

Decision by the Transneft Board of Directors on recognizing the independence of a Board member, despite certain criteria of connection to a substantial counterparty

Date of the meeting: 09 February 2018

Date of preparation and number of the minutes of the Board meeting: 09 February 2018, Minutes #1

Board members participating in the meeting:

1. Novak, Alexander Valentinovich (Board Chairman);
2. Warnig, Matthias;
3. Vasilevskaya, Darya Vladimirovna;
4. Dmitriev, Kirill Aleksandrovich;
5. Klebanov, Ilya Iosifovich;
6. Korsik, Alexander Leonidovich;
7. Tokarev, Nikolay Petrovich;
8. Shantsev, Valery Pavlinovich;
9. Shmal, Genadii Iosifovich.

Out of 9 members of the Board of Directors, 9 members participated in the meeting. The quorum for decision-making was available.

Content of the decision:

Based on analyzing the conformity of the Transneft Board members to “The criteria of independence of the Board members (Supervisory Board members),” specified in Annex 4.1 to the Listing Rules of the Moscow Exchange (hereinafter: Listing Rules):

Recognize the Transneft Board member Shmal, Genadii Iosifovich, as independent director, despite the formal criteria of his connection to a substantial counterparty of Transneft.

In making this decision, the Transneft Board of Directors should proceed from the fact that Mr. Shmal complies with all independence criteria for members of the Board of Directors, specified in the Listing Rules (Annex 4.1) and in the Corporate Governance Code recommended by the Bank of Russia, with the exception of his connection to the Company’s substantial counterparty, because he has been a member of the Board of Directors RITEK (a company under control of LUKOIL). LUKOIL is a substantial counterparty of Transneft. The Board of Directors believes that this connection is formal and does not affect the ability of Mr. Shmal to make independent, unbiased and conscientious judgments, in light of the following considerations:

1. In accordance with Russian Government Resolution #2947-p, dated 26 December 2017, Mr. Genadii Shmal was included in the list of candidates for election to the Transneft Board of Directors as an independent director; he does not represent the government’s interests and does not vote in accordance with the directives of the Russian Federation.

2. Analyzing the activities of Mr. Shmal in the Transneft Board of Directors shows his commitment to performing his duties as a member of the Board. Mr. Shmal has taken an active part in 95% of all meetings of the Transneft Board of Directors; in

corporate year 2017 he served as a member of the Audit Committee as well as the Human Resources and Remuneration Committee and the Committee on Strategy, Investments, and Innovations under the Transneft Board of Directors.

His previous experience in the Company's Board of Directors shows that while voting at the meetings of the Board of Directors and Committees, Mr. Shmal never promoted the interests of LUKOIL or RITEK. His stance on various issues included in the agenda of the Board meetings is based solely on his professional experience and knowledge, being unbiased and independent from the influence of any particular person. Mr. Shmal forms his own opinion about all issues on the agenda of the Company's Board of Directors, pursuing the best interests of the Company and its shareholders.

3. Mr. Shmal's qualification, knowledge and skills fully meet the requirements set in the Corporate Governance Code and Listing Rules for independent directors, allowing him, among other things, to participate in the work of the Audit Committee as well as the Human Resources and Remuneration Committee. His rich professional experience enables Mr. Klebanov to make independent, unbiased and conscientious judgments on all matters discussed at the meetings of the Company's Board of Directors and its Committees, voting so as to promote the Company's long-term interests.

Voting results:

“aye” – 8 votes:

1. Novak, Alexander Valentinovich (Board Chairman);
2. Warnig, Matthias;
3. Vasilevskaya, Darya Vladimirovna;
4. Dmitriev, Kirill Aleksandrovich;
5. Klebanov, Ilya Iosifovich;
6. Korsik, Alexander Leonidovich;
7. Tokarev, Nikolay Petrovich;
8. Shantsev, Valery Pavlinovich;

“nay” – no votes.

“blank” – 1 vote (Shmal, Genadii Iosifovich).

A majority decision was made.