

## Activities of the Board of Directors

### 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.

The Board of Directors is responsible for the Company's strategic management, defining key principles and approaches of risk management and internal controls, and exercising control over Gazprom Neft's executive bodies. The Company's executive bodies – the Management Board and the CEO – are held accountable to the General Meeting of Shareholders and the Board of Directors. 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 qualifications required for their roles. They possess skills in strategic management, corporate governance, corporate finance and risk management and have industry experience and expertise.

The directors perform their duties in close collaboration with the Company's management team, business units, registrar and auditors. The current composition of the Board of Directors ensures sufficient independence from the Company's management and enables effective control over its performance.

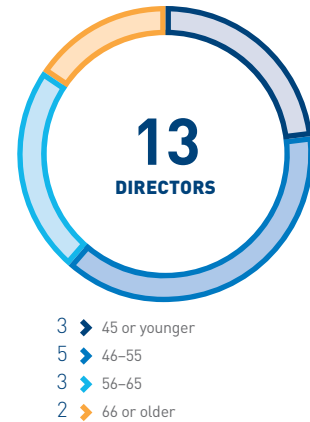
The Company's majority shareholder is PJSC Gazprom, which owns 95.68% of its capital. The remaining ordinary shares are held by minority shareholders represented by both individuals and legal entities, which helps strike the right balance

#### Board of Directors composition 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

in distribution of powers between those involved in corporate relations. Given the structure of the Company's share capital, the vast majority of Gazprom Neft's directors are elected upon the recommendation of PJSC Gazprom, the owner of the controlling stake.

Directors are elected in a transparent manner providing shareholders with sufficient information on candidates to get a clear idea of their personal and professional skills. Shareholders can use a range of communication channels, including hotline and email, to communicate their opinions and questions to the Board of Directors. On top of that, they have an opportunity to put questions to the Company's executive bodies and directors before and during the Annual General Meeting.



In 2018, the Board of Directors reviewed the following sustainability-related matters:

- > the Company's Development Strategy until 2030 and advancing certain lines of business;
  - > international expansion plans;
  - > Gazprom Neft's programme for the Russian offshore projects;
  - > performance against the investment programme in 2018;
  - > further innovations at the Company;
  - > the Company's efforts to embrace domestic products and solutions and increase their share in its purchases;
  - > KPIs and their impact on the Company's efficiency;
- > assessment of performance of Gazprom Neft's external auditor for 2017;
  - > results of assessing and reviewing the main risks after 2017;
  - > implementation of key environmental protection initiatives in 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.

**To raise the directors' awareness of the Company's sustainable development activities, Gazprom Neft now adds responsible investment matters to the Board of Directors' annual agenda.**

## Assessment of the Board of Directors' performance

The Board's annual performance assessment is held in the form of survey (polling). The questionnaire contains around 30 questions covering the main areas of activity. The results reflect the status quo of the key processes, such as strategy, business practices, efficiency management, support of the Board and its committees, and personal contributions of directors, including the Chairman and the Secretary.

In 2018, the Human Resources and Compensation Committee approved new criteria to assess performance of the Board of Directors and deemed it advisable to engage

an independent service provider for the Board's review at least once in three years.

The reporting year's assessment revealed improvements in setting strategic priorities and interactions with top executives, as well as better performance and a more balanced composition of the Board's committees. 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.

## Measures to prevent conflicts of interest

The Company maintains the balance between shareholders' and managers' interests. Its majority shareholder has enough votes to appoint the Board of Directors and resolve on a variety of matters falling within the remit of the General Meeting of Shareholders. Nonetheless, the Company implements a range of measures to decrease

risks related to governance where most of the share capital is held by a single shareholder.

In resolving conflicts of interest, we rely on our by-laws – the Corporate Code of Conduct and the Corporate Governance Code.

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Gazprom Neft has established the Corporate Culture and Ethics Working Committee to ensure compliance with the Company's Code. This committee is made up of Management Board members.

**The Corporate Governance Code requires the directors to:**

- > refrain from any actions that may result in a conflict of interest;
- > abstain from voting on matters where they have a personal interest;
- > refrain from disclosing or using for personal or third-party gain any confidential and/or insider information about the Company.

In 2018, an Extraordinary General Meeting of Shareholders approved a new version of the Regulation on the Board of Directors of Gazprom Neft. Now, it has a section

on identification and prevention of conflicts of interest on the Board of Directors specifying procedures to avoid the same, including:

- > mandatory notification of such conflicts;
- > the inclusion of information on a conflict in the materials provided at a meeting;
- > the right to suggest that the director involved in the conflict not be present at the discussion;
- > prohibited use of any direct or indirect benefits offered by persons promoting their interests in the decision making.

Information on directors' involvement with other companies is verified on a quarterly basis. In 2018, members of Gazprom Neft's Board of Directors and Management Board had no conflicts of interest.



Corporate Code

## Remuneration of the Board of Directors and the Management Board

The Company has put in place a remuneration scheme for the Management Board and senior management that is used to calculate bonuses for meeting short-term targets and a long-term incentive programme that rewards the Company's managers for increased stock prices in each of its three-year periods. Remuneration payable to the Board of Directors is linked to the Company's financial results and is subject to annual approval by the shareholders. The discretionary control by shareholders is necessary to prevent potential abuse of the remuneration process.

In 2018, the General Meeting of Shareholders resolved to allocate and pay 0.005% of EBITDA to the non-executive directors.

In addition to the base remuneration, the directors received additional payments for chairing the Board of Directors and its committees and membership in the Board's committees (50%, 50%

and 10% of remuneration payable to directors, respectively).

Total remuneration paid to the Board of Directors in 2018 amounted to ₹ 366.39 m, inclusive of personal income tax. The Company did not reimburse directors for expenses related to discharging their duties.

The members of the Management Board are entitled to the base remuneration as specified in their respective employment contracts, as well as annual bonuses and LTIP payments.