

INTERNAL CONTROL

To improve the efficiency of internal controls and corporate governance, Gazprom Neft developed an Internal Control Policy, the principal document specifying the aims, objectives, components, organisational and functional principles of internal controls. The Policy is published as part of other Company's by-laws.

It was pre-approved by the Audit Committee of the Board of Directors and approved by the Board of Directors in 2017. The Company's executive bodies, senior management, heads of business units and employees are actively engaged in establishing and maintaining internal controls, which helps the Company achieve its goals in the most efficient manner.

THE INTERNAL CONTROL FRAMEWORK SEEKS TO:

- > mitigate risks that may prevent the Company from achieving its goals;
- > develop, implement, duly execute, monitor and improve the control procedures at any business or management level;
- > inform the relevant governance bodies of control weaknesses and suggest remedial actions;
- > ensure business continuity, operational efficiency, sustainability and growth potential, including timely adaptation to internal and external changes;
- > provide a consistent and systematic methodological approach as well as quality information and analytical support for managerial decision making;
- > facilitate due allocation of responsibilities, powers and functions among internal control units, with no overlapping;
- > timely settle conflicts of interest emerging in the course of business.

INTERNAL CONTROL FUNCTIONS

The composition of the Company's internal control units and the allocation of functions aimed at establishing and maintaining effective internal controls within the Company are as follows.

The Board of Directors establishes a proper control environment, fosters the internal control culture and maintains high ethical standards at all business levels as part of the coordination and supervision of the Company's management. It also determines the principles and approaches to the organisation and functioning of the Company's internal control system and carries out a top level analysis and assessment of internal control effectiveness, among other things, through annual reviews and improvement recommendations where necessary.

The relevant information is provided to shareholders in the Company's annual report and the Internal Audit and Risk Management Directorate's performance report.



Internal Control Policy



Regulation
on the Audit
Commission

The Audit Committee's role is to provide recommendations to the Board of Directors on the establishment, maintenance, assessment and improvement of the Company's internal controls, risk management and corporate governance frameworks; analyse the Company's statements and external audit results to ensure their compliance with the Russian laws, International Financial Reporting Standards, Russian Accounting Standards and other regulations; and review the identified or potential misconduct of the Company's employees.

Executive bodies and senior management are tasked with responsibilities to facilitate the development and ensure the effectiveness of internal controls; establish a proper control environment, foster the internal control culture and maintain high ethical standards at all business levels; allocate powers and duties among and assign responsibilities to the heads of business units with respect to effective development, implementation, maintenance, monitoring and improvement of the Company's internal controls; and regularly assess staff performance and training as regards internal controls taking into account changes in the Company's internal and external operating environment.

Heads of units and employees of the Company act so as to develop, document, implement, execute, monitor (carry out self-assessment) and improve control procedures within their competence and remit, as well as timely inform their immediate superiors of instances where control procedures become impossible to execute and/or need to be amended due to changes in the Company's internal and external operating environment.

The Company's Audit Commission ensures the accuracy of financial statements and other information on the Company's financial and business operations and financial position.