

## Overview of corporate governance practices

Gazprom Neft's corporate governance framework encompasses all the key elements typical of public companies with established governance structures and is fully aligned with the applicable statutory requirements and the Listing Rules of the Moscow Exchange. This helps the Company provide shareholders and investors with sufficient confidence about the consistency of its strategy and decision making.

Gazprom Neft's corporate governance is underpinned by sustainability and the mission to enhance the Company's shareholder value in the long term. To achieve that, the Company works to build responsible, trust-based relations with its employees, suppliers, customers, and local communities.

Gazprom Neft's PJSC majority shareholder is PJSC "GAZPROM", which owns 95.679% of its capital. The remaining ordinary shares are held by minority shareholders represented by both individuals and legal entities.

### SHAREHOLDER PROTECTION

Gazprom Neft's corporate governance practices make sure shareholders have their rights fully protected:

- > the Company has no limits on the number of shares that can be purchased or sold, nor does it cap the number of shares that a single shareholder can have;
- > a reputable registrar offering a wide range of reliable technologies is responsible for safekeeping and maintaining the shareholder register and acts as the counting board at General Meetings of Shareholders;
- > the Company's Charter provides shareholders with an extended period to submit their proposals on agenda items of the Annual General Meeting of Shareholders;
- > the Company's by-laws provide for a regular review of shareholder data, which are updated jointly with the registrar;
- > the Company uses a tender procedure for contracts exceeding specific thresholds in line with the Company's internal requirement;
- > the Board of Directors reviews matters related to the procurement policy on a regular basis;
- > the Board of Directors has an extended authority to rule on material transactions;
- > the Company has a by-law that defines inside information and regulates its treatment;
- > the Company engages independent appraisers, including in cases where market valuation is not required by law;
- > the Company has the Regulation on the General Meeting of Shareholders that sets internal standards as to how meetings are convened and held;
- > in the run-up to the Annual General Meeting of Shareholders, the Company has a dedicated hotline and email address for any shareholder communications;
- > the results of a General Meeting of Shareholders are announced during the meeting;
- > shareholders are notified about a General Meeting at least 30 days in advance;
- > materials for General Meetings of Shareholders are made available on the Company's website;
- > the Company's by-laws provide shareholders with the right to ask questions to governance and control bodies during the General Meeting, and there is also an established procedure for answers to the same;
- > the Company's IFRS and RAS financials are audited by a renowned auditor selected through a tender procedure;
- > the Company has the Regulation on Dividend Policy that outlines its dividend policy, criteria for dividend calculation, and procedure, dates and forms of payment;
- > the Company has established practices for working with minority shareholders; Gazprom Neft has meetings with investors and shareholders, holds Investor Days, and takes part in all major investment and broker conferences on a regular basis. Site visits are often held at the Company's upstream and downstream facilities to keep investors and shareholders updated on the latest developments;
- > Online Shareholder Account is available on the registrar's website to provide those listed in the register with access to the Company's news, information about dividends and taxes, payment document numbers, reasons for payment returns, etc.;
- > shareholders can vote using two online voting solutions: Online Shareholder Account and the e-voting system offered by the National Settlement Depository.

## GOVERNANCE AND CONTROL BODIES

Gazprom Neft's corporate governance framework is designed to ensure the highest level of internal and external controls.

To this end:

- > the Company has approved the Regulation on the Board of Directors;
- > the Company has a balanced Board of Directors independent from the management, with two independent directors on the Board;
- > all directors have a balanced set of skills and expertise required for their roles;
- > an induction programme for new directors is in place;
- > members of Board committees have opportunities for further professional training;
- > the Board of Directors meets on a regular basis and has a sufficient number of meetings as per the approved work plan;
- > the procedure applied in the run-up to the Board meetings makes sure all directors are duly prepared and ready;
- > when votes on agenda items are counted, written opinions of directors absent from the meeting are also included;
- > in accordance with its by-laws, the Company may engage external advisors to assist Board committees;
- > minutes of Board meetings describe the vote cast by each member, consistently providing information about the dissenting opinions (if any);
- > the Regulation on the Board of Directors sets out a number of matters (in excess of those required by law) which are resolved by a qualified majority vote;
- > most of the matters that according to the Corporate Governance Code<sup>1</sup> are reserved to meetings held in person are actually reviewed by the Board's in-person meetings;
- > the Board of Directors is charged with exercising oversight over material transactions of the Company's material controlled subsidiaries;
- > Gazprom Neft maintains liability insurance for its directors;
- > the Company has a procedure to resolve conflicts of interest between directors and executive bodies;
- > the Board of Directors has the Audit Committee and the Human Resources and Compensation Committee governed by respective Regulations;
- > the Board of Directors has a self-assessment practice in place;
- > the Company has the Management Board, a collegial executive body governed by a relevant Regulation;
- > the Board of Directors approved by-laws on remuneration and incentivisation of members of the Company's executive bodies;
- > there is a talent pool to provide continuity in the roles of the CEO, their deputies, heads of directorates, departments, divisions, and units;
- > the Board of Directors approved by-laws setting forth the key principles, components, and procedures of internal controls and risk management;
- > Gazprom Neft has a dedicated structural unit responsible for the key risk management tasks;
- > the Board of Directors reviews the efficiency of internal controls and risk management on an annual basis;
- > the Company has the Internal Audit Department, a structural unit responsible for internal reviews. It is part of the Internal Audit and Risk Management Directorate and is governed by a respective Regulation;
- > responsibilities of the Internal Audit Department are aligned with best practices in corporate governance;
- > the internal audit function reports to the Board of Directors;
- > internal guidelines and methodology required for proper risk management are in place;
- > responsibilities of the Secretary of the Board of Directors are aligned with those recommended by the Corporate Governance Code for corporate secretaries.

## DISCLOSURE OF INFORMATION

The Company strives to ensure full transparency for all stakeholders.

The Board of Directors approved the Information Policy Regulation based on recommendations of the Corporate Governance Code. The Company's financial and non-financial disclosures cover the following matters:

- > shareholder capital structure;
- > detailed information on directors and members of the Management Board;
- > membership of Board committees;
- > remuneration of directors and members of the Management Board;
- > key types of financial statements under the IFRS and RAS (disclosed together with auditor opinions);
- > details on interested-party transactions;
- > other matters subject to disclosure under the Russian law.

Gazprom Neft has an up-to-date corporate website with the latest data on the Company's developments and performance.

This annual report is aligned with recommendations of the Corporate Governance Code. The Company's reports from previous years were multiple award winners both in Russia and globally.

The Company has dedicated units for shareholder and investor relations (please see the website for contacts).

<sup>1</sup> Based on the reported compliance with the principles and recommendations of the Corporate Governance Code as prescribed by the Bank of Russia in its Information Letter No. IN-06-52/8 dated 17 February 2016.

## SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Gazprom Neft is a socially responsible company that operates in full compliance with applicable laws and business ethics standards. Initiatives to enhance corporate social responsibility (CSR) and sustainability include:

- > approval and disclosure of internal documents focusing on CSR;
- > approval and disclosure of the Corporate Code of Conduct;
- > approval and disclosure of the Anti-Fraud and Anti-Corruption Policy;
- > corporate social projects for employees and local communities, charitable and sponsorship initiatives;
- > certification of the Group's operations for compliance with ISO 9001 and ISO 14001 (quality and environmental management standards);
- > formalisation of conflict-of-interest standards in the Company's by-laws;
- > regular drafting, publishing on the corporate website and public assurance of sustainability reports. The 2017 Sustainability Report was GRI-based.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE IN 2018

### Compliance with the Corporate Governance Code<sup>1</sup>

Source: Company data

Section	Principles and recommendations <sup>2</sup>	Full compliance	Partial compliance	Non-compliance
Shareholder rights and equitable treatment of shareholders	13	11	2	0
Board of Directors, committees, competencies and independence	35	22	10	3
Corporate Secretary	2	2	0	0
Remuneration of directors, members of executive bodies and other key officers	10	9	0	1
Risk management and internal controls	6	6	0	0
Disclosures and the Company's information policy	7	6	1	0
Material corporate actions	5	2	2	1
<b>TOTAL</b>	<b>78</b>	<b>58</b>	<b>15</b>	<b>5</b>

The Company is fully compliant with more than

# 74%

of the Code's principles and recommendations

<sup>2</sup> Clause 4.2.2 of the report on compliance with the Corporate Governance Code recommended by the Bank of Russia is not applicable to Gazprom Neft.