

EXTERNAL AUDITOR

Each year the Company hires a professional auditing firm that is not associated with the Company through property interests or its shareholders from among the top international auditing companies to audit and confirm the accuracy of its annual financial statements.

The main principles for organizing and conducting an external audit, the procedure and criteria for selecting auditors, and the approaches used to ensure that auditors observe the principles of independence and have no conflict of interests are set forth in the External Audit Policy of Gazprom Neft PJSC.

The auditor is selected through a tender based on an assessment of the following criteria:

1. The participant's qualification and experience based on the subject for which it is being selected, including experience with auditing oil and gas industry companies.
2. Ensuring the protection of the data and requirements of credit agreements (including ratings agencies).
3. Financial parameters: cost of services and payment terms.
4. Independence: the auditor's independence is not jeopardized unless revenue per one client exceeds 15% of the auditor's total revenue (according to the requirement of the Russian Ministry of Finance – clause 2.112 "Rules for the independence of auditors and audit organizations" and international requirements – clause 290.219 from the IESBA Code of Ethics).

The Company's auditor is approved by the General Meeting of Shareholders based on a proposal from the Board of Directors. A preliminary assessment of auditor candidates is conducted by the Audit Committee.

In order to assess the quality of work performed by the external auditor, the Audit Committee reviews reports by the external auditor and statements from management and also conducts in-person meetings with representatives of the auditors. The Audit Committee conducted four meetings over the course of 2017 with the Company's auditor and examined the following issues:

- a review of the consolidated IFRS financial statements of the Gazprom Neft Group for 2016 and the first quarter, first half, and first nine months of 2017;
- the new form of the audit report for 2016;
- a review of the results of the activities of the external auditor of Gazprom Neft PJSC for 2016;
- the candidate for the auditor of Gazprom Neft PJSC for 2017 and determining the amount of payment for its services for 2017;
- an assessment of the Auditor's Report on the accounting (financial) statements of Gazprom Neft PJSC for 2016 prepared by PricewaterhouseCoopers Audit JSC;
- the approaches to as well as the plan and procedures for the external audit of Gazprom Neft PJSC for 2017;
- the results of the assessment of the work of the external auditor of Gazprom Neft PJSC based on the results of 2016;
- the results of the interim audit of the Gazprom Neft Group for 2017;
- 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.

PricewaterhouseCoopers Audit JSC (PwC) was re-elected as the Company's auditor at the General Meeting of Shareholders in June 2017.

The Board of Directors set payment for the audit services of the Gazprom Neft PJSC financial (accounting) statements for 2017 at RUB 39,060,000 (excluding VAT), including:

- RUB 6.06 million – audit services for Gazprom Neft statements according to Russian Accounting Standards (RAS);
- RUB 33 million – audit services for the consolidated statements according to International Financial Reporting Standards (IFRS), including services involving the audit of interim statements.

PricewaterhouseCoopers Audit JSC, the company that audits the financial statements of Gazprom Neft PJSC in accordance with international and Russian financial reporting standards, only provides the Company with audit services. PricewaterhouseCoopers Consulting LLC provides the Gazprom Neft Group with consulting services unrelated to accounting and the preparation of the financial statement. At the same time, the principles of the auditor's independence are observed: consulting services are provided by an organization that is not an auditor of Gazprom Neft PJSC; the employees providing audit services are not involving in providing consulting services; and revenue per one client does not exceed the permissible values.