part-time basis)
- > Since 2012 – member of Gazprom’s Management Committee

Positions held in other organisations

- > Since 2002 – member of the Board of Directors, Chairman of the Board of Directors at Gazprom (U.K.) Limited
- > Since 2002 – member of the Board of Directors, Deputy Chairman of the Board of Directors at Gazprombank
- > Since 2002 – member and Chairman of the Board of Directors at Vostokgazprom
- > Since 2003 – member and Chairman of the Board of Directors at Gazprom Centrenergogaz
- > Since 2004 – Chairman of the Board of Directors at Tomskgazprom
- > Since 2005 – member and Chairman of the Board of Directors at Gazpromtrubinvest
- > Since 2007 – member of the Board of Directors at Gazprom Space Systems
- > Since 2012 – Chairman of Management Board at Sokhna Housing Cooperative
- > Since 2015 – President of the Administrative Board of Gazprom Schweiz AG
- > Since 2016 – Managing Director at Gazprom Germania GmbH
- > Since 2016 – member and Chairman of the Supervisory Board at Gazprom Austria GmbH
- > Since 2016 – member of the Presiding Committee at the International Business Congress e.V. (IBC)
- > Since 2017 – member of the Advisory Board of WIGA Transport Beteiligungs-GmbH & Co.KG
- > Since 2017 – member and Chairman of the Board of Directors at Gazprom Transservis
- > Since 2018 – member of the Board of Directors at Panrusgaz

- > Since 2012 – member of the Board of Directors at Mosenergo
- > Since 2012 – member of the Board of Directors at Severneftegazprom
- > Since 2012 – member of the Board of Directors at Lider
- > Since 2012 – member of the Board of Directors at Gazprom Gas-Engine Fuel
- > Since 2013 – member of the Council at Latvijas Gāze
- > Since 2016 – member of the Board of Directors at Gazfond Private Pension Fund
- > Since 2017 – member of the Supervisory Board of Zenit St Petersburg Volleyball Club
- > Since 2018 – member of the Board of Directors at Zenit Football Club
- > Since 2018 – member of the Board of Directors at RusKhimAlliance



Vladimir Alisov

Shareholding
 (as at 31 December 2018)
 None



Vsevolod Cherepanov

Member of the Human Resources and Compensation Committee

Shareholding
 (as at 31 December 2018)
 None

Biographical details

- > Born in 1960
- > Graduated with a law degree from Zhdanov Leningrad State University
- > Since 2008 – First Deputy Head of Department at Gazprom, in charge of legal affairs
- > Member of the Association of Lawyers of Russia, member of the Expert Council on Corporate Governance under the Federal Financial Markets Service of Russia
- > In 2010, by Presidential decree, awarded the Honoured Lawyer of the Russian Federation title

- > Born in 1966
- > Graduated from Lomonosov Moscow State University
- > 2010 – February 2019 – member of the Management Committee, until March 2019 – department head at Gazprom
- > Holds a PhD in Geology and Mineralogy

Positions held in other organisations

- > Since 2007 – member of the Board of Directors at Daltransgaz
- > Since 2010 – member of the Board of Directors at Kamchatgazprom
- > Since 2016 – member of the Board of Directors at DRAGA
- > Since 2018 – member of the Supervisory Board at JV Brestgazapparat

- > Since 2010 – Chairman of the Board of Directors, member of the Board of Directors at Achimgaz
- > Since 2010 – member of the Supervisory Board at Wintershall AG
- > Since 2010 – member of the Board of Directors at Severneftegazprom
- > Since 2010 – member of the Supervisory Board at Gazprom EP Finance B.V.
- > Since 2011 – Chairman of the Board of Directors at Gazpromviet
- > Since 2012 – member of the Board of Directors (non-executive director) at Sakhalin Energy Investment Company Ltd.
- > Since 2012 – Chairman of the Board of Directors at Gazpromneft-Sakhalin
- > Since 2013 – member of the Management Board of the New Gas Industry Technology Association of Equipment Manufacturers
- > Since 2016 – member of the Board of Directors at Gazprom Kyrgyzstan
- > Since 2016 – Chairman of the Board of Directors at Achim Development
- > Since 2017 – Chairman of the Board of Directors at RusGazAlliance



**Valery
Serdyukov**

Independent director

Shareholding
(as at 31 December 2018)
None



**Sergey
Fursenko**

Member of the Human
Resources and Compensation
Committee, independent director

Shareholding
(as at 31 December 2018)
None

Biographical details

- > Born in 1945
- > Graduated from Plekhanov Leningrad Mining Institute
- > 1999–2012 – Governor of the Leningrad Region
- > Received government and industry awards
- > In 2010, by Presidential decree, awarded the Honoured Lawyer of the Russian Federation title
- > Holds a PhD in Economics

- > Born in 1954
- > Graduated from Leningrad Polytechnic Institute
- > Since 2017 to February 2019 – President of Zenit Football Club
- > Since March 2019 – Vice President at Gazprombank

Positions held in other organisations

- > Since 2012 – member and Chairman of the Board of Directors at Gazprom Gas-Engine Fuel
- > Since 2012 – member of the Presidential Council for the Development of Physical Culture and Sport
- > Since 2017 – member of the Board of Directors at Zenit Football Club
- > Since 2017 – member of the Board of Directors at Zenit Basketball Club
- > Since 2018 – member of the Executive Committee of The European Club Association (ECA)



**Andrey
Dmitriev**

Shareholding
 (as at 31 December 2018)
 None



**Igor
Fyodorov**

Chairman of the Human
 Resources and Compensation
 Committee

Shareholding
 (as at 31 December 2018)
 None

Biographical details

- > Born in 1974
- > Graduated from Volga State Academy of Water Transport and received an EMBA from Stockholm School of Economics
- > Since 2016 – First Deputy Head of Department at Gazprom

- > Born in 1965
- > Graduated from Leningrad State University
- > Also obtained an Economics and Management degree from St Petersburg State Academy of Service and Economics and an MBA from the International Management Institute of St Petersburg
- > 2012 – March 2019 – member of the Management Committee, 2017 – March 2019 – department head at Gazprom
- > Since 2018 – Managing Director at Gazprom Germania GmbH
- > Holds a PhD in Economics

Positions held in other organisations

- > Since 2017 – Chairman of the Board of Directors at Himsorbent
- > Since 2018 – member of the Board of Directors at OGK-2
- > Since 2018 – member of the Board of Directors at TGC-1
- > Since 2018 – Chairman of the Board of Directors at Metaklay

- > Since 2017 – member of the Board of Directors at Rep Holding
- > Since 2017 – member of the Board of Directors at South Stream Transport B.V.
- > Since 2018 – member of the Supervisory Board at EuRoPol GAZ s.a.
- > Since 2018 – member of the Supervisory Board at Gazprom Transgaz Belarus
- > Since 2018 – member of the Board of Directors at Lazurnaya
- > Since 2018 – member of the Supervisory Board at Moldovagaz
- > Since 2018 – Chairman of the Supervisory Board at Gazprom Holding Cooperatie U.A.
- > Since 2018 – member of the Board of Directors at Gazprom-Media Holding
- > Since 2018 – member of the Council at Latvijas Gāze
- > Since 2018 – member of the Supervisory Board at Gazprom Austria GmbH



**Marat
Garaev**

(until 8 June 2018 – member
of the Board of Directors)

Shareholding
(as at 31 December 2018)
None



Nikolai Dubik

(until 8 June 2018 – member
of the Board of Directors,
until 21 June 2018 – member
of the Audit Committee and Chairman
of the Human Resources
and Compensation Committee)

Shareholding
(as at 31 December 2018)
None

Biographical details

- > Born in 1973
- > Graduated from St Petersburg State University of Economics and Finance with a degree in Economics
- > 2002–2014 – Deputy Head of the Department for Gas and Liquid Hydrocarbon Marketing and Processing, Head of the Industrial Product Marketing Directorate at Gazprom
- > 2014–2016 – First Deputy Head of the Department for Gas and Liquid Hydrocarbon Marketing and Processing at Gazprom
- > Since 2016 – CEO at Gazprom Pererabotka

- > Born in 1971
- > Graduated from Lomonosov Moscow State University
- > 2008–2017 – department head, member of Gazprom’s Management Committee, in charge of legal affairs
- > 2017–2018 – First Deputy CEO at Gazprom Export
- > Honoured Lawyer of the Russian Federation

The Chairman and members of the Board of Directors, except for Alexander Dyukov, did not hold shares in the Company during the reporting year. Members of the Board of Directors did not execute any transactions involving acquisition or disposal of the Company’s shares during the reporting year.

In 2018, no claims were filed against the members of the Board of Directors

SECRETARY OF THE BOARD OF DIRECTORS

The Secretary of the Board of Directors ensures effective ongoing communication with shareholders, coordinates the Company's efforts to protect their rights and interests, and provides support to boost the efficiency of the Board of Directors.

The Secretary of the Board of Directors' main tasks are to make sure that the Company and its officers comply with the rules and procedures of corporate governance established by Russian laws, the Company's Charter and internal documents; to prepare and hold the General Meeting of Shareholders and meetings of the Board of Directors and its committees; to disclose information about the Company, and improve its corporate governance practices.

The Secretary of the Board of Directors is responsible for:

- > providing organisational and information support to the Board of Directors and its committees;
- > preparing and running of the General Meeting of Shareholders;
- > assisting the Chairman of the Board of Directors in organising and planning the activities of the Board of Directors;
- > arranging storage of the Board of Directors' documents;
- > exercising control over the Board of Directors' resolutions;
- > interacting with members of the Board of Directors, advising them on corporate governance matters, providing them with necessary documents and information;
- > disclosing information about the Company;
- > arranging interaction between the Company and its shareholders;
- > other functions in line with the Regulation on the Board of Directors, the Company's internal documents and requests from the Chairman of the Board of Directors.

The Secretary of the Board of Directors has sufficient skills, experience and qualifications to perform his/her duties and enjoys impeccable professional reputation, while also continuing to upgrade his/her professional skills on an ongoing basis and being a notable figure in the professional community.

In order to ensure the Secretary's independence, the Secretary is appointed by the Board of Directors based on recommendations from the Chairman. The Secretary of the Board of Directors and the Secretary of the Management Board are two different persons.

The role of the Secretary of the Board of Directors is formalised by the Regulation on the Secretary of the Board of Directors.



Regulation on the Secretary
 of the Board of Directors



Viktoriya Nenadyshina

Secretary of the Board
 of Directors since
 25 September 2018

Biographical details

- > Born in 1984
- > Graduated from Toulouse University of Social Sciences (France) with a degree in European and International Business Law, and Russian Law Academy of the Russian Ministry of Justice with a degree in Law
- > 2009–2011 – head of Legal Department at Magma Oil Company
- > 2011–2012 – head of Legal Division at Moscow Oil and Gas Company
- > 2012–2014 – head of Legal and Corporate Affairs at Gazpromneft Marine Bunker
- > Since 2014 to September 2018 – Deputy CEO for Legal, Corporate and Property Affairs at Gazpromneft Marine Bunker
- > Since 24 September 2018 – head of Corporate Governance Department at Gazprom Neft
- > Since 2018 – member of Board of Directors in the following companies: Tomskneft, Northgas, AS Baltic Marine Bunker, ITSK, Gazpromneft-Moscow Refinery, Gazpromneft-Lubricants, Gazpromneft-Omsk Refinery, Gazpromneft Lubricants Italia S.p.A, Gazpromneft-Noyabrskneftegaz, Gazpromneft-Khantos, Gazprom-Nefteservis, Gazpromneft-Prirazlomnoye, TsentrCaspneftegaz, Gazpromneft Bitumen Materials, Gazpromneft-Aero, Gazpromneft Marine Bunker, Gazpromneft Marine Bunker Balkan S.A, Gazpromneft Catalytic Systems, and Gazpromneft Energoservis
- > Worked as Secretary of the Supervisory Board at Gazprom Neft International S.A.

Holds no shares in Gazprom Neft and its subsidiaries. Has no family relations with other members of the Company's governance bodies and/or bodies exercising control over financial and business operations.

Alexey Dvortsov

Secretary of the Board of Directors
 from 1 January 2018 to 24 September 2018

Biographical details

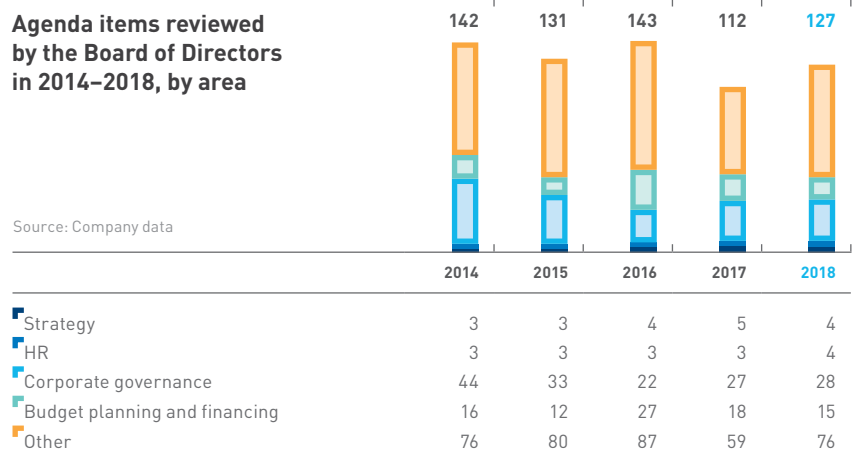
- > Born in 1972
- > Graduated from State University of Management (Moscow). Holds an EMBA from Stockholm School of Economics (2012)
- > Since 2007 to 21 September 2018 – head of Corporate Governance Department at Gazprom Neft

REPORT ON PROGRESS MADE BY GAZPROM NEFT'S BOARD OF DIRECTORS IN THE COMPANY'S PRIORITY AREAS IN 2018

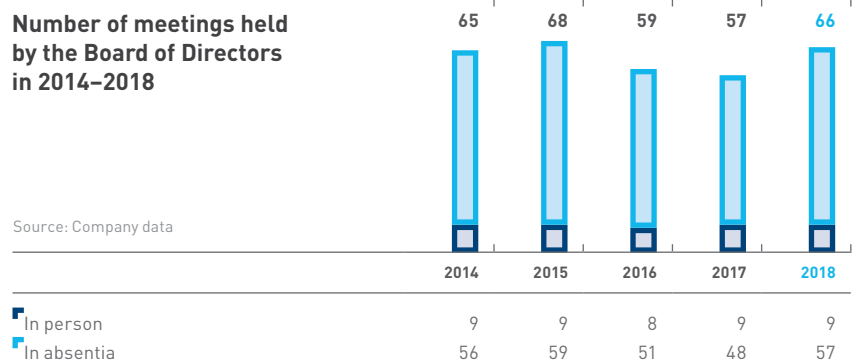
As part of its work during the year, the Board of Directors remained committed to addressing the key tasks in Gazprom Neft's priority areas, including strategic operations, investment story, oversight over asset management, investing and financing activities, improved performance and transparency of governance tools, enhancement of internal controls, and accountability of the Company's governance bodies.

Gazprom Neft's Board of Directors operated as per semi-annual plans approved by the Company. The Board held 66 meetings in 2018.

Agenda items reviewed by the Board of Directors in 2014–2018, by area



Number of meetings held by the Board of Directors in 2014–2018



Attendance at meetings of the Board of Directors in 2018

- ◆ Executive director
- ◆ Non-executive director
- ◆ Independent director

2018 saw

66

MEETINGS OF THE BOARD OF DIRECTORS

Source: Company data

¹Including through written opinion.

Director		Total number of meetings the director attended ¹	Total number of meetings the director was eligible to attend
Alexey Miller Chairman	◆	66	66
Valery Golubev	◆	66	66
Andrey Kruglov	◆	66	66
Kirill Seleznev	◆	66	66
Alexander Dyukov	◆	66	66
Igor Fedorov	◆	34	38
Vladimir Alisov	◆	56	66
Vsevolod Cherepanov	◆	65	66
Mikhail Sereda	◆	65	66
Sergey Fursenko	◆	66	66
Elena Mikhailova	◆	66	66
Valery Serdyukov	◆	66	66
Andrey Dmitriev	◆	38	38
Nikolai Dubik	◆	28	28
Marat Garaev	◆	28	28

STRATEGIC DEVELOPMENT

Key matters reviewed by the Board of Directors:

- > Gazprom Neft's Development Strategy to 2030;
- > Gazprom Neft's resource base development strategy;
- > Gazprom Neft's plans for international growth, including in the Middle East;
- > Gazprom Neft's programme for the Russian offshore projects.

In line with recommendations of the Corporate Governance Code and the Regulation on the Board of Directors of Gazprom Neft, strategy and priority business areas must be reviewed by the Board of Directors meetings held in person.

In 2018, the Board of Directors reviewed and approved the Company's Development Strategy to 2030, which succeeds the 2025 Strategy. Under the new Strategy, 2030 will see Gazprom Neft as an established oil and gas industry leader in terms of efficiency, use of technology, and safety. The Company's focus is to enhance its standing as the world's Top 10 public oil and gas player in terms of liquid hydrocarbon production volumes, and to maximise value creation per barrel. We view our existing and soon-to-be launched assets as the key contributors to the Company's production growth in 2020 to 2030. The remaining upstream portfolio is expected to come from new exploration areas we tap into and putting on stream unconventional and hard-to-recover reserves, including in the Bazhenov, Domanic and Paleozoic formations. Offshore projects will also be a major driver.

The Board of Directors also reviewed and took note of progress made against the strategy to develop the Company's resource base, which complements Gazprom Neft's 2025 Development Strategy making sure that the Company delivers on its resource objectives while also staying tuned to the latest trends in the industry and global economy.

The Board of Directors examined Gazprom Neft's international expansion plans, including ambitions to grow its business in the Middle East.

Currently, Gazprom Neft's portfolio boasts more than 20 upstream and downstream projects outside of Russia. As a business heavily impacted by external and internal factors, the Company needs to align and adjust its international targets accordingly. To this end, the Board of Directors holds regular meetings to review any matters pertaining to international operations.

On 14 December 2018, the Board examined the Company's programme for the Russian offshore projects. Based on the Company's capabilities and its strategic objectives, the offshore exploration programme was updated for the period until 2021. Going forward, it will be the driver behind Gazprom Neft's sustainability in offshore operations and will help secure a leading position on the Russian continental shelf.

The Board of Directors also reviewed a number of matters pertaining to the key focus areas pursued by some of the Company's lines of business that are linked to Gazprom Neft's Development Strategy:

- > performance and outlook for Gazprom Neft's lubricants business;
- > measures taken by Gazprom Neft to minimise the share of international procurement;
- > developing channels to export Gazprom Neft's oil and petroleum products: performance and outlook;
- > long-term outlook for Gazprom Neft's Orenburg oil production cluster. Aligning Gazprom Neft's upstream expansion with the growth of Gazprom's downstream capacities for oil and associated petroleum gas;
- > portfolio analysis of Gazprom Neft's upstream facilities, prioritisation and efficiency review of exploration and production activities

Gazprom Neft's Board of Directors reviewed the performance and outlook of its engine oils business, which is operated by Gazpromneft-Lubricants, founded in 2007 and now accounting for as much as 21% of the Russian market for engine oils in retail packaging.

With its strategic focus on high-tech product portfolio, Gazpromneft-Lubricants needs to ramp up its capacities, among other things, by setting up lubricants production in target international markets.

Gazprom Neft's Board of Directors reviewed the Company's efforts aimed at increasing the share of Russian products and solutions in corporate procurement and introducing channels to export the Company's oil and petroleum products. The Board also took note of information about the performance of the Downstream Efficiency Control Centre.

A larger procurement share of Russia-made products is on the list of Gazprom Neft's priorities. To deliver on this goal, the Company is making use of existing Russian solutions while also supporting the drive to innovate and market new products.

Combined, the Company's strategies for import substitution will help create in Russia more than 100 new high-tech products, which will benefit all of Gazprom Neft's businesses. These will include high-tech drilling units, equipment and reagents for hydraulic fracturing, power generation, compression and downhole equipment, marine engineering solutions, equipment for offshore projects, and personal protective equipment.

Also, in 2018, the Board of Directors reviewed potential new channels to export oil and petroleum products, and assessed their efficiency and outlook going forward.

One of Gazprom Neft's key export priorities is oil from the Arctic. To fulfil its ambitions, the Company has built an unprecedented logistic framework underpinned by the Prirazlomnaya offshore platform, Arctic Gates terminal, super ice-class vessels, and the transshipment hub at the Murmansk port.

Going forward, Gazprom Neft aims to increase its share in the European market by capitalising on the competitive advantages of its Arctic oil. New sales opportunities are currently under consideration.

The Board of Directors considered the long-term outlook for the Orenburg production cluster and progress on aligning Gazprom Neft's upstream expansion with the growth of Gazprom's downstream capacities for oil and associated petroleum gas. In the long run, the Orenburg production cluster will require the Company to successfully address the challenges of resource base and geography expansion in the region, efficiency improvement and greater use of technology in the upstream segment, and acquiring expertise in developing unconventional and hard-to-recover reserves.

The Board of Directors examined matters related to portfolio analysis of the Company's upstream facilities and considered prioritisation and efficiency review of exploration and production activities.

Since 2006, Gazprom Neft has doubled its annual output and considerably expanded its geography by launching a large number of new projects. Today, the Company has an upstream portfolio of assets scattered all across its footprint, including southern and central parts of Western Siberia, Gydan peninsula and Yamal in the Arctic zone of the Yamal-Nenets Autonomous Area, the Volga-Urals region, Eastern Siberia, the Balkans, and the Middle East. By efficiently operating its existing assets and identifying the key strategic areas, Gazprom Neft will be able to build a balanced long-term action plan for its Upstream Division.

In line with recommendations of the Corporate Governance Code and the Regulation on the Board of Directors of Gazprom Neft, strategy and priority business areas must be reviewed by the Board of Directors meetings held in person.

INNOVATIONS

Key matters reviewed by the Board of Directors:

- > improvement of Gazprom Neft's performance management for operating processes in the oil business using innovative digital technologies;
- > Gazprom Neft's R&D activities: planning, financing and management. Practical implementation and efficiency analysis of R&D findings;
- > Gazprom Neft's track record of implementing global best practices in repairs management and efficiency outcomes;
- > progress on Gazprom Neft's Innovative Development Programme to 2025: implementation of an innovation project on the development and production of catalysts for catalytic cracking and hydrogenation processes;
- > performance report of the Downstream Efficiency Control Centre;
- > approval of the report on the 2017 progress against Gazprom Neft's Innovative Development Programme;
- > efficiency gains following transition of Gazprom Neft's facilities to an extended run life. Stages of a new programme to switch to an extended run life and approval by the Federal Environmental, Industrial and Nuclear Supervision Service (Rostekhnadzor). Building a platform for sharing knowledge between Gazprom Neft and Gazprom based on expertise in transitioning to an extended run life;
- > outcomes of an efficiency improvement programme at Gazprom Neft's retail business based on new models to manage filling stations and development of target formats. Efficiency of Gazprom Neft's retail and small wholesale operations in Central Asia.

In 2018, the Board of Directors paid special attention to the Company's technology and innovations.

The Board of Directors took note of how the Company's performance management framework for operating processes in the oil business is improving based on cutting-edge digital technologies.

Digital transformation is one of Gazprom Neft's key priority areas with ample opportunities for efficiency gains in the context of increasing business complexity and reduced space to optimise processes through traditional approaches. With new methods that rely on the latest digital solutions, the Company can introduce end-to-end management across the value chain while also boosting the performance of some of its business lines by benefiting from predictive and recommendation analytics, and creating cross-functional centres for hands-on management and digital platforms.

In line with the approved work plan, the Board of Directors reviewed the results of the Company's R&D activities, including their planning, financing, and management, and also practical implementation and efficiency analysis of R&D findings.

The Company uses R&D as a way to bolster its efficiency. By developing new software, including digital models and platforms, Gazprom Neft aims to integrate its operating processes, enhance flexibility, and make smart decisions faster. The catalysts and oil refining processes currently in progress will add value to the business, while the Company foray into unconventional reserves and development improvements at mature fields will help address the technology challenges faced by the industry at large. Gazprom Neft's R&D is instrumental in promoting import substitution for oil refining catalysts, software, and drilling fluid components. The Board of Directors took note of the R&D priority areas based on the tasks and approaches outlined above.

The Board of Directors also approved the report on the 2017 progress against Gazprom Neft's Innovative Development Programme, which received approximately ₹ 3.7 bn in financing for 2017 in line with the programme's target. The largest expense items included upstream technology strategy, energy savings initiatives, designing a new catalyst production facility, and an R&D programme in oil refining.

FINANCIAL ACTIVITIES AND RISK MANAGEMENT

Key matters reviewed by the Board of Directors:

- > the Group's 2017 progress on implementation of Gazprom Neft's Investment Programme, Budget (financial plan) and financial borrowings programme for 2017;
- > progress on, and efficiency of, implementing Gazprom Neft's Budget and Investment Programme for 2018 based on the Group's performance in 1H 2018. Amendments to the Group's Investment Programme and Budget (financial plan) for 2018;
- > preliminary results of the Group's Investment Programme and Budget in 2018;
- > projects of the Investment Programme and the Budget (financial plan), including Gazprom Neft's financial borrowings programme, and Cost Optimisation (Reduction) Programme for 2019 and outlook for the period until 2021;
- > key performance indicators and their impact on Gazprom Neft's efficiency;
- > assessment and update of Gazprom Neft's key risks based on performance in 2017;
- > Gazprom Neft's procurement activities;
- > Gazprom Neft's debt structure and debt portfolio management in 2017 and optimisation proposals for 2018;
- > the Internal Audit Department's performance report for 2017;
- > approval of Gazprom Neft's Exchange-Traded Bonds Programme;
- > procedure to identify and sell non-core assets;
- > assessment of performance of Gazprom Neft's external auditor for 2017;
- > external auditor's fee for 2018.

Gazprom Neft's Board of Directors pays close attention to ensuring oversight over the Group's financing and investing activities.

First-level strategic targets and actual performance are subject to review and approval by the Company's Board of Directors on an annual basis as part of deliberations on the approval of the budget / financial plan and the investment programme and implementation of the same. During the year, the Company may adjust its targets for the year in response to the evolving macro environment (changes in global prices for oil and petroleum products and FX fluctuations) and/or additional strategic investment projects of crucial importance. Based on the Board-approved strategic targets, the Company identifies lower level management KPIs for the upstream, downstream and other divisions and their structural units based on a KPI tree¹. After the KPIs are set, they are cascaded and/or broken down for all the hierarchy levels across Gazprom Neft and its subsidiaries, along with joint ventures.

KPIs are a major driver that helps the Company deliver on its strategic targets. Gazprom Neft enjoys sustainable growth in its operating and financial performance while also making sure that the shareholder returns improve every year.

In 2018, the Board of Directors reviewed the performance assessment of Gazprom Neft's external auditor, PwC Audit. This was done based on the Russian Audit Council's recommended approaches to determining non-cost criteria to assess audit services. PwC Audit was described as using a risk-oriented approach with a focus on auditing reporting areas that may contain misstatements as a result of risk exposure. The team engaged by PwC have a broad professional expertise required to audit and review as necessary. The plan of audits for 2017 was aligned with the Company's reporting schedule. As part of the audit, PwC used a number of big data technologies as a way to test data completeness, along with special tests to assess accounting entries while also minimising requests to provide initial documents.

The Board of Directors identified Gazprom Neft's strategic targets for 2018–2020, approved the Budget (financial plan) for 2018, including the financial borrowings programme, Investment Programme for 2018, and Cost Optimisation (Reduction) Programme for 2018.

¹ KPI tree is a hierarchy-based structure of key performance indicators with a clearly positioned main objective and goals of subsequent levels.

In 2018, the Board of Directors assessed **the effectiveness of the Company's risk management and internal controls.**

During its 2018 meetings held in person, the Board of Directors reviewed the Company's risk management framework and outcomes of risk profile assessment and update based on performance in 2017.

Assessing and updating the key risks is a complex process covering all work streams of the integrated risk management framework, including the development and introduction of risk analysis and management tools and methods, and providing personnel training in risk management.

The Company's risks are updated in line with internal requirements for the integrated risk management framework² based on a bottom-up approach, starting from the Company's subsidiaries and involving all the key managers and experts at subsidiaries, divisions, and Gazprom Neft's Management Board.

The Company's subsidiaries reassess their risks, develop measures to manage them, approve risk registers with respective functions and supervising units at the Company's Corporate Centre. The most material risks of Gazprom Neft's subsidiaries are consolidated into division level risk registers used as a basis for the draft Company-wide key risk register subject to approval by the Management Board.

The unit for monitoring the risk management framework supports the process of collecting risk information (including risk sessions, assessment analysis and reporting), starting from the level of subsidiaries all the way through to divisions and the Management Board.

As part of preparations for the next annual cycle of key risk assessment and update, the unit held 29 risk sessions and took part in 11 independent reviews of large projects.

In order to improve the quality of information on the Company's risks, Gazprom Neft runs initiatives aimed at developing tools and methods for risk identification and assessment, along with personnel training in risk management.

In 2018, the key focus area in improving the tools and methods for risk identification and assessment was further integration of risk management with planning (strategic, business, and investment planning).

SOCIAL RESPONSIBILITY, SAFETY AND ENVIRONMENTAL PROTECTION

Key matters reviewed by the Board of Directors:

- > key environmental protection activities of 2017 and plans for 2018;
- > programme for APG utilisation and its improved use in 2018 and plans for 2019–2021;
- > changes in APG utilisation levels in the Orenburg Region in 2015–2018.

In accordance with the approved work plan, the Board of Directors reviewed implementation of the key environmental protection initiatives in 2017 and plans for 2018.

In line with Russian President's Decree On the Year of the Environment in Russia and request from Gazprom's Chairman of the Management Committee, 2017 was declared to be the Year of the Environment for Gazprom Neft.

During the year, the Company completed over 1,000 environmental initiatives worth a total of ₹ 17.5 bn. The key operating work streams during the Year of the Environment included lower air emissions, reduced APG flaring, improved waste water treatment and waste management, landscaping at production sites and shift camps, and improving the environmental awareness of employees.

² Risk Management Policy (SK-11.03.01, approved on 7 February 2013), Master Standard for the Integrated Risk Management Framework (OSK-11.07, approved on 1 March 2016) and Methodology Guidelines for the Risk Management Process (M-11.07-01, approved on 1 March 2016).

For this programme, Gazprom Neft received an award from the Russian Ministry of Natural Resources and Environment, which recognised the Company's proactive environmental policy during the Year of the Environment.

Ensuring environmental safety in offshore projects is the Company's absolute priority. Gazprom Neft has an integrated environmental monitoring system in place to confirm zero negative impact of its offshore projects, and a corporate programme for biodiversity preservation as a way to ensure sustainability of Arctic marine ecosystems in Russia. The programme was developed based on recommendations from the UN, Global Environment Fund, Ministry of Natural Resources and Environment, and WWF Russia.

The key task for 2019 is to implement projects that will help to deliver on the Company's environmental targets. Some of the core environmental projects are building the infrastructure to utilise APG on the Company's fields, including deployment of the reinjection technology; introduction of equipment reducing the environmental footprint as part of projects to upgrade and modernise refineries, and construction of local treatment facilities at Gazprom Neft's retail companies.

On 26 October 2018, the Board of Directors reviewed progress on the programme for APG utilisation and its improved use in 2018 and plans for 2019–2021.

With its current gas project portfolio, Gazprom Neft is perfectly positioned to continue improving its APG utilisation, driven mainly by the effective management of materials and equipment and the launch of new infrastructure facilities.

In the short term, the Company plans to complete on-site construction at the Urmano-Archniskaya group of fields, continue with implementation of the gas programme at the Novoportovskoye field, and initiate APG utilisation at its new fields, including the Severo-Samburgskoye and Tazovskoye fields.

With its current gas project portfolio, Gazprom Neft is perfectly positioned to continue improving its APG utilisation, driven mainly by the effective management of materials and equipment and the launch of new infrastructure facilities.

CORPORATE GOVERNANCE

Key matters reviewed by the Board of Directors:

- > positions held by the Management Board members in the governance bodies of other companies;
- > composition of the Board of Directors' Audit Committee;
- > composition of the Board of Directors' Human Resources and Compensation Committee;
- > Secretary of the Board of Directors;
- > performance report of the Internal Audit and Risk Management Directorate for 1H 2018;
- > amendments to Gazprom Neft's Transaction Handling Procedure and Procedure for Interaction with Investee Entities;
- > approval of the Regulation on the Secretary of the Board of Directors.

In line with recommendations of the Corporate Governance Code, the Board of Directors holds a regular assessment of the Company's corporate governance framework, along with self-assessment.

The Board of Directors reviewed the performance of the Internal Audit and Risk Management Directorate for 1H 2018,

taking note of a new centralised function of internal control recently established as part of the Internal Audit and Risk Management Directorate. This function will help ensure a single approach to how internal controls are set up and maintained, build the right corporate environment and culture, and better manage the flows of information related to internal controls.

In 2018, the Board of Directors approved the following by-laws:

- > Regulation on the Secretary of the Board of Directors of Gazprom Neft;
- > amendments to Gazprom Neft’s Procedure for Interaction with Investee Entities;
- > amendments to Gazprom Neft’s Transaction Handling Procedure.

The existing Transaction Handling Procedure and Procedure for Interaction with Investee Entities (the Procedures) were approved by the Company’s Board of Directors in 2010. The amendments introduce increased thresholds for transactions as a way to improve the efficiency of the Board by transferring the authority to oversee ongoing operations to the CEO.

The Regulation on the Secretary of the Board of Directors was approved in line with recommendations of the Corporate Governance Code to reflect best Russian practices in corporate governance. Previously, the scope of authority of the Secretary of the Board of Directors was defined by the Regulation on the Board of Directors.

Also, as part of the corporate governance activities, the Board reviewed matters related to preparations for the Annual and Extraordinary General Meetings of Shareholders.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has two committees – the Audit Committee and the Human Resources and Compensation Committee.

AUDIT COMMITTEE

The Audit Committee exercises oversight over the Company’s financial and business operations. Elected by the Board of Directors, it performs its duties under the Company’s Charter and by-laws.

Audit Committee meetings

Metric	2015	2016	2017	2018
Number of meetings	8	11	12	13
Number of matters considered	22	30	34	35

MEMBERS OF THE AUDIT COMMITTEE

From 20 June 2017 to 21 June 2018:

- Mikhail Sereda (Chairman)
- Valery Golubev
- Nikolai Dubik

From 22 June 2018 to 31 December 2018:

- Mikhail Sereda (Chairman)
- Valery Golubev
- Elena Mikhailova

Responsibilities The Audit Committee assists the Board of Directors in supervising the Company’s financial and business operations by reviewing the efficiency of internal controls, including those related to financial and other reporting, assessing their completeness and accuracy, and monitoring the risk management system. The Audit Committee helps maintain a constructive dialogue with the external auditor, bodies charged with financial and business oversight, and the Company’s internal audit functions. Its activities are defined by the Board of Directors’ work plan, with particular focus placed on financial matters and investment planning.

The Committee’s composition, status, competencies, functions and responsibilities are set out in the Regulation on the Audit Committee, which also provides an overview of relevant operating procedures and procedures used to convene and hold the Committee meetings.

The Committee members have core financial competencies and expertise to fulfil their duties, including the review of financial statements, assessment of business performance, and financial management. There are no senior managers of the Company sitting on the Audit Committee.

In accordance with its work plan for 2018, the Audit Committee held 13 meetings and reviewed the following key items:

- > the Gazprom Neft Group's IFRS consolidated financial statements for 2017 and 3M, 6M and 9M 2018;
- > findings of Gazprom Neft's external audit in 2017;
- > the Internal Audit Department's performance report for 2017;
- > assessment and update of Gazprom Neft's key risks based on performance in 2017;
- > selection of Gazprom Neft's auditor for 2018;
- > outcomes of tax risk management initiatives in 2017 and 1H 2018;
- > outcomes of credit risk management initiatives in 2017 and 1H 2018;
- > concept for the Group's shared credit control centre;
- > outcomes of information system control initiatives in 2017 and 1H 2018;
- > outcomes of the programme to warrant the performance and boost the quality of internal audit in 2017;
- > disclosures to third parties, including analytical and rating agencies, and non-IFRS disclosures;
- > external auditor's fee for 2018;
- > performance report of the Downstream Efficiency Control Centre for 1H 2018;
- > report on eliminating the gaps identified by the external auditor in 2017.

The Committee members attended all meetings, with representatives of the external auditor and the Management Board, Head of Internal Audit and other department heads also invited to take part in the Committee meetings as required by the agenda.

Human Resources and Compensation Committee meetings

Metric	2015	2016	2017	2018
Number of meetings	6	7	6	4
Number of matters considered	10	10	10	5

HUMAN RESOURCES AND COMPENSATION COMMITTEE

The Human Resources and Compensation Committee is an advisory body of the Board of Directors.

The Committee's composition, status, competencies, functions and responsibilities are set out in the Regulation on the Human Resources and Compensation Committee, which also provides an overview of relevant operating procedures and procedures used to convene and hold the Committee meetings.

In accordance with the Regulation, the Committee's key responsibilities include a comprehensive preview of matters reserved to the remit of the Board of Directors and submission of recommendations to the Board of Directors on the Company's HR policy and remuneration payable to the Company's governance bodies and Audit Commission.

MEMBERS OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

From 20 June 2017 to 21 June 2018:

- Nikolai Dubik (Chairman)
- Andrey Kruglov
- Vsevolod Cherepanov
- Sergey Fursenko (independent director)

From 22 June 2018 to 31 December 2018:

- Igor Fedorov (Chairman)
- Andrey Kruglov
- Vsevolod Cherepanov
- Sergey Fursenko (independent director)

In 2018, the Committee held four meetings and reviewed the following key items:

- > shareholder proposals as regards nominees to Gazprom Neft's Board of Directors and Audit Commission; assessment of nominees to the Board of Directors;
- > remuneration of directors;
- > remuneration of members of the Audit Commission;
- > positions held by the Management Board members in the governance bodies of other companies;
- > assessment of the Board of Directors' performance.

In 2018, the Human Resources and Compensation Committee approved new criteria to assess performance of the Board of Directors. Aligned with the Company's current goals and objectives, these new criteria will enable in-depth analysis of the Board's key processes.

In the reporting year, the Committee also reviewed each nominee to the Board of Directors for compliance with the independence criteria and submitted the following conclusions:

1. The nominees have the required knowledge, experience and education and are sufficiently qualified to perform the directors' duties and contribute to the Board's efficient performance for the benefit of the Company and its shareholders.
2. Each nominee boasts an impeccable personal and professional track record, which, among other things, implies no criminal records, whether in the past or at present.
3. The Board of Directors is set to have one executive director as recommended by the Corporate Governance Code.
4. The Board of Directors is set to have two independent directors who will make up 15% of all Board members, falling short of the threshold prescribed by the Corporate Governance Code.
5. The Board of Directors will be sufficiently balanced in terms of gender and age representation.

In the reporting year, the Human Resources and Compensation Committee provided the Board of Directors with all the necessary recommendations, and discharged its mandate in full.

ASSESSMENT OF THE BOARD OF DIRECTORS' PERFORMANCE

In line with best corporate governance practices, the Board of Directors runs an annual self-assessment in all areas of its activities.

In 2018, the Human Resources and Compensation Committee approved new assessment criteria and deemed it advisable to engage an independent service provider for the Board's review at least once in three years.

The Board's performance assessment is held in the form of survey (polling). The questionnaire contains around 30 questions covering such key areas as the Board's composition, type of activities, operating procedures, assessment of performance by the Chairman, committees and Secretary of the Board, and interactions among directors.

Polling results help quickly analyse the status quo of the Board's key processes, including strategy, business practices, the Company's efficiency management, support of the Board and its committees, and personal contributions of directors, including the Chairman and the Secretary.

The reporting year's assessment revealed improvements in setting strategic priorities and interactions with top executives. At the same time, more efforts are needed to enhance the quality and timeliness of information provided to the Board and develop channels for improving communication with the management team and other stakeholders.

In 2018, Gazprom Neft's Board of Directors engaged the Independent Directors Association (IDA), a recognised expert in corporate governance and board efficiency, to conduct external assessment of the Board performance as recommended by the Russian Corporate Governance Code. The external assessor noted that the Company's management and Board of Directors had worked hard to further improve Gazprom Neft's corporate governance practices since the previous assessment made in 2017, including as regards monitoring of progress made under the Strategy, risk management, budget planning and implementation controls, staging and holding of meetings of the Board of Directors and its committees, and performance management. The external assessment helped identify key improvement areas for the Board of Directors. Those included sustained focus on the implementation of long-term strategic projects and the need to pay closer attention to labour productivity, import substitution, health, safety and environment.

INDUCTION FOR NEWLY ELECTED DIRECTORS

To boost efficiency of the Board of Directors, the Human Resources and Compensation Committee runs an induction programme for newly elected directors.

The programme aims to bring new directors up to speed with the Company's financial and economic operations, production processes and corporate governance practices in the quickest and most efficient way possible.

The programme comprises the following stages:

1. meeting with the Chairman of the Board of Directors to discuss the Board's work plan and the Company's priorities; determination of the new director's role on the Board based on their professional knowledge and expertise;
2. meeting with the senior management team for a short briefing on the Company's operations, rundown on the Company's operational and financial structure, and introduction to the Management Board;
3. consultations with the Secretary of the Board of Directors who provides information on procedural and legal aspects of the work done by the Board and its committees, the rights and responsibilities of directors, their remuneration, liabilities and liability insurance;
4. a quick walk through the Company's key documents and guidelines for directors describing main business aspects, internal procedures and the setup of the Board of Directors and its committees.
5. The programme may also offer visits to the Company's core assets, participation in its public events and meetings with key managers.

The induction programme is reserved to the remit of the Human Resources and Compensation Committee.

In 2018, the Board of Directors welcomed two new directors – Igor Fedorov and Andrey Dmitriev, Gazprom's employees. As both of them are well aware of the Company's operations, they had an accelerated onboarding, covering the Boards' operating procedures, the rights and responsibilities of directors, their remuneration and liability insurance.