

APPROVED BY:

The decision of the Board of Directors,

Transneft,

dated 19 January 2017, Minutes No. 1

REGULATIONS
on the Audit Committee
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 Audit Committee

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, the Listing Rules of the Moscow Exchange, Corporate Governance Code recommended by Letter No. 06-52/2463 from the Bank of Russia, dated 10.04.2014, regulating the activities of the Audit Committee 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 on various issues and preparing recommendations for the Company's Board of Directors on matters of its competence in regard of monitoring the Company's business and financial activity and on other issues delegated to the Committee by the Company's Board of Directors. 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 facilitating an enhanced performance of the Company's Board of Directors as related to monitoring the business and financial activity of the Company.

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 Key functions

The Committee performs the following key functions:

2.3.1 supervising the fullness, accuracy and trustworthiness of the Company's financial statements;

2.3.2 supervising the reliability and effectiveness of the internal control and risk management system;

2.3.3 ensuring the independence and impartiality in performing the internal and external audit functions;

2.4 Functions pertaining to accounting (financial) statements:

2.4.1 reviewing the Company's budget and changes thereto as well as studying a report on its execution;

2.4.2 reviewing the annual report, annual accounting (financial) statements;

2.4.3 reviewing the results of the Company's business and financial activity during the reporting period (quarter, year);

2.4.4 supervising the fullness, accuracy and trustworthiness of the Company's accounting (financial) statements;

2.4.5 analysing the material aspects of the Company's accounting policy;

2.4.6 participation in reviewing material issues related to accounting (financial) statements of the Company.

2.5 Risk management functions:

2.5.1 reviewing the Company's internal regulatory documents specifying the basic principles of the Company's risk management activities;

2.5.2 reviewing the key parameters of the risk management system (preferred risk, admissible risk, criteria of regarding a risk as critical);

2.5.3 reviewing critical risks;

2.5.4 reviewing the Strategy of managing the currency and interest risks;

2.5.5 reviewing the risk management annual reporting;

2.5.6 supervising the reliability and efficiency of the risk management system, including assessing the effectiveness of risk management procedures;

2.5.7 analysing and assessing the compliance with the Company's in-house regulatory documents specifying the main principles of the Company's risk management activities.

2.6 The Committee's internal audit functions:

2.6.1 supervising the reliability and efficiency of the internal control system, including assessing the efficiency of internal control procedures;

2.6.2 reviewing the Company's in-house regulatory documents specifying the key principles of the Company's activities related to the internal control system;

2.6.3 analysing and assessing the compliance with the Company's in-house regulatory documents specifying the main principles of the Company's activities related to the internal control system.

2.7 The Committee's corporate governance functions:

2.7.1 supervising the reliability and efficiency of the corporate governance system;

2.7.2 reviewing the Company's in-house regulatory documents specifying the key principles of the Company's corporate governance activities;

2.7.3 analysing and assessing the procedures ensuring the Company's adherence to the law, in-house regulatory acts, and requirements of stock exchanges in the area of corporate governance;

2.7.4 analysing and assessing the results of taking corporate governance improvement measures;

2.7.5 reviewing recommendations regarding the amount and payment procedure of dividends on shares.

2.8 The Committee's internal audit functions:

2.8.1 ensuring independence and impartiality in performing the internal audit functions;

2.8.2 reviewing the Company's in-house regulatory documents specifying the key principles of the Company's internal audit activities;

2.8.3 deciding on the method of organizing the Company's internal audit;

2.8.4 deciding on the internal audit budget in accordance with the budget process set in the Company's regulatory documents;

2.8.5 reviewing the general directions (plan) for the internal audit;

2.8.6 considering such issues as the appointment, dismissal as well as remuneration of the head of the internal audit business unit as suggested by the Company President;

2.8.7 examining the annual report on the results of the internal audit business unit's activities;

2.8.8 assessing the efficiency of the internal audit function;

2.8.9 ensuring effective interaction between the internal audit business unit and external auditors of the Company.

2.9 External audit functions:

2.9.1 ensuring independence and impartiality in performing the external audit functions;

2.9.2 reviewing and aligning the bidding terms and documents for an open tender to select an auditing firm for doing the Company's mandatory audit;

2.9.3 reviewing proposals for fixing the auditor's fee;

2.9.4 participation in the tender for selection of an auditing firm to perform the Company's mandatory audit, and submittal to the Board of Directors of recommendations on the auditor candidate for subsequent approval by the Company's General shareholders' meeting;

2.9.5 assessing independence, impartiality of the Company's external auditors as well as their lacking any conflict of interest, including the assessment of the Company auditor candidates, development of proposals related to the appointment, re-election, and dismissal of the Company's external auditors, payment for their services, and the terms of their involvement;

2.9.6 conducting regular meetings with the auditor, at least twice a year;

2.9.7 supervising the external audit and assessing the audit quality and opinions of the auditors.

2.10 The functions of countering unlawful and/or dishonest acts by the Company's employees and third parties:

2.10.1 making sure that the system for notifying of potential unscrupulous acts by the Company's employees and third parties as well as of other violations at the Company is effective;

2.10.2 overseeing the conduct of special investigations into potential cases of fraud, corruption, dishonest use of insider or confidential information;

2.10.3 checking the implementation of measures taken by the Company's executive bodies in response to potential cases of dishonest acts by employees and other violations.

2.11 The functions of ensuring compliance with regulatory requirements:

2.11.1 checking the procedures ensuring the Company's adherence to the law, ethical norms, in-house norms and procedures as well as the requirements of stock exchanges;

2.11.2 checking adherence to the information policy;

2.11.3 analysing and assessing the execution of the conflict of interest management policy;

2.11.4 analysing the effectiveness of programmes aimed at ensuring the adherence to the law, as regards the corruption prevention and counteraction.

Article 3. Formation Procedure

3.1 Structure

3.1.1 The Committee includes at least three persons: chairman and two members elected by the Board of Directors from among their midst 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.

3.1.2 The Committee shall comprise independent directors ¹, or, if this is impossible due to objective reasons, most members of the Committee must be independent directors while others can be Board of Directors members who are not members of the Company's executive bodies.

3.1.3 At least one of the Committee members must have requisite experience and knowledge in the area of preparation, analysis, evaluation, and audit of accounting (financial) statements.

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

3.2.1 The Committee chairman shall be an independent director elected by the Board of Directors from among the Board of Directors members at the time of forming the Committee.

3.2.2. The chairman of the Board of Directors may not be chairman of the Committee.

3.3 Functions of the chairman

The Committee chairman:

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.

- 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 the 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 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;
- 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.

4.3 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 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.

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

4.4.4 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.

4.4.5 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.