

## AUDIT COMMISSION

The Audit Commission is a standing body that supervises the financial and business operations of Gazprom Neft. The Audit Commission acts on behalf of shareholders and is subordinate to the General Meeting of Shareholders in its activities.

The Audit Commission conducts audits of financial and business operations on the basis of the Charter and the Regulation on the Audit Commission and forms an independent opinion about the state of affairs at the Company. The Audit Commission's conclusions are conveyed to shareholders at the General Meeting of Shareholders in the form of a report by the Company's Audit Commission that is attached to the Gazprom Neft annual report.

The Audit Commission was elected at the Annual General Meeting of Shareholders on 9 June 2017 with the following members:

- V. K. Bikulov;
- G. Y. Delvig;
- A. A. Kotlyar;
- M. I. Mironova;
- I. B. Tolstikova.

Remuneration is paid to members of the Audit Commission based on the decision of the General Meeting of Shareholders. Annual remuneration for members of the Audit Commission paid in 2017 totalled RUB 4,520,000.

## INTERNAL AUDIT DEPARTMENT

The Company conducts internal audits for a systematic and independent evaluation of the reliability and effectiveness of the corporate governance, risk management, and internal control systems.

In October 2017, the Board of Directors approved the Internal Audit Policy of Gazprom Neft PJSC, which specifies the goals, tasks, powers, responsibility, and status of the Internal Audit Department of Gazprom Neft PJSC as well as the scope and content of internal audit activities.

The internal audit function is performed by the Company's Internal Audit Department whose director is appointed in coordination with the Board of Directors.

The Internal Audit Department is functionally subordinate to the Audit Committee of the Board of Directors and directly subordinate to the Company's CEO.

The main objective of the Internal Audit Department is to provide the Board of Directors (via the Audit Committee) and Company management (the CEO and Chairman of the Management Board of Gazprom Neft PJSC) with independent, objective, reasonable, and substantiated guarantees<sup>1</sup> and consultations that aim to improve the Company's activities. The Internal Audit Department helps to achieve the Company's goals using a systematic and sequential approach to assessing and improving the effectiveness of internal control, risk management, and corporate governance processes.

The Internal Audit Department performs the following main functions, among other things, in order to carry out its assigned tasks:

- drafting the work plan for the Internal Audit Department, including annual and future audit plans, and submitting it to the Audit Committee for approval;
- organizing and conducting internal audits and consultations at the Company and the Company's organizations in the prescribed manner based on the best Russian and international internal audit practices;
- an independent and objective assessment of the reliability, effectiveness, accuracy, and integrity of the Company's risk management, internal control, and corporate governance systems;
- drafting proposals to eliminate shortcomings and violations, the reasons for their occurrence as well as recommendations for improving the Company's operations and submitting them to the Company's management;
- hiring independent external consultants and experts in the prescribed manner within the framework of the Internal Audit Department's approved budget, when necessary, to provide internal audit services;
- monitoring the completeness and timeliness of the implementation of measures prepared based on the results of audits to improve the internal control system as well as corporate governance and risk management processes;
- collecting, summarizing, and analysing the information required to fulfil the functions assigned to the Internal Audit Department as well as the individual orders of the Company's management;
- organizing and improving the work of the Internal Audit Department on the basis of standards;
- participating in the development, introduction, and operation of automated internal audit management systems at the Company as well as the coordination of their development at the Company's organizations;

<sup>1</sup> — The guarantees provided in the internal audit consist of conclusions reached based on the results of internal audits.

- drafting and introducing the Programme of Guarantees and Improved Internal Audit Quality endorsed by the Department and the Audit Committee, which includes:
  - periodic internal assessments of whether the Internal Audit Department’s activities comply with the standards and the Code of Professional Ethics of the Company’s internal auditor;
  - external assessments of the Internal Audit Department’s activities in accordance with the standards (at least once every five years);
  - the drafting of recommendations to improve the Company’s operations and correct shortcomings based on audits, special inspections, investigations and advisory services and conveying them to the persons who can ensure they are properly reviewed;
  - an assessment of the effectiveness of anti-fraud and corruption measures at the Company;
  - organizing a system used to collect and process information based on signs and instances of fraud and corruption – a hotline for countering fraud, corruption, and other violations of the Corporate Code of Gazprom Neft PJSC;
  - monitoring the completeness and timeliness of the execution of instructions given by the Company’s management based on the results of audits.

The Head of the Internal Audit Department reports to the Audit Committee and Board of Directors at least twice a year about the Department’s performance results for the reporting period and also regularly provides information about other audit issues falling within the Audit Committee’s purview during meetings held in person and in absentia.

Galina Yuryevna Delvig is the head of the Internal Audit Department.

In 2017, the Internal Audit Department conducted 86 audits in such areas as corporate governance, information technologies, and investment activities as well as in the main production areas of the Company’s business.



**Galina Yuryevna Delvig**

head of the Internal Audit Department

**Biographical information**

Born in 1960.  
 Graduated from Plekhanov Moscow Institute of National Economy.  
 2008 – Head of the Internal Audit Department of Gazprom Neft PJSC.

**Interest in charter capital (as of 31 December 2017)**

Does not own company shares

Specifically, as part of operational audits, the Internal Audit Department paid special attention to an analysis, identification, and assessment of systemic high-level areas in the Company’s various businesses. In particular, internal audits focused on the processes of transport support for current assets and major projects, the accounting of oil and associated petroleum gas, and the achievement of projected production levels. An assessment was also conducted regarding the internal control system for the management of irrecoverable losses and energy efficiency, accounting and sales of oil and petroleum products, procurement activities, financial reporting, and IT functions.

Taking into account the recommendations of the Internal Audit Department, the Company’s management has drafted and is implementing a set of measures to improve the effectiveness of the internal business process control system and making changes to the regulatory and methodological framework.

In addition to conducting, the Internal Audit Department also focused on developing consulting services aimed at improving the Company’s business.