

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 Staff and Remuneration Committee
of the Board of Directors of Public Joint Stock Company
Gazprom Neft, as amended**

1. GENERAL

- 1.1. This Regulation on the Staff and Remuneration 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 Staff and Remuneration Committee of the Board of Directors of the Company (hereinafter, the Committee) runs its activities and defines the goals, objectives and field of concern of the committee, issues in its jurisdiction, composition formation, rights and obligations of its members, order of business and decision-making process.
- 1.3. The 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.
- 1.4. The 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 Committee are used by the Company's Board of Directors as guidelines.
- 1.5. The Committee is not a valid body of the Company and has no authority to act on behalf of the Company. The 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. COMMITTEE'S GOALS AND OBJECTIVES

- 2.1. The goal of the Committee is to make sure that the Board of Directors makes economically viable and effective decisions.
- 2.2. The Committee's primary objective is comprehensive study of issues within jurisdiction of the Board of Directors and preparation of recommendations for decisions of the Board of Directors pertaining to the Company's practices in the staff policy and remuneration payable to the members of governing bodies and Audit Commission of the company.

3. COMMITTEE'S FUNCTIONS

- 3.1. The Committee's jurisdiction includes the following:
 - 3.1.1. With regard to staff and social policy:
 - Formulation of qualification requirements and criteria for selecting candidate members of the Board of Directors, as well as drafting of recommendations on advisability of their election;
 - Preliminary evaluation of candidate members of the Board of Directors in terms of their professional aptitude and compliance with independence criteria;
 - Drafting of recommendations to shareholders regarding the voting on the election of candidate members of the Board of Directors of the Company;
 - Drafting of recommendations to the Board of Directors regarding candidates for chief executive officer and members of executive bodies, as well as involvement in the drafting of contracts with members of executive bodies of the Company;

- Monitoring of election of members of the Company's executive bodies and of disclosure of information on such members;
- Formulation of criteria and procedure for evaluation of performance of the Board of Directors and members of the Board of Directors, committees of the Board of Directors, and executive bodies of the Company;
- Annual evaluation of the Board of Directors' performance, formulation of proposals on raising its performance efficiency, and drafting of an evaluation report to be incorporated in the Company's Annual Report;
- Development and approval of an internal policy-level document for new-elected members of the Board of Directors and supervision of such document's implementation;
- Drafting of recommendations to the Board of Directors regarding the candidates to the position of Secretary of the Board of Directors;
- Development of the policy of continuity applicable to members of the Board of Directors, executive bodies and key executive officers of the Company;
- Assurance of contact between the Board of Directors and executive bodies on the matters of development of the Company's HR and social policy and supervision of observance by the Company's employees of the requirements of internal documents of the Company on human resources and social policy;
- Involvement in the development of internal policy-level documents on HR and social policy;
- Involvement in the selection of independent consultant for the assessment of corporate management of the Company; assistance in going through the steps of corporate management rating process.

3.1.2. With regard to remuneration and motivation:

- Analysis of the Company's system for evaluation of performance efficiency, motivation and remuneration with regard to the persons employed in the Company's governing bodies, as well as drafting of recommendations on the improvement of such system;
- Formulation of recommendations to the Board of Directors on the approval of a system for long-term motivation of members of governing bodies and key executive officers of the Company;
- Drafting of recommendations to the General Shareholder Meeting on the amount of remuneration payable to members of Audit Commission of the Company;
- Supervision of compliance with the decision of the General Shareholder Meeting with regard to remuneration payable to members of the Board of Directors and Audit Commission, and control of disclosure in the materials prepared by the General Shareholder Meeting of information on remuneration and compensation payments to members of the Board of Directors and Audit Commission;
- Drafting of a report on implementation of remuneration principles with regard to members of the Board of Directors and members of executive bodies for subsequent incorporation in the Company's Annual Report;
- Development and presentation to the Board of Directors of draft internal documents of the Company prescribing the manner of calculating and paying remuneration to members of the Board of Directors and Audit Commission of the Company.

3.2. Other issues on the agenda of the Board of Directors' meetings that are not listed in Clause 3.1 hereof may also be proposed for preliminary review of the Committee, provided such issues are within its jurisdiction.

4. COMMITTEE'S COMPOSITION AND MANNER OF FORMATION

- 4.1. The size and composition of the Committee are determined of the Board of Directors. The Committee may not have less than three members.
- 4.2. The 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.
- 4.3. The 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 Committee is made at the meeting of newly elected Board of Directors, the Committee in its current composition continues to function, provided that such 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 Committee members may be elected to the Committee is unlimited.
- 4.6. Committee members may only act in person. Representation of Committee members under power of attorney is unacceptable.
- 4.7. Education background, vocational training, professional experience and special expertise of Committee members that may be required to function as part of the Committee must be taken into consideration when electing members of the Committee.
- 4.8. Authority of all or individual members of the 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 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.
- 4.9. A 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 Committee members will be less than three, Chairman of the Board of Directors must place the issue of re-electing the Committee on the agenda of the next Board of Directors' meeting.
- 4.10. Whenever necessary, and to the extent of the budget of the Company's Board of Directors, members of the Committee may take part in professional training sessions, workshops and other career development functions, provided they can prove relevance of such participation.
- 4.11. When assembling the Committee, the Company's Board of Directors must rely on the principle of prohibition of personal interest and/or conflict of interest between the Committee member and the Company. Members of the Committee must report any such situations to the Board of Directors.

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

4. CHAIRMAN AND SECRETARY OF THE COMMITTEE

- 5.1. The Committee is headed by the **Committee Chairman**, who is elected from among Committee members by a majority vote of members of the Board of Directors participating in the meeting.

5.2. Committee Chairman manages the Committee's operations as follows:

- Represents the Committee in its relations with the Company's governing and control bodies;
- Formulates the Committee's activity plan;
- Prepares the agenda of Committee meetings, convenes Committee meetings (except when Committee Chairman tasks Secretary of the Committee to convene a Committee meeting), and chairs such meetings;
- Maintains a business atmosphere at Committee meetings, guarantees a constructive discussion of agenda issues, and permits Committee members to express their opinion on the issues discussed;
- Makes sure that Committee meeting minutes are prepared in due time and with adequate quality;
- Presents recommendations of the Committee at Board of Directors' meetings and advises the Board of Directors of the Committee's activities.

5.3. In absence of the Committee Chairman, his/her functions are exercised by one of the members of the 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 Committee activities is provided by the **Secretary of the Committee** appointed by the Committee. Secretary of the Committee may be re-elected at any time by decision of the 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 Committee.

5.6. Secretary of the Committee has the following duties:

- Controls compliance with the requirement of this Regulation;
- Ensures adequate preparation and holding of 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;
- Ensures timely provision to Committee members of information sufficient for passing decisions on the agenda issues;
- Takes minutes of Committee meetings;
- Keeps files of Committee documentation and maintains a record of official correspondence (incoming and outgoing mail) of the Committee;
- Controls execution of decisions passed by the Committee and execution by the 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 Committee's activities;
- Provides to the Company's officials (upon request of the latter) information regarding the Committee's activities;
- Performs other functions in accordance with this Regulation, decisions of the Company's Board of Directors and the Committee, and instructions of Committee Chairman.

6. RIGHTS AND OBLIGATIONS OF COMMITTEE MEMBERS

- 6.1. Committee members may:
- Inquire the Company for information and documents concerning the issues within jurisdiction of the Board of Directors and the Committee;
 - Come up with proposals regarding the developed activity plan of the Committee;
 - Participate in meetings with shareholders to discuss issues within jurisdiction of the Committee;
 - Propose improvements to this Regulation.
- 6.2. Committee members shall:
- 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;
 - Play an active role in the 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;
 - Review the information and materials provided for the 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 Committee and the Board of Directors confidential;
 - Immediately advise the 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 Committee and/or its members.

7. ORGANIZATION OF COMMITTEE'S ACTIVITIES

- 7.1. 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 Committee Chairman and at the initiative of the Board of Directors, members of the Committee, CEO, and Management Board.
- 7.3. Entities listed in Clause 7.2 hereof submit to Committee Chairman a request to convene the 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 Committee meeting;
 - Date of Committee meeting;
 - Definition of the issue proposed for review by Committee meeting initiator;
 - Draft resolution on the issue proposed for review;
 - Description of reasons why this issue needs to be addressed by the Committee;
 - List of materials and information essential for making a decision on the proposed issue that must be presented to Committee members.
- 7.5. Within seven days of receipt of such request to convene a Committee meeting, Committee Chairman decides whether to hold the requested meeting or to reject the request for meeting. Entities that filed a request to convene a meeting must be invited to such meeting.

- 7.6. A decision to reject a request for Committee meeting may be passed if:
- The manner of filing a request to convene Committee meeting described in this Regulation was not duly observed;
 - The issue proposed for review is out of jurisdiction of the Committee.
- 7.7. If a Committee meeting is initiated by the Board of Directors, Committee Chairman must convene the meeting in any case.
- 7.8. Committee meetings are conducted in the format of joint attendance or absent voting. Where a Committee member cannot attend a meeting, such member may leave a written vote on the agenda issues.
- Such written vote must be submitted to Committee Chairman no later than on the date of the Committee meeting. Committee Chairman must inform Committee members of the votes of absent members of the Committee before the meeting begins.
- Written vote of an absent Committee member is counted in the quorum for the Committee meeting and for passing decisions on the agenda issues, provided that such Committee member provided a clear opinion on the issue.
- Written votes are attached to the minutes of Committee meeting.
- 7.9. Where necessary, the 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 Committee meeting notwithstanding of their membership with the Committee.
- 7.11. The following entities may take part in Committee meetings at the invitation of Committee Chairman: CEO, members of Management Board, members of Audit Commission, other officials of the Company, as well as third-party experts, specialists and consultants. Such invitees cannot vote on the issues of the Committee meeting agenda and are not subject to confidentiality requirements.
- 7.12. Committee Chairman approves the place, date and time of 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 Committee member may initiate introduction into the Committee meeting agenda of an additional issue within jurisdiction of the Committee.
- 7.14. Secretary of the Committee conducts necessary preparations to a Committee meeting.
- 7.15. Secretary of the Committee prepares a Notice of Committee Meeting (hereinafter, the Notice) and sends it together with relevant materials on the agenda issues to members of the 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 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 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 a Committee meeting is held in the absent voting format, Secretary of the Committee sends to Committee members appropriate ballots for voting on the agenda issues, which must specify the deadline for acceptance of such voting ballots.
- 7.18. A Committee meeting is quorate if at least a half of all the Committee members attend, and an absent voting meeting is quorate if voting ballots of at least a half of all the Committee members were received by the deadline for acceptance of voting ballots.

- 7.19. In absence of quorum, Committee Chairman decides to change the date of the meeting, and a repeated Notice is then sent to Committee members in the manner described in Clauses 7.15 and 7.16 hereof.
- 7.20. Committee Chairman presides at all Committee meetings. The procedure of each Committee meeting is determined by the meeting chair with consideration of the opinion of Committee members.
- 7.21. Decisions of the Committee are passed by a majority vote of the Committee members participating in a meeting. Each Committee member has one vote. Transfer of vote by a Committee member to another person, including to another Committee member, is unacceptable.

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

- 7.22. Secretary of the Committee takes minutes of each Committee meeting. The minutes are then drawn up within three business days after the Committee meeting and signed by the meeting chair and Secretary of the Committee. If a Committee meeting is held in the absent voting format, completed voting ballots received from Committee members must be attached to the meeting minutes.

- 7.23. The minutes of a Committee meeting must contain the following details:

- Information on the format, place, date and time of the meeting, members of the 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 Committee members on the issues under review (where a Committee member insists on incorporating their opinion in the minutes);
- Decisions made with regard to the issues on the agenda.

- 7.24. Where a Committee meeting is held by absent voting, the meeting minutes must contain the following details:

- Date of the minutes;
- List of 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 Committee, and a copy of the meeting minutes is sent by Secretary of the Committee to all the Committee members upon request.

- 7.26. Recommendations presenting the Committee's opinion on any given issue may be drafted after the Committee meeting as a way to keep the Board of Directors aware of the meeting agenda.

- 7.27. Recommendations of the Committee are submitted to the Board of Directors with four days of the 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, Committee Chairman advises members of the Board of Directors of the Committee's opinion regarding the issues reviewed on behalf of the Committee.

- 7.28. Minutes of Committee meetings must be available at all times for review of Committee members and members of the Board of Directors who are not Committee members.

- 7.29. Committee Chairman ensures safekeeping of all the Committee's documentation through the Secretary of the Committee, to include the following documents:
- Requests to convene Committee meetings;
 - Notices of Committee meetings;
 - Proposals of Committee members regarding the agenda issues;
 - Ballots of voting on the agenda issues;
 - Materials for Committee meetings;
 - Minutes of Committee meetings;
 - Written votes of Committee members (if any);
 - Committee reports;
 - Committee findings and recommendations;
 - Correspondence of the Committee;
 - Other documents of the Committee.
- 7.30. Review of Committee documents and production of copies or extracts from such documents is authorized through the Secretary of the Committee upon request of an interested individual.
- 7.31. The Committee's activities are financed from the budget of the Board of Directors in accordance with the Committee's expenditure estimate approved by the Board of Directors.
- 7.32. 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. COMMITTEE'S ACCOUNTABILITY TO THE BOARD OF DIRECTORS

- 8.1. The Committee must report to the Board of Directors on its activities at least once a year by submitting a Report on 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 Committee, number of meetings held in the reporting year, information on personal participation of 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 Committee's activities in the reporting year;
 - Results of the Committee's work by goal;
 - Other information that the Committee sees as essential.
- The Committee must approve the Report before submitting it to the Board of Directors. The Report on 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 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 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.