

APPROVED  
by the General Meeting of Shareholders  
of JSC Gazprom Neft  
on September 30, 2014  
(Minutes № 0101/02 dated 02.10.2014)

**Regulations on the Board of Directors  
of Open Joint Stock Company  
Gazprom Neft**

**(New version)**

## **1. General Provisions**

1.1. The present Regulations on the Board of Directors of JSC Gazprom Neft (hereinafter "the Regulations") have been prepared in compliance with the current legislation of the Russian Federation, the Charter of JSC Gazprom Neft (hereinafter "the Company") and the Company's main corporate governance principles, with the intention of enhancing the efficiency and transparency of the Company's internal corporate governance mechanisms, improving the system of control and accountability of its management bodies, and guaranteeing shareholder rights.

1.2. The Board of Directors of JSC Gazprom Neft (hereinafter "the Board of Directors") ensures implementation by the Company of the goals and objectives set out in Company Charter.

1.3. The main functions of the Board of Directors are the design of Company strategy for the purposes of increasing its capitalization and investment attractiveness, the definition of principles and approaches to risk management and internal control at the Company, ensuring the objectivity of the Company's financial reporting, supervising work by the Company's executive bodies, supervising disclosure of information and the Company's corporate governance practices, and assessing the work of the Board of Directors and Company executive bodies.

1.4. The Board of Directors is the collegial governing body of the Company, providing overall management of Company business in accordance with its competence.

1.5. In its work the Board of Directors adheres to the laws of the Russian Federation, the Company Charter, resolutions of the General Meeting of Shareholders, the present Regulations and other internal Company documents.

1.6. The Board of Directors acts in the interests of the Company and its shareholders and is accountable to the General Meeting of Shareholders.

## **2. Competences of the Board of Directors**

2.1. The competences of the Board of Directors are determined by the Federal Law "On Joint Stock Companies" and by the Company Charter.

2.2. The Board of Directors is responsible for overall management of the Company, except for matters, which are made the responsibility of the General Meeting of Shareholders by the Federal Law "On Joint Stock Companies".

2.3. Matters that are the responsibility of the Board of Directors may not be delegated to executive bodies of the Company.

2.4. Responsibilities of the Board of Directors include definition of Company strategy, policy and basic business principles in the spheres of investment and borrowing, risk management and disposal of property, and in other spheres, and also ensuring that such principles are implemented.

## **3. Composition and Term of Office of the Board of Directors**

3.1. The number of members of the Board of Directors is determined by the Company Charter.

3.2. Only individuals (shareholders and non-shareholders) may be members of the Board of Directors.

3.3. Members of the Company's Management Board may not exceed one quarter of all members of the Board of Directors.

3.4. Members of the Board of Directors may not be members of the Audit Commission of the Company.

3.5. The Chief Executive Officer of the Company may not simultaneously hold the position of Chairman of the Board of Directors.

3.6. Members of the Board of Directors are elected by the General Meeting of Shareholders for the period until the next Annual General Meeting of Shareholders. If the Annual General Meeting of Shareholders is not held within the time limits set by the Company Charter, the competences of the Board of Directors are terminated, except for the competence to prepare, convene and hold the Annual General Meeting of Shareholders.

3.7. If a member of the Board of Directors retires, the competences of the remaining members of the Board of Directors shall not be terminated except in the cases provided for in Paragraph 9.4. below.

A member of the Board of Directors is understood to have "retired" from his post if he or she voluntarily resigns, dies, or is unable to perform his or her duties for other reasons.

3.8. Early termination of the competences of the Board of Directors by a resolution of the General Meeting of Shareholders is only possible in respect of all members of the Board of Directors.

#### **4. The Chairman and Deputy Chairman of the Board**

4.1. The Chairman and Deputy Chairman of the Board of Directors are elected by members of the Board from among its members by a majority of the total number of votes of elected members of the Board of Directors.

4.2. The Board of Directors may at any time re-elect its Chairman and/or his or her Deputy by a majority of the total number of votes of the elected members of the Board of Directors.

4.3. The Chairman of the Board of Directors organizes its work, convenes and presides at meetings of the Board of Directors, ensures the keeping of minutes at meetings, presides at the General Meeting of Shareholders, signs contracts with the Company's Chief Executive Officer and members of the Management Board on behalf of the Company, and performs other functions prescribed by the Company Charter and the present Regulations.

4.4. The functions of the Chairman of the Board of Directors in his or her absence are carried out by the Deputy Chairman of the Board of Directors, and in the absence of the Chairman and his or her Deputy they are carried out by any Board member as decided by the Board.

#### **5. Rights, Duties and Responsibilities of Members of the Board of Directors**

5.1. In exercising their rights and performing their duties members of the Board of Directors are bound to act in the interests of the Company and to exercise their rights and fulfil their duties with respect to the Company in good faith and reasonably.

5.2. Members of the Board of Directors have the right to examine the regulatory, accounting, reporting, financial and other documents and materials of the Company, including full audit reports and minutes of meetings of the Management Board, which are required for resolving matters in the competence of the Board of Directors, and also to

request the Company's Chief Executive Officer to provide other information relating to Company business.

5.3. The Secretary of the Board of Directors, as well as officials or employees of the Company shall provide access for members of the Board of Directors to requested documents and information and shall also provide, upon request, copies of necessary documents and materials within five calendar days from the date of receipt of such request.

5.4. During the period of performance of their duties and subject to a resolution by the General Meeting of Shareholders, members of the Board of Directors may receive remuneration and (or) reimbursement of expenses associated with the performance of their functions as members of the Board of Directors. The amounts of such remuneration and reimbursement are set by the General Meeting of Shareholders.

5.5. Members of the Board of Directors shall be guided in their work by the current laws of the Russian Federation, the Company Charter, resolutions of the General Meeting of Shareholders, the present Regulations and the Company's internal documents.

5.6. Members of the Board of Directors are required to attend meetings of the Board in person. If attendance in person is not possible, a member of the Board of Directors shall notify the Board of Directors stating the reasons and may submit a written opinion on agenda items, in accordance with the present Regulations.

5.7. Members of the Board of Directors shall notify the Board of Directors of the Company of:

- legal entities, in which they hold, solely or jointly with their affiliate(s), 20 percent or more of voting shares (entitlements, units);
- legal entities, in which they are serve as officers of management bodies;
- planned transactions known to them or to be carried out by them, in which they may be defined as related parties;
- ownership by the Board member of securities of the Company, including their number and category (type), and the sale and (or) purchase of securities of the Company, as well as the number of shares of each category (type) which may be acquired by the member in the exercise of his or her rights relating to Company options.
- any family relationships with other persons in the management bodies of the Company and/or bodies, which supervise Company finances and business.

This information shall be communicated to the Board of Directors of the Company in writing within five calendar days from the date when such circumstances arise.

Members of the Board of Directors shall report essential contact information to the Secretary of the Board of Directors, including a postal address, contact telephone number, fax and e-mail address.

5.8. Members of the Board of Directors shall be liable to the Company for damages caused to the Company by their culpable actions (or inaction), unless other grounds of liability are established by federal law.

Board members who voted against a resolution that caused losses to the Company or did not participate in the vote are not liable to the Company.

## **6. Secretary of the Board of Directors**

6.1. The Secretary of the Board of Directors provides administrative support to the work of the Board.

6.2. The Secretary of the Board of Directors is appointed at the proposal of the Chairman of the Board by a majority vote of the members of the Board participating in the meeting and is not a member of the Board of Directors.

6.3. The Secretary of the Board of Directors is elected for an indefinite term. The Board of Directors may at any time dismiss the Secretary and elect a new Secretary.

6.4. In the absence of the Secretary of the Board of Directors at a Board meeting, the duties of the Secretary are assigned to another person by a resolution approved by a majority vote of the Board members participating in the meeting.

6.5. The Secretary of the Board of Directors:

6.5.1. ensures compliance by Company bodies and officials with the rules and procedures of corporate governance established by the laws of the Russian Federation, the Company Charter, the present Regulations and other internal documents of the Company;

6.5.2. ensures preparation and holding of the General Meeting of Shareholders in accordance with current laws of the Russian Federation, the Company Charter and other internal documents of the Company;

6.5.3. provides administrative support to the work of the Board of Directors of the Company, and to the preparation and conduct of meetings of the Board of Directors in accordance with the requirements of current laws of the Russian Federation, the Company Charter and other internal documents of the Company, and specifically:

- receives requests for convening of a meeting of the Board of Directors and sends notification of such a meeting;
- forwards ballots, documents and materials for meetings of the Board of Directors in accordance with Paragraph 8.8 of the present Regulations;
- receives ballots that have been completed by members of the Board of Directors;
- keeps the minutes of Board meetings and prepares minutes of the results of voting in absentia;
- assists the Chairman of the Board of Directors in the organization and planning of work by the Board of Directors;
- ensures safekeeping of documents of the Board of Directors;
- supervises the implementation of resolutions of the Board of Directors;
- obtains necessary documents and information from Company sub-divisions and provides them to the members of the Board of Directors;
- performs other functions in accordance with the present Regulations, internal documents of the Company and the instructions of the Chairman of the Board of Directors.

6.6. In order to carry out his or her duties the Secretary of the Board of Directors has the right to:

- request and receive information and documents necessary for the performance of his or her tasks and functions from Company officers and heads of structural subdivisions;

- collect information on the execution of resolutions and (or) instructions of the Board of Directors and the General Meeting of Shareholders;

- sign extracts from the minutes of a Board meeting and of the General Meeting of Shareholders; authenticate copies of the Company Charter, copies of Board minutes and minutes of General Meetings of Shareholders.

6.7. An employee of the Company, who is entrusted with the functions of Secretary of the Board of Directors may be paid a remuneration and be reimbursed for costs associated with the performance of the functions described, in the amount and manner determined by a resolution of the Board of Directors.

## **7. Work Plan of the Board of Directors**

7.1. Meetings of the Board of Directors are held on the basis of the Board's work plan, which is prepared in accordance with proposals of the Chairman and members of the Board of Directors, the Chief Executive Officer, the Management Board, the Audit Commission and the Auditor of the Company.

7.2. Proposals for inclusion in the work plan of the Board of Directors are made no later than 30 calendar days prior to the beginning of the planning period (half-year, year).

A proposal for inclusion in the work plan of the Board of Directors shall include:

- details of the individual (body) making the proposal;
- wording of the matters, proposed for consideration by the Board of Directors;
- justification for raising the matters;
- proposed times for consideration of the matters;
- signature of the person (head of the body) making the proposal.

7.3. The Chairman of the Board of Directors shall supervise preparation of the draft work plan of the Board of Directors.

7.4. The Chairman of the Board of Directors shall submit the work plan to the Board of Directors for approval.

## **8. Convening a Meeting of the Board of Directors**

8.1. The Board of Directors is convened by the Chairman of the Board of Directors in accordance with the approved work plan of the Board or on his or her own initiative or at the request of a member of the Board of Directors, the Management Board, the Chief Executive Officer, the Audit Commission or the Company auditor.

8.2. A request for the convening of a meeting of the Board of Directors shall include:

- details of the person (body) making the request;
- the wording of matters in the meeting agenda;
- justification for raising the matters;
- documents and other materials that are required for consideration of the matters;
- signature of the person (head of the body) requesting the meeting.

8.3. The person making the request may propose a date for convening a meeting of the Board of Directors and a draft resolution on the agenda matters.

A request to convene a meeting containing the date, on which the meeting is to be convened, is submitted to the Board of Directors no later than thirty calendar days before the proposed date, except for requests concerning matters that require a rapid decision.

8.4. The Chairman of the Board of Directors takes one of the following decisions within five calendar days from the date of submission of the request to convene a meeting of the Board of Directors:

- to convene a meeting of the Board of Directors (or to include the matter in the agenda of the next regular meeting) within 30 calendar days, unless the law stipulates a different period for decision-making on the matter;

- to refuse to call a meeting.

The Chairman of the Board of Directors communicates his or her decision to the person (head of a body) who made the request and also to members of the Board of Directors and to the Chief Executive Officer.

8.5. The Chairman of the Board of Directors may refuse to convene a meeting of the Board of Directors, if the matter of the meeting was proposed by an unauthorized person or if it is not within the competence of the Board of Directors, and also if the request to convene a meeting of the Board of Directors does not contain the information required by Clause 8.2 of the present Regulations.

8.6. In accordance with the Federal Law "On Joint Stock Companies", the Chairman of the Board of Directors is obliged to convene a meeting of the Board of Directors:

- to consider proposals by shareholders for the inclusion of items in the agenda of the Annual General Meeting of Shareholders and for candidatures to the governing and supervisory bodies of the Company;

- to resolve on the convening of the Annual General Meeting of Shareholders and on other matters relating to its convening and conduct, as prescribed by the Federal Law "On Joint Stock Companies", the Company Charter and the Regulations on the General Meeting of Shareholders;

- to resolve on convening or not convening an Extraordinary General Meeting of Shareholders at the request of shareholders, the Audit Commission or the Company auditor;

- to convene an Extraordinary General Meeting of Shareholders for the election of a new Board of Directors and/or to form the Management Board in instances when the number of members of these governing bodies does not provide a quorum for making resolutions.

8.7. The agenda of a regular meeting of the Board of Directors is formed and approved by the Chairman of the Board on the basis of the work plan of the Board, and on the basis of requests from persons (bodies) for convening of a meeting, which have been received in accordance with applicable law and with the present Regulations.

8.8. No later than 15 calendar days prior to the date of a meeting of the Board of Directors and, in case of a vote in absentia, no later than 20 calendar days before the date, the Chairman of the Board of Directors sends written notification of the convening of a meeting of the Board of Directors to all Board members, stating:

- the date, time and place of the meeting (if conducted in the form of joint attendance);

- the list of persons invited to the meeting (if conducted in the form of joint attendance);

- items on the agenda of the meeting.

The following are attached to the notification:

- draft resolutions of the Board of Directors;

- justification for approving the proposed resolutions;

- documents and other information materials;

- a voting ballot (in the case of a meeting by voting in absentia) with indication of when the ballot is to be submitted to the Board of Directors.

The written notification is sent to members of the Board of Directors by post, fax, telegraph, telex, electronic mail and other means of communication.

8.9. A draft resolution of the Board of Directors and materials of a confidential nature containing information, which represents a trade or professional secret, are submitted to the Board of Directors marked "confidential" or "commercial secret".

8.10. The procedure for preparing and presenting materials for meetings of the Board of Directors is established by an internal Company document approved by the Board.

8.11. In the event of circumstances that make it impossible or difficult to hold a meeting of the Board of Directors at the venue and (or) at the time, of which the members of the Board of Directors have been notified, a meeting with the same agenda may be held at a different venue and (or) at another time. Such a meeting shall take place no later than 10 calendar days from the date of the canceled meeting.

Notification of the change of venue, and (or) time of the Board meeting is sent to all Board members with due account for the normal time required for the arrival of Board members at the meeting. Notification of such changes is sent to members of the Board of Directors in any form, which ensures its receipt.

8.12. Meetings of the Board of Directors may not be held during the night (from 22.00 to 06.00 local time).

A meeting of the Board of Directors may not be held at a place and time that creates substantial obstacles to attendance at the meeting for the majority of Board members or makes such attendance impossible, including the holding of a meeting in industrial premises or other premises or places where the normal work of the Board of Directors cannot be carried out.

## **9. Procedure for Conduct of Meetings and Resolutions by the Board of Directors**

9.1. The Chairman of the Board of Directors organizes the conduct of Board meetings in accordance with the agenda.

The rules for holding meetings of the Board of Directors are determined by the Chairman of the Board of Directors.

9.2. The following persons may be invited to attend a meeting of the Board of Directors: members of the executive bodies of the Company and of the Audit Commission, a representative of the Company auditor, government representatives, persons who have prepared information and materials on the subjects to be considered by the meeting, employees of the Company and its subsidiaries, and other persons.

9.3. The Chairman of the meeting ensures order and respect for the rules of the meeting, business-like and constructive consideration of the agenda items and respect for the rights of members of the Board of Directors to discuss the items.

If necessary, the Board may break its the meeting for no more than three calendar days. The meeting must be resumed with the same agenda within this period.

At the end of consideration of each agenda item the Chairman of the meeting announces the results of voting and the resolution, which has been made on the item.



9.4. The quorum for conduct of a meeting of the Board of Directors with agenda items, resolutions on which are taken by majority vote of the Board members participating in the meeting, is more than half of the elected members of the Board of Directors.

If the number of members of the Board of Directors falls below the quorum described above, the Board convenes an Extraordinary General Meeting of Shareholders to elect a new membership of the Board of Directors.

9.5. Resolutions of the Board of Directors are approved by a majority vote of the Board members participating in the meeting, unless the Federal Law "On Joint Stock Companies" and the Company Charter provide otherwise.

The written opinion of a member of the Board of Directors who is not present at the meeting may be taken into account for purposes of making a quorum and for the results of voting on agenda items, decisions on which are taken by majority vote, provided that the following conditions are simultaneously met:

- the written opinion on the agenda item was received by the Board of Directors prior to the meeting;
- the Board member clearly defined his position on the item, by stating in the written opinion whether he votes "for" or "against" the draft resolution, or whether he abstains from voting;
- no less than three members of the Board of Directors are present in person at the meeting.

A written opinion containing amendments and comments on the proposed draft resolution is not taken into account for calculating a quorum and the results of voting. A written opinion is also not taken into account for calculating a quorum and the results of voting if amendments to the draft resolution have been made at the meeting of the Board of Directors.

If the written opinion was not sent to members of the Board of Directors together with notification of the meeting, the presiding officer shall read out the written opinion at the meeting.

Written opinions are taken into account for calculating a quorum and the results of voting for each agenda item separately.

9.6. Resolutions of the Board of Directors on the following matters shall be approved unanimously, i.e. by all elected members of the Board of Directors:

- referral for consideration by the General Meeting of Shareholders and inclusion in the agenda of the General Meeting of Shareholders of matters concerning reorganization or liquidation of the Company and the appointment of a liquidation commission;
- carrying out of a major transaction involving property worth between 25 and 50 percent of the book value of the assets of the Company on the date when the decision to carry out of transaction was taken;
- increase of the Company's authorized capital by the placement of new shares within the limits set by authorized capital.

In accordance with sub-paragraph 2 of Paragraph 3.7. above, the votes of retired members of the Board of Directors are not taken into account when the Board of Directors votes on resolutions that require unanimity.

9.7. Resolutions on the following matters are made by a qualified majority (at least two-thirds) of the votes of elected members of the Board of Directors:

- refusal to convene an Extraordinary General Meeting of Shareholders;

- refusal to include an item in the agenda of the General Meeting of Shareholders or a candidate in the list of candidates for election to the Board of Directors and Audit Commission of the Company in instances provided for, respectively, by Clause 6 of Article 55 and Clause 5 of Article 53 of the Federal Law "On Joint Stock Companies".

9.8. A resolution to approve a related-party transaction or to determine the market value of property or services being disposed of or acquired is made by the Board of Directors in the manner provided by the Federal Law "On Joint Stock Companies".

9.9. Resolutions of the Board of Directors that require unanimity or a qualified majority of votes are only made at in-person meetings of the Board of Directors by means of a vote carried out at the meeting.

Other resolutions of the Board of Directors may be made by voting in absentia (by poll).

9.10. Members of the Board of Directors shall participate in meetings in person. The appointment by members of the Board of Directors of representatives to take part in a meeting of the Board of Directors or an instruction to another person, including another member of the Board, to sign a voting ballot when a resolution is made by poll shall not be permitted.

9.11. Each member of the Board of Directors shall have one vote, with the exception of instances provided for in Clause 9.8. above. Transfer by a member of the Board of his or her right to vote to any other person, including another member of the Board of Directors, shall not be permitted.

In case of a tie in voting by the Board of Directors, the deciding vote is cast by the Chairman of the Board of Directors.

The Deputy Chairman of the Board of Directors or another member of the Board of Directors, who is carrying out the functions of the Chairman of the Board in the latter's absence, do not have the right of a casting vote at meetings of the Board of Directors.

## **10. Procedure for Voting in Absentia**

10.1. A decision on voting in absentia is taken by the Chairman of the Board of Directors.

10.2. For the purposes of voting in absentia all members of the Board of Directors shall be sent notification of the conduct of voting in absentia that meets the requirements of Clause 8.8 of the present Regulations.

Ballot papers shall indicate the date for submission of completed ballots to the Board of Directors.

Notifications of the conduct of voting in absentia are sent to members of the Board of Directors no later than 20 calendar days before the date for submission to the Board of completed ballots.

10.3. Ballots completed and signed personally by the members of the Board of Directors are submitted to the Secretary of the Board.

10.4. Members of the Board of Directors whose ballots are received by the Board of Directors prior to the date specified in the ballot are considered to have taken part in the vote in absentia.

10.5. A ballot may be declared invalid in whole or in part for certain agenda items if there are marks in more than one of the boxes designed to record voting possibilities on an agenda item or in case the ballot has not been signed by a voting member of the Board of Directors and also if the ballot contains amendments and or comments on the draft resolution.

10.6. Minutes are prepared to record the results of voting in absentia as prescribed by Section 11 of the present Regulations.

## **11. The Procedure for Implementation of Resolutions by the Board of Directors**

11.1. The Secretary of the Board of Directors keeps minutes of a meeting of the Board of Directors.

Minutes of a meeting of the Board of Directors are made no later than 3 days after the date of the meeting.

The minutes of the meeting include:

- the place and time of the meeting;
- the persons present at the meeting;
- the meeting agenda;
- items put to the vote, and the results of voting;
- resolutions, which were made.

Minutes of a meeting of the Board of Directors are signed by the person presiding at the meeting, who is responsible for the accuracy of the minutes.

Minutes of a meeting of the Board of Directors are accompanied by written opinions of the members of the Board of Directors if those opinions were taken into account when determining the quorum and the results of voting on the agenda.

11.2. When the Board of Directors makes resolutions by a vote in absentia the minutes of the voting in absentia include:

- the date of preparation of the minutes;
- the members of the Board of Directors, who had submitted signed ballot papers by this date;
- the agenda;
- the matters put to vote, and the results of the voting;
- the resolutions made.

Minutes of the meeting (of voting in absentia) shall be completed no later than three days after the date set for the submission of completed ballots.

Minutes of the meeting (of voting in absentia) are signed by the Chairman of the Board of Directors. Ballots signed by the members of the Board of Directors are attached to the minutes.<sup>1</sup>

11.3. Minutes (and/or their copies) of meetings of the Board of Directors are presented to the Audit Commission and the Company auditor at their request.

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<sup>1</sup> Resolutions of the Board of Directors, which are signed by the Board Chairman, may be prepared for each agenda item based on the minutes

## **12. Monitoring Implementation of Resolutions by the Board of Directors**

12.1. Based on received copies of minutes and/or resolutions of the Board of Directors scheduled for implementation, the Chief Executive Officer issues an order for implementation of the resolutions approved by the Company Board of Directors with indication of deadlines and indication of responsible persons.

12.2. The heads of structural sub-divisions of the Company inform the Chief Executive Officer of the results of implementation of the Board resolutions.

12.3. A member of the Board of Directors of the Company has the right at any time to request the Company President and the Management Board of the Company to provide information on the results of implementation of resolutions of the Board of Directors.

## **13. Committees and Commissions of the Board of Directors**

13.1. In order to ensure that Board resolutions are sound and effective, the Board of Directors creates permanent committees of the Board of Directors, including the Audit Committee and the Human Resources and Remuneration Committee, as well as temporary committees to address specific issues.

13.2. The main functions of the committees are preliminary comprehensive study of matters, in which they are specialized and which are in the competence of the Board of Directors, and making recommendations to the Board of Directors on these matters.

13.3. Board committees are formed and operate in accordance with Regulations on the committees, which are approved by the Board of Directors, and their activities are guided by the laws of the Russian Federation, the Company Charter, internal documents of the Company and the decisions of its governing bodies.

13.4. Decisions of the committees have a recommendatory character for the Board of Directors. The committees are not governing bodies of the Company.

13.5. Company employees, experts and consultants who have the necessary knowledge to provide services relevant to the competence of a particular committee, may be retained to work with the committees in case of need.

13.6. The Board of Directors may create Board commissions for the study of certain aspects of Company business and specific projects.

## **14. Final Provisions**

14.1. This Regulations, and additions and amendments thereto, shall take effect from the date of its approval by the General Meeting of Shareholders.

14.2. In the event that individual provisions of these Regulations are in conflict with the laws of the Russian Federation and/or the Company Charter, they become void and the relevant standards of Russian legislation and/or the Company Charter are applied. The invalidity of individual provisions of the present Regulations shall not entail the invalidity of other provisions and of the Regulations as a whole.