

APPROVED BY:

The decision of the Board of Directors
Transneft,
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REGULATIONS

**on the Committee on Strategy, Investments, and Innovations
under the Board of Directors of the Public Joint Stock Company**

Transneft

(new edition)

Moscow

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Article 1. General Provisions

1.1 Regulations on the Committee on Strategy, Investments, and Innovations

1.1.1 The present regulations (hereinafter: Regulations) were developed in accordance with the relevant law of the Russian Federation, Articles of Association of the Public Joint Stock Company Transneft (hereinafter: Company), Regulations on the Board of Directors and other in-house documents of the Company, Corporate Governance Code recommended by Letter No. 06-52/2463 from the Bank of Russia, dated 10.04.2014, regulating the activities of the Committee on Strategy, Investments, and Innovations under the Company's Board of Directors (hereinafter: Committee).

1.1.2 The present Regulations set the goal of the Committee's activities, its objectives and functions, procedures for its formation, convocation, meetings, decision-making, also regulating other matters related to the Committee's activities.

1.1.3 The terms and definitions used in the present Regulations shall have the same meaning as in the Company's Articles of Association.

1.2 Status

1.2.1 The Committee is a consultative and advisory body under the Company's Board of Directors that is established for preliminary elaboration of various issues and preparing recommendations for the Company's Board of Directors on matters related to defining the Company's long-term strategy; developing the investment, innovation and dividend policy; raising the Company's efficiency. The Committee's decisions are advisory rather than mandatory for the Board of Directors.

1.2.2 The Committee pursues the best interests of the Company on the basis of the Russian law, the Company's Articles of Association, Regulations on the Board of Directors, the present Regulations, and other in-house documents of the Company.

1.2.3 The Committee is accountable to the Board of Directors and annually reports on the work done to the Board of Directors.

Article 2. Mission, Objectives, and Functions

2.1 Committee's mission

The key mission of the Committee is enhancing the efficiency of the Company's Board of Directors in defining strategic goals and development targets as well as the Company's main programmes' development and implementation control.

2.2 Committee's objectives

The Committee's main objective is preliminary review of most important matters within the competence of the Board of Directors, as regards the Committee's functions, and preparing recommendations for the Board of Directors, to make decisions on such matters (hereinafter: review).

2.3 Functions

The Committee performs the following functions:

2.3.1 reviewing the priority areas of the Company's activity;

2.3.2 reviewing the Company's strategy, prospective plans, and main programmes, changes and supplements thereto as well as reviewing reports about their implementation;

2.3.3 reviewing matters related to assessing the long-term efficiency of the Company;

2.3.4 reviewing the Company's dividend policy;

2.3.5 reviewing the Company's financial model as well as the model of evaluating the Company's business and its various segments;

2.3.6 reviewing the draft documents in regard of developing a system of key performance indicators as well as planning and assessing the delivery of the Company's key performance indicators;

2.3.7 reviewing the key performance indicators of the Company, President, Board members as well as reviewing the results of their delivery;

2.3.8 reviewing matters of the Company participation and/or termination of participation in major Transneft subsidiaries (hereinafter: TSs);

2.3.9 reviewing the issues involved in reorganization and/or liquidation of the Company and/or major TSs;

2.3.10 reviewing proposed tariffs with regard for the planned investment activities;

2.3.11 reviewing materials pertaining to quality management over matters related to the higher quality of services and satisfaction of consumers;

2.3.12 reviewing proposals regarding the approval of regulatory documents defining the key principles of the Company's activity in the fields of:

- investment;
- innovation;
- control over the quality of services and satisfaction of consumers;
- business performance improvement.

Article 3. Formation Procedure

3.1 Structure

3.1.1 The Committee includes at least three persons: members of the Company's Board of Directors and a representative delegated by the Consumer Council under the Government Commission on the Fuel and Energy Complex, the Reserve Replacement and Improving the Economy's Energy Efficiency (hereinafter: Consumer Council).

3.1.2 The Committee chairman and members are elected by the Board of Directors until the next General annual shareholders' meeting. The Board of Directors has the right to revoke the powers of the Committee members ahead of time and reconstitute the Committee.

3.1.3 Unless a representative of the Consumer Council is also a Board member, the former participates in the Committee's meeting but has the voting right only in decision-making on matters of the investment programme, new investment projects, and the Company's proposed tariffs. A representative of the Consumer Council shall take into account the interests of consumers at the stage of reviewing investment programmes and proposed tariffs.

3.1.4 If needed, full-time or part-time experts having essential professional experience and knowledge can be involved in the Committee's proceedings, albeit with no voting rights in any decision-making.

3.2 Chairman

The Committee chairman is elected from among the independent members of the Board of Directors¹, or, if it is impossible due to objective reasons, from among the members of the Board of Directors who are not members of the Company's executive bodies.

3.3 Functions of the chairman

The Committee chairman:

3.3.1 sets the working procedure;

3.3.2 determines priorities and develops a working plan;

3.3.3 makes the decision to convene the Committee's meetings and chairs them;

3.3.4 develops the agenda of the Committee's meetings;

3.3.5 facilitates an open and constructive discussion of the agenda and the development of agreed conclusions and recommendations;

3.3.6 determines a list of persons invited for participation in discussing the agenda of the Committee meeting;

3.3.7 reports to the Company's Board of Directors on results of the Committee's work, informs the Company's Board of Directors about recommendations of the Committee on matters reviewed by the Committee;

3.3.8 performs other functions in accordance with the Russian law, the Company's Articles of Association, and the present Regulations.

Article 4. Meetings

4.1 Convening the Committee's meetings

4.1.1 The Committee's meetings are conducted in accordance with the approved plan of the Committee's proceedings, but at least once a quarter.

4.1.2 The Committee's work plan is developed on the basis of the Company's Board of Directors work plan, decisions by the Board of Directors, issues entered by the Committee chairman as well as proposals by the Committee members (the Consumer Council's representative enters proposals only on matters related to reviewing the investment programme, new investment projects, and tariffs proposed by the Company).

The work plan is drafted for a corporate year and approved by the Committee.

4.1.3 If need be the Committee chairman convenes extraordinary meetings at his/her own initiative or at the suggestion of a Board of Directors member or a Committee member.

4.1.4 When making the decision to convene a Committee meeting the Committee chairman determines the:

– date, place, and time of a meeting;

¹ The independence criteria of the members of the Company's Board of Directors are determined in accordance with the Listing rules of the Moscow Exchange.

- form of conducting a meeting;
- agenda.

4.1.5 The Committee's meetings are conducted in form of presence and in absentia.

4.2 Information about the Committee's meetings

4.2.1 All Committee members must be notified of convening a Committee's meeting, form, place, and time of conduct as well as its agenda not later than 5 business days before the appointed date of the meeting.

4.2.2 Materials needed for making decisions as well as a questionnaire (when the form in absentia is used) shall be provided together with the notification.

4.2.3 At the Committee chairman's decision, in exceptional urgent cases, the deadline for forwarding the notification and materials to the Committee members can be shortened.

4.2.4 If the agenda includes matters related to the investment programme, new investment projects, or the Company's tariff decisions, then a representative of the Consumer Council is invited to the Committee's meetings, with materials on all matters to be reviewed forwarded to this representative.

4.3 Quorum for meetings

4.3.1. The quorum for the Committee meetings is half of the number of the Committee's elected members.

4.3.2. A written opinion of the Committee's member absent at the Committee's meeting is taken into account in counting the quorum and voting results on matters of the agenda of the Committee meeting conducted in presence.

4.3.3. The quorum for a meeting conducted in the form of absentia voting is counted on the basis of received questionnaires.

4.4 Committee's decision-making

4.4.1 The Committee's decision is deemed to be made if more than half of the Committee's members present at the Committee's meeting and/or submitting their written opinion or, for meetings in absentia, more than half of the Committee members taking part in the voting voted for such decision.

4.4.2 The Committee members have equal rights in decision-making on issues reviewed at a meeting with regard for the specifics stipulated in par. 3.1.3 for a Committee member delegated by the Consumer Council.

4.4.3 Each member of the Committee has one vote. A Committee member is not allowed to assign their voting rights to another person, including to another member of the Committee.

4.4.4 In case of an equal vote the Committee chairman shall have a casting vote.

4.4.5 At the decision of the Committee chairman and in case it is technically feasible, the Committee members absent in the meeting place have the right to take part in discussing agenda issues and voting by using a video conference and (or) telephone connection.

4.4.6 On matters related to conducting the Committee's meetings and not addressed by the present Regulations one should be guided by respective sections of the Regulations on the Company's Board of Directors governing the procedure of meetings and decision-making.

Article 5. Minutes of the Meeting

5.1 Drafting of meeting minutes

5.1.1 Minutes are kept at a Committee meeting. Minutes of a Committee meeting are drafted not later than 3 days after its conduct (or after the end date for questionnaire reception in case a meeting is conducted in absentia).

5.1.2 In formalizing the minutes of the Committee meetings, one should follow a respective section of the Regulations on the Company's Board of Directors that specifies a list of data to be indicated in the minutes.

5.1.3 The documents endorsed and (or) approved at a Committee meeting as well as written and special opinions of the Committee members and questionnaires are attached to the minutes of a Committee meeting as appendixes.

5.1.4 The minutes of the Committee meeting shall be signed by the Committee chairman.

5.1.5 An audio recording of a committee meeting can be done; also other ways to record the course of a meeting can be used, including video recording and (or) verbatim transcripts.

5.2 Storage of and access to the minutes of the Committee meetings

Storage of and access to the minutes of the Committee's meetings are carried out in accordance with the relevant law.

Article 6. Confidentiality

6.1 While executing the obligations of the Committee chairman or member as well as following the termination of powers at the Committee, the persons who are (were) members of the Committee must respect the confidentiality requirements in relation to the information they obtain in connection with their activities at the Committee.

6.2 The Committee chairman and members bear responsibility for their actions that cause disclosure or unauthorized distribution of information containing state secret, confidential data, including trade secret, as well as for illegitimate use of insider information and (or) manipulation of the market as provided for in the relevant Russian law.

6.3 The confidentiality requirements similar to those defined for the Committee members also apply to experts, contracted advisors, and other persons as related to the information they were exposed to during the work.

Article 7. Final Provisions

7.1 The decisions to enter changes and (or) supplements to the present Regulations or approval of a new version of the Regulations shall be made by the Board of Directors at the suggestion of the Committee.

7.2 If some provisions of the present document conflict with the relevant Russian law after the latter is amended such provisions are no longer effective or applicable. Until respective amendments are made to the Regulations, it is necessary to be guided by the relevant Russian law.