



Overview of corporate governance practices

Gazprom Neft's corporate governance framework encompasses all the key elements typical of public companies with established governance structures and is fully aligned with the applicable statutory requirements and Listing Rules of the Moscow Exchange. This helps the company to give its shareholders and investors sufficient confidence in the consistency of its strategy, business continuity and its sustainability.

We ensure business continuity throughout Gazprom Neft Group through planning, risk analysis, development of recommendations, fast response and control across all management levels.

COVID-19: response initiatives

Gazprom Neft's tens of thousands of employees continued working, without interruption, throughout 2020 – making sure the country's economy, as well as day-to-day life in the country's cities, didn't grind to a halt. New coordinating bodies were established throughout the company, including operational HQs covering Health, Production and Finance, and two corporate programmes – on Regions and Communications – put in place.

Even before the full risks of COVID-19 had become clear, Gazprom Neft had established a medical unit to protect employees' health throughout its offices and plants, and to look after shift workers at remote oilfields in Russia and abroad. This was staffed by experienced medical professionals, together with medical and emergency response teams at all company production facilities.

Thanks to the swift implementation of these initiatives shift handovers are being handled safely at Gazprom Neft fields, production remains ongoing at all plants, every day, and cars are being refuelled at service stations, round the clock.

Anti-viral infrastructure has been put in place at all company offices, including remote temperature testing at office entrances, anti-bacterial air-recirculation systems, and antiseptics in all workspaces. Offices have been equipped with the latest anti-virus protection systems, including integrated ventilation purification systems and air-disinfection equipment (including disinfection robots). Social distancing – of at least 1.5 metres – is in place throughout all work spaces, and employees are being issued with fresh protective masks and gloves daily. Staff temperature checks, and ongoing disinfection of all premises and surfaces, remain ongoing throughout the working day.

[+ Read more about Gazprom Neft's response to COVID-19 on page 28](#)

A | N | T | I | V | I | R | U | S
GAZPROM NEFT'S ANTI-COVID-19 PROGRAMME

The components of Gazprom Neft's corporate governance system

Shareholder rights

Governance and control

Disclosure
of informationSustainable development
and social responsibility

Each of the components contains a set of criteria reflecting the corporate governance policies, procedures and bodies as defined by the requirements of the legislation of the Russian Federation, Listing Rules of Moscow Exchange, recommendations of the Russian Corporate Governance Code, as well as international best practices in corporate governance.

Corporate governance in Gazprom Neft is characterised by the fact that the company has a single majority shareholder, Gazprom PJSC, which owns 95.68% of company shares. The remaining shares are held by minority shareholders, which include both individuals and legal entities, which altogether represents the balance of power between various stakeholders involved in corporate relations.

Gazprom Neft's corporate governance framework is a system based on best practices and compliance with Russian law and recommendations of the company's Corporate Governance Code.

95.68%
of shares owned
by Gazprom PJSC

Email address for shareholder communications:

shareholders@gazprom-neft.ru

Compliance with principles of the Corporate Governance Code¹ in 2020



The Shareholder's
Account service

Section	Principles recommended by the Corporate Governance Code	Principles fully complied with	Principles partially complied with	Principles not complied with
Rights of shareholders and equal conditions for shareholders in exercising their rights	13	13	0	0
Board of Directors – competency; committees – independence	36	22	10	4
Corporate Secretary	2	2	0	0
Remuneration of directors, members of executive bodies and other key officers	10	8	0	2
Risk management and internal control	6	6	0	0
Disclosures and information policy	7	6	1	0
Material corporate actions	5	3	1	1
TOTAL	79	60	12	7

Report on compliance with the Corporate Governance Code is presented in Appendix 7, p. 392.

¹ – Based on Report on the compliance with the principles and recommendations of the Corporate Governance Code as recommended by the Bank of Russia in its Information Letter No. IN-06-52/8 dated 17 February 2016.



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Role of the Corporate Centre in improving subsidiary management

The Corporate Centre of the Gazprom Neft Group is Gazprom Neft PJSC, which ensures effective control over all processes. As at 31 December 2020, the corporate structure of Gazprom Neft comprised 152 legal entities in Russia and abroad.

Gazprom Neft PJSC is the parent company with respect to the Gazprom Neft Group's subsidiaries regardless of the structure of their charter capital, as duly recorded in the charters of Gazprom Neft Group's respective subsidiaries.

Efficient corporate governance and control over subsidiaries' activities are achieved by, among other things, submitting key issues in subsidiaries' activities for consideration by Gazprom Neft PJSC's governing bodies.

The company has developed and approved procedures that allow it – under the Corporate Centre's guidance – to efficiently coordinate and control subsidiary operations as part of the company's Development Strategy.

Participation of any Gazprom Neft Group's entity in another business or non-profit entity is subject to a collective decision by a defined group of decision makers. This issue falling under the remit of the Board of Directors of Gazprom Neft PJSC shall be submitted to the Management Board of Gazprom Neft PJSC for a preliminary decision.

There is a formalised and approved governance structure for joint ventures in which the Gazprom Neft Group has a stake. To effectively manage such joint ventures, the company introduced the role of 'asset manager' whose functional responsibility is to coordinate the management of a joint venture.

Executive bodies of the Gazprom Neft Group entities (including CEOs) are appointed to their roles following approval of candidates by the Corporate Centre (which may also dismiss them), regardless of the level of corporate ownership and authorised capital structure of a subsidiary.

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legal entities form part of Gazprom Neft PJSC

+ The structure of the Gazprom Neft Group is shown in Appendix 3, p. 367

Commitment to Better Corporate Governance

Updated versions of internal regulations were approved by the Extraordinary General Meeting of Shareholders on 18 December 2020, including:

- the Company Charter;
- regulation governing the General Meetings of Shareholders;
- regulation governing the Board of Directors;
- regulation governing the Management Board;
- regulation governing the Chief Executive Officer; and
- the Corporate Governance Code.

The main changes are related to the abolition of the company's Audit Commission and strengthening the role of the Board of Directors in executing internal control and risk management. The updated versions of the said internal regulations were brought into compliance with the current legislation and the company's corporate governance practices.

In the reporting year, the Board of Directors approved the Internal Control and Risk Management

Policy, which is designed to further develop and improve the Gazprom Neft Group's risk management and internal control system with a view to increase the reliability and efficiency of its operations, and ensure the achievement of Gazprom Neft Group's goals and objectives.

The Internal Control and Risk Management Policy defines the goals, tasks and principles of establishing and running a risk-management and internal-control system. It also defines

the list of participants and main components of a risk-management and internal-control system.

At the end of 2020, the Board of Directors approved a new version of the company's Regulation on Dividend Policy, according to which the target level of dividend payments is set at no less than 50% of IFRS net profit.

In the reporting year, a new Policy on Remuneration and Compensation of Expenses of Members of the Board of Directors was approved. The new edition replaced the 2010 edition, which no longer complied with the current legislation and the Corporate Governance Code. The Policy on Remuneration and Compensation of Expenses of Members

of the Board of Directors stipulates that remuneration for a member of the Board of Directors depends on the company's financial performance indicators, years in office, participation in meetings, and performance of additional duties.

In constantly improving its corporate governance framework, the company closely monitors the development of corporate laws and practices, both in Russia and globally.

Areas for developing corporate governance practices

Shareholder rights: key development areas

- providing the opportunity for participation of shareholders in general meetings of shareholders remotely, using IT technologies;
- continuation of initiatives for improving interaction with shareholders on the issues of updating the shareholder register, expanding functionality of the Shareholder's Account service, creating additional opportunities for registered shareholders to sell the company shares.

Governance and control bodies: key development areas

- management of ESG risks by the Board of Directors;
- review of sustainability reports by the Board of Directors on an annual basis;
- further improvement of individual procedures for organising work of management bodies;
- automation of control of corporate processes.

Disclosure of information: key development areas

- automation of information transfer and approval processes: from an event's initial occurrence through to its final disclosure in the securities market;
- updating the Gazprom Neft PJSC Information Policy as regards voluntary and mandatory disclosure of information;
- organisation of the company's disclosure process in accordance with new legislation requirements;
- updating internal regulation on disclosure of insider information.

Corporate social responsibility and sustainable development: key development areas

- increasing the level of integration of the ESG agenda into the company's activities and the quality of compliance with respective practices;
- integration of ESG factors into the long-term strategy.



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Corporate governance framework

Gazprom Neft's corporate governance framework is based on the principles of retaining and multiplying assets, increasing market value, maintaining the company's financial stability and profitability, and respecting the rights and interests of shareholders and other stakeholders.

A highly professional management team and an effective system of corporate governance and control are prerequisites for the successful management of a complex multi-tiered vertically integrated oil company with domestic and foreign upstream and downstream assets. The company has a clear and well-defined organisational structure that ensures seamless interaction between its governance bodies and distribution of governance and control roles,

which guarantees progressive growth of shareholder value in the long run.

Information openness and transparency of financial information in conjunction with safeguarding the company's interests in protecting its trade secrets and other confidential information play a significant role in Gazprom Neft's corporate governance system.

The most important channels for disseminating information available to the largest number of the company stakeholders is Gazprom Neft's official website (<http://www.gazprom-neft.com/>), the company's annual and sustainability reports, as well as a dedicated IR section of the company website (<http://ir.gazprom-neft.com/>). These resources contain the latest company news,

its financial and operating data, financial statements and other useful information about the company's operations, as well as documents regulating the activities of Gazprom Neft governance and control bodies, such as the Charter, Regulation on the General Meeting of Shareholders, Regulation Governing the Board of Directors, Regulation on the Management Board, Regulation on the Chief Executive Officer, and Regulation on the Audit Commission (see the Documents section of the company website).

Adhering to the principle of equal accessibility of information to all stakeholders, Gazprom Neft publishes information on its official website both in Russian and in English.

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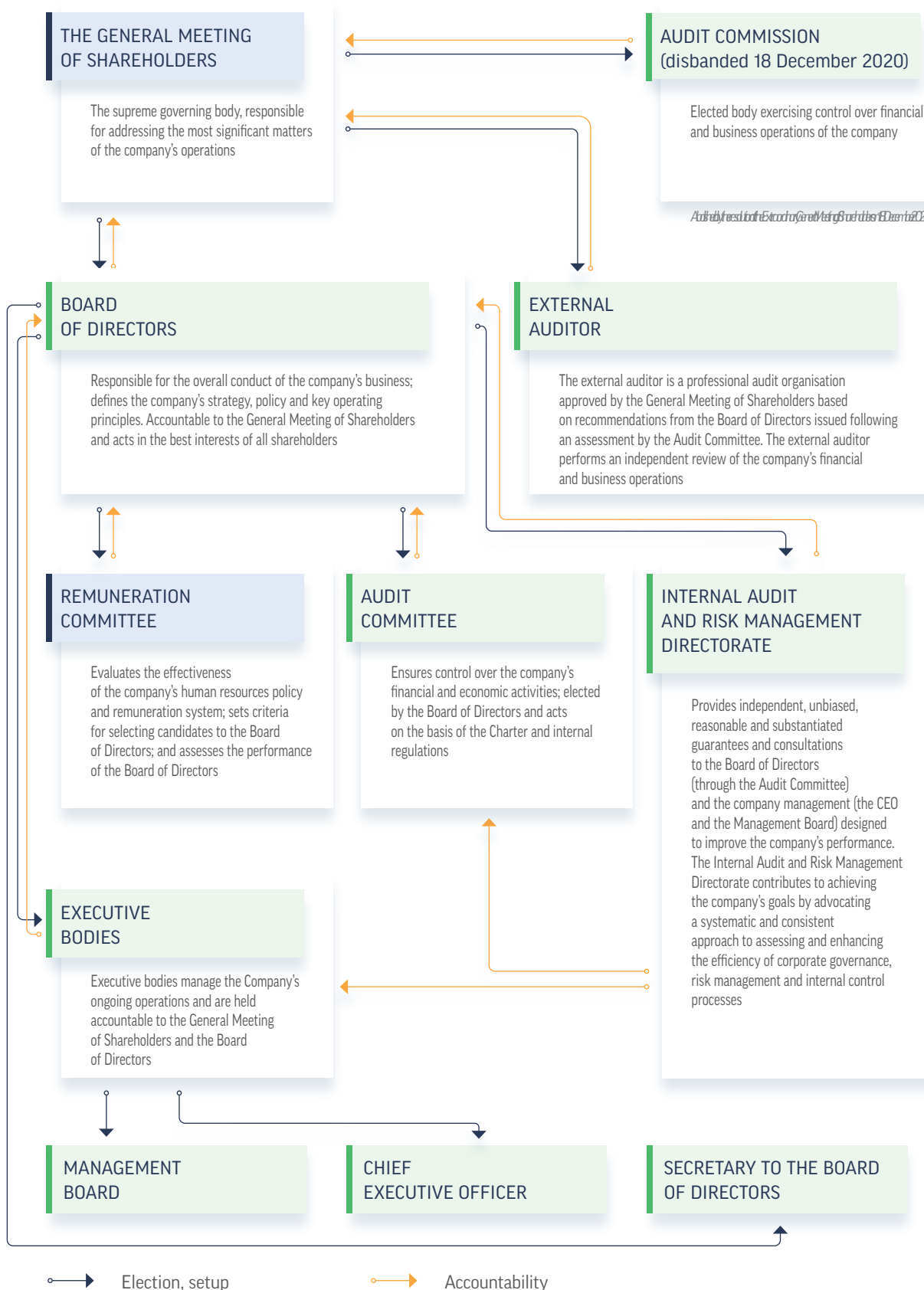


Gazprom Neft website



Internal regulations and policies

Gazprom Neft's governance and control bodies



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