

COMMITTEES AT THE BOARD OF DIRECTORS

Three committees were established at the Zarubezhneft JSC Board of Directors' meeting:

Strategic Planning Committee

Members of the Strategic planning committee at the Zarubezhneft JSC Board of Directors in 2018

Members of the Committee before the Annual General Shareholders' Meeting of Zarubezhneft JSC:

- Anatoliy Vladimirovich Tikhonov – General Director of FSBI Russian Energy Agency at the Ministry of Energy of the Russian Federation (Chairman of the Committee);
- Alexander Alexeyevich Gladkov – Director of Oil and Gas Production and the Transportation Department of the Ministry of Energy of the Russian Federation;
- Sergey Ivanovich Kudryashov – General Director of Zarubezhneft JSC;
- Rair Rairovich Simonyan (Independent Director) – Councilor to the Chairman of the Management board of Inter RAO UES PJSC.

Members of the Committee after the Annual General Shareholders' Meeting of Zarubezhneft JSC:

- Anatoliy Vladimirovich Tikhonov – General Director of FSBI Russian Energy Agency at the Ministry of Energy of the Russian Federation (Chairman of the Committee);
- Alexander Alexeyevich Gladkov – Director of Oil and Gas Production and the Transportation Department of the Ministry of Energy of the Russian Federation;
- Sergey Ivanovich Kudryashov – General Director of Zarubezhneft JSC;
- Rair Rairovich Simonyan (Independent Director) – Councilor to the Chairman of the Management board of Inter RAO UES PJSC.

Members of the Committee after the Extraordinary General Shareholders' Meeting of Zarubezhneft JSC:

- Alexei Leonodovich Teksler – First Deputy of the Minister of Energy of the Russian Federation (Chairman of the Committee);
- Karen Vilgelmovich Karapetyan;
- Sergey Ivanovich Kudryashov – General Director of Zarubezhneft JSC;
- Anatoliy Vladimirovich Tikhonov – General Director of FSBI Russian Energy Agency at the Ministry of Energy of the Russian Federation

The current revision of the Regulation on the Strategic Planning Committee approved by decision of the Zarubezhneft JSC Board of Directors on September 30, 2015, (Minutes of Meeting No. 110) was developed taking into consideration the recommendations of the Corporate Management Code, recommended by the letter from the Bank of Russia (No.06-52/2463, dated April 10, 2014 – Concerning the Corporate Management Code) and the Methodical Recommendations of the Federal State Property Management Agency on the organization of the Board of Directors' work in a joint stock company.

As per the Regulations on the Strategic Planning Committee at the Zarubezhneft JSC Board of Directors, the following matters refer to the Committee's competence:

- Determination of the priority directions, strategic goals and main principles of the Company's strategic development;
- Improvement of policy in the area of business planning and the Company's budgeting;
- The development of recommendations in relation to the Company's dividend policy;
- The evaluation of the efficiency of the Company's activity in the long-term;

- Consideration of LDPs and the reports on their implementation;
- Improvement of the Company's KPIs system;
- The development of recommendations for strategic documents in the area of innovative development.

In 2018, 16 meetings of the Strategic Planning Committee were held, with each of them attended by all of the elected members of the Committee:

Meeting/Holding form	Meeting date	Agenda
Meeting of the Strategic Planning Committee/ via teleconferencing	01/31/2018	1. Consideration of the Report on the Sale of Zarubezhneft JSC Non-core assets in Q4 2017.
Meeting of the Strategic Planning Committee/ via teleconferencing	02/19/2018	1. Consideration of the Report on the Implementation of the Program for Improving the Efficiency and Optimizing the Costs of Zarubezhneft Group of Companies for 2017. 2. Consideration of the Program for Improving the Efficiency and Optimizing the Costs of Zarubezhneft Group of Companies for 2018. 3. Updating the Zarubezhneft JSC Long-term Development Program. 4. Coordination of the Terms of Reference for Comparing the Level of Process Development and the Values of Key Performance Indicators of Zarubezhneft JSC with the level of development and indicators of leading counterparts.
Meeting of the Strategic Planning Committee/ via teleconferencing	03/29/2018	1. Consideration of the Report on the Performance of the Zarubezhneft JSC Quality Management System for 2017. 2. Consideration of the updated Register of non-core assets of Zarubezhneft JSC. 3. Consideration of the Implementation Plan on sale of Zarubezhneft JSC non-core assets for 2018. 4. Consideration of the Report of the Strategic Planning Committee of Zarubezhneft JSC Board of Directors for 2017;
Meeting of the Strategic Planning Committee/ via teleconferencing	04/03/2018	1. Consideration of the Report on the Implementation of the Zarubezhneft JSC 2017 Innovation Development Program;
Meeting of the Strategic Planning Committee/ via teleconferencing	04/10/2018	1. Consideration of information on the amount of Zarubezhneft JSC dividends following the results of 2017 and the procedure for their payment.
Meeting of the Strategic Planning Committee/ via teleconferencing	04/23/2018	1. Consideration of the Report on the Comparison of the Level of Process Development and the Values of the Key Performance Indicators of Zarubezhneft JSC with the Level of Development and Indicators of Leading Counterparts; 2. Consideration of the Report on the Sale of Zarubezhneft JSC Non-core Assets in the Q1 2018.
Joint Meeting of the Strategic Planning Committee and the Human Resources and Compensation Committee/ via teleconferencing	05/21/2015	1. Consideration of the Report on the Achievement of Target Values of Zarubezhneft JSC Corporate KPIs in 2017. 2. Consideration of the Report on the Achievement of Target Values of Zarubezhneft JSC Corporate KPIs for 3 months of 2018.
Meeting of the Strategic Planning Committee/ via teleconferencing	05/22/2018	1. Consideration of the Report on the Implementation of the Zarubezhneft JSC Long-term Development Program in 2017. 2. Consideration of the Action Plan for the implementation of proposals on improving the performance of Zarubezhneft Group of Companies developed as per the recommendations of an auditor based on an audit of the Long-term Development Program in 2017. 3. Consideration of the Report on Implementation of the Program for Improving the Efficiency and Optimizing the Costs of Zarubezhneft Group of Companies for Q1 2018.
Meeting of the Strategic Planning Committee/ via teleconferencing	09/07/2018	1. On the Consideration of Information on the Predicted Flow of Dividends to the Federal Budget in 2019-2021 (following the 2018-2020 results).
Joint Meeting of the Strategic Planning Committee and the Human Resources and Compensation Committee/ via teleconferencing	09/14/2018	1. Consideration of the Report on the Achievement of Target Values of Zarubezhneft JSC Corporate KPIs according to forecasts until the end of 2018 taking into account the actual values in the first half of the year. 2. Consideration of the Report on the Implementation of Measures under the Long-term Development Program of Zarubezhneft JSC in Q1 2018.

Meeting/Holding form	Meeting date	Agenda
Meeting of the Strategic Planning Committee/ via teleconferencing	09/18/2018	1. Consideration of the Report on the Results of Implementation of the Zarubezhneft JSC Business Plan in Q1 2018. 2. Consideration of the Report on the Implementation of the Program for Improving the Efficiency and Optimizing the Costs of Zarubezhneft Group of Companies for the First Half of 2018. 3. On the liquidation of Zarubezhneft JSC branch in Ashgabat, Turkmenistan.
Meeting of the Strategic Planning Committee/ via teleconferencing	09/28/2018	1. Consideration of the Report on the Sale of Zarubezhneft JSC Non-core Assets in Q3 2018. 2. Consideration of the Policy of Controlling the Rights for Intellectual Deliverables in Zarubezhneft Group of Companies and the Action Plan for its Implementation
Joint Meeting of the Strategic Planning Committee and the Human Resources and Compensation Committee/ via teleconferencing	11/15/2018	1. Consideration of the Report on the Achievement of Target Values of Corporate KPIs of Zarubezhneft JSC as per the 2018 year-end forecast, taking into account the actual values of 9 months. 2. Consideration of the Report on the Implementation of Measures for the Zarubezhneft JSC Long-term Development Program for 9 Months of 2018.
Meeting of the Strategic Planning Committee/ via teleconferencing	11/16/2018	1. Consideration of the Report on the Implementation of the Program for Improving the Efficiency and Optimizing the Costs of Zarubezhneft Group of Companies for 9 Months of 2018.
Joint meeting of the Strategic Planning Committee and Human Resources and Compensation Committee	12/18/2018	1. On updating of target values of Zarubezhneft JSC Corporate KPIs for 2019.
Meeting of the Strategic Planning Committee/ via teleconferencing	12/19/2018	Consideration of the Report on the Implementation of the Zarubezhneft JSC 2018 Corporate Strategy. Consideration of the Zarubezhneft JSC 2019 Business Plan.

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In 2018, the Strategic Planning Committee gave recommendations to the Board of Directors on the following issues:

- regarding the approval of the Report on the Achievement of KPI Target Values in 2017 and the Establishment of Target Values for 2019;
- regarding the approval of the 2018 Efficiency Improvement and Cost Optimization Program;
- regarding the approval of the Report on the Implementation of the Innovation Development Program for Zarubezhneft JSC (hereinafter referred to as the IDP) in 2017 and the Report on the Comparison of the Level of Technological Development and the Values of the Key Performance Indicators of Zarubezhneft JSC with the Level of Development and Indicators of Leading Counterparts;
- on issues regulating the sale of non-core assets of Zarubezhneft JSC (NCA), including on the approval of the NCA Register and NCA Implementation Plan for 2018;
- regarding the implementation of Zarubezhneft JSC Long-term Development Program (LTDP) as part of consideration of the Report on Implementation of the LTDP, the audit opinion based on the results of the verification of LTDP implementation in 2017;
- regarding the consideration of the Report on the Implementation of the Zarubezhneft JSC 2018 Corporate Strategy;
- on the approval of the Zarubezhneft JSC 2019 Business Plan.

Following the consideration results, at the Committee meeting, the Zarubezhneft JSC Zarubezhneft JSC Board of Directors also recommended for approval the Policy of controlling the rights for intellectual deliverables in Zarubezhneft Group of Companies and the Action Plan for its implementation prepared in pursuance of the directives of the Government of the Russian Federation No.9177p-P13 dated December 12, 2017.

Audit Committee

Members of the Audit Committee at the Zarubezhneft JSC Board of Directors in 2018

Members of the Committee before the Annual Shareholders' Meeting of Zarubezhneft JSC:

- Pavel Anatol'yevich Kadochnikov (independent director) – Pro-Rector for Research at the All-Russia Academy of Foreign Trade of the Ministry of Economic Development of Russia (Chairman of the Committee);
- Alexei Valentinovich Arkhipov – Assistant of Deputy Chairman of the Government of the Russian Federation;
- Alexander Alexeyevich Gladkov – Director of Oil and Gas Production and the Transportation Department of the Ministry of Energy of the Russian Federation.

Members of the Committee after the Annual Shareholders' Meeting of Zarubezhneft JSC:

- Rair Rairovich Simonyan (Independent Director) – Councilor to the Chairman of the Management board of Inter RAO UES PJSC (Chairman of the Committee);
- Alexander Alexeyevich Gladkov – Director of Oil and Gas Production and the Transportation Department of the Ministry of Energy of the Russian Federation;
- Maxim Yurievich Sokolov – General Director of LSR Group JSC.

Members of the Committee after the Extraordinary Shareholders' Meeting of Zarubezhneft JSC:

- Maxim Yurievich Sokolov – General Director of LSR Group JSC (Chairman of the Committee);
- Alexander Alexeyevich Gladkov – Director of Oil and Gas Production and the Transportation Department of the Ministry of Energy of the Russian Federation;
- Alexei Leonodovich Teksler – First Deputy of the Minister of Energy of the Russian Federation

The current revision of the Regulation on the Audit Committee approved by decision of the Zarubezhneft JSC Board of Directors on March 30, 2015, (Minutes of Meeting No. 116) was developed by taking into consideration the recommendations of Rosimuschestvo (Letter No. OD-02-1574 dated January 21, 2016) and the Methodical Recommendations of the Federal State Property Management Agency on the audit of joint stock companies with the participating interest of the Russian Federation by

the Board of Directors (approved by order No. 86 of Rosimuschestvo dated March 20, 2016).

As per the Regulation on the Audit Committee at the Zarubezhneft JSC Board of Directors, revision of the following matters is in the Committee's competence:

- Annual report and financial statements;
- Results of the achievement of the target values of financial indicators and causes for deviation;

- Arrangement of the risk management system;
- Auditor selection procedures;
- Results of the external auditor's work;
- Plans and results of the Company's internal audit service activities.

8 meetings of the Audit Committee took place in 2018, and all of the elected members of the Committee participated in each of them:

Meeting/Holding form	Meeting date	Agenda
Audit Committee Meeting/ via teleconferencing	01/30/2018	<ol style="list-style-type: none"> 1. Consideration of the Terms of Reference for Performance of an Audit of the Zarubezhneft JSC Long-term Development Program. 2. On coordination of the composition of the Tender Commission on the selection of an external auditor to conduct a mandatory audit of Zarubezhneft JSC accounting (financial) statements.
Audit Committee Meeting/ via teleconferencing	03/28/2018	<ol style="list-style-type: none"> 11. Consideration of the Report on Implementation of the Audit Plan of Zarubezhneft Group of Companies in 2017. 2. Consideration of the Report of the Audit Committee of Zarubezhneft JSC Board of Directors for 2017;
Audit Committee Meeting/ by personal attendance	04/05/2018	<ol style="list-style-type: none"> 1. On the results of the external auditor's work further to the audit of the accounting (financial) statements according to RAS of Zarubezhneft JSC in 2017. 2. On the results of the external auditor's work further to the audit of the consolidated financial statements according to IFRS of Zarubezhneft Group of Companies in 2017.
Audit Committee Meeting/ via teleconferencing	04/23/2018	<ol style="list-style-type: none"> 1. On the results of internal and external risk management system assessment.
Audit Committee Meeting/ by personal attendance	05/17/2018	<ol style="list-style-type: none"> 1. Consideration of Zarubezhneft JSC Annual Report for 2017. 2. Consideration of the Report on the Achievement of Target Values of Zarubezhneft JSC Corporate KPIs in 2017. 3. Consideration of the Audit Commission findings further to the audit of the financial and economic activities of Zarubezhneft JSC in 2017.
Audit Committee Meeting/ via teleconferencing	05/24/2018	<ol style="list-style-type: none"> 1. On determining the amount of remuneration for the services of the open tender winner for selection of an auditing organization to perform a mandatory audit of the accounting (financial) statements of Zarubezhneft JSC in 2018-2019. 2. Consideration of the new version of the Code of Corporate Conduct of Zarubezhneft JSC. 3. Evaluation of the quality of Zarubezhneft JSC interaction with external auditors. 4. Consideration of information on the results of processing the most significant messages of security hotline.
Audit Committee Meeting/ via teleconferencing	09/06/2018	<ol style="list-style-type: none"> 1. Consideration of the results of testing the effectiveness of procedures for organizing a risk management and internal control system in the field of anti-corruption management. 2. Consideration of changes to the Audit Plan for Zarubezhneft Group of Companies for 2018.
Audit Committee Meeting/ via teleconferencing	11/15/2018	<ol style="list-style-type: none"> 1. Consideration of the Audit Plan for Zarubezhneft Group of Companies and the budget of the Internal Audit Department of Zarubezhneft JSC for 2019. 2. Consideration of the new version of the Regulation on Internal Audit in Zarubezhneft JSC.

Following the results of the Committee meetings, the Zarubezhneft JSC Board of Directors, were in particular given recommendations:

- on preliminary approval of the Annual Report of Zarubezhneft JSC for 2017;
- on approval of the Report on the Achievement of Target Values of Zarubezhneft JSC KPIs in 2017;
- on determining the remuneration for the services of the winner of a tender for selection of an auditing organization to perform a mandatory audit of the accounting (financial) statements of Zarubezhneft JSC in 2018-2019;
- on payment of remuneration to members of the Board of Directors, Audit Commission and the General Director of Zarubezhneft JSC.

As part of interaction with an external auditor, taking into account Clause 2.1 of the Guidelines for the organization and carrying out of a mandatory audit of financial (accounting) statements (approved by the Order of the Federal Property Management Agency No. 12 dated January 21, 2016), p.2.5 Guidelines for the organization of the work of the Audit Committees of the Board of Directors (approved by the Order of the Federal Property Management Agency No. 86 dated March 20, 2014) in April 2018, the Audit Committee of the Zarubezhneft JSC Board of Directors reviewed the results of the external auditor work following the audit of the accounting (financial) statements of Zarubezhneft JSC under RAS and consolidated financial statements according to IFRS for 2017 (Minutes No. 32 dated April 5, 2018).

The external auditor presented to the audit committee the main areas and fields of the audit in 2017, as per

the Terms of Reference, the existing accounting principles and essential financial statements estimates were indicated, an assessment of the Company's control procedures aimed at reducing the risk of unreliability of the accounting (financial) statements was provided. Audit opinions on the reliability of the accounting (financial) and consolidated financial statements of Zarubezhneft JSC for 2017 were also reviewed.

The external auditor presented the main areas and fields of the audit in 2017 as per the terms of reference, the essential financial statements estimates were identified, an assessment of the Company's control procedures aimed at reducing the risk of unreliability of the accounting (financial) statements were provided.

External auditors also presented to the Audit Committee positive audit reports on the reliability of the financial statements and certified accounting (financial) statements of Zarubezhneft JSC for 2017.

Based on the "Policy of Interaction of the Audit Committee of the Zarubezhneft JSC Board of Directors with External Auditors", approved by the Company as per the requirements of the guidelines of the Federal Property Management Agency on the organization and performance of a mandatory audit of financial (accounting) statements, the cooperation between the internal audit (Internal Audit Department) and Company's external auditors was carried out.

In the process of interaction between internal and external auditors, the main attention was paid to the improvement of the internal control

system, control methods, control procedures aimed at reducing the risk of unreliability in the accounting (financial) statements.

The Internal Audit Department performed and submitted for the consideration by the Audit Committee an assessment of cooperation between the Company and the external auditor based on criteria recommended by the Federal Property Management Agency. The members of the Audit Committee were also questioned for assessment of the quality of the Company's interaction with external auditors, based on which the quality of interaction between the Company and external auditors is rated as "effective".

In 2018, the Audit Committee was fully engaged in resolving key issues related to the Company's financial and business activities; two face-to-face meetings were held, one of which was attended by the Chairman of the Inspection Committee of Zarubezhneft JSC, where, in particular, the following was discussed:

- accounting (financial) statements of Zarubezhneft JSC for 2017;
- Zarubezhneft JSC annual report for 2016;
- Report on the Achievement of Target KPI Values of Zarubezhneft JSC in 2017;
- Inspection Committee findings further to the audit of the financial and economic activities of Zarubezhneft JSC in 2017.
- the Report on the Status of Implementation of Recommendations Issued by the Audit Commission of Zarubezhneft JSC Based on the 2016 Audit Results.

Members of the Personnel and remuneration committee at the Zarubezhneft JSC Board of Directors in 2018

Members of the Committee before the Annual Shareholders' Meeting of Zarubezhneft JSC:

- Rair Rairovich Simonyan (independent director) – Councilor to the Chairman of the Management board of Inter RAO UES PJSC (Chairman of the Committee);
- Alexei Valentinovich Arkhipov – Assistant of Deputy Chairman of the Government of the Russian Federation;
- Pavel Anatolyevich Kadochnikov (independent director) – Pro-Rector for Research at the All-Russia Academy of Foreign Trade of the Ministry of Economic Development of Russia.

Members of the Committee after the Annual Shareholders' Meeting of Zarubezhneft JSC:

- Rair Rairovich Simonyan (independent director) – Councilor to the Chairman of the Management board of Inter RAO UES PJSC (Chairman of the Committee);
- Alexander Alexeyevich Gladkov – Director of Oil and Gas Production and the Transportation Department of the Ministry of Energy of the Russian Federation;
- Maxim Yurievich Sokolov – General Director of LSR Group JSC.

Members of the Committee after the Extraordinary General Shareholders' Meeting of Zarubezhneft JSC:

- Anatoliy Vladimirovich Tikhonov – General Director of FSBI Russian Energy Agency at the Ministry of Energy of the Russian Federation (Chairman of the Committee);
- Alexander Alexeyevich Gladkov – Director of Oil and Gas Production and the Transportation Department of the Ministry of Energy of the Russian Federation;
- Maxim Yurievich Sokolov – General Director of LSR Group JSC.

The current revision of the Regulation on the Personnel and Remuneration Committee approved by decision of the Zarubezhneft JSC Board of Directors on April 30, 2015, (Minutes of Meeting No. 101) was developed by taking into consideration the recommendations of the Corporate Management Code, recommended by Letter No.06-52/2463 from the Bank of Russia (dated April 10, 2014 – Concerning the Corporate Management Code).

As per the Regulations on the Personnel and Remuneration Committee of the Zarubezhneft JSC

Board of Directors, the following matters are in the Committee's competence:

- Development of recommendations for the matters of a personnel policy and the Company's motivation of personnel;
- Supervision over the integration and implementation of the Remuneration policy of Zarubezhneft JSC and various motivation programs;
- Development of recommendations regarding the amount of remuneration of the members of the Board of Directors and the

management of Zarubezhneft JSC;

- Improvement of the Company's key performance indicators system;
- Consideration of reports on the achievement of the target values of the key performance indicators by the Company.

8 meetings of the Personnel and Remuneration Committee took place in 2018, and all of the elected members of the Committee participated in each of them.

Meeting/Holding form	Meeting date	Agenda
Meeting of Human Resources and Compensation Committee/ via teleconferencing	03/29/2018	1. Consideration of the Report on the Activities Performed on the Implementation of Professional Standards. 2. Consideration of the Report of the Human Resources and Compensation Committee of Zarubezhneft JSC Board of Directors for 2017;
Meeting of Human Resources and Compensation Committee/ by personal attendance	05/17/2018	1. Consideration of a new version of the annual remuneration to the Director General of Zarubezhneft JSC. 2. Consideration of the passport of the Challenge Corporate Business Initiative.
Joint meeting of the Strategic Planning Committee and Human Resources and Compensation Committee/ via teleconferencing	05/21/2018	1. Consideration of the Report on the Achievement of Target Values of Zarubezhneft JSC Corporate KPIs in 2017. 2. Consideration of the Report on the Achievement of Target Values of Zarubezhneft JSC KPIs for 3 Months of 2018.
Meeting of Human Resources and Compensation Committee/ via teleconferencing	05/25/2018	1. Consideration of proposals on the amount of remuneration to members of the Zarubezhneft JSC Board of Directors following the results of the corporate year. 2. Consideration of proposals on the amount of remuneration to the members of the Inspection Committee of Zarubezhneft JSC. 3. On payment of annual remuneration to the General Director of the Company based on the results of achieving corporate KPIs.
Joint meeting of the Strategic Planning Committee and Human Resources and Compensation Committee/ via teleconferencing	09/14/2018	1. Consideration of the Report on the Achievement of the Target Values of Corporate KPIs of Zarubezhneft JSC As Per the 2018 Year-end Forecast, taking into account the actual values of the first half of the year. 2. Consideration of the Report on the Implementation of Measures Under the Zarubezhneft JSC Long-term Development Program in Q1 2018.
Meeting of Human Resources and Compensation Committee/ via teleconferencing	09/25/2018	1. Consideration of the Report on the Activities Performed on the Implementation of Professional Standards.
Joint Meeting of the Strategic Planning Committee and the Human Resources and Compensation Committee/ via teleconferencing	11/15/2018	1. Consideration of the Report on the Achievement of Target Values of Corporate KPIs of Zarubezhneft JSC As Per the 2018 Year-end Forecast, taking into account the actual values of 9 months. 2. Consideration of the Report on the Implementation of measures of the Zarubezhneft JSC Long-term Development Program for 9 Months of 2018.
Joint Meeting of the Strategic Planning Committee and the Human Resources and Compensation Committee/ via teleconferencing	12/18/2018	1. On updating of target values of Zarubezhneft JSC corporate KPIs for 2019.

Following the results of the Committee meetings, the Zarubezhneft JSC Board of Directors were given recommendations on the following issues defining the system of remuneration for the management team, the Board of Directors and the Inspection Committee of the Company:

- on approval of the Report on the Achievement of the Target Values of Zarubezhneft JSC Corporate KPIs in 2017;

- on payment of remuneration to the General Director;
- on the amount of remuneration to the members of the Zarubezhneft JSC Board of Directors;
- on the amount of remuneration to the members of the Inspection Committee of Zarubezhneft JSC;
- on approval of KPI target values for 2019;

Also, the Human Resources and Compensation Committee recommended for approval a new version of the Regulation on remuneration of the Company's Director General and the passport of Challenge Corporate Business Initiative.