

MANAGEMENT OF POTENTIAL CONFLICT OF INTERESTS

The Company strives to maintain a balance of interests between shareholders and management with their cooperation characterized by a high level of trust, strong culture of business relations, and ethical standards. The Company's main shareholder has a sufficient number of votes to pass decisions on a significant number of issues that fall within the purview of the General Meeting of Shareholders and also to form the Board of Directors. Despite this, the Company seeks to utilize tools that feature a high concentration of equity to mitigate risks related to the specific nature of management.

The Company has a transparent ownership structure, the rights and duties of shareholders as well as the procedure for administering property rights are clearly defined in the Company's Charter and internal documents, and information about this is publicly available. The Company adheres to the principle of equal shareholder voting rights and has also established mechanisms to protect voting rights in its internal documents.

The main elements for preventing conflicts at the shareholder level are:

- compliance with the order and procedure for making decisions on the most significant issues;
- compliance with the voting procedure for related party transactions;
- hiring reputable and independent appraisers to value the assets in related party transactions;
- ensuring maximum transparency and information openness when preparing for and holding meetings of shareholders as well as the prompt disclosure of information about decisions adopted by the Board of Directors;
- disclosing information about related party transactions. According to the Company's financial statement for 2017, related party transactions were concluded as part of regular business activities and had a clear economic rationale. The most common types of transactions are those involving the sale and purchase of oil, gas, and petroleum products;
- hiring companies from the Big Four auditing firms as external auditors;
- establishing mechanisms to protect against the dilution of the Company's value. The procedure for organizing and selecting counterparties for the procurement of goods, work, and services was carried out in accordance with the approved Company standards, which stipulate that open forms of competitive selection procedures for counterparties are preferable.

Gazprom Neft has approved internal documents (the Corporate Conduct Code and Code of Corporate Governance) which set forth the values and principles that serve as the basis for the establishment and development of the Company's corporate culture.

The Corporate Conduct Code regulates situations that could involve a conflict of interests, the acceptance of gifts, the use of the Company's assets or resources, stakeholder engagement, social responsibility, the handling of confidential information, the activities of the Corporate Culture and Ethics Working Committee, and the operation of the fraud and corruption prevention hotline, among other situations.

Gazprom Neft has established a Corporate Culture and Ethics Working Committee that monitors compliance with the provisions of the Code. The Corporate Culture and Ethics Working Committee includes members of the Management Board and is chaired by the Management Board Chairman.

The Company has approved the necessary internal documents to implement certain principles of the Code, for instance in matters concerning access to confidential information, nondisclosure, HR policy, and the development of succession candidates.

The Gazprom Neft Code of Corporate Governance stipulates that members of the Board of Directors must refrain from any actions that would lead or could lead to a conflict of interests and from voting on matters in whose outcome they have a personal interest, and also must not disclose or use confidential and/or insider information about the Company for their personal interests or the interests of third parties.

The Corporate Conduct Code defines the concept of a conflict of interests and zones of control when managing a conflict of interests as well as the positions of personnel most susceptible to a conflict of interests, and contains examples of situations in which a conflict of interests may arise.

The main zones of control when managing a conflict of interests are:

- the selection of counterparties and relations with counterparties;
- the system of settlements and payments, particularly those connected with the hiring of agents / intermediaries;
- the hiring of Company personnel;
- the participation of employees in political and government activities;
- charitable and sponsorship activities;
- gifts and entertainment expenses.

The Company's following personnel positions are most susceptible to a conflict of interests: executives and management of structural units whose functions include external relations and contacts on behalf of the Company.

The Code contains a reference to the need for Company employees to inform management and the legal service about all instances of a conflict of interests. There is a hotline for employees as well as email addresses and special mailboxes to report violations anonymously. Third parties who are not Company employees, in particular counterparties, may also file reports via the hotline. The Board of Directors reviews the hotline results twice a year, including statistics on the (processed) reports received and violations that are ultimately identified.

The Company's internal documents require that officials provide information about all affiliates. The Company regularly checks information received from new members of the Board of Directors, in particular concerning the ownership of stakes in subsidiary organizations.

The Company verifies whether members of the Company's Board of Directors and Management Board and their relatives have any conflicts of interests in employment at the Company. According to the Regulation on the Management Board, members of the Management Board are only permitted to serve concurrently on the management bodies of other organizations with the consent of the Company's Board of Directors.

The Company re-verifies information on a quarterly basis about members of the Company's Management Board and Board of Directors serving at other companies.

The Company collects and processes information about the beneficiary owners of counterparty companies in all agreements concluded by Gazprom Neft PJSC as well as subsidiaries and affiliates.

There were no conflicts of interests among members of the Gazprom Neft Board of Directors and Management Board in 2017.

The Company re-verifies information on a quarterly basis about members of the Company's Management Board and Board of Directors serving at other companies.

ANTI-FRAUD AND ANTI-CORRUPTION POLICIES AND PROCEDURES

In 2014, the Company adopted an Anti-Fraud and Anti-Corruption Policy that serves as the fundamental internal regulatory document of the Company and its subsidiaries in combatting corruption.

The Policy defines the concept of fraud and other anti-fraud terminology and stipulates that the Company's senior management must institute unified ethical standards to reject corruption in all its forms and manifestations. The Policy specifies the methods and procedures employed by the Company to combat fraud and corruption, in particular the Company's hotline, internal investigations and prosecution for instances when fraud is committed.

The Policy separately describes the risks of corruption that are typical for companies working in the oil production and refining industries. The Policy contains a section that sets forth the fundamental principles for implementing the Company's business processes that are most susceptible to fraud risks, specifically: interaction with officials, the receiving and giving of gifts, entertainment expenses, charitable and sponsorship activities and financial relations with third parties.

The Anti-Fraud and Anti-Corruption Policy requires the Company's employees to be trained in the principles of rejecting fraud and the foundations of applicable law. The Company's Deputy CEO for Security and Head of the Internal Audit Department periodically report to Company management on anti-fraud and anticorruption matters.