

## Corporate governance practice overview

Gazprom Neft's corporate governance framework encompasses all the key elements 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 95.68% of its capital. The remaining ordinary shares are held by minority shareholders represented by both individuals and legal entities.

### Shareholders protection

The Gazprom Neft PJSC corporate governance ensures full protection of shareholders' rights. The following factors contribute to this:

- the company has no restrictions on acquisition and sale of shares, and no restrictions on the number of shares owned by a single shareholder;
- the company's Charter provides shareholders with an extended period (compared to yestablished by law) to submit proposals on agenda of the Annual General Meeting of Shareholders;

- the Company's by-laws provide for a regular review of shareholder data, the data is updated jointly with the registrar;
- the Company uses a tender procedure for contracts exceeding specific thresholds in line with the Company's internal regulations;
- the Board of Directors reviews matters related to the procurement policy on a regular basis;
- the Board of Directors has an extended authority to make decisions on material transactions;
- the list of insider information was defined and the procedure of using was determined;
- the company has adopted the Regulation on the General Meeting of Shareholders, formalizing the process of planning and execution of the meetings;
- shareholders are notified of General Meetings at least 30 days in advance;
- the company has a dedicated telephone line (a hotline) and email address for shareholder communications during the General Meetings of Shareholders preparation;
- the results of the General Meeting of Shareholders are announced during the meeting;
- materials for the General Meetings of Shareholders are posted on the company website;
- internal regulation secures the shareholders right to question the members of governance and control bodies during the General Meeting of Shareholders, and establish the procedure to answer that;
- Gazprom Neft PJSC holds regular meetings with investors

and shareholders, including the annual Investor Day, and participates in investment and broker conferences. Regular site visits to the company's upstream and downstream facilities are organized to acquaint investors and shareholders with the company's production assets.

- the company has adopted the Dividend Policy, that outlined the main principles, criteria for dividend calculation, as well as the procedure, periods, and forms of payment;
- 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 refunds, etc.;
- shareholders are entitled to vote using two electronic systems – the Online Shareholder Account, and the e-voting service of the National Settlement Depository (NSD).

### Governance and control bodies

Gazprom Neft's corporate governance framework is designed to ensure the highest level of internal and external control. To achieve that:

- the Regulation on the Board of Directors was approved;
- members of the Board of Directors have all the key skills required for their role;
- an induction programme for newly assigned directors is in place;
- majority of the questions that requires in-person meetings under the Corporate Governance

- Code are actually debated on in-person meetings;
- the competency of the Gazprom Neft Board of Directors includes control over material transactions of major legal entities, controlled by the company;
- liability insurance of the Board of Directors members is in place;
- the Company has a practice of settlement of 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 Gazprom Neft Board of Directors has a self-assessment/evaluation 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;
- a talent pool was established 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 control and risk management systems;
- the Company has dedicated structural unit responsible for the key risk management roles;
- the Board of Directors annually reviews the efficiency of internal-control and risk-management systems;
- responsibilities of the Internal Audit Department are aligned with best practices in corporate governance;

- the Secretary of the Board of Directors responsibilities are aligned with those recommended by the Corporate Governance Code for the corporate secretaries.

### Information Disclosure

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:

- share capital structure;
- detailed information on the members of the Board of Directors and the Management Board;
- remuneration of the Board of Directors and the Management Board;
- key forms of financial statements under IFRS and RAS and the Management Discussion and Analysis;
- related party transactions.

Gazprom Neft's corporate website contains up-to-date information about the Company and its performance, and is updated regularly.

This Annual Report is fully complied with all the Corporate Governance Code recommendations. The Company's previous reports were multiple award winners both in Russia and globally.

The Company has business units responsible for shareholder and investor relations with their managers contacts are available on the website.

### Sustainable development and social responsibility

Gazprom Neft PJSC 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 public disclosure of internal documents focusing on CSR;
- approval and public disclosure of the revised Corporate Code of Conduct;
- approval and public disclosure of the Anti-Fraud and Anti-Corruption Policy;
- corporate social projects for employees and local communities, charitable and sponsorship initiatives;
- the Gazprom Neft Group operating companies are certified to comply with the requirements of ISO 9001 in quality management, and ISO 14001:2018 in environmental protection;
- formalisation of corporate conflicts settlement standards in the Company's by-laws;
- Company's Sustainability Report for 2018 was prepared and disclosed on the corporate website. The report was prepared in accordance with the GRI Standards (basic version), ISO 26000:2010 (Guidance on social responsibility), and the Basic Performance Indicators of the Russian Union of Industrialists and Entrepreneurs (RUIE). Sustainability Report passed independent audit by PricewaterhouseCoopers Audit.

>77%

share of fully  
 compliant principles  
 and recommendations

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

Source: company data

SECTION	PRINCIPLES			
	Principles and recommendations	Full compliance	Partial compliance	Non-compliance
Shareholder rights and equitable treatment of shareholders	13	11	2	0
Board of Directors, competencies, Committees, independence	36	24	8	4
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	3	1	1
<b>TOTAL</b>	<b>79</b>	<b>61</b>	<b>12</b>	<b>6</b>

## 2019 Information disclosure by type

Information type	Amount
Bonds issuance	13
The agenda and decisions of the governance bodies	102
Various reports disclosure (quarterly reports, lists of affiliates, Annual reports, consolidated financial statements, annual financial statements)	16
On transactions of the issuer and its related parties	23
On receipt, renewal and withdrawal of the licences of material importance for the Company	9
On income accrued and paid	34
Other material facts	22
<b>TOTAL</b>	<b>219</b>

/ 1 / Statistics is based on the report on Compliance with the Corporate Governance Code, recommended by the Central Bank of Russian Federation, Informational Letter dated 17 February 2016, № IN-06-52/8