

APPROVED BY:
Decision of the Board of Directors
of PJSC Gazprom Neft
dated April 22, 2016
(Minutes PT-0102/20, April 22, 2016)

**Regulation on the Audit Committee of the Board of Directors
of Public Joint Stock Company Gazprom Neft, as amended**

1. GENERAL

- 1.1. This Regulation on the Audit Committee of the Board of Directors of PJSC Gazprom Neft (hereinafter, the Regulation) was drafted and approved in pursuance of effective laws of the Russian Federation, the Charter, Regulation on the Board of Directors, and other internal documents of PJSC Gazprom Neft (hereinafter, the Company), as well as with a glance to the provisions of Corporate Management Code recommended by the Bank of Russia to joint-stock companies.
- 1.2. This Regulation is the primary internal document of the Company that spells out how the Audit Committee of the Board of Directors of the Company (hereinafter, the Audit Committee) runs its activities and defines the goals, objectives and field of concern of the Audit Committee, issues in its jurisdiction, composition formation, rights and obligations of its members, order of business and decision-making process.
- 1.3. The Audit Committee is established following the decision of the Board of Directors of the Company and serves as a permanent collective body with advisory and consultative functions that ensures, to the extent of its jurisdiction, effective execution by the Board of Directors of its assigned functions in general management of the Company's activities. The Audit Committee ensures objective and independent reporting to the members of the Board of Directors on the financial and business status of the Company and assessment of efficiency of systems for internal control and management of the Company's risks.
- 1.4. The Audit Committee reports to the Board of Directors of the Company and acts in the best interest of the Company and its shareholders to the extent of authority granted by the Board of Directors and in compliance with the provisions hereof. Decisions of the Audit Committee are used by the Company's Board of Directors as guidelines.
- 1.5. The Audit Committee is not a valid body of the Company and has no authority to act on behalf of the Company. The Audit Committee is not involved in the Company's business activities and is not used as a backup for any of the Company's business units.

2. AUDIT COMMITTEE'S GOALS AND OBJECTIVES

- 2.1. The Audit Committee contributes to the engagement of the Board of Directors in exercising control of the Company's financial and business activities. At the same time, the Audit Committee evaluates efficiency of internal control systems, to include mechanisms intended to control the process of drafting and submission of financial and other reports, completeness and accuracy of such reports, and monitors the risk management system. The Audit Committee also promotes constructive relations with an external auditor of the Company (hereinafter, the Auditor), agencies supervising the Company's financial and business activities, and internal audit units of the Company.
- 2.2. The Audit Committee contributes to ensuring personal awareness of members of the Board of Directors of the Company's activities in the domains referred to above.
- 2.3. The primary objective of the Audit Committee is to guarantee a comprehensive preliminary examination of issues within jurisdiction of the Board of Directors and drafting of recommendations enabling the Board of Directors to make well-founded and informed decisions.

3. AUDIT COMMITTEE'S FUNCTIONS

- 3.1. The Audit Committee's jurisdiction includes the following:

3.1.1. Monitoring of completeness, accuracy and credibility of accounting (financial) reports of the Company by way of preliminary review of annual accounting (financial) reports and analysis of essential revisions in the procedures of accounting (financial) report drafting and significant aspects of the Company's accounting policies.

3.1.2. Assurance of independent and unbiased external audit procedures:

- Annual evaluation of potential Auditors and provision of recommendations on the choice of Auditor (Auditors) to the Board of Directors;
- Preparation of recommendations to the Board of Directors regarding the maximum limit of Auditor fee and terms of contract for auditing services;
- Assessment of the Auditor's neutrality, independence and absence of conflict of interest, as well as annual review of the Auditor's report with characterization of related services that were rendered (are being rendered/planned to be rendered);
- Discussion with the Auditor of the plan and scope of work in auditing the Company's accounting (financial) reports and assessment of quality of the Auditor's services;
- Analysis of issues arising during the audit of the Company's financial and business activities and discussion of such issues with the Auditor;
- Review of audit results and recommendations of the Auditor for the last year, analysis of actions taken to the Company's governing bodies with regard to the risks identified by the Auditor, and assessment of adequacy of risk control and mitigation steps taken by the management, as well as control of compliance by the management with the Auditor's recommendations;
- Regular (at least twice a year) meetings with the Auditor without representatives of the Company's management to discuss the progress of audit of the Company's reporting documents. The Audit Committee must not curtail the freedom and independence of the Auditor's judgment and must bring to the notice of the Board of Directors a complete and objective account of all the issues identified;
- Review of the Auditor's findings regarding the reliability of annual accounting (financial) reports, as well as evaluation of the Auditor's assessment, presentation of such evaluation to the Board of Directors and its subsequent incorporation into the pool of materials submitted to shareholders during preparations for a regular (annual) General Shareholders Meeting;
- Orchestration of development of an Internal Audit Policy and control of its implementation;
- Formulation of and supervision of compliance with the principles of delivery and co-location by the Auditor of auditing and non-auditing services to the Company;
- Supervision of efficiency of internal procedures assuring quality and timely drafting of accounting (financial) and other reports of the Company;
- Review of disclosed financial reports (data) of the Company for the last year. Any such reports (information) (to include conclusions of the Company's Audit Commission in follow-up of an audit of financial and business activities of the Company, plus accounting (financial) reports) must be submitted to the Audit Committee reasonably in advance of its publication or provision to an authorized agency.

3.1.3. Assurance of independence and neutrality of internal audit:

- Regular review (at least once a year) of reports produced by the Head of Internal Audit Department on such department's performance, including on the progress of delivering the Internal Audit Quality Enhancement Program, as well as review of

information on any revealed material violations during the auditing of the Company's financial and business activities;

- Review and approval of long-term and yearly Activity Plans of Internal Audit Department and essential revisions to such plans;
- Preliminary review and concurrence of the Regulation on Internal Audit Department or amendments to such Regulation, assessment of efficiency of its implementation and compliance control;
- Annual review and agreement on the changes to the organization of the Company's Internal Audit Department;
- Organization of regular contact between the external auditor and Internal Audit Department;
- Prompt reporting to the Company's Board of Directors of information essential to the financial and business activities of the Company on the basis of reports on the performance of Internal Audit Department of the Company or external auditor's recommendations;
- Regular meetings with representatives of Audit Commission and Internal Audit Department of the Company to discuss any essential issues arising in the course of business of these bodies of the Company, including in absence of the Company's management (representatives of management);
- Organization of independent assessment of internal audit quality at least once in five years;
- Review (at least once a year) of proof of organizational independence of Internal Audit Department and of existence of major challenges faced by Internal Audit Department in addressing its assigned mission.

3.1.4. Control of operation of internal risk control and management systems in terms of:

- Assessment of efficiency of internal risk control/management system and procedures, including with a glance to:
 - operating efficiency of the Company;
 - reliability and credibility of financial and administrative information;
 - compliance of the Company's business with applicable regulatory framework at all levels;
 - integrity of assets;
- Preliminary review of internal risk control and management policies;
- Analysis of deployment by the Company's management of Internal Audit Department's recommendations in follow-up of internal audits;
- Drafting of recommendations to executive bodies and Internal Audit Department of the Company on improving the internal control procedures;
- Assessment of key risks of the Company and appropriate risk management steps, analysis of existing risk management policy, rules and procedures for assessment and monitoring of risks that occur in the course of the Company's business, and actions aimed at eliminating and/or mitigating the effects of such risks, as well as discussion of the above issues with the Auditor and management of the Company;
- Regular review of the Company management reports on risk management actions, including information on risks that are critical to the Company and on the steps to control and minimize such risks.

3.1.5. Contacts with Audit Commission:

- Review by the Company's Audit Commission of information on the violations identified during the audit of financial and business activities of the Company and formulation of proposals on preventing such violations in the future.
- 3.1.6. Control of interference with unethical practices of the Company's employees and third parties:
- Review of information on the identified instances of fraud and theft, assessment of efficiency of actions taken by the Company's management, as well as assessment of efficiency of fraud and theft prevention system;
 - Supervision of special investigations (reviews) of potential cases of fraud, corruption, abuse of insider or confidential information, and/or other unethical practices of the Company's employees;
 - Control of delivery of actions taken by the Company's executive bodies in response to reports on potential cases of employees' unethical practices and other violations.
- 3.1.7. Assurance of development of the corporate management system:
- Preliminary review of the Company's annual report and drafting of recommendations to the Company's Board of Directors concerning provisional approval of the annual report;
 - Supervision of procedures that ensure compliance by the Company with legal provisions, ethical standards and exchange requirements;
 - Analysis and assessment of implementation of the conflict of interest management policy;
 - Preliminary review, to the extent of its jurisdiction, of the issues on the agenda of the Board of Directors' meetings, drafting of recommendations on such issues to the Board of Directors, and execution of other instructions of the Board of Directors to the extent of its jurisdiction.
- 3.2. To the extent of its jurisdiction, the Audit Committee may initiate audits and carry out assessments with the help of both internal and external resources to produce an independent judgment on any issues that may arise.

4. AUDIT COMMITTEE'S COMPOSITION AND MANNER OF FORMATION

- 4.1. The size and composition of the Audit Committee are determined of the Board of Directors. The Audit Committee may not have less than three members.
- 4.2. The Audit Committee is made up exclusively of the members of the Board of Director other than chief executive officer or members of any collective executive body of the Company who have relevant experience and knowledge in the appropriate domain. A candidate to the Audit Committee must have a university degree in finance, economics of law, have basic knowledge of accounting and financial reporting practices, or have adequate experience of work in the financial control and risk management sector.
- 4.3. The Audit Committee's composition is determined, until the election of new members of the Board of Directors, by a simple majority of votes of the Board of Directors' members attending the meeting.
- 4.4. Until the decision to establish the Audit Committee is made at the meeting of newly elected Board of Directors, the Audit Committee in its current composition continues to function, provided that such Audit Committee meets all the applicable requirements, both legislative and those provided in the internal documents of the Company.

- 4.5. The number of times when Audit Committee members may be elected to the Committee is unlimited.
- 4.6. Audit Committee members may only act in person. Representation of Audit Committee members under power of attorney is unacceptable.
- 4.7. Authority of all or individual members of the Audit Committee may be subject to early termination by the decision of the Board of Directors of the Company passed by a majority vote of its members participating in the meeting. Composition of the Audit Committee may be changed by the Board of Directors of the Company at any moment at the suggestion of each and any member of the Board of Directors.
- 4.8. An Audit Committee member may resign by submitting a statement of resignation to the Chairman of the Board of Directors minimum 30 days prior to the expected date of resignation. If such resignation means that the number of Audit Committee members will be less than three, Chairman of the Board of Directors must place the issue of re-electing the Audit Committee on the agenda of the next Board of Directors' meeting.
- 4.9. Whenever necessary, and to the extent of the budget of the Company's Board of Directors, members of the Audit Committee may take part in professional training sessions, workshops and other career development functions, if Staff and Remuneration Committee of the Board of Directors of the Company can prove relevance of such participation and where such participation meets applicable requirements of effective laws and internal documents of the Company related to remuneration of members of the Board of Directors and compensation of their expenses.
- 4.10. When assembling the Audit Committee, the Company's Board of Directors must rely on the principle of prohibition of personal interest and/or conflict of interest between an Audit Committee member and the Company. Members of the Audit Committee must immediately report any such situations to the Board of Directors.

Audit Committee members cannot function as employees of organizations that are competitors of the Company.

5. CHAIRMAN AND SECRETARY OF THE AUDIT COMMITTEE

- 5.1. The Audit Committee is headed by the ***Audit Committee Chairman***, who is elected from among Audit Committee members by a majority vote of members of the Board of Directors participating in the meeting.
- 5.2. Audit Committee Chairman manages the Audit Committee's operations as follows:
 - Represents the Audit Committee in its relations with the Company's governing and control bodies;
 - Formulates the Audit Committee's activity plan;
 - Prepares the agenda of Audit Committee meetings, convenes Audit Committee meetings and chairs such meetings;
 - Guarantees a constructive discussion of agenda issues and permits Audit Committee members to express their opinion on the issues discussed;
 - Makes sure that Audit Committee meeting minutes are prepared in due time and with adequate quality;
 - Presents recommendations of the Audit Committee at Board of Directors' meetings and advises the Board of Directors of the Audit Committee's activities.

- 5.3. In absence of Audit Committee Chairman, his/her functions are exercised by one of the members of the Audit Committee at the instruction of the Chairman or by decision of the Company's Board of Directors.
- 5.4. Organizational and technical support of the Audit Committee's activities is provided by the **Secretary of the Audit Committee** appointed by the Audit Committee. Secretary of the Audit Committee may be re-elected at any time by decision of the Audit Committee.
- 5.5. Secretary of the Board of Directors or any other staff of the Company may be appointed to the position of Secretary of the Audit Committee.
- 5.6. Secretary of the Audit Committee has the following duties:
- Controls compliance with the requirement of this Regulation;
 - Ensures adequate preparation and holding of Audit Committee meetings, which includes gathering and arrangement of meeting materials, timely delivery to attendees of meeting notifications, meeting agenda, materials and information sufficient for passing decisions on the agenda issues;
 - Takes minutes of Audit Committee meetings;
 - Keeps files of Audit Committee documentation and maintains a record of official correspondence (incoming and outgoing mail) of the Audit Committee;
 - Controls execution of decisions passed by the Audit Committee and execution by the Audit Committee of instructions received from the Company's Board of Directors;
 - Where necessary, provides clarifications to members of the Board of Directors and other officials of the Company on the matters of the Audit Committee's activities;
 - Provides to the Company's officials (upon their request and with consent of Audit Committee Chairman) information regarding the Committee's activities;
 - Performs other functions in accordance with this Regulation, decisions of the Company's Board of Directors and the Audit Committee, and instructions of Audit Committee Chairman.

6. RIGHTS AND OBLIGATIONS OF AUDIT COMMITTEE MEMBERS

- 6.1. Audit Committee members may:
- Inquire the Company for information and documents concerning the issues within jurisdiction of the Board of Directors and the Audit Committee;
 - Come up with proposals regarding the developed activity plan of the Audit Committee;
 - Request the Company to enable performance by a member of Audit Committee of their assigned functions and duties;
 - Have access to any documents and information of the Company, to include minutes of the Audit Committee meetings;
 - Propose improvements to this Regulation.
- 6.2. Audit Committee members shall:
- Play an active role in the Audit Committee's activities, act to the benefit of the Company, and refrain from abusing their official capacity at the Company in the interest of third parties;

- Perform their duties reasonably and in good faith to the extent of their respective authorities, as stipulated by effective Russian laws and internal documents of the Company;
- Review the information and materials provided for the Audit Committee meetings at length and in full measure;
- Assess potential risks and implications for the Company when making any decisions;
- Keep any information acquired during preparations for and/or participation in meetings of the Audit Committee confidential;
- Immediately advise the Audit Committee of their personal interest in any given decision and abstain from voting on such issues;
- Refrain from actions that may lead to conflict of interest with the Company, as well as from actions that may compromise the Audit Committee and/or its members.

7. ORGANIZATION OF AUDIT COMMITTEE'S ACTIVITIES

- 7.1. Audit Committee meetings take place on a regular basis, but in any case at least once a quarter.
- 7.2. Committee meetings are held in pursuance of a decision of Audit Committee Chairman and at the initiative of the Board of Directors, members of the Audit Committee, CEO, Management Board, Audit Commission, the Auditor, or Head of Internal Audit Department of the Company.
- 7.3. Entities listed in Clause 7.2 hereof submit to audit Committee Chairman a request to convene the Audit Committee meeting no later than 20 days prior to the expected date of the meeting.
- 7.4. The request must contain the following details:
- Name of initiator of Audit Committee meeting;
 - Date of Audit Committee meeting;
 - Definition of the issue proposed for review by Audit Committee meeting initiator;
 - Draft resolution on the issue proposed for review;
 - List of materials and information essential for making a decision on the proposed issue that must be presented to Audit Committee members.
- 7.5. Within seven days of receipt of such request to convene an Audit Committee meeting, Audit Committee Chairman decides whether to hold the requested meeting or to reject the request for meeting. Entities that filed a request to convene an Audit Committee meeting must be invited to such meeting.
- 7.6. A decision to reject a request for Audit Committee meeting may be passed if:
- The manner of filing a request to convene an Audit Committee meeting described in this Regulation was not duly observed;
 - The issue proposed for review is out of jurisdiction of the Audit Committee.
- 7.7. If an Audit Committee meeting is initiated by the Board of Directors, Audit Committee Chairman must convene the meeting in any case.
- 7.8. Audit Committee meetings are conducted in the format of joint attendance or absent voting. Where an Audit Committee member cannot attend a meeting, such member may leave a written vote on the agenda issues..

Such written vote must be submitted to Audit Committee Chairman no later than on the date of the Audit Committee meeting. Audit Committee Chairman must inform

Audit Committee members of the votes of absent members of the Audit Committee before the meeting begins.

Written votes are attached to the minutes of Audit Committee meeting.

- 7.9. Where necessary, the Audit Committee may hold joint meetings with other committees of the Board of Directors.
- 7.10. Each member of the Board of Directors may attend any Audit Committee meeting notwithstanding of their membership with the Audit Committee.
- 7.11. The following entities may take part in Audit Committee meetings at the invitation of Audit Committee Chairman: CEO, members of Management Board, members of Audit Commission, other officials of the Company, Head of Internal Audit Department and external auditor's representatives, as well as third-party experts, specialists and consultants. Such invitees cannot vote on the issues of the Audit Committee meeting agenda and are not subject to confidentiality requirements.
- 7.12. Audit Committee Chairman approves the place, date and time of Audit Committee meeting (in case of absent voting – the deadline for acceptance of voting ballots), its agenda and the list of individuals invited to the meeting.
- 7.13. Each Audit Committee member may initiate introduction into the Audit Committee meeting agenda of an additional issue within jurisdiction of the Audit Committee.
- 7.14. Secretary of the Audit Committee conducts necessary preparations to an Audit Committee meeting.
- 7.15. Secretary of the Audit Committee prepares a Notice of Audit Committee Meeting (hereinafter, the Notice) and sends it together with relevant materials on the agenda issues to members of the Audit Committee and invitees no later than five days before the meeting date. If the issue to be discussed is urgent, this period may be reduced, provided that all the members of the Audit Committee received a due Notice of the meeting and returned no objections.
- 7.16. The Notice must specify the format, date, time and place of the Audit Committee meeting (in case of absent voting – the deadline for acceptance of voting ballots), as well as the agenda of the meeting and a list of materials on the agenda issues.
- 7.17. If an Audit Committee meeting is held in the absent voting format, Secretary of the Audit Committee sends to Audit Committee members appropriate ballots for voting on the agenda issues, which must specify the deadline for acceptance of such voting ballots.
- 7.18. An Audit Committee meeting is quorate if at least a half of all the Audit Committee members attend, and an absent voting meeting is quorate if voting ballots of at least a half of all the Audit Committee members were received by the deadline for acceptance of voting ballots.
- 7.19. In absence of quorum, Audit Committee Chairman decides to change the date of the meeting, and a repeated Notice is then sent to Audit Committee members in the manner described in Clauses 7.15 and 7.16 hereof.
- 7.20. Audit Committee Chairman presides at all Audit Committee meetings. The procedure of each Audit Committee meeting is determined by the meeting chair with consideration of the opinion of Audit Committee members.
- 7.21. Decisions of the Audit Committee are passed by a majority vote of the Audit Committee members participating in a meeting. Each Audit Committee member has one vote. Transfer of vote by an Audit Committee member to another person, including to another Audit Committee member, is unacceptable.

In case of tie vote, Audit Committee Chairman has a casting vote.

- 7.22. Secretary of the Audit Committee takes minutes of each Audit Committee meeting. The minutes are then drawn up within three business days after the Audit Committee meeting and signed by the meeting chair. If an Audit Committee meeting is held in the absent voting format, completed voting ballots received from Audit Committee members must be attached to the meeting minutes.
- 7.23. The minutes of an Audit Committee meeting must contain the following details:
- Information on the format, place, date and time of the meeting, members of the Audit Committee attending the meeting, and invitees to the meeting;
 - Agenda of the meeting;
 - Issues put to the vote and results of voting on such issues;
 - Individual opinions of Audit Committee members on the issues under review (where an Audit Committee member insists on incorporating their opinion in the minutes);
 - Decisions made with regard to the issues on the agenda.
- 7.24. Where an Audit Committee meeting is held by absent voting, the meeting minutes must contain the following details:
- Date of the minutes;
 - List of Audit Committee members who submitted completed voting ballots by the specified deadline;
 - Issues put to the vote and results of voting on such issues;
 - Decisions made with regard to the issues on the agenda.
- 7.25. The minutes are transferred to custody of Secretary of the Audit Committee, and a copy of the meeting minutes is sent by Secretary of the Audit Committee to all the Audit Committee members upon request.
- 7.26. Recommendations presenting the Audit Committee's opinion on any given issue may be drafted after the Audit Committee meeting as a way to keep the Board of Directors aware of the meeting agenda.
- 7.27. Recommendations of the Audit Committee are submitted to the Board of Directors with four days of the Audit Committee meeting date, but no later than on the date when materials on the agenda issues are supplied to the Board of Directors.
- Where such submission is impossible for objective reasons, Audit Committee Chairman advises members of the Board of Directors of the Audit Committee's opinion regarding the issues reviewed on behalf of the Audit Committee at the Board of Directors' meeting.
- 7.28. Minutes of Audit Committee meetings must be available at all times for review of Audit Committee members and members of the Board of Directors who are not Audit Committee members.
- 7.29. Audit Committee Chairman ensures safekeeping of all the Audit Committee's documentation through the Secretary of the Audit Committee, to include the following documents:
- Requests to convene Audit Committee meetings;
 - Notices of Audit Committee meetings;

- Proposals of Audit Committee members regarding the agenda issues;
 - Ballots of voting on the agenda issues;
 - Materials for Audit Committee meetings;
 - Minutes of Audit Committee meetings;
 - Written votes of Audit Committee members (if any);
 - Audit Committee reports;
 - Audit Committee findings and recommendations;
 - Correspondence of the Audit Committee;
 - Other documents of the Audit Committee.
- 7.30. Review of Audit Committee documents and production of copies or extracts from such documents is authorized through the Secretary of the Audit Committee upon request of an interested individual with prior consent of Audit Committee Chairman.
- 7.31. The Committee's expenses for preparation and holding of Audit Committee meetings (to include fees payable to consultants, experts and specialists) are financed from the budget of the Board of Directors.
- 7.32. Audit Committee members are held liable for their actions/inaction in accordance with the effective laws of the Russian Federation and internal documents of the Company.

8. AUDIT COMMITTEE'S ACCOUNTABILITY TO THE BOARD OF DIRECTORS

- 8.1. The Audit Committee must annually report to the Board of Directors on its activities by submitting a Report on the Audit Committee's Activities and Achievement of Goals (hereinafter, the Report).
- 8.2. The Report must contain the following information:
- Statistical data (size and composition of the Audit Committee, number of meetings held in the reporting year, information on personal participation of Audit Committee members in the meetings, total number of issues reviewed, and the number of recommendations issued to the Board of Directors and other governing bodies of the Company);
 - Goals and objectives of the Audit Committee's activities in the reporting year;
 - Results of the Audit Committee's work by goal;
 - Other information that the Audit Committee sees as essential.

The Audit Committee must approve the Report before submitting it to the Board of Directors.

The Report on the Audit Committee's activities may be incorporated in the Company's Annual Report.

- 8.3. The Board of Directors may at any time request a report on the current activities of the Audit Committee. The period of drafting and submission of such report is determined by the Board of Directors.

9. FINAL PROVISIONS

- 9.1. This Regulation takes effect immediately upon its approval by the Board of Directors.
- 9.2. Any amendments to the Regulation are subject to the Board of Directors' approval.

- 9.3. The Audit Committee analyzes relevance of this Regulation annually and initiates its revision, where necessary.
- 9.4. Any issues that are not covered by this Regulation are to be resolved in accordance with effective Russian laws, the Charter, internal documents of the Company, and decisions of the Board of Directors.
- 9.5. Where individual provisions of this Regulation conflict with effective laws of the Russian Federation and/or Charter of the Company, such provisions become void, and applicable provisions of laws of the Russian Federation and/or Charter of the Company must be applied. Voidance of individual provisions hereof does not render any other provisions and/or the entire Regulation invalid.