

APPROVED BY:
The decision of the Board of Directors,
Transneft,
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REGULATIONS
on the Human Resources and Remuneration 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 Human Resources and Remuneration 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 Human Resources and Remuneration 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 the human resources, social, and remuneration policies. 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 Company's 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 in regard to the human resources and continuity policy of the Company, its appointment and remuneration system, assessing the activities of the Board of Directors, executive bodies 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 Functions pertaining to appointments:

2.3.1 conducting the annual detailed formalized self-assessment or external assessment of the efficiency of the Board of Directors and its members as well as the committees under the Company's Board of Directors, setting priorities in reinforcing and enhancing the structure of the Board of Directors;

2.3.2 preliminary review of the self-assessment methodology and preparing proposals for its approval by the Board of Directors;

2.3.3 preparing proposals for the selection of an independent advisor to assess the Board of Directors' performance;

2.3.4 preparing a report on the results of self-assessment or external assessment for inclusion in the Company's annual report;

2.3.5 interaction with shareholders, which shall not be limited to the circle of major shareholders, to develop recommendations for shareholders in relation to voting on the matter of candidate election to the Company's Board of Directors;

2.3.6 assessing the Board of Director's structure in terms of particular professional competence, experience, independence, and involvement of its members in the Board of Directors' work, setting priorities for reinforcing and enhancing the Board of Directors' structure;

2.3.7 analysing the level of expertise and independence of all candidates nominated for the Board of Directors based on the information available to the Committee;

2.3.8 developing an induction training programme for newly elected Board members, aimed at introducing them to the Company's activities, its strategy, long-term development programme, business practice, organizational structure as well as procedures existing for the Board of Directors; seeing to the actual implementation of induction training;

2.3.9 developing (if needed) a programme of training and raising of skills for members of the Board of Directors that takes into account the individual needs of individual members, and seeing to the actual implementation of this programme;

2.3.10 preparing a summary report on the Committee's work for its inclusion in the annual report and other documents of the Company;

2.3.11 planning appointments, including with an eye on ensuring the continuity in activities, of members of the Company's executive bodies, development of recommendations to the Board of Directors in relation to candidates for the position of Corporate Secretary (or head of the structural business unit performing the functions of Corporate Secretary), members of the Company's executive bodies, head of the internal audit business unit, sole executive bodies of major Transneft subsidiaries (hereinafter: TSs);

2.3.12 reviewing the issues of forming the Management Board, making decisions about early termination of powers of individual or all members of the Management Board.

2.4 Functions pertaining to remuneration:

2.4.1 development and recurrent revision of the Company's policy (internal regulatory documents) on matters of remuneration for members of the Board of Directors, members of the Management Board, President, and Revision Commission, checking its implementation;

2.4.2 preliminary assessing the work of the Management Board and Company's President following the yearly results with due account for the criteria specified in the Company's regulatory documents on remuneration;

2.4.3 preparing proposals to determine the material terms of contracts with members of the Company's executive bodies, Corporate Secretary (head of the structural business unit performing the functions of Corporate Secretary), head of the internal audit business unit, sole executive bodies of major TSs; among other things, developing the terms for early termination of contracts, including all financial commitments of the Company and the terms of keeping them;

2.4.4 reviewing recommendations on the amount of remuneration and compensation paid to members of the Board of Directors, Revision Commission, and President of the Company;

2.4.5 reviewing recommendations on the payment of remuneration to executives and employees of the Company and TSs based on annual performance;

2.4.6 developing recommendations for the Board of Directors on fixing the amount of remuneration and the principles of paying bonuses to Corporate Secretary (head of the structural business unit performing the Corporate Secretary's functions);

2.4.7 reviewing the report on pursuing the policy of remuneration for members of the Board of Directors, Management Board, President, Corporate Secretary (head of the structural business unit performing the Corporate Secretary's functions), head of the internal audit business unit, members of the sole executive bodies of major TSs;

2.4.8 control over the disclosure of information in the annual report and on the Company's corporate website in the Internet about the remuneration policy and practice and over holding of the Company's shares by members of the Board of Directors and Management Board as well as by the Company's President.

2.5 Other functions:

2.5.1 reviewing proposals for the approval of the Company's in-house documents specifying the basic principles of organizing the Company's activities in:

- social policy and retirement benefits;
- performance assessment (including the performance assessment of the Company's management bodies);

2.5.2 reviewing the material terms of the insurance agreement covering the liability of the members of the Company's Board of Directors, Management Board and President with the purpose of holding a tender for the selection of an insurance company;

2.5.3 reviewing the issue of the Company's President and Management Board members holding offices in the management bodies of other companies.

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 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 Chairman of the Board of Directors may not be chairman of the Committee.

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;

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.

3.3.8 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 elect members.

4.3.2. A written opinion of the Committee's member absent from 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 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.