

MECHANISMS TO ELIMINATE A POTENTIAL CONFLICT OF INTERESTS

The Company strives to maintain a balance of interests between shareholders and management. 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.

Internal documents – the Corporate Code and the Code of Corporate Governance – serve as the foundation for resolving conflicts of interest. Gazprom Neft has created a Corporate Culture and Ethics Working Committee, which monitors compliance with the provisions of the Company's Code. The Committee includes members of the Management Board.

In accordance with the Code of Corporate Governance, members of the Board of Directors must:

- refrain from taking actions that could lead to a conflict of interest
- refrain from voting on issues in which they have a personal interest in their decision-making
- not disclose or use confidential and/or insider information about the Company in their own personal interests or the interests of third parties

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

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Detailed information about the Company's compliance with the principles of the Code of Corporate Governance as well as procedures and mechanisms that eliminate the possibility of conflicts of interest in the supreme governing bodies is provided in Appendix, or on the website



REMUNERATION FOR MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT BOARD

The Company has a clearly structured and objective Remuneration Programme for top and senior executives that ensures a connection between short-term goals and the amount of bonus payments. In addition to bonuses tied to short-term results, the Company has a motivation system based on the dynamics of the Company's market capitalization over a three-year period.

The remuneration system for members of the Company's Management Board includes the base portion of remuneration, which is determined on an individual basis and fixed in the employment contract, an annual bonus and a long-term incentive programme.

The amount of the annual bonus for key senior executives is dependent

on the degree to which they fulfilled a fixed set of KPIs and business initiatives. This list of KPIs includes performance indicators with respect to the Company's strategic goals, corporate, financial, and performance targets as well as indicators demonstrating compliance with industrial safety standards.

In addition to the annual bonus, Gazprom Neft employs a long-term incentive programme based on the dynamics of the Company's market capitalization over a three-year period. Members of the Management Board are not paid any additional remuneration for work in the management bodies of Gazprom Neft or its subsidiaries. Management Board members received total income of RUB 1.285 billion in 2017. Payments include work remuneration for the reporting period, taxes

and other mandatory payments to relevant budgets and extra-budgetary funds, bonuses, the payment of annual work leave during the reporting period, and payment for medical treatment and services.

The amount of remuneration for members of the Board of Directors depends on the Company's financial results and is annually approved by shareholders, which eliminates the risk of potential abuses of the remuneration programme.

A total of RUB 303.37 million in remuneration was paid to members of the Board of Directors in 2017 (remuneration includes personal income tax). Members of the Board of Directors did not receive compensation for expenses related to their participation on the Board of Directors in 2017.