

In 2017, the Board of Directors approved the following internal documents:

- the Internal Control Policy of Gazprom Neft PJSC;
- a new version of the Regulation on the Information Policy of Gazprom Neft PJSC;
- a new version of the Regulation on Insider Information of Gazprom Neft PJSC;
- the Internal Audit Policy of Gazprom Neft PJSC.

In December 2017, the Board of Directors terminated the powers of a member of the Gazprom Neft PJSC Management Board ahead of schedule and agreed on the dismissal of Deputy Director General for Organizational Affairs Vitaly Baranov. The size of the Management Board was reduced to 10 people.

In addition, the Board of Directors reviewed preparations for the annual and extraordinary general meetings of shareholders as part of its corporate governance activities.

COMMITTEES OF THE COMPANY'S BOARD OF DIRECTORS

Two committees function under the Company's Board of Directors: the Audit Committee and the Human Resources and Remuneration Committee.

AUDIT COMMITTEE

The Audit Committee monitors the Company's financial and business operations, is elected by the Board of Directors, and functions on the basis of the Charter and internal regulations.

The Audit Committee assists the Board of Directors in monitoring the Company's financial and business operations by evaluating the effectiveness of the internal control systems, including the mechanisms used to oversee the process of preparing and submitting financial and other reporting as well as its completeness and accuracy, and monitoring the risk management system. The Audit Committee is instrumental in maintaining constructive communication with the external auditor as well as the Company's financial and business oversight bodies and internal audit units. The Audit Committee's activities are directly linked to the work plan of the Board of Directors and include the consideration of matters involving financial activities and investment planning.

The members, status, work procedure, purview, and functions of the Committee, the procedure for convening and holding meetings and preparing resolutions as well as the responsibility of Committee members are specified by the Regulation on the Committee.

The Audit Committee is comprised of three non-executive directors (elected by the Board of Directors on 20 June 2017):

- Mikhail Leonidovich Sereda (Chairman);
- Valery Alexandrovich Golubev;
- Nikolay Nikolayevich Dubik.

Given the nature of their duties, Committee members possess the sufficient and relevant financial experience and skills that are required to work with financial reports, analyse business activities, and conduct financial monitoring. The Audit Committee does not include a single representative of the Company's senior management.

STATISTICS ON THE NUMBER OF MEETINGS HELD BY THE AUDIT COMMITTEE UNDER THE BOARD OF DIRECTORS

Indicator	2015	2016	2017
Number of meetings	8	11	12
Number of items considered	22	30	34

The Audit Committee held 12 meetings in 2017 and considered the following key items in accordance with the approved work plan:

- the consideration of the consolidated IFRS financial statements of the Gazprom Neft Group for 2016 as well as the first quarter, first half, and nine months of 2017;
- the new form of the audit report for 2016;
- the fulfilment of external audit recommendations concerning the management of information security risks at Gazprom Neft PJSC based on the results of the second half of 2016;
- the results of measures to manage manmade and occupational risks involving industrial safety and labour protection at Gazprom Neft PJSC based on the results of the second half of 2016;
- the results of measures to manage credit risk based on the results of the second half of 2016, including work with problem debts and the write-off of bad debts;
- the results of measures to manage the tax risks of Gazprom Neft PJSC based on the results of the second half of 2016;
- reports on the results of the work performed by the Gazprom Neft PJSC Internal Audit Department;
- the assessment and updating of the key risks faced by Gazprom Neft PJSC based on the results of 2016;
- the programme for the guarantees and improved quality of internal audits of Gazprom Neft PJSC based on the results of 2016;
- review of the final results of the external audit of the Gazprom Neft PJSC Internal Audit Department and the action plan to implement the auditor's recommendations;
- review of the performance results of the external auditor of Gazprom Neft PJSC for 2016;

- the candidate for the auditor of Gazprom Neft PJSC for 2017 and the amount of payment for the auditor's services for 2017;
- the preliminary review of the Internal Audit Policy of Gazprom Neft PJSC;
- the approval of a new version of the Regulation on the Internal Audit Department of Gazprom Neft PJSC;
- the approaches to and the plan and procedures for conducting the external audit of Gazprom Neft PJSC for 2017;
- the review of the Action Plan for improvements to the internal audit function of Gazprom Neft PJSC for 2017-2018;
- the concept of the maximum permissible risk level of Gazprom Neft PJSC;
- the review of information disclosed by Gazprom Neft PJSC to external parties, including analytical and rating agencies, as well as the disclosure of indicators not envisaged by IFRS standards;
- the implementation of an action plan to improve the internal audit function of Gazprom Neft PJSC for 2017-2018 that was drafted taking into account the recommendations of an external audit of functions;
- the fulfilment of recommendations to ensure monitoring in information systems based on the results of the audit of the financial statements of Gazprom Neft PJSC for 2016;
- approaches to holding a tender and the members of the tender commission for the selection of the external auditor of Gazprom Neft PJSC for 2018;
- the establishment of the work plan of the Gazprom Neft PJSC Internal Audit Department for 2018-2020.

Audit Committee members attended all the meetings, and representatives of the external auditor, members of the Management Board, the head of the Internal Audit Department, and Company department heads were invited to Committee meetings based on the matters considered.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

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

The members, status, work procedure, purview, and functions of the Committee, the procedure for convening and holding meetings and preparing resolutions as well as the responsibility of Committee members are specified by the Regulation on the Human Resources and Remuneration Committee.

In accordance with the Regulation, the Committee's main tasks are to provide a preliminary comprehensive analysis of items falling within the purview of the Board of Directors and prepare recommendations for the Board of Directors to adopt decisions concerning the Company's activities in human resources and remuneration for members of governing bodies and the Company's Audit Commission.

The Human Resources and Remuneration Committee is comprised of four non-executive directors (elected by the Board of Directors on 20 June 2017):

- Nikolay Nikolayevich Dubik (Chairman)
- Andrey Vyacheslavovich Kruglov
- Vsevolod Vladimirovich Cherepanov
- Sergey Alexandrovich Fursenko (independent director)

STATISTICS ON THE NUMBER OF MEETINGS HELD BY THE HUMAN RESOURCES AND REMUNERATION COMMITTEE UNDER THE BOARD OF DIRECTORS

Indicator	2015	2016	2017
Number of meetings	6	7	6
Number of items considered	10	10	10

The Committee held six meetings in 2017 and considered the following key items:

- the consideration of proposals from shareholders on the nomination of candidates for election to the Board of Directors and the Audit Commission of Gazprom Neft PJSC;
- the evaluation of candidates for the Board of Directors of Gazprom Neft PJSC;
- remuneration for members of the Board of Directors of Gazprom Neft PJSC;
- remuneration for members of the Audit Commission of Gazprom Neft PJSC;
- the participation of members of the Gazprom Neft PJSC Management Board in the management bodies of other organizations;
- the results of the performance evaluation of the Company's Board of Directors;
- the members of the Gazprom Neft PJSC Management Board.

During the reporting period, the Committee conducted an evaluation of candidates for the Board of Directors to assess whether they have the necessary experience, knowledge, business reputation, and no conflicts of interest, among other things. In addition, the Human Resources and Remuneration Committee prepared an opinion on the independence of each candidate for the Board of Directors.

In the opinion of the Human Resources and Remuneration Committee, the analysis of the candidates allowed for concluding that:

- The experience and education as well as the knowledge and a high degree of professional training of candidates nominated for the Board of Directors will enable them to fulfil the duties of a member of the Board of Directors and directly contribute to the effective work of the entire Board of Directors in the interests of the Company and its shareholders.

- All candidates have an impeccable professional and personal reputation, which implies, among other things, that they have never faced any criminal prosecution in the present or in the past.
- The Board of Directors will include 1 executive director, which is consistent with the recommendations of the Corporate Governance Code.
- The Board of Directors will include 2 independent directors, comprising 15% of the Board members, which is less than the proportion recommended by the Code of Corporate Governance.
- The Board of Directors will be sufficiently balanced in terms of gender and age.

The Committee prepared the appropriate recommendations on matters that require the submission of recommendations to the Board of Directors.

The Committee fully performed the tasks it was assigned over the reporting period.

PERFORMANCE EVALUATION OF THE BOARD OF DIRECTORS

In accordance with the recommendations of the best corporate governance practices, the Board of Directors conducts an annual analysis and assessment of the effectiveness of its performance by evaluating all the areas of the Board's activities.

Per the decision of the Board's Human Resources and Remuneration Committee dated 27 September 2010, the Committee conducts an annual internal assessment of the effectiveness of the activities performed by the Company's Board of Directors in the form of a survey (questionnaire). The questionnaire includes approximately 30 questions about the main areas of activities: members, work structure, procedures of the Board of Directors and an assessment of the work performed by the Chairman of the Board, Committees and the Secretary of the Board of Directors, the level of interaction within the Board of Directors and other issues.

The analysis of the Board's performance over the reporting period revealed improvements in the following areas: identification of strategic priorities, interaction with executive management, balanced membership and the functioning of the Committees under the Board of Directors. In addition, issues falling into zones of development based on the assessment results included the increased awareness of members of the Board of Directors, including the timely provision of information and improvements to communication channels with management and other individuals.

INDUCTION OF NEW MEMBERS OF THE BOARD OF DIRECTORS

In order to support the effective work of the Board of Directors, the Human Resources and Remuneration Committee employs the Programme on the Induction of Newly Elected Members of the Board of Directors.

The objectives of the Programme are to introduce newly elected members of the Board of Directors to the Company's production, financial and business activities and corporate governance practices as quickly and effectively as possible.

The Programme provides for the following measures:

1. A meeting with the Chairman of the Board of Directors and discussion of the Board's work plan and the priorities in the Company's activities; determining the future role of each director on the Board in accordance with the director's professional knowledge and experience.
2. A meeting with representatives of senior management, the provision of basic information about the Company's activities, discussion of the Company's operational and financial structure and introduction to the members of the Management Board.
3. Consultations with the Secretary of the Board of Directors: the Secretary shall describe the procedural and legal aspects of the activities performed by the Board of Directors and its committees and explain the rights and duties of Board members, matters concerning the payment of remuneration and compensation as well as their responsibilities and liability insurance.
4. Review of the Company's main documents, guidelines for Board members and a description of the main business matters, internal procedures and the organisational management of the Board of Directors and its committees.
5. The Programme may also include such measures as visits to the Company's fixed assets, participation in the Company's public activities and meetings with key management personnel.

The Human Resources and Remuneration Committee monitors the implementation of the Programme.

No new members were elected to the Board of Directors in 2017.