

BIDDING DOCUMENTS

for an open tender to select an auditor for the mandatory annual audit of Transneft
for 2017 and reviewing the interim consolidated
financial statements by IFRS for Quarter 1 of 2018

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1. General Provisions

1.1. These Bidding Documents are placed in the integrated information system and on the site of Transneft (www.transneft.ru) (hereinafter, "Transneft") concurrently with placing a notice about holding an open tender for the selection of an auditor for the mandatory annual audit of Transneft for 2017 and reviewing the interim consolidated financial statements by IFRS for Quarter 1 of 2018. The Bidding Documents are accessible for familiarization in an integrated information system and on the Transneft site without charging any payment.

1.2. These Bidding Documents are submitted to the interested auditors in the form of a paper document during two business days after the receipt of a written application from them in accordance with the procedure of holding an open tender.

1.3. The client and organizer of the open tender is Transneft (hereinafter, the "Client"). Any participant of an open tender has the right to forward to the Client a written request for explanation of the Bidding Documents' provisions. During two business days since the date of the specified request receipt the Client must forward in a written form or in the form of an electronic document explanations of Bidding Documents' provisions if the Client receives the given request not later than five days before the date of expiring the date of submitting requests for participation in an open tender.

During one business day since the date of forwarding requests for participation in an open tender such explanations must be placed by the Client in the integrated information system and on the site of Transneft with indication of the request subject, but without any indication of the person who forwarded this request. Explanations of provisions for the Bidding Documents must not change their essence.

1.4. The Client has the right to make the decision of entering changes to the Bidding Documents not later than five days prior to expiration of the deadline for submitting applications for participation in an open tender. Changing the subject of an open tender, increasing the security for participation in an open tender are not permitted. During one day since the date of making the decision to enter changes to tender documentation such changes are published by the Client in a unified information system and on the site of Transneft and during two business days since this date they are forwarded by ordered mail or electronically to all participants who were presented the Bidding Documents. The time of submitting requests for participation in an open tender must be extended so that the interval between the placement of such changes in the integrated information system and on the site of Transneft until expiration of the date of submitting requests for participation in an open tender would be at least 10 business days.

2. Requirements for the Open Tender Participants

2.1. An audit firm complying with the requirements for audit firms, enshrined in the Russian laws, can participate in an open tender.

2.2. An audit firm claiming participation in an open tender must comply with the following obligatory requirements:

- a) compliance with the requirements set in accordance with the Russian law for audit firms;
- b) failure to conduct liquidation in relation to an open tender participant;
- c) the lack of the arbitration court ruling to declare a participant of an open tender insolvent (bankrupt) and to open bankruptcy proceedings;
- d) non-suspension of operations of an open tender participant as of the date of submitting the application, in accordance with the procedure established by the Russian Code of Administrative Offences;
- e) an audit firm must lack any tax arrearage or any arrears on other obligatory payments into the budgets of the Russian budgetary system (with the exception of sums (with the exception of sums for which deferral was granted, the right to pay by installments, investment tax loan in accordance with the Russian law about taxes and dues which are restructured in accordance with the Russian law, on which there is an effective court ruling declaring the applicant's obligation to pay these sums executed, or which are declared hopeless or bad debts in accordance with the Russian law on

taxes and dues) for the past calendar year with the amount exceeding 25% of the book value of an open tender participant's assets, as per the data of financial statements for the last period under report. An audit firm is regarded as complying with the established requirement if it brought up an appeal against the specified arrearage or debts and no ruling has been made regarding this appeal as of the date of considering its application for participation in an open tender;

f) the procurement participant – individual or CEO, members of the collegial executive body, the person performing the functions of the sole executive body or chief accountant of the legal entity involved in the procurement – must lack a criminal record for economic crimes and (or) crimes specified by articles 289, 290, 291, and 291.1 of the Russian Criminal Code (with the exception of people with expunged or expired convictions) as well as there must be no application relative to specified individuals of punishment in the form of divesting them of the right to take certain positions or engage in certain activities related to the supply of goods, execution of works and rendering of services being an object of the said procurement as well as administrative punishment in the form of disqualification;

g) the lack of any conflict of interests between the open tender participant and the Client, which shall be construed as marriage relations between the Client's Director General, member of the procurement commission, head of the Client's contractual service, contractual manager, on the one hand, and individuals who are beneficiaries, the sole executive body of the business unit (Director, Director General, Steward, President and others), members of the collegial executive body of a business association, head (director, Director General) of an institution or unitary enterprise, or other management boards of legal entities, participants of an open tender, on the other hand. Beneficiaries are individuals directly or indirectly (via a legal entity or several legal entities) owning more than 10% of voting shares in any business association, or a share exceeding 10% in the authorized capital of any business association;

h) the open tender participant is not an offshore company;

i) the procurement participant is a legal entity which during two years until the date of submitting an application for participation in the procurement has not been liable to any administrative penalties for perpetrating an administrative offence, stipulated by Article 19.28 of the Russian Code about administrative offences.

2.3. Information about the open tender participant must be absent in the register of unscrupulous suppliers (contractors, executors), including information about founders, members of the collegial executive body, a person performing the functions of the sole executive body.

2.4. Requirements for participants of an open tender are equal for all participants.

2.5. It is the tender committee that checks compliance of an audit firm with the requirements of these Bidding Documents.

2.6. Suspending the law firm from participation in an open tender or refusal to sign a contract with a winner of the open tender can be done at any moment until the contract is signed if the Client or tender commission discovers that the audit firm does not comply with the requirements indicated in clauses 2.2 and 2.3 of these Bidding Documents, or submitted invalid information relative to its compliance with said requirements.

3. Terms of Access to the Bidding Auction

3.1. An audit firm is not admitted by the tender committee to participation in an open tender if:

- the documents listed in paragraphs 1-3 and 4.2 of these Bidding Documents are not presented, or such documents contain invalid information about a bidder or audit service;
- noncompliance with the requirements indicated in clauses 2.2, 2.3, and 2.4 of these Bidding Documents;
- noncompliance of the application for participation in an open tender with requirements specified in these Bidding Documents, including the contractual price bid exceeding the initial (maximum) contract price;
- non-arrival of the required sum securing the application to the Transneft bank account indicated in the open tender notice or failure to submit the bank guarantee for securing the application.

3.2. Refusing the admittance to participation in an open tender on other grounds except those indicated in clause 3.1 of these Bidding Documents is not allowed.

3.3. The Client has the right to ask respective bodies and organizations for information about liquidation proceedings against an open tender participant or arbitration court's ruling to declare a bidder insolvent and to open bankruptcy proceedings, or to suspend the activities of this bidder in accordance with the procedure specified in the Code of Russia about administrative offences, the tax arrearage of this participant or arrears on mandatory payments into budgets of any level and to state off-budget funds for the past calendar year, appeals against such arrears, as well as the results of consideration of such complaints.

3.4. In case of any inaccuracy of the information in the documents submitted by a participant in accordance with these Bidding Documents, establishing the fact of conducting liquidation procedures or the arbitration court making the decision to declare the participant insolvent and to open bankruptcy proceedings; the fact of suspending its operational activity in accordance with the procedure envisaged by the Code of the Russian Federation about administrative offences, the fact of any tax arrearage or arrears on mandatory payments into budgets of the Russian budgetary system for the past calendar year, exceeding 25% of the book value of the participant's assets as per the data of financial statements for the last reporting period, unless this bidder appeals against the said arrears pursuant to the Russian laws, the Client and the Tender Committee are obliged to bar such potential bidder from participation in the open tender at any stage.

3.5. The tender participant may provide security of its application for participation in the tender by entering money to the bank account of Transneft, indicated in the open tender notice, or by a bank guarantee. The bank guarantee issued by a bank to the tender participant for the purposes of securing its application for participation in the tender correspond to the requirements of Article 45 of Federal Law #44-FZ, dated 05 April 2013 "On the contractual system in the procurement of goods, works and services for meeting state and municipal needs." The validity period of the bank guarantee provided as security for the application must at least extend to two months after the application submittal end date.

It's up to the procurement participant to choose a method of securing the bid for participation in the tender. The requirement to secure the application for participation in the open tender equally applies to all bidders.

3.6. The application security amount is one million (1,000,000) rubles.

3.7. If the participant submits documents confirming the entry of money securing the application for participation in the open tender, as part of the application, and until the date of application consideration and assessment, but the money does not arrive at the account indicated in the open tender notice, such bidder is recognized as the one who failed to secure the application.

3.8. The contract execution security amount is not envisaged.

3.9. If during the open tender the winning audit firm bids the contract price 25% or more per cent below the initial (maximum) contract price, the contract is signed only after this bidder provides the contract execution security on all stages in the amount of upfront money for all stages. In accordance with the draft contract for auditing services the Client will pay the Auditor fifty (50) per cent of the cost of each stage in advance (Appendix #2 to the Bidding Documents for an open tender to select an auditor for the mandatory annual audit of Transneft for 2017 and reviewing the interim consolidated financial statements by IFRS for Quarter 1 of 2018).

The contract execution can be ensured by the Auditor by providing a bank guarantee issued by a bank and meeting the requirements of article 45 of Federal law #44-FZ, dated 05 April 2013, "On the contractual system in the procurement of goods, works and services for state and municipal needs", or by entering money to the Client's account. The method of securing the contract execution is independently determined by the Auditor. The bank guarantee validity period must exceed the term of contract at least by one month.

4. The Procedure of Submitting Applications for Participation in the Open Tender

4.1. To take part in the open tender, a potential bidder submits an application for participation in the open tender till the deadline indicated in the open tender notice. The application is submitted in the place indicated in the open tender notice, using the form enclosed in the annex to these Bidding Documents.

4.2. The open tender participant submits a written application for participation in the open tender in a sealed envelope that does not allow viewing the application contents before unsealing.

The open tender request must contain the following:

- 1) the following information and documents about the open tender participant applying for participation in the open tender:
 - a) name, corporate name (when available), whereabouts, mail address, the ID number of the taxpayer, founders, members of the collegial executive body, the person performing the functions of the sole executive body, the open tender participant, full name (including the third name if available), the contact phone number;
 - b) extract from the Unified State Register of Legal Entities or a cope of such extract attested by notary, which was obtained not earlier than six months prior to the date of placement in the integrated information system and on the Company's site of the open tender notice;
 - c) the document confirming the powers of the person to act on behalf of the open tender participant – a legal entity about the appointment or election, or a copy of the appointment or election decision, or a copy of an order appointing an individual to the position which empowers this individual to act on behalf of the open tender participant without a Power of Attorney. If other person acts on behalf of the open tender participant, an application for participation in an open tender must also contain a Power of Attorney for acting on behalf of the open tender participant, with the open tender participant's seal affixed and signed by a chief executive or an authorized person, or a copy of the said Power of Attorney attested by notary. If the Power of Attorney specified is signed by an authorized executive, the application for participation in the open tender must also enclose a document confirming the powers of this person;
 - d) documents or their copies confirming compliance of the open tender participant with the requirements for bidders set in paragraph "a" of clause 2.2. of these Bidding Documents;
 - e) copies of the constitutive documents of the open tender participant;
 - f) the decision to approve or close a big deal if rendering the services which are a subject of the contract, or entering money as security for the application for participation in the open tender or the contract execution security is a large deal;
- 2) proposal of the open tender participant in relation to the object of procurement;
- 3) documents confirming the entry of security for the application for participation in the open tender (payment order confirming the transfer of money securing the application for participation in the open tender with a bank stamp, or a copy of this payment order attested by a bank, or a bank guarantee included in the register of bank guarantees);
- 4) documents confirming the qualification of the audit firm employees involved in rendering the services.

4.3. All the sheets of the application for participation in the open tender submitted in writing, all the sheets of the application volume must be numbered and stitched. The application for participation in the open tender and the application volume must contain a list of documents included therein, affixed at the open tender participant's seal and signed by the open tender participant or person authorized by the open tender participant. Compliance by the open tender participant with the said requirements means that the information and documents included in the application for participation in the open tender and volumes of the application for participation in the open tender were submitted on behalf of the open tender participant who bears responsibility for authenticity and credibility of the information contained in these Bidding Documents.

4.4. Every envelope with an application for participation in the open tender submitted within the time indicated in the Open Tender Notice is registered by the Client. Refusing the receipt and registration of the envelope with an application for participation in the open tender, which lacks

information about the applicant and the requirement to submit respective information is not allowed.

4.5. The open tender participant has the right to submit only one request for participation in the open tender.

4.6. The receipt of requests for participation in the open tender ceases after the deadline of unsealing envelopes with applications for participation in the open tender enclosed therein.

4.7. The Client ensures the safekeeping of envelopes with applications for participation in the open tender, their due protection, untouchability, integrity and confidentiality of information contained therein, ensuring consideration of their contents only after envelopes with applications for the open tender are unsealed.

4.8. Any envelope with an application for participation in the open tender that arrives after expiration of the deadline for submitting applications for participation in the open tender is not unsealed and in case any envelope with such application enclosed contains information about the applicant, including the mail address, is returned by the Client in accordance with the procedure set for these Bidding Documents.

4.9. If upon the expiration of the deadline for submitting applications for participation in the open tender only one application for participation in the open tender has been submitted or no applications have been submitted an open tender should be recognized as null and void.

4.10. Any open tender participant has the right to change or revoke the application until expiration of the deadline for submitting applications with due consideration for these Bidding Documents. In this case a participant of the open tender does not lose the right to enter money to secure the application. Changes in the application or its revocation notice are valid if the change was carried out or the notice was received by the Client prior to expiration of the application submittal deadline.

5. Place, Terms, and Periods of Time for Rendering the Services

5.1. The place of rendering the services is the office of Transneft located at the following address: 119180, Moscow, 57 Bolshaya Polyanka St.

5.2. The periods of time for rendering the services are indicated in the draft contract for auditing services.

6. The Initial (Maximum) Contract Price and the Pricing Procedure. The Form, Periods of Time, and Procedure of Paying for the Services

6.1. The initial (maximum) contract price is formed with consideration for all expenditures of the tender participants, including the expenses of employees during their secondment, expenses on the payment of taxes and other mandatory payments, exclusive of the VAT which shall be paid additionally in accordance with the requirements of the relevant Russian laws. Fixing the price and payments is effected in the currency indicated in the notice.

6.2. In accordance with article 22 of Federal Law #44-FZ, dated 05 April 2013, "On the contractual system in procurements" and Methodological recommendations for using the methods of fixing the initial (maximum) contract price, the price of the contract signed with the only supplier (hereinafter, the "Methodological Recommendations"), approved by Order #567 of the Russian Ministry for Economic Development, dated 02 October 2013, for fixing the initial (maximum) price of payment for auditing services, the method of comparable retail prices (market analysis) was used.

For getting the pricing information respective requests were forwarded to six leading audit firms active on the Russian market, which provide audit services to companies comparable with Transneft in terms of business activity scope.

The following bids were received:

##	Audit firm	Bid price, rub. (less VAT)
1.	Audit firm #1	22,000,000

2.	Audit firm #2	32,400,000
3.	Audit firm #3	25,122,034
4.	Audit firm #4	39,000,000
5.	Audit firm #5	29,450,000
6.	Audit firm #6	No bids arrived

The average initial (maximum) price of the audit contract is 29,594,407 rubles.

6.3. The Board of Directors approved the initial (maximum) price of the contract for the open tender to select an auditor for the mandatory annual audit of Transneft for 2017 on 20 December 2016 (protocol #26) as well as for review of the interim consolidated financial statements by IFRS for Quarter 1 of 2018 in the amount of twenty-nine million five hundred ninety-four thousand and four hundred (29,594,000) Russian rubles exclusive of VAT.

6.4. The Client pays for the services provided by the Auditor by way of cashless transfer from the Client's account from the Client's owned funds, as per the invoices billed for each stage of the Calendar plan, given in Appendix #2 to the draft contract for audit services. The Client pays the bills in advance as per the invoices billed during ten (10) banking days after the date of invoice receipt by the Client. The payment of final settlement bills for a given stage is performed the Client pursuant to invoices billed during ten (10) banking days since the date of the invoice receipt by the Client. The final settlement payment invoice for the stage is billed after both Parties sign the Act of services rendered and billing the invoice on a respective stage of services rendered.

7. Unsealing Envelopes for Participation in the Open Tender

7.1. The Tender Committee unseals envelopes with applications for participation in the open tender enclosed publicly within the deadline, at the time, in the place and in accordance with the procedures indicated in the Open Tender Notice and (or) in these Bidding Documents. The unsealing of all envelopes with applications for participation in the open tender enclosed is conducted within one day.

7.2. The open tender participants submitting their applications or their representatives have the right to be present at the ceremony of unsealing the envelopes with applications for participation in the open tender. To attend this ceremony, the participants of the open tender are to order a pass and get registered by calling the phone number indicated in the open tender notice.

7.3. Prior to the opening of envelopes with applications for participation in the open tender, the Tender Committee announces to the tender participants present at the ceremony of disclosing such envelopes about the possibility of submitting applications for participation in the open tender until such envelopes are unsealed. The Tender Committee announces the consequences of submitting two or more requests for participation in the open tender by one participant of the tender.

7.4. The Tender Committee unseals envelopes with applications for participation in the open tender if such envelopes arrive before unsealing. In case one participant of the open tender submits two or more applications for participation in the open tender, provided that the applications earlier submitted by the given participant are not revoked, all applications by this participant for participation in the open tender are not considered and returned to this participant.

7.5. Information about the place, date and time of unsealing envelopes with applications for participation in the open tender, name (for a legal entity), mail address of each participant of the open tender, whose application envelope is disclosed, the presence of information and documents envisaged in these Bidding Documents, the terms of contract execution indicated in the application for participation in the open tender and serving as criteria for assessing applications for participation in the open tender are announced, when the given envelopes are unsealed and entered to the

protocol, respectively. If only one application or no applications were submitted for participation in the open tender information about recognizing the open tender as null and void is entered to this protocol.

7.6. The protocol of unsealing envelopes with applications for participation in the open tender is kept by the Tender Committee, signed by all attending members of the Tender Committee right after such envelopes are unsealed and not later than the business day that follows the date of signing this protocol are published in the integrated information system and on the Company's site.

7.7. The Client makes an audio record of the application envelope unsealing ceremony. The open tender participant present at the ceremony of application envelope unsealing ceremony has the right to make audio and video records of the unsealing ceremony.

8. Review and Assessment of Applications for Participation in the Tender

8.1. The time of application review and assessment cannot exceed twenty-one days from the moment of unsealing enveloped with such applications enclosed and (or) opening access to applications for participation in the tender submitted electronically.

The application for participation in the open tender is recognized as proper if it complies with the requirements and the open tender notice while the audit firm that submitted this application meets the requirements laid out for the open tender participant and indicated in these Bidding Documents.

8.2. The Tender Committee declines an application if an audit firm that submitted it does not comply with the requirements for the open tender participant, specified in these Bidding Documents, or this application is recognized as non-compliant with the requirements indicated in these Bidding Documents.

If the information contained in the documents submitted by a bidder in accordance with clause 4.2 of these Bidding Documents is proved to be inaccurate or false, the Tender Committee must remove this bidder from participation in the open tender at any stage of its conduct.

8.3. The results of reviewing applications for participation in the open tender are recorded in the application review and assessment protocol.

8.4. The Tender Committee assesses applications for participation in the tender, which were not declined, to identify the winner based on the criteria indicated in these Bidding Documents.

8.5. If the Tender Committee declines all such requests following the results of reviewing applications or only one such application (bid) complies with the requirements indicated in these Bidding Documents, the open tender is recognized as null and void.

8.6. Based on the results of assessing applications for participation in the open tender, the Tender Committee assigns a numerical number to each participation application in a descending order from more advantageous to less advantageous in terms of contract execution terms contained therein. The open tender participation application containing the best terms of contract execution is assigned the first number. If several bids contain equal terms of contract execution, a lesser numerical number is assigned to the open tender participation application which arrived earlier than other bids containing the same terms.

8.7. The bidder proposing the best contract execution terms, based on the criteria indicated in these Bidding Documents and the open tender participation application assigned the first number is recognized as the winner of the open tender.

8.8. The results of reviewing and assessing applications for participation in the tender are recorded in the review and assessment protocol that must contain the following information:

- 1) place, date and time of reviewing and assessing and assessing such applications;
- 2) information about the open tender participants whose applications (bids) were reviewed;
- 3) information about the open tender participants whose applications for participation in the open tender were either declined with indication of the reasons for their decline; bids contained in the open tender participation applications, which do not comply with the requirements in these Bidding Documents;
- 4) the decision of each member of the Committee about the decline of applications for participation in the open tender;

- 5) the procedure of assessing applications for participation in the open tender;
 - 6) scoring points on each of the application assessment criteria, assigned to open tender participation applications;
 - 7) the decision of assigning numerical numbers to such applications, made on the basis of application assessment;
 - 8) names, mail addresses of the open tender participants whose applications were assigned the first and second numbers;
- 8.9. The results of reviewing the only application for participation in the open tender as regards its compliance with the requirements of these Bidding Documents are recorded in the protocol of reviewing the only application for participation in the open tender, where the following information is to be contained:
- 1) the place, date and time of reviewing this request;
 - 2) the name and mail address of the only participant of the open tender, who submitted the only application for participation in the open tender;
 - 3) the decision by each member of the Committee about compliance of this application with the bidding requirements;
 - 4) the decision about the possibility of signing the contract with the participant of the open tender submitting the only request for participation in the open tender.
- 8.10. Protocols indicated in clauses 8.8 and 8.9 of this section are drawn in two copies signed by all attending members of the Tender Committee. Attached to these protocols is information stipulated in par. 2 of article 4.2 of these Bidding Documents. One copy of each protocol is retained by the Client while the other copy is forwarded during three business days since the date of its signing to the open tender winner or the open tender participant who submitted the only application for participation in the open tender; to be attached is the draft contract drawn by way of including in the given draft contract of the terms bid by the winner of the open tender or the only bidder participating in the tender. The protocol of reviewing and assessing applications for participation in the open tender and the protocol of reviewing the only bid with said attachments (annexes) is published by the Client in the integrated information system and on the Company's site not later than the business day following the date of signing said protocols.
- 8.11. Any participant of the open tender, including the one submitting the only bid, following the placement in the integrated information system and on the Company's site of the application review and assessment protocol, has the right to forward to the Client in writing or electronically a request for explaining the results of the open tender. During two business days since the date of this request arrival the Client must submit respective explanations to the open tender participant either in a written or electronic form.

9. Signing a Contract following the Tender Results

- 9.1. Following the open tender results, a contract is signed on the terms indicated in the open tender participation application submitted by the winning bidder signing the contract and in these Bidding Documents. When a contract is signed, its price cannot exceed the initial (maximum) contract price indicated in the open tender notice.
- 9.2. The contract is signed not earlier than in ten days and not later than in twenty days after the auditor candidature is approved by the Annual Shareholders Meeting of Transneft.
- 9.3. If the open tender winner is an audit firm bidding the contract price 25% or more per cent below the initial (maximum) price, the contract is signed only after this firm provides the contract execution security in the amount of upfront money to be paid on all stages, in accordance with the draft contract. The said winner of the open tender must submit documents confirming the entry of the contract execution security, concurrently with the contract. If the winner of the open tender fails to comply with the requirements of the present part, such winner is recognized as evading the contract signing and execution.
- 9.4. If the open tender winner shuns from signing the contract the Client has the right to bring up a suit of indemnification for losses caused by evasion from signing the contract, as long as these

losses are not covered by the application security amount, and sign a contract with the open tender participant whose bid was assigned the second number.

9.5. The draft contract, in case of consent of the open tender participant, whose bid was assigned the second number, to sign the contract, the Client shall draw up a contract by way of inclusion in the draft contract attached to these Bidding Documents of the contract execution terms proposed by the given bidder. The draft contract is liable to be forwarded by the Client to this bidder within the time that does not exceed ten days after the date of recognizing the winning bidder as evading the signing of the contract. Along with the signed contract copies, this bidder is obliged to enter the contract execution security, if this is mandatory as per the terms of the open tender notice.

9.6. The failure of the open tender participant, whose bid was assigned the second number, to submit the contract copies signed by this bidder along with the contract execution security (if needed) is not construed as evasion of this participant from signing the contract. In this case the open tender is recognized as null and void.

9.7. During ten days after the date of obtaining from the winning bidder or the open tender participant, whose bid is assigned the second number of the signed contract with the documents confirming the entry of the contract execution security attached, the Client must sign the contract and hand over one copy of the contract to the signee or its representative, or mail one copy of the contract to the person who signed the contract.

9.8. The funds entered as security of the open tender participation application shall be transferred back to the bidder's account during not more than five days after the date of the following cases occurring:

- 1) signing the application review and assessment protocol for participation in an open tender; the monies entered by all bidders shall be reimbursed with the exception of the winner who gets back this money only after the contract is signed.
- 2) open tender cancellation;
- 3) declining the open tender participant's bid;
- 4) revoking the bid by the open tender participant prior to the deadline for bid submittal;
- 5) receipt of the application for participation tendering procedures after the deadline for application submittal;
- 6) removing the open tender participant from participation in the tender or refusal to sign the contract the winning bidder, if the Client or Tender Committee discover that the bidder does not comply with the requirements or submitted false information relative to its compliance with the requirements;

10. Technical and Financial Bids by Open Tender Participants

10.1. The technical and financial proposals (bids) are drawn with regard for the draft contract provisions.

10.2. The technical bid must contain the service quality security and information about the qualification of an open tender participant:

- a) description of the general approach to the audit, including the proposed auditing volume and total man-hours (without indication of the audit cost),
- b) general and professional characteristic of the audit firm,
- c) information about the level of skills, education and experience of experts proposed for participation in the audit works, including the numbers and types of auditor's qualification certificates, including those having international certificates (ACCA, CPA, CA, ACA and others),
- d) If the audit firm so desires, it may enclose other information as well as other documents characterizing the audit firm.

The technical proposal is submitted using the form of Appendix #3 to these Bidding Documents.

10.3. The financial bid must contain the contract price in the currency indicated in the notice formed with consideration for all expenditures of the participant, including the expenditures of employees during their secondment, tax payment outlay (with the exception of the value added tax). The price is indicated in figures and written in full, the latter having preeminence.

11. Criteria of Assessing Applications for the Open Tender Participation. The Procedure of Assessing and Comparing the Bids

11.1. Assessing and comparing applications for participation in the open tender is accomplished by the Tender Committee that formalizes the bids review and assessment protocol for participation in the open tender within the times indicated in the Open Tender Notice.

11.2. The bids of audit firms are assessed by members of the Tender Committee for the purpose of identifying the best terms of contract execution in accordance with the criteria set in this procurement documentation:

	Assessment criteria	Criterion significance
1.	Contract price	30%
2.	Qualifications of the open tender participants, including their experience in the work related to the subject of the Contract, business reputation of specialists and other employees	70%

11.3. Based on the procurement bids assessment and comparison results, each bid (application) is assigned the rating (first, second, third, etc.). The bidder proposing the best service rendering terms, whose procurement participation bid is assigned the first number is declared the winner. If some procurement bidders have equal results following the calculations, the bidder who was the first to submit the bid is proclaimed the winner.

11.4. The rating represents the assessment in scoring points, resulting from assessment by criteria. The rating fractional value is rounded to two decimal places following the point, as per the mathematical rounding rules.

The final rating of each bid is calculated in the following manner:

$$R_{\text{result}} = R^{\text{ai}} * 0.3 + R^{\text{ci}} * 0.7,$$

where R^{ai} is the “contract price” rating;

R^{ci} is the rating “Qualifications of the open tender participants, including their experience in the work related to the subject of the Contract and business reputation of specialists and other employees”;

0.3 is the contract price criterion significance factor;

0.7 is significance of the criterion “Qualifications of the open tender participants, including their experience in the work related to the subject of the Contract and business reputation of specialists and other employees”.

11.5. The rating assigned to every bid, based on the “contract price” criterion is found using the formula:

$$R^{\text{ai}} = \frac{A_{\text{min}}}{A_i} \times 100,$$

where:

R^{ai} is the rating assigned to the first bid based on the said criterion;

A_{min} is the minimum contract cost of all bids, based on the “contract price” criterion, made by the open tender participants;

A_i is the contract price bid of the first open tender participant

For calculating the final bid rating R_{ai} the rating assigned to this bid by the “contract price” criterion is multiplied by significance corresponding to the said criterion.

When bids are rated with reference to the “contract price” criterion, the highest rating (100) is assigned to the bid with the smallest bid of the open tender participant by the contract price.

11.6. The rating assigned to a bid based on the criterion “Qualifications of the open tender participants, including their experience in the work related to the subject of the Contract and business reputation of specialists and other employees” is found using the formula:

$$R_{ci} = \frac{C_i}{C_{max}} \times 100$$

where R_{ci} is the rating assigned to the first bid using this criterion;

C_{max} is the maximum scoring in points (maximum value among the average arithmetic point ratings by all members of the Tender Committee) based on the criterion “Qualifications of the open tender participants, including their experience in the work related to the subject of the Contract and business reputation of specialists and other employees”;

C_i is the value in points (average arithmetic ratings in score points by all members of the Tender Committee) assigned to the first bid for participation in the open tender by the criterion “Qualifications of the open tender participants, including their experience in the work related to the subject of the Contract and business reputation of specialists and other employees”.

C is the value in points assigned to each bid from 0 to 100. The number of points is assigned to each bid with reference to the following considerations:

##	Components of the criterion “The quality of services and qualification of the open tender participant”	Maximum score
1.	General approach of the audit firm to the audit (C1)	35
1.1	The plan of audit works and man-hours: - details of the audit works plan submitted; - audit fullness and detail; - accounting for sectoral specifics; - assessing the auditing volume in terms of materiality of audited statements; - sensibility and explicability of the time balance between the field (in the audited company) and office work; - total audit man-hours, including for various areas of the audit work (financial statements, tax reports, internal control systems, etc.), by specialists of various categories;	3
1.2	Presentation of the work results: - submittal of audit reports, letters to the management or other documents containing accounting and reporting remarks; - assessing the degree of internal control reliability in the audited company; - recommendations and proposals following the audit results	2
1.3	Methodological basis for auditing fuel and energy companies and natural monopolies: - describing the methodological basis for audits in the fuel and energy industry, - describing the methodological basis for the audit of natural monopolies.	30
2	General and professional characteristic of the audit firm (C2)	20

2.1	Membership in international audit associations	3
2.2	Passing the external control of the audit firm work quality	2
2.3	Information about the ratings assigned to an audit firm	15
3.	The level of skills, education and experience of the audit firm employees proposed for involving in the audit work (C3)	30
3.1	The level of the executive staff skills, education and experience: - education, including extra education (Russian and international auditor certificates, etc.); - expertise in the international financial reporting standards, respective certificates; - experience in the audit work, project management, audit organization in fuel and energy companies, natural monopolies, companies comparable to Transneft in terms of size and scale;	12
3.2	The level of skills, education and experience possessed by specialists: - education, including extra education (Russian and international auditor certificates, etc.); - expertise in the international financial reporting standards, respective certificates; - experience in the audit work, project management, audit organization in fuel and energy companies, natural monopolies, companies comparable to Transneft in terms of size and scale;	12
3.3	General characteristic of the audit firm team: - distribution of functional obligations inside the team; - using specialists from other fields for providing a fuller set of services on the project.	5
3.4	General impression of CV submitted: - information fullness; - information pertinence.	1
4.	Additional information (C4)	15
4.1	The list of main clients	12
4.2	Other information submitted by an audit firm	3

In assessing the bids by the criterion “Qualifications of the open tender participants, including their experience in the work related to the subject of the Contract and business reputation of specialists and other employees” the highest rating (100) is assigned to the bid with the best proposal for the quality of services and skills possessed by an open tender participant.

12. Appendices to the Bidding Documents for an Open Tender to Select an Auditor for the Mandatory Annual Audit of Transneft for 2017 and Reviewing the Interim Consolidated Financial Statements by IFRS for Quarter 1 of 2018

1. Application for participation in the open tender for selecting an auditor for the mandatory annual audit of Transneft for 2017 and reviewing the interim consolidated financial statements for Quarter 1 of 2018;
2. Draft contract for auditing services;
 3. Technical bid (proposal) form.