

APPROVED
by resolution of the Board of Directors
of Transneft on 20 September 2019
(Minutes No. 16 dated 23 September 2019)

Transneft Corporate Governance Code

Moscow
2019

TABLE OF CONTENTS

1. GENERAL PROVISIONS	3
2. PRINCIPLES OF CORPORATE GOVERNANCE.....	3
3. ENSURING THE RIGHTS OF SHAREHOLDERS AND EQUAL CONDITIONS FOR SHAREHOLDERS WHEN EXERCISING THEIR RIGHTS.....	6
3.1 Exercising the Rights of Shareholders to Participate in the Governance of the Company	6
3.2. Exercising the Rights of Shareholders to Receive a Profit Share in the Form of Dividends	8
3.3. Reliably and Effectively Recording Rights to Shares, and the Opportunity to Transfer them Freely and Without Burden	8
4. THE BOARD OF DIRECTORS OF TRANSNEFT AS AN EFFECTIVE AND PROFESSIONAL MANAGEMENT BODY	9
4.1. Key Functions of the Board of Directors	9
4.2. Committees under the Board of Directors.....	9
4.3. Members of the Board of Directors.....	10
4.4. Organising the Activities of the Board of Directors	10
4.5. Evaluation of the Performance of the Board of Directors, its Committees and Members of the Board of Directors.....	12
5. CORPORATE SECRETARY	12
6. REMUNERATION SYSTEM FOR MEMBERS OF THE BOARD OF DIRECTORS, EXECUTIVE BODIES AND SENIOR EMPLOYEES.....	13
7. RISK MANAGEMENT SYSTEM, INTERNAL CONTROL, AND INTERNAL AUDIT	13
7.1. Efficiency of the Risk Management System	13
7.2. Efficiency of Internal Control	14
7.3. Internal Audit	15
8. INFORMATION DISCLOSURE AND INFORMATION POLICY	16
8.1. Transparency of the Company before Shareholders, Investors and other Stakeholders	16
8.2. Disclosure of Information	16
8.3. Providing Information at the Request of Shareholders	17
9. MAJOR CORPORATE ACTIONS	17
9.1. List of Major Corporate Actions and the Procedure and Conditions for their Implementation.....	17
9.2. Execution of Major Transactions by the Company.....	18
9.3. Reorganisation of the Company	18
9.4. Takeover by the Company	19
9.5. Listing and Delisting of Company Shares.....	19
9.6. Increases in the Company's Authorised Share Capital and Splitting, Consolidation and Conversion of Shares	20
10. MANAGEMENT OF ORGANISATIONS IN WHICH THE COMPANY PARTICIPATES (SUBSIDIARIES)	20
11. FINAL PROVISIONS.....	20

1. GENERAL PROVISIONS

- 1.1. Public Joint Stock Company Transneft (hereinafter “the Company”) and its subsidiaries operate as a unified system, the main business activities of which are the organisation and implementation of the transportation of oil and petroleum products via oil and petroleum products trunk pipelines.
- 1.2. The Company has issued ordinary and preferred shares. All voting shares (100%) belong to a single shareholder – the Russian Federation.
- 1.3. The present Transneft Corporate Governance Code was prepared in accordance with the legislation of the Russian Federation, the Corporate Governance Code recommended by the Bank of Russia, the Listing Rules of the Moscow Exchange, the Articles of Association of Transneft , generally recognised principles and norms of international law, generally accepted standards and principles of corporate management, and the main objectives of Transneft.
- 1.4. The Transneft Corporate Governance Code (hereinafter “the Code”) is an internal document, setting out the principles and general rules of corporate governance at Transneft, including in the management of Transneft subsidiaries (hereinafter “subsidiaries”).
- 1.5. The main objectives of the Code are:
 - identifying the principles and approaches that, when followed, will allow the Company to increase its investment attractiveness in the eyes of long-term investors;
 - protecting the interests of all the Company’s shareholders, regardless of the category (type) of share and the size of the portfolio of the Company’s shares that is held;
 - ensuring transparency, including in the Company’s management and the decision-making process;
 - ensuring the professional and ethical responsibility of members of the Company’s management bodies;
 - ensuring effective control of the Company’s financial and operational activities.
- 1.6. Recognising the importance of a high level of corporate governance, the Company undertakes, in the carrying out of its activities, to follow the principles and standards set forth in the present Code.
- 1.7. All terms and definitions referenced in the present Code are used in the sense in which they are defined in the Company’s Articles of Association, Regulations on Management Bodies and Control of the Company’s Financial and Operational Activities , Regulations Governing the Organisation and Functioning of the Company’s Risk Management System, Internal Control and Audit, Regulations On Information Policy and other internal documents regulating corporate governance at the Company and its subsidiaries.

2. PRINCIPLES OF CORPORATE GOVERNANCE

- 2.1. Ensuring the rights of shareholders and equal conditions for shareholders when exercising their rights:
 - 2.1.1. ensuring the equal and fair treatment of all shareholders who hold voting shares with respect to issues on the agenda of the General Meeting of Shareholders when exercising their right to participate in the Company’s governance;

- 2.1.2. providing all shareholders with an equal and fair opportunity to participate in the Company's profits through the receipt of dividends when they have made a relevant decision;
- 2.1.3. ensuring equal conditions for all shareholders owning shares of one category (type), including minority and foreign shareholders, and their equitable treatment by the Company, preventing any actions taken by shareholders in abuse of their rights, causing harm to the Company and/or other shareholders, and providing all the Company's shareholders with the opportunity to receive adequate protection in case of a violation of their rights;
- 2.1.4. providing shareholders with reliable and effective methods of recording their rights to shares, as well as the opportunity to transfer them freely and without burden.
- 2.2. Organising and supporting the work of the Board of Directors of Transneft (hereinafter "the Board of Directors"):
 - 2.2.1. the implementation by the Board of Directors of the strategic governance of the Company, its identification of the basic principles and approaches to organising a risk management system, internal control and audit within the Company, supervision by the Board of Directors of the activities of the Company's executive bodies, decision-making on major issues concerning the activities of essential subsidiaries, and the fulfilment by the Board of Directors of other key functions;
 - 2.2.2. the accountability of the Board of Directors to the Company shareholders;
 - 2.2.3. the effectiveness and professionalism of the Board of Directors as a management body of the Company, the ability of the Board of Directors to pass objective independent judgements and make decisions that serve the interests of the Company and the Company shareholders;
 - 2.2.4. the presence of a sufficient number of independent directors on the Board of Directors;
 - 2.2.5. the assistance of the Chairman of the Board of Directors in exercising the functions entrusted to the Board of Directors in the most effective way; possible;
 - 2.2.6. the due diligence and sound judgement of members of the Board of Directors, the implementation of these actions in the interests of the Company and the Company shareholders on the basis of sufficient information, with due care and diligence;
 - 2.2.7. ensuring the effective operation of the Board of Directors in the process of convening and holding meetings (absentee votes) of the Board of Directors, preparing them, and the participation of members of the Board of Directors in the meetings;
 - 2.2.8. creation by the Board of Directors of committees for preliminary consideration of the most important issues related to the Company's activities;
 - 2.2.9. provisions made by the Board of Directors to carry out an assessment of the performance of the Board of Directors, its committees and the members of the Board of Directors.
- 2.3. Organising and supporting the work of the Corporate Secretary (the business unit carrying out the Corporate Secretary's functions):
 - 2.3.1. provisions made by the Corporate Secretary (the business unit of the Company carrying out the Corporate Secretary's functions) for effective ongoing interaction with shareholders, coordination of the Company's actions to protect the rights and interests of shareholders, and support for the effective work of the Board of Directors and the committees under the Board of Directors.
- 2.4. Developing and implementing a system of remuneration for members of the Board of Directors, the Company Management Board, the President and senior employees of the Company:

- 2.4.1. sufficient levels of remuneration paid by the Company to attract, motivate and retain individuals with the competence and qualification required by the Company, remuneration payments to members of the Board of Directors, the Company Management Board, the President and senior employees of the Company in accordance with internal documents adopted by the Company;
- 2.4.2. introduction of a system of remuneration for members of the Board of Directors, the Management Board, the President and senior employees of the Company, providing for additional incentive measures and aimed at increasing the investment attractiveness of the Company and profitability for shareholders;
- 2.4.3. the presence of a principle in the system of remuneration for the Management Board, the President and senior employees of the Company whereby the remuneration is conditional on the Company's performance and personal contributions made towards achieving said performance.
- 2.5. Organisation and functioning of the risk management system, internal control and audit:
 - 2.5.1. creation of an effectively functioning risk management and internal control system at the Company, aimed at providing reasonable assurance that the Company will achieve the objectives it has set;
 - 2.5.2. organisation of an internal audit at the Company to evaluate the risk management system, internal control and corporate governance.
- 2.6. Disclosing information about the Company and the Company's information policy:
 - 2.6.1. transparency of the Company and the Company's activities for shareholders, investors and other stakeholders;
 - 2.6.2. the timely disclosure of complete, relevant and reliable information about the Company and its subsidiaries to ensure that shareholders and investors are able to make informed decisions;
 - 2.6.3. provision by the Company of information and documents at the request of shareholders possessing equal rights of access to information in accordance with the principles of equal and unhindered access.
- 2.7. Major corporate actions:
 - 2.7.1. implementation of actions which to a significant degree influence or could influence the share capital structure and financial condition of the Company and, accordingly, the position of shareholders (major corporate actions), under fair conditions, ensuring the observance of the rights and interests of the Company shareholders, as well as other stakeholders;
 - 2.7.2. ensuring that any procedure for carrying out major corporate actions allows shareholders to receive information about such actions in full and without undue delay, provides them with the opportunity to influence the execution of such actions and guarantees observance and an adequate level of protection of their rights in the fulfilment of such actions.

3. ENSURING THE RIGHTS OF SHAREHOLDERS AND EQUAL CONDITIONS FOR SHAREHOLDERS WHEN EXERCISING THEIR RIGHTS¹

- 3.1 Exercising the Rights of Shareholders to Participate in the Governance of the Company
 - 3.1.1. The Company provides the opportunity for shareholders to exercise their right to participate in the Company's governance unconditionally, including by creating the most favourable possible conditions for participating in the the Company's General Meeting of Shareholders.
 - 3.1.2. The procedure for convening, preparing and holding the General Meeting of Shareholders is governed by the Regulations on the General Meeting of Shareholders of Transneft .
 - 3.1.3. The Company undertakes to inform shareholders, in the manner set out in the legislation and the Articles of Association, of plans to hold the General Meeting of Shareholders no less than 30 days before the meeting is held, unless the legislation provides for a longer period of notice.
 - 3.1.4. The announcement of the General Meeting of Shareholders (hereinafter "announcement of the meeting") should contain all information required by shareholders in order to make a decision on participation in the General Meeting of Shareholders and on the format of participation. The announcement of the meeting may contain information about the premises where the General Meeting of Shareholders will take place, as well as information on any documents that must be submitted in order to gain access to the premises where the General Meeting of Shareholders will take place in the form of a meeting. The announcement of the meeting may contain other information by approval of the Board of Directors of the Company.
 - 3.1.5. Information (materials) due to be provided to parties with the right to participate in the General Meeting of Shareholders, and information about travel to the General Meeting of Shareholders venue, model powers of attorney which shareholders can give to a representative in order to participate in the General Meeting of Shareholders, and information about the procedure for authorising this type of power of attorney can be posted to the Company website for consultation by shareholders.
 - 3.1.6. By approval of the Board of Directors, the list of information (materials) to be provided to parties with the right to participate in the General Meeting of Shareholders, in preparation for the General Meeting of Shareholders contains, in addition to the obligatory information, additional information (materials) in accordance with the statutory requirements of the Bank of Russia, and may also contain further additional information.
 - 3.1.7. The procedure established by the Company for preparing and holding the General Meeting of Shareholders provides parties with the right to participate in the General Meeting of Shareholders with the opportunity to receive information about the meeting and any materials concerning the meeting in full and without undue delay, to put questions forward to executive bodies and members of the Board of Directors, and to communicate with them.

¹ At the time of approval of this Code, all voting shares (100%) belong to a single shareholder – the Russian Federation. In view of this, the provisions of the present Code concerning the exercising of the rights of shareholders in convening and holding the General Meeting of Shareholders, including when voting on items on the agenda and the election of the Board of Directors of the Company, do not apply. Furthermore, the publication of materials concerning the General Meeting of Shareholders is not required, as the execution of these procedures involves direct, bilateral interaction between the Company and the sole shareholder in possession of the voting shares. In case of any future increase in the number of shareholders owning voting shares or the introduction of voting rights for owners of preferred shares, the Company undertakes to observe all applicable articles of the present Code.

- 3.1.8. Parties with the right to participate in the General Meeting of Shareholders shall not be refused access to information (materials) concerning the General Meeting of Shareholders if, in spite of typographical errors and any insignificant inaccuracies, the shareholder's request for the provision of the relevant information (materials) as a whole expresses his will and confirms his right to familiarise himself with the specified information (materials), including by receipt of copies thereof.
- 3.1.9. The Company provides simple and clear rules for shareholders for submitting proposals to include questions on the agenda of the General Meeting of Shareholders, introducing requirements concerning the holding of the General Meeting of Shareholders and nominating candidates to the Company bodies in accordance with existing legislation. The presence of technical inaccuracies in the proposals and requirements of shareholders does not constitute a basis for the refusal to satisfy them, as long as the shareholder's will is clear from the essence of the proposal and the shareholder's right to submit/present such a proposal/requirement is confirmed.
- 3.1.10. In the Articles of Association, the deadline of 30 days for introducing proposals for issues to be on the agenda of the annual General Meeting of Shareholders as statutorily required is increased to 60 days after the end of the financial year.
- 3.1.11. Each shareholder has the opportunity to freely exercise their right to vote on the agenda items in any way that is convenient and provided for by the legislature, the Articles of Association and the Regulations on the General Meeting of Shareholders of Transneft.
- 3.1.12. The registration procedure for participants of the General Meeting of Shareholders is set out in detail in the Regulations on the General Meeting of Shareholders of Transneft, which provide, among other things, an exhaustive list of documents to be submitted to the accounts committee for registration.
- 3.1.13. In accordance with the law, the functions of the accounts committee are carried out by the registrar of the Company (hereinafter "the Registrar").
- 3.1.14. The General Meeting of Shareholders cannot continue after 22:00 local time and, as a rule, should take place over the course of a single day. If it is not possible to hold the meeting within a single day, an adjournment until the next day must be announced, but the meeting must reconvene no earlier than 09:00 local time.
- 3.1.15. In accordance with the Articles of Association, the General Meeting of Shareholders takes place in Moscow, where the Company is located.
- 3.1.16. When filling out the ballot paper, a shareholder has the right to request a certified copy of the completed ballot until the conclusion of the General Meeting of Shareholders, which takes place in the form of a meeting and, in case of the ballot being filled out in electronic form on the Company website, to request a document confirming the expression of the shareholder's will by electronic vote.
- 3.1.17. No more than 30 minutes should be allocated for a speaker's presentation on any single item on the agenda. Parties with the right to participate in the General Meeting of Shareholders are entitled to put questions to members of management and control bodies, the representative of the Company auditor, speakers, and supporting speakers concerning items on the agenda, as well as to candidates for election to the Company's management and control bodies.

- 3.2. Exercising the Rights of Shareholders to Receive a Profit Share in the Form of Dividends
 - 3.2.1. Shareholders are entitled to receive income on the shares they hold in the Company in the form of dividends. The Company seeks transparency in the procedure for determining the size of dividends and their payment.
 - 3.2.2. The procedure for determining the size of dividends on preferred shares is set out in the Articles of Association.
 - 3.2.3. The principles and rules governing the procedure for determining the share of profit allocated for payment of dividends, the conditions under which they can be declared, and the procedure for calculating the size of dividends on all shares in the Company are set out in the Dividend Policy of Transneft approved by the Board of Directors (hereinafter “the Dividend Policy”).
 - 3.2.4. The Dividend Policy is approved on a long-term basis. The Company seeks to prevent changes to the Dividend Policy that do not respond to the Company’s development needs or the economic situation as a whole.
 - 3.2.5. Dividends are paid out exclusively in cash.
 - 3.2.6. The Dividend Policy is set out on the Company website.
 - 3.2.7. The Company makes clear on its website and/or by sending relevant communications to shareholders the importance of communicating any changes to data necessary for making dividend payments (bank account details, postal address, etc.) to the Company in a timely fashion, as well as the consequences and risks associated with failure to notify the Company of any changes to such data on time.
 - 3.2.8. The questions most frequently asked by shareholders, relating to the exercising of their rights, including with regard to the receipt of dividends on shares, and responses to those questions can be found on the Company website.
- 3.3. Reliably and Effectively Recording Rights to Shares, and the Opportunity to Transfer them Freely and Without Burden
 - 3.3.1. The Company and the Registrar undertake to ensure the protection of shareholder property rights and to provide guarantees for the free disposition of shares belonging to shareholders.
 - 3.3.2. The Company and the Registrar undertake to make sure that information about shareholders contained in the shareholder register is updated, including by sending relevant notices to shareholders.
 - 3.3.3. Information about the Company Registrar is available on the Company website.
 - 3.3.4. In order to provide shareholders with the opportunity to sell their shares quickly and at a fair price, the Company has made provisions for the sale of preferred shares on the open market (Moscow Exchange) and will maintain stock liquidity on the market.
 - 3.3.5. To ensure a high degree of efficiency in communications with shareholders, a special email address has been set up for written requests from shareholders, and the Registrar’s hotline, a designated telephone line for receiving and processing verbal communications regarding the payment of dividends, is also available.

4. THE BOARD OF DIRECTORS OF TRANSNEFT AS AN EFFECTIVE AND PROFESSIONAL MANAGEMENT BODY

The Board of Directors acts in accordance with the legislature of the Russian Federation, the Articles of Association and the Regulations on the Board of Directors of Transneft and reports to the General Meeting of Shareholders.

4.1. Key Functions of the Board of Directors

4.1.1. The Board of Directors, in accordance with the competence set out in the Articles of Association, executes the strategic management of the Company's activities, identifies the basic principles and approaches to organising the Company's risk management system, internal control and auditing, supervises the activities of the Company's executive bodies, and implements other key functions.

4.1.2. A full list of items falling under the competence of the Board of Directors is contained in the Articles of Association and states that, among other things, the Board of Directors:

- identifies the priority areas of the Company's activities, approves the Company's strategy, long-term plans and key programmes and monitors their implementation;
- forms the collegial executive body (Management Board) of the Company;
- sets out the basic conditions of agreements with the President and members of the Management Board;
- defines the key performance indicators for the activities of the Company, President, and members of the Management Board;
- recommends the size of dividends on shares and the procedure for their payment;
- passes resolutions on the Company's key projects and transactions;
- passes resolutions on key issues relating to the activities of essential subsidiaries;
- sets out the principles for organising the Company's risk management system, internal control and auditing.

4.2. Committees under the Board of Directors

4.2.1. In the interests of ensuring the adoption of reasonable and effective resolutions, the Board of Directors forms standing Committees.

4.2.2. The Board of Directors forms the following committees under the Board of Directors for preliminary consideration of the most important issues relating to the competence of the Board of Directors and the preparation of recommendations for the adoption of resolutions on such issues:

- The Strategy, Investments and Innovations Committee for issues relating to devising a long-term strategy for the Company; drawing up investment, innovation and dividend policy; and improving efficiency at the Company;
- The Audit Committee for issues relating to oversight of the company's financial and operational activities and other issues delegated to the Committee by the Board of Directors of the Company;
- The Human Resources and Remuneration Committee for issues relating to HR, social, and remuneration policy.

4.2.3. The procedure for forming committees under the Board of Directors and their activities are defined by the regulations on relevant committees approved by the Board of Directors. The Board of Directors may also create other standing or interim committees (for the resolution of specific issues).

- 4.2.4. The Committees are accountable in their activities to the Board of Directors and submit an annual report on their work to the Board of Directors.
- 4.3. Members of the Board of Directors
 - 4.3.1. The company seeks to form an effective and professional Board of Directors, including with respect to a balanced membership of the Board of Directors in terms of aligning the qualifications, experience, knowledge and competencies of its members with the needs of the Board of Directors, depending on the tasks it is facing, and having a sufficient number of independent directors on the Board of Directors.
 - 4.3.2. The number of members of the Board of Directors is set out in the Articles of Association, based on the requirements of the Company, and allows for the most efficient possible organisation of the activities of the Board of Directors, including the possibility of forming committees under the Board of Directors.
 - 4.3.3. The election of members of the Board of Directors is carried out by the Company's General Meeting of Shareholders, according to a transparent procedure set out in the Articles of Association. The Regulations on the Board of Directors of Transneft and Regulations on the General Meeting of Shareholders of Transneft allow shareholders to receive information about candidates for election to the Board of Directors, sufficient to form a picture of their personal and professional qualities.
 - 4.3.4. The general criteria by which members of the Board of Directors are recognised as independent are set out in the Regulations on the Board of Directors of Transneft. Substantive criteria for the independence of Members of the Board of Directors are set out in the Moscow Exchange Listing Rules.
 - 4.3.5. In specific cases of an exceptional nature, the Board of Directors is entitled to recognise a member of the Board of Directors (candidate for membership of the Board of Directors) as independent despite the presence of certain factors; criteria for being connected to the Company, a significant Company shareholder, a counterparty of the Company, a competitor of the Company, the state or a municipal entity, as long as that connection has no bearing on the ability of the respective party to make independent, objective and good faith judgements.
- 4.4. Organising the Activities of the Board of Directors
 - 4.4.1. Issues related to organising the activities of the Board of Directors, including the procedure for forming the Board of Directors, the procedure for convening, holding and summing up meetings, and the procedure for the adoption of resolutions by the Board of Directors are set out in the Regulations on the Board of Directors of Transneft.
 - 4.4.2. Newly elected members of the Board of Directors of the Company are provided with key information on the activities of the Company within a short time frame by way of induction sessions with members of executive bodies of the Company (on strategy, the corporate governance system, the risk management system, internal control and audit, the division of responsibilities between the executive bodies of the Company and other significant information about the Company's activities).
 - 4.4.3. The Company seeks to facilitate the organisation of the work of the Board of Directors, as part of which issues relating to the competence of the Board of Directors are discussed in good time, worked out and effectively resolved.

- 4.4.4. Meetings of the Board of Directors take place according to a schedule that is approved for the year, and at least twice per quarter.
- 4.4.5. Members of the Board of Directors are notified about plans to hold a meeting/absentee vote no later than 7 calendar days before the scheduled date of the meeting/deadline for accepting ballot papers either personally on receipt of a signature, by email sent via secure communication channels, or by other means of communication.
- 4.4.6. In exceptional cases of extreme urgency, the period for notifying members of the Board of Directors of plans to convene a meeting of the Board of Directors can be shortened.
- 4.4.7. A written vote from a member of the Board of Directors may be submitted/sent to the Chairman/Secretary of the Board of Directors by post, email or other means of communication before the meeting of the Board of Directors, and is taken into account when determining the quorum and the results of votes on agenda items.
- 4.4.8. Members of the Board of Directors who are absent from the venue of the meeting are entitled to participate in the discussion of agenda items and vote on them via video conference or by telephone if such form is approved by the Chairman of the Board of Directors and is technically possible.
- 4.4.9. A list of issues resolved by the Board of Directors at meetings held predominantly in person, and a list of issues resolved by majority vote of all elected members of the Board of Directors are set out in the Articles of Association.
- 4.4.10. The Chairman of the Board of Directors ensures the effective organisation of the activities of the Board of Directors and its interaction with other management and control bodies of the Company, including by providing members of the Board of Directors with the information (materials) necessary to adopt resolutions on agenda items in good time. The appropriate role of the Chairman of the Board of Directors and their functions are set out in the Regulations on the Board of Directors of Transneft.
- 4.4.11. Where it is necessary for a member of the Board of Directors of the Company to seek professional consultation on issues related to the competence of the Board of Directors, an opportunity to do so may be provided to the member of the Board of Directors of the Company by agreement with the Chairman of the Board of Directors (upon written request by the member of the Board of Directors addressed to the Chairman of the Board of Directors). Any expenses associated with financing professional consultation shall be accounted for as part of the costs of facilitating the activities of the Board of Directors of the Company.
- 4.4.12. The rights and responsibilities of members of the Board of Directors are set out in the Regulations on the Board of Directors of Transneft, including the right of members of the Board of Directors to request and receive information and documents from executive bodies of the Company concerning the activities of the Company and its subsidiaries, deemed necessary in the fulfilment of their duties in connection with the consideration of items on the agenda of the Board of Directors. Members of the Board of Directors may also be provided with documents on the activities of the Company and its subsidiaries relating to other issues, when this information is necessary in order to make an informed decision (subject to legal constraints).

- 4.4.13. Members of the Board of Directors take all available information into account, in the absence of a conflict of interest, when adopting a resolution.
- 4.4.14. If any potential conflict of interest arises, the member of the Board of Directors must notify the Board of Directors by filing a notification with its Chairman and Secretary prior to the discussion of the issue regarding which the conflict of interest has arisen for the member of the Board of Directors, at a meeting of the Board of Directors or a Committee under the Board of Directors.
- 4.4.15. The Chairman of the Board of Directors is entitled to recommend that the member of the Board of Directors who has a conflict of interest does not sit for the discussion of the relevant issue at the meeting.
- 4.5. Evaluation of the Performance of the Board of Directors, its Committees and Members of the Board of Directors
 - 4.5.1. In order to evaluate the performance of the Board of Directors, its Committees and members of the Board of Directors and their compliance with the development needs of the Company, to intensify the efforts of the Board of Directors and to identify areas in which its activities can be improved, the Company conducts an annual assessment of the activities of the Board of Directors through a formal procedure, which is set out in the Regulations on Evaluation of Transneft's Board of Directors' Performance (hereinafter "the Evaluation").
 - 4.5.2. The Evaluation is carried out either as an internal evaluation (self-evaluation) in the form of a questionnaire given to members of the Board of Directors using the Company's resources, or as an external evaluation conducted by an independent expert organisation (external consultant) looking at the following categories (areas):
 - evaluation of the activities of the Board of Directors as a management body of the Company;
 - evaluation of the activities of members of the Board of Directors/the Chairman of the Board of Directors;
 - evaluation of the activities of Committees under the Board of Directors.
 - 4.5.3. The forms and categories of the Evaluation are determined by the Board of Directors taking into account the view of the Human Resources and Remuneration Committee when planning the work of the Board of Directors and Committees under the Board of Directors. At the same time, the Board of Directors seeks to ensure that an external evaluation is conducted at least every three years.
 - 4.5.4. A report on the conclusions of the Evaluation undergoes preliminary consideration by the Human Resources and Remuneration Committee under the Board of Directors, and is submitted to the Board of Directors for consideration by recommendation of the Committee.
 - 4.5.5. The Board of Directors seeks to consider the results of the Evaluation at a meeting held in person.
 - 4.5.6. Information about the Evaluation is published in the Company's Annual Report.

5. CORPORATE SECRETARY

- 5.1. Effective ongoing communication with shareholders, coordination of the Company's actions to protect the rights and interests of shareholders, and support for the effective work of the Board of Directors are provided by a special business unit that carries out the FUNCTIONS OF THE Corporate Secretary.
- 5.2. The regulations governing the business unit of the Company carrying out the functions of the Corporate Secretary are approved by the Board of Directors.

- 5.3. The functions of the Corporate Secretary include, among others:
- facilitating the work of the Board of Directors and the Committees under the Board of Directors;
 - participating in the implementation of the Company's policy on information disclosure, and providing the storage of corporate documents belonging to the Company;
 - facilitating interaction between the Company and its shareholders and participating in preventing corporate disputes;
 - facilitating interaction between the Company and regulatory bodies, market operators, the Registrar, and other professional participants of the securities market under the powers granted to the Corporate Secretary;
 - ensuring implementation of procedures set out in the legislature and the Company's internal documents ensuring that the rights and legitimate interests of shareholders are exercised and monitoring the implementation of said rights;
 - immediately informing the Board of Directors of all identified infringements of the law as well as any provisions set out in the Company's internal documents, compliance with which relates to the functions of the Corporate Secretary of the Company;
 - participating in improving the system and practice of corporate governance at the Company.

6. REMUNERATION SYSTEM FOR MEMBERS OF THE BOARD OF DIRECTORS, EXECUTIVE BODIES AND SENIOR EMPLOYEES

- 6.1. The Company seeks to attract, motivate and retain individuals possessing the necessary experience and competences for the effective work of the Company as members of the Board of Directors and executive bodies of the Company, including by setting an adequate level of remuneration for members of the Board of Directors, the Management Board, the President and senior employees of the Company.
- 6.2. The structure and procedure for determining the size of remuneration made to members of the Board of Directors is set out in the Regulations on Remuneration to Members of the Board of Directors of Transneft.
- 6.3. Remuneration is not paid to members of the Board of Directors who are not legally permitted to participate in management bodies of joint stock companies on a paid basis.
- 6.4. The resolution on payment of remuneration to members of the Board of Directors is adopted by the General Meeting of Shareholders on the recommendation of the Board of Directors, which takes into account the view of the Human Resources and Remuneration Committee under the Board of Directors.
- 6.5. The system of remuneration is decided on by the Board of Directors based on annual performance results of the Company's executive bodies and senior employees.
- 6.6. The existing system of remuneration for senior employees at the Company stipulates that remuneration is conditional on the Company's performance and personal contribution to the result achieved on the part of the employees.

7. RISK MANAGEMENT SYSTEM, INTERNAL CONTROL, AND INTERNAL AUDIT

The functioning of the risk management system and internal control are aimed at securing the strategic objectives of the Company.

- 7.1. Efficiency of the Risk Management System
- 7.1.1. When creating a risk management system, the Company makes use of generally accepted concepts and practices in the field of risk management.

- 7.1.2. The risk management system in place at the Company should provide an objective, fair and clear impression of the risks taken by the Company.
- 7.1.3. The Board of Directors of the Company carries responsibility for setting out the principles and approaches to organising the risk management system. An internal document setting out the Company's policy on organising a risk management system, including the principles and approaches to organising the risk management system, is approved by the Board of Directors of the Company.
- 7.1.4. The executive bodies of the Company undertake to create and maintain an efficient risk management system at the Company; they are responsible for implementing the decisions of the Board of Directors with respect to organising the risk management system and delegate powers, duties and responsibilities among parties under their own supervision or supervised by the heads of business units of the Company in order to carry out specific risk management procedures.
- 7.1.5. The functions of coordinating the risk management process are carried out by a designated business unit of the Company.
- 7.1.6. The Board of Directors of the Company considers issues related to the organisation, functioning and efficiency of the risk management system and where necessary, provides recommendations for its improvement at least once per year. Information on the results of the consideration of issues related to the efficiency of the risk management system by the Board of Directors of the Company is provided to shareholders in the Company's Annual Report.
- 7.2. Efficiency of Internal Control
 - 7.2.1. When creating an internal control system, the Company makes use of generally accepted concepts and practices in the field of internal control.
 - 7.2.2. The Company's internal control system should provide sufficient confidence that the Company will achieve its objectives through carrying out its business activities.
 - 7.2.3. The Board of Directors of the Company identifies the principles and approaches to organising the internal control system. The internal document setting out the Company's policy on organising an internal control system, including the principles and approaches to organising the internal control system, is approved by the Board of Directors of the Company.
 - 7.2.4. The executive bodies of the Company undertake to create and maintain an efficient internal control system at the Company; they are responsible for implementing the decisions of the Board of Directors with respect to organising the internal control system, and delegate powers, duties and responsibilities to various business units of the Company in order to carry out specific internal control procedures.
 - 7.2.5. Measures aimed at fostering elements of corporate culture and rules and procedures ensuring the prevention of corruption are set out in the Company's internal documentation: Anti-Corruption Policy, Code of Ethics and Conduct for Employees of Transneft and Transneft Subsidiaries.
 - 7.2.6. As part of the Company's internal control system, a set of measures aimed at preventing corruption has been put in place: a procedure has been established for informing employers off attempts to bribe employees, and work has been done to prevent and resolve conflicts of interest. When evaluating the level of trustworthiness of partners and counterparties, the observance of anti-corruption principles by the partners and counterparties is considered a critical factor in establishing a contractual relationship.
 - 7.2.7. As part of the Company's internal control system, the Company makes arrangements for a safe and accessible means of informing the Board of Directors, the authorised Committee under the Board of Directors, and the head of the internal audit business unit of the facts of the violations of the legislature, internal procedures or code of ethics by any employee and/or any member of a management body or the control body supervising the Company's financial and operational activities (hotline).
 - 7.2.8. The Board of Directors of the Company considers issues related to the organisation, functioning and efficiency of the internal control system and, where necessary, provides recommendations for its improvement at least once per year.

Information on the results of consideration of issues related to the efficiency of the internal control system by the Board of Directors of the Company is provided to shareholders in the Company's Annual Report.

7.3. Internal Audit

- 7.3.1. The internal audit function at the Company and its subsidiaries is carried out by a designated business unit of the Company (hereinafter the "internal audit unit"). The Company (internal audit unit) is involved in the internal audit function at its subsidiaries on the basis of an agreement to cooperate in carrying out the internal audit procedures at the Company and its subsidiaries.
- 7.3.2. The internal audit of the Company (the internal audit unit) is accountable to the Board of Directors of the Company, the Audit Committee under the Board of Directors of the Company, and the President of the Company in accordance with the powers set out in the Company's internal documents.
- 7.3.3. The activities of the internal audit (internal audit unit) are governed by the existing legislation, the Regulations on the Internal Audit Unit and other internal documents of the Company.
The internal audit unit (internal audit) also regulates its activities in compliance with the mandatory guidelines of the international Institute of Internal Auditors (the mandatory guidelines of the International Professional Practices Framework for professional auditing, among others), which includes basic principles of the professional practice of internal auditing, a Code of Ethics, International Standards for the Professional Practice of Internal Auditing and a Definition of Internal Auditing. These mandatory guidelines establish the fundamental requirements for the professional practice of internal auditing, as well as the principles underlying the assessment of the efficiency of internal auditing activities.

8. INFORMATION DISCLOSURE AND INFORMATION POLICY

- 8.1. Transparency of the Company before Shareholders, Investors and other Stakeholders
 - 8.1.1. The Company has an information policy in place(the Regulations on Information Policy) and approves other internal documents designed to ensure effective exchange of information between the Company, shareholders, investors and other stakeholders.
 - 8.1.2. The Regulations on Information Policy set out the aims and principles of the Company's information policy, which is aimed at exercising, to the fullest extent possible, the rights of shareholders, investors and other stakeholders to receive information that is significant when making investment decisions, to ensure free and unrestricted access to this information, and to protect confidential information about the Company, the disclosure of which could bring harm to the Company and its shareholders.
 - 8.1.3. Implementation of the information policy is carried out by executive bodies of the Company. Control of compliance with the information policy is carried out by the Audit Committee under the Board of Directors of the Company.
 - 8.1.4. The Company undertakes to protect confidential information, including insider information, in the manner set out in the legislation of the Russian Federation and the Company's internal documents.
 - 8.1.5. The requirements of the procedure for accessing insider information, the rules for protecting its confidentiality and for maintaining a list of Company insiders, and the specifics of insiders executing transactions using the Company's financial instruments are set out in the internal Company document approved by the Board of Directors.
 - 8.1.6. A section on the Company's website, For the insiders, has been created, with all relevant information and documentation made available, in order to prevent and suppress instances of unlawful use of the Company's insider information.
 - 8.1.7. In cases established by statutes and regulations of the Russian Federation, including Decrees of the President and Resolutions of the Government of the Russian Federation, the Company is entitled not to disclose (provide) information and/or limit the content and/or volume of such information.
- 8.2. Disclosure of Information
 - 8.2.1. The Company provides for the timely disclosure of complete, relevant and reliable information about itself to ensure that shareholders of the Company and investors can make informed decisions.
 - 8.2.2. The disclosure of information by the Company is made in accordance with the principles of regularity, consistency and efficiency, as well as accessibility, reliability, fullness and comparability with regard to the data disclosed.
 - 8.2.3. The Company's website is the main source of the disclosure of information, and therefore the information contained on the Company's website is sufficient to form an objective view of the key aspects of the Company's activities.
 - 8.2.4. Furthermore, in accordance with the statutory requirements of the Bank of Russia, the Company undertakes to disclose information on a webpage supplied by an information provider on the securities market.

- 8.2.5. The Company, in addition to the disclosure of information in Russian, seeks to disclose the same information about itself in English.
- 8.2.6. As well as the information provided in accordance with the law, the Company additionally discloses other key information:
 - i. information concerning the mission, strategy, corporate values and objectives of the Company and the policies adopted by the Company;
 - ii. additional information about the financial activities and financial condition of the Company;
 - iii. information about the Company's share capital structure;
 - iv. information concerning social and environmental responsibility at the Company (sustainable development);
 - v. information about the system and practice of corporate governance;
 - vi. information about essential subsidiaries;
 - vii. other information that is significant and useful to potential investors, shareholders and other stakeholders.
- 8.2.7. The Annual Report is the outcome document, allowing shareholders, potential investors and other stakeholders to assess the work of the Company over the financial year, and contains information required by the legislation of the Russian Federation, operating and financial indicators, non-financial aspects of the Company's activities, and other information recommended for disclosure in annual reports by best practices in corporate governance. The Company also discloses reports on its sustainable development, compiled in accordance with recognised international standards.
- 8.2.8. The Company's Regulations on Information Policy outlines the provision of free online access to information that must be disclosed in accordance with the legislation of the Russian Federation, the Articles of Association, and the Company's internal documents.
- 8.3. Providing Information at the Request of Shareholders
 - 8.3.1 The Company provides information and documents at the request of shareholders in accordance with the principles of equal and unhindered access.
 - 8.3.2 The law differentiates the scope of access rights to documents and information about the joint stock company depending on the size of the portfolio of voting shares held in the Company by the shareholder. Shareholders with the same scope of rights are provided with equal opportunity of access to the Company's documents.
 - 8.3.3 The regulations for accessing information about the Company and its subsidiaries, based on ensuring the balance of rights and legal interests of shareholders and the Company, are set out in an internal Company document on providing information to shareholders.

9. MAJOR CORPORATE ACTIONS

- 9.1. List of Major Corporate Actions and the Procedure and Conditions for their Implementation
 - 9.1.1. Actions that significantly affect or may affect the share capital structure and financial condition of the Company and, accordingly, the position of shareholders (major corporate actions) should be carried out on fair terms, ensuring that the rights and interests of shareholders and other stakeholders are observed.

- 9.1.2. Major corporate actions of the Company include:
 - reorganisation of the Company;
 - the acquisition of at least 30 percent of the voting shares of another public joint stock company (takeover);
 - execution by the Company of major transactions, related party transactions, or transactions made by the Company as set out in article 9.2.3 of the present Code (hereinafter “major transactions”);
 - increase in the Company’s authorised share capital;
 - splitting, consolidation and conversion of Company shares;
 - listing and delisting of Company shares.
- 9.1.3. Taking into account the importance of major corporate actions, the Company provides shareholders with the opportunity to influence their execution, and to receive an adequate level of protection of their rights during the execution of those actions. The Board of Directors plays a key role in adopting resolutions or making recommendations regarding major corporate actions, drawing on the position of independent directors of the Company. Independent directors of the Company carry out a preliminary assessment of major corporate actions, including those connected to possible conflicts of interest, before a resolution is adopted by the management bodies of the Company in consideration of the issues, at meetings of the Committees under the Board of Directors attended exclusively by independent directors.
- 9.2. Execution of Major Transactions by the Company
 - 9.2.1. The execution of major transactions by the Company is carried out at fair prices and under conditions of transparency, ensuring that the interests of all shareholders are protected.
 - 9.2.2. The value of property transferred or obtained as part of a major transaction or a related party transaction is determined by the Board of Directors of the Company. An independent appraiser with an impeccable reputation and possessing experience of valuation in the relevant field may be involved in the process of determining the value of property transferred or obtained as part of a major transaction, subject to the General Meeting of Shareholders of the Company deciding to consent to this process.
 - 9.2.3. The competence of the Board of Directors of the Company includes consideration of issues related to transactions worth more than RUB 100 billion, which do not meet the criteria for major transactions as established by law, but which have major significance for the Company. Such transactions are classed as major corporate actions, with the exclusion of transactions made in the course of the Company’s day-to-day business proceedings, transactions which the Company is mandated to execute in accordance with federal law and/or other legal acts of the Russian Federation, and intra-group transactions (between the Company and its subsidiaries).
- 9.3. Reorganisation of the Company
 - 9.3.1. The Board of Directors must actively participate in determining the conditions for the reorganisation of the Company.

- 9.3.2. A resolution of the Board of Directors to raise the issue of reorganising the Company at the General Meeting of Shareholders is adopted only if the Board of Directors is confident in the need for reorganisation and deems the conditions of reorganisation to be acceptable.
- 9.3.3. When considering the issue of admissibility of reorganisation, the Board of Directors must assess the conditions of reorganisation in terms of their compliance with the interests of shareholders, including shareholders holding minor portfolios, and determine the fairness of the swap ratio resulting from the reorganisation.
- 9.3.4. The Board of Directors, and especially independent directors, should be available for discussion with Company shareholders during preparations by the Board of Directors to agree to submit the issue of reorganisation to a General Meeting of Shareholders of the Company for consideration.
- 9.3.5. An independent appraiser is called in to determine the swap ratio for shares during reorganisation, in accordance with the procurement procedures established by the Company. Only an appraiser with a good business reputation recognised on the market and possessing experience in the relevant field may conduct the assessment during reorganisation.
- 9.3.6. The share swap ratio during the reorganisation is determined based on the market price of the respective shares and does not permit infringement of the interests of the Company shareholders. At the same time, the valuation of shares for repurchase should not be lower than the value determined for the purposes of reorganisation.
- 9.3.7. The reorganisation should be carried out in such a way as to prevent any aggravation of the rights of owners of preferred shares.
- 9.3.8. If the activities of the Company cease (or if there is a spin-off of a significant part of the assets of the Company) as a result of the reorganisation of the Company, it is recommended that the reorganisation be carried out in such a way that the shareholders of the Company receive shares in other companies that are eligible for exchange trading.
- 9.4. Takeover by the Company
 - 9.4.1 The Board of Directors of the Company oversees the Company's strict compliance with legal requirements in case of a takeover of another public joint stock company by the Company, including requirements for friendly bids, mandatory offers, notice of the right to demand the repurchase of securities, and the Company's demand for mandatory repurchase of the securities of the company subject to takeover.
- 9.5. Listing and Delisting of Company Shares
 - 9.5.1 When considering issues related to the listing of the Company's shares, the Board of Directors assesses all the benefits and costs associated with the listing in advance.
 - 9.5.2 When considering issues related to the delisting of the Company's preferred shares, the Board of Directors provides full transparency in the adoption of the relevant resolution, including bringing information about the grounds for its adoption as well as the risks associated with delisting to the notice of owners of the securities, while also protecting their rights in connection with the delisting procedure.
 - 9.5.3 The Company is not obliged to carry out any actions that may result in the forced delisting of its preferred shares.

- 9.6. Increases in the Company's Authorised Share Capital and Splitting, Consolidation and Conversion of Shares
- 9.6.1. The Company executes the floatation of additional shares by paying for them by other means than cash only in exceptional cases (for example, when paying for additional shares with liquid securities or unique property which is necessary for the Company's core activities). An independent appraiser with an impeccable business reputation recognised on the market and experience of assessment in the relevant field is called in to assess the relevant property in accordance with the procurement procedures established by the Company.
- 9.6.2. When considering the issue of floating a new type of preferred shares, the Board of Directors should carefully analyse the appropriateness of the emergence of a new share type and act based on the understanding that a simple capital structure, particularly consisting solely of ordinary shares, is preferable to investors in the long term, since it facilitates to the fullest extent possible the principle of 'one share, one vote', as well as the protection of the property rights of shareholders.
- 9.6.3. The decision to introduce provisions in the Articles of Association providing for the possibility of floating a new type of preferred shares will be taken by the Company only if there is a belief that their floatation does not violate the dividend rights of the existing shareholders and does not lead to the erosion of their share capital.
- 9.6.4. The splitting, consolidation or conversion of the Company's shares is permissible only if the rights of shareholders are secured (in particular, the splitting, consolidation or conversion of shares is unacceptable if it is executed in order to redistribute (or change the degree of) corporate control, or if these actions lead to the deterioration of the dividend rights of shareholders or a decrease in their share of the Company's authorised capital).

10. MANAGEMENT OF ORGANISATIONS IN WHICH THE COMPANY PARTICIPATES (SUBSIDIARIES)

- 10.1. To ensure special control over subsidiaries that have or may have a significant impact on the financial, economic and other performance indicators of the Company and/or on the implementation of the development strategy of the Company, essential subsidiaries are distinguished among all subsidiaries. The criteria for classifying subsidiaries as essential are determined by the Board of Directors of the Company. Key decisions on issues related to the activities of essential subsidiaries are taken by the Board of Directors of Transneft.
- 10.2. Corporate governance in the Transneft group consists, inter alia, of setting out the Position of the Company on issues related to the activities of subsidiaries in accordance with the provisions of the Company's Articles of Association and the internal document approved by the Management Board of the Company. Membership of the management bodies of the subsidiaries includes representatives of the Company.
- 10.3. The nomination and election of Company representatives to the Boards of Directors of the subsidiaries, as well as the election of the sole executive bodies of the subsidiaries, including the extension and termination of their powers, are carried out by decision of the President of the Company. The appointment of sole executive bodies of essential subsidiaries is made by agreement of the Board of Directors of the Company.
- 10.4. In order to better facilitate the management of subsidiaries and ensure an effective control system, the articles of association of the subsidiaries in which the Company (directly and/or indirectly) holds a majority stake of over 50 percent in the authorised share capital are aligned with the provisions of the Company's Articles of Association (with the exclusion of subsidiaries established outside the Russian Federation under the legislature of a foreign country), allowing for the rapid cascading of management decisions made by the Company to the level of the subsidiaries.

11. FINAL PROVISIONS

- 11.1. The present Code comes into force on the date of its approval by the Board of Directors of the Company.

- 11.2. The present Code is reviewed and improved as the number of shareholders grows, positive experience of corporate governance is accumulated, and new Russian and international standards and requirements for corporate governance of the Company appear.
- 11.3. Control of compliance with the present Code and recommendations to the Board of Directors regarding amendments to the Code are carried out by the Audit Committee under the Board of Directors.