

8.3. § Appendix No. 4 Corporate Governance Code Principles Compliance Report

The Transneft Board of Directors confirms that the data cited contain complete and accurate information for 2019 about the Company's compliance with the corporate governance principles and recommendations set out in the Corporate Governance Code approved by the Bank of Russia's Board of Directors on 21 March 2014.

Information on compliance with the principles and an explanation of reasons why a given principle is only partially complied with or not complied with completely, as well as the planned measures and the deadlines related to observance of the principles, are given below:

No.	Corporate Governance Principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
1.1.	The Company must ensure an equitable and just attitude to all shareholders who would like to use their right to participation in the Company's governance.			
1.1.1	The Company ensures that the shareholders enjoy the most favourable conditions for participating in the General Meeting, the best conditions for working out a reasonable position on the agenda of the General Meeting, for coordinating their actions and that they have an opportunity to speak out and voice their opinions on the issues under discussion.	1. Available to all stakeholders is the Company's internal document adopted by the General Meeting of Shareholders and regulating the procedure of holding the General Meetings. 2. The Company provides accessible methods of communication with the Company, including hotlines, email or an online forum, which enable shareholders to speak out and send queries on the agenda while preparing for the respective General Meeting. The above actions were undertaken by the Company on the eve of each General Meeting held in the reporting period.	Observed	
1.1.2	Procedure of reporting on the General Meeting and providing materials for the General Meeting gives shareholders a chance to duly prepare for participation therein.	1. A message about the General Meeting of Shareholders shall be published on the official website at least 30 days before the date of the General Meeting. 2. Any notice about a meeting shall indicate the place of the meeting, as well as the documents needed for access to the premises. 3. Shareholders were given access to the information about who suggested the agenda's issues and who nominated the candidates to the Board of Directors and to the Company's Revision Commission.	Partially observed	<p>Not observed as regards p. 1 and 2</p> <p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: In view of the Company's joint-stock capital specifics (100% of the voting shares belong to the Russian Federation), the abovementioned standards are not applicable by law: in the period when all the voting shares of the Company are owned by one shareholder, decisions on all matters lying within the competence of the General Meeting of Shareholders are made by the shareholder, which is the Russian Federation represented by the Federal Agency for State Property Management, solely and in writing.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Not applicable by law.</p> <p>Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks by virtue of the fact that the Company is constantly in touch with the shareholder who owns all the voting shares of the Company, ensuring, among other things, their access to information.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Nonconformity to the provision of the Code is limited in time: until the Company's joint-stock capital structure changes. The Forecast Plan (Programme) of Federal Property Privatisation and the Guidelines of Federal Property Privatisation for 2020-2022 approved by Directive of the Government of the Russian Federation No. 3260-r dated 31 December 2019 do not envisage alienation of state-owned shares of Transneft. If the joint-stock capital structure changes in the future, the Company intends to observe the given elements of the Code.</p>

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1.1.3	In the course of preparation for and conduct of the General Meeting, shareholders had unrestricted and timely access to all information about the meeting and materials thereto, could address questions to the Company's executive bodies and members of the Board of Directors, as well as interact with each other.	<p>1. During the reporting period, shareholders were granted the opportunity to address their questions to the members of the Company's executive bodies and the Board of Directors before and during the annual General Meeting.</p> <p>2. The stance of the Board of Directors (including special opinions included in the minutes) on every issue of the general meetings' agenda was included in the materials for the General Meeting of Shareholders.</p> <p>3. The Company gave the shareholders entitled to this information access to the list of persons having the right to participate in the General Meeting since the date of its receipt by the Company in all cases of holding General Meetings during the reporting period.</p>	Partially observed	<p>Not observed as regards p. 1 and 3</p> <p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: In view of the Company's joint-stock capital specifics (100% of the voting shares belong to the Russian Federation), the abovementioned standards are not applicable by law: in the period when all the voting shares of the Company are owned by one shareholder, decisions on all matters lying within the competence of the General Meeting of Shareholders are made by the shareholder, which is the Russian Federation represented by the Federal Agency for State Property Management, solely and in writing.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Not applicable by law</p> <p>Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks by virtue of the fact that the Company is constantly in touch with the shareholder who owns all the voting shares of the Company, ensuring, among other things, their access to information.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Nonconformity to the provision of the Code is limited in time: until the Company's joint-stock capital structure changes. The Forecast Plan (Programme) of Federal Property Privatisation and the Guidelines of Federal Property Privatisation for 2020-2022 approved by Directive of the Government of the Russian Federation No. 3260-r dated 31 December 2019 do not envisage alienation of state-owned shares of Transneft. If the joint-stock capital structure changes in the future, the Company intends to observe the given elements of the Code.</p>
1.1.4	The right of shareholders to demand the calling of the General Meeting, put forward nominees to the management bodies and suggest items to be included in the agenda of the General Meeting could be exercised without any unjustified complications.	<p>1. In the reporting period, the shareholders had the opportunity to suggest items to be included in the agenda of the Annual General Meeting for the period of at least 60 days after the end of the respective calendar year.</p> <p>2. In the reporting period, the Company did not reject suggested agenda items or nominees to the management bodies because of misprints or other minor defects in a shareholder's proposal.</p>	Not observed	<p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: In view of the Company's joint stock capital specifics (100% of the voting shares belong to the Russian Federation), the abovementioned standards are not applicable by law.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Not applicable by law</p> <p>Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks by virtue of the fact that the General Meeting is not held in view of the Company's joint stock capital specifics.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Nonconformity to the provision of the Code is limited in time: until the Company's joint-stock capital structure changes. The Forecast Plan (Programme) of Federal Property Privatisation and the Guidelines of Federal Property Privatisation for 2020-2022 approved by Directive of the Government of the Russian Federation No. 3260-r dated 31 December 2019 do not envisage alienation of state-owned shares of Transneft. If the joint-stock capital structure changes in the future, the Company intends to observe the given elements of the Code.</p>

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1.1.5	Each shareholder had the opportunity to exercise their voting right in the simplest and most convenient manner without any obstruction.	1. The Company's internal document (internal policy) contains provisions ensuring that before the end of the respective General Meeting each participant of the General Meeting can demand a copy of the ballot completed by them and authenticated by the ballot commission.	Observed	
1.1.6	The procedure of holding the General Meeting established by the Company provides equal opportunity for all persons in attendance to express their opinion and ask questions.	<p>1. When holding general meetings of shareholders during the reporting period in the form of a meeting (joint presence of shareholders), adequate time was planned for reports on agenda issues, as well as for their discussion.</p> <p>2. Candidates for the Company's managing and control bodies were open for answering the questions of shareholders at the meeting where their candidatures were put up for voting.</p> <p>3. When making decisions related to the preparation and conduct of general meetings of shareholders, the Board of Directors contemplated the use of telecommunications to provide the shareholders with remote access for participation in general meetings during the reporting period.</p>	Not observed	<p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: In view of the Company's joint-stock capital specifics (100% of the voting shares belong to the Russian Federation), the abovementioned standards are not applicable by law: in the period when all the voting shares of the Company are owned by one shareholder, decisions on all matters lying within the competence of the General Meeting of Shareholders are made by the shareholder, which is the Russian Federation represented by the Federal Agency for State Property Management, solely and in writing.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Not applicable by law.</p> <p>Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks by virtue of the fact that the General Meeting is not held in view of the Company's joint stock capital specifics.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Nonconformity to the provision of the Code is limited in time: until the Company's joint-stock capital structure changes. The Forecast Plan (Programme) of Federal Property Privatisation and the Guidelines of Federal Property Privatisation for 2020-2022 approved by Directive of the Government of the Russian Federation No. 3260-r dated 31 December 2019 do not envisage alienation of state-owned shares of Transneft. If the joint-stock capital structure changes in the future, the Company intends to observe the given elements of the Code.</p>
1.2	The shareholders are given equal and fair opportunity to participate in the Company's profits by way of receiving dividends.			
1.2.1	The Company developed and implemented a transparent and understandable mechanism of determining the amount of dividends and the procedure of distribution thereof.	<p>1. The dividend policy is developed at the Company, adopted by the Board of Directors and disclosed.</p> <p>2. If the Company's dividend policy makes use of the Company's reporting data to determine the amount of dividends, the respective provisions of the dividend policy take account of the consolidated financial reporting data.</p>	Observed	
1.2.2	The Company does not make the decision on paying dividends, if such a decision, while avoiding any breach of the limitations stipulated by the law, is economically unjustified and can result in a false conception of the Company's activities.	1. The Company's dividend policy contains clear reference to the financial/economic circumstances, under which the Company shall refrain from paying dividends.	Observed	
1.2.3	The Company does not allow deterioration of the dividend rights of the existing shareholders.	1. In the reporting period, the Company avoided any actions that could result in deterioration of the dividend rights of the existing shareholders.	Observed	

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1.2.4	The Company seeks to ensure that the shareholders do not receive profit at the Company's expense by any way other than dividends and liquidation cost.	1. In order to ensure that the shareholders do not receive profit at the Company's expense by any way other than dividends and liquidation cost, the Company's internal documents stipulate control mechanisms which provide for timely discovery and necessitate the procedure of approval of deals with persons affiliated with (related to) major shareholders (those who are entitled to control the votes assigned to the voting shares) in the instances where the law does not recognise such transactions as interested-party transactions.	Observed	
1.3	The corporate governance system and practice provide equal conditions for all shareholders of the same category (kind), including minority shareholders and foreign shareholders, and equal treatment of those on the part of the Company.			
1.3.1	The Company created conditions for fair treatment of each shareholder by of the Company's management bodies and controlling persons, including the conditions which make it inadmissible for major shareholders to abuse minority shareholders.	1. In the reporting period, the management of potential conflicts of interest of major shareholders was effective and the conflicts between shareholders, if any, were duly addressed by the Board of Directors.	Observed	
1.3.2	The Company refrains from any actions which lead or may lead to artificial redistribution of corporate control.	1. No quasi-treasury shares existed or participated in voting during the reporting period.	Observed	
1.4	The shareholders are provided with reliable and effective methods of recording the rights to shares, as well as the opportunity of free and unhindered alienation of the shares held by them.			
1.4.1	The shareholders are provided with reliable and effective methods of recording the rights to shares, as well as the opportunity of free and unhindered alienation of the shares held by them.	1. The quality and reliability of the activities of the Company's registrar in maintaining the shareholder register are aligned with the needs of the Company and its shareholders.	Observed	

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2.1	The Board of Directors carries out strategic management of the Company, determines the main principles of and approaches to organising the Company's risk management and internal control system, inspects the Company's executive bodies and performs other key functions.			
2.1.1	The Board of Directors is in charge of making decisions related to the appointment to and dismissal of personnel from their positions in executive bodies, including on account of undue performance of their duties. The Board of Directors also makes sure the Company's executive bodies act in accordance with the approved development strategy and the key areas of the Company's business activities.	<p>1. The Articles of Association empower the Board of Directors to appoint to and dismiss a person from any position, as well as to determine the terms of contracts signed by members of executive bodies.</p> <p>2. The Board of Directors reviewed a report (reports) of the sole executive body and members of the collegial executive body on execution of the Company's strategy.</p>	Partially observed	<p>Not observed as regards p. 1 (appointment of the Company's President)</p> <p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: In keeping with the Articles of Association approved by the only shareholder who owns all the voting shares, it is the General Meeting of Shareholders that makes appointment to the President's position. Yet forming the Management Board is the Board of Directors' responsibility.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Not observed by virtue of the decision made by the sole shareholder which owned all the voting shares at the time when the Articles of Association of the Company were being approved.</p> <p>Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks by virtue of the fact that Transneft is a Company of strategic importance and any decision by the Board of Directors regarding the President's election would have been based on executive orders of the Government of the Russian Federation as well.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Nonconformity to the Code's provision is limited in time: until the shareholder (shareholders) approves respective changes to the Company's Articles of Association.</p>
2.1.2	The Board of Directors sets the main guidelines for the Company's long-term activities, evaluates and adopts the key performance indicators and the principal business goals of the Company, evaluates and approves the strategy and business plans for the main activities of the Company.	1. In the reporting period, the meetings of the Board of Directors were concerned with the issues related to the fulfillment and updating of the strategy, adoption of the financial and operational plan (budget) of the Company and review of the criteria and indicators (including intermediate ones) of implementation of the Company's strategy and business plans.	Observed	

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2.1.3	The Board of Directors determines the principles of and approaches to organising the Company's risk management and internal control system.	1. The Board of Directors determined the principles of and approaches to organising the Company's risk management and internal control system. 2. The Board of Directors assessed the internal control and risk management systems in the Company during the reporting period.	Partially observed	<p>Not observed as regards p. 2 (relative to the internal control system)</p> <p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The goals, objectives, procedures and methods of internal control are stipulated in the Regulations on Internal Control Procedures (approved by the Company's Board of Directors, Minutes No. 12 dated 10 September 2009, with changes approved by the Board of Directors, Minutes No. 10 dated 5 September 2017). Pursuant to the given Regulations, the Audit Committee must assess the Company's internal control system. Internal control is effected by various authorised business units of Transneft. No separate business unit for internal control in the Company was created, and therefore, this assessment was not performed in the reporting period.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: At present, the Company considers it inexpedient to set up a special unit in charge of internal control. However, internal control procedures are carried out at the Company.</p> <p>Description of the Company's measures taken to mitigate additional risks: Transneft's authorised business units exercise internal control in accordance with their competences. In 2017, changes were made to the Transneft Regulations on Internal Control Procedures (approved by the Transneft Board of Directors, Minutes No 10, dated 5 September 2017), in the part regarding preventing and countering corruption. Further improvement of the internal control system is planned by the Company.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: At present, the applied approach to organisation of the internal control system meets the needs of the Company; its change is possible after the Bank of Russia issues recommendations regarding organisation of risk management and internal control, internal audit and work of the Committee under the Board of Directors (the Supervisory Board) on audit in public joint-stock companies.</p>
2.1.4	The Board of Directors determines the Company's policy with regard to remuneration and (or) reimbursement of the members of the Board of Directors, executive bodies and other key managers of the Company	1. The Company developed and implemented the policy(ies) of remuneration and reimbursement for the members of the Board of Directors, executive bodies and other key managers of the Company, as approved by the Board of Directors. 2. In the reporting period, the meetings of the Board of Directors dealt with issues related to the said policy(ies).	Observed	
2.1.5	The Board of Directors plays the key role in preventing, unveiling and settling internal conflicts between the Company's bodies, shareholders and employees.	1. The Board of Directors plays the key role in preventing, unveiling and settling internal conflicts. 2. The Company created a system of identifying transactions related to conflict of interests and a system of measures to resolve such conflicts.	Observed	

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2.1.6	The Board of Directors plays the key role in making the Company's activities transparent, ensuring timely and complete information disclosure by the Company, unhindered access of the shareholders to the Company's documents.	1. The Board of Directors adopted the Regulations on Information Policy. 2. The Company appointed the officials responsible for the implementation of its information policy.	Observed	
2.1.7	The Board of Directors controls the practice of corporate governance in the Company and plays the key role in major corporate events.	1. In the reporting period, the Board of Directors considered issues of corporate governance practice.	Observed	
2.2	The Board of Directors is accountable to the Company's shareholders.			
2.2.1	Information on the work of the Board of Directors is disclosed and provided to the shareholders.	1. The Company's Annual Report includes information on directors' attendance of the meetings of the Board of Directors and its Committees. 2. The Annual Report contains information on the results of assessment of the Board's performance in the reporting period.	Partially observed	<p>Not observed as regards p. 2</p> <p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The key results of the 2019 internal assessment of the Board's performance is presented in the Company's Annual Report for 2018.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: The Regulations on Evaluation of Transneft's Board of Directors' Performance provides for assessment of the Board's performance for the corporate year instead of the calendar year. The Company began to evaluate the performance of the Board of Directors in 2018: the internal assessment procedure was completed in April 2018, and information on its results was disclosed in the Company's Annual Report for 2017; the next internal assessment procedure was completed in May 2019, and information on its results was disclosed in the Company's Annual Report for 2018. By decision of the Board of Directors, external assessment of the Board of Directors' performance was planned for 2020 (Minutes No. 2 dated 17 February 2020), and its results were to be included in the Company's Annual Report for 2019. However, under the conditions of the coronavirus infection outbreak, the external assessment was postponed to 2H 2020. Therefore, information on the results of the external assessment will be disclosed in the Company's Annual Report for 2020.</p> <p>Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks by virtue of the fact that information on the results of evaluations of the Board of Directors' performance is consistently (subject to the frequency of their conduct) disclosed in the Company's Annual Reports.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: This nonconformity will be eliminated: Starting from 2020, information on the key results of assessing the performance of the Board of Directors is to be disclosed in the Company's Annual Report for the year in which the assessment procedure for the Board of Directors' performance was carried out (completed).</p>
2.2.2	The Chairman of the Board of Directors is available for communication with the Company's shareholders.	1. A transparent procedure was introduced, enabling shareholders to forward their questions and their stance to Chairman of the Board of Directors.	Observed	

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2.3	The Board of Directors is an efficient and professional managing body of the Company, capable of making unbiased independent judgments, as well as decisions in the best interests of the Company and its shareholders.			
2.3.1	Only people having untarnished business and personal reputation, as well as the knowledge, skills and experience necessary for making decisions within the competence of the Board, as well as for the Board's functioning, are elected as members of the Board of Directors.	<ol style="list-style-type: none"> The procedure of assessing the performance of the Board of Directors used in the Company also allows to assess the qualification possessed by members of the Board of Directors. During the reporting period, the Board of Directors (or its Committee for Nominations) estimated candidates to the Board of Directors in terms of the necessary experience, knowledge, business reputation, the lack of conflict of interests, etc. 	Observed	
2.3.2	Members of the Company's Board of Directors are elected via a transparent procedure allowing the shareholders to receive adequate information about the candidates for the shareholders to have an idea about their personal and professional qualities.	<ol style="list-style-type: none"> In all the cases of holding the General Meetings of Shareholders during the reporting period, whose agenda included the Board election issues, the Company provided the shareholders with bios of all the candidates; the results of those candidates' assessment conducted by the Board of Directors (or its Committee for Nominations), as well as information about the candidates' compliance with independence criteria, in keeping with Recommendations 102-107 of the Code, and a written consent of the candidates to being elected as directors on the Board of Directors. 	Observed	
2.3.3	The Board of Directors is balanced, including in terms of the level of skills possessed by its members, their experience, knowledge and business qualities, enjoying shareholders' trust.	<ol style="list-style-type: none"> As part of the procedure to assess the performance of the Board of Directors, conducted during the reporting period, the Board of Directors analysed its own need for professional and business skills, as well as experience. 	Observed	
2.3.4	Numerical composition of the Company's Board of Directors makes it possible to organise the Board's activities most efficiently, including the formation of the Board's Committees, also granting substantial minority shareholders a chance to elect the candidate they vote for to the Company's Board of Directors.	<ol style="list-style-type: none"> As part of the Board of Directors' evaluation procedure conducted during the reporting period, the Board of Directors considered conformity of the Board's numerical composition to the Company's needs and best interests of shareholders. 	Observed	

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2.4	The Board of Directors includes a sufficient number of independent directors.			
2.4.1	An independent director is a person possessing sufficient professional knowledge, experience and self-reliance to form their own stance, capable of exercising non-biased and honest judgements independent of the influence of the Company's executive bodies, groups of shareholders or other interested parties. That said, account should be taken of the fact that under normal conditions, a nominee (elected member of the Board of Directors) cannot be considered independent if he/she is related to the Company, a major shareholder, a major counterpart or competitor of the Company or is connected to the state.	1. In the reporting period, all independent members of the Board of Directors complied with all criteria of independence stated in Recommendations 102-107 of the Code or were recognised to be independent by the decision of the Board of Directors.	Observed	
2.4.2	The compliance of candidates for the Board of Directors with the independence criteria is assessed, followed up with a regular analysis of the independent Board members' compliance with the independence criteria. Content or substance shall prevail over form in such assessment.	<p>1. In the reporting period, the Board of Directors (or its Committee for Nominations) formed an opinion on independence of each candidate for the Board of Directors and presented its respective opinion to shareholders.</p> <p>2. During the reporting period, the Board of Directors (or its Committee for Nominations) reviewed independence of the incumbent Board members indicated by the Company in its Annual Report as independent directors at least once.</p> <p>3. The Company has developed procedures detailing the necessary actions to be taken by a member of the Board of Directors if the latter ceases being independent, including the commitment to make the Board of Directors aware of this change in their status.</p>	Partially observed	<p>Not observed as regards p. 1</p> <p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The list of candidates to be elected as representatives of the Russian Federation or independent directors in the Company's Board of Directors is approved by a decision (directive) of the Government of the Russian Federation. As per Paragraph 3 of Resolution of the Government of the Russian Federation No. 851 On Entering Changes to Certain Acts of the Government of the Russian Federation dated 19 July 2017, the Government of the Russian Federation approves the criteria for candidate election to the boards of directors of joint-stock companies whose shares are owned by the Russian Federation.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: In view of the Company's joint-stock capital specifics (100% of the voting shares belong to the Russian Federation).</p> <p>Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks by virtue of the fact that the Company makes sure the independence of the Board members elected by the sole shareholder, the owner of all voting shares, is reviewed by the Board of Directors.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Nonconformity to the provision of the Code is limited in time: until the Company's joint-stock capital structure changes. The Forecast Plan (Programme) of Federal Property Privatisation and the Guidelines of Federal Property Privatisation for 2020-2022 approved by Directive of the Government of the Russian Federation No. 3260-r dated 31. December 2019 do not envisage alienation of state-owned shares of Transneft. If the joint-stock capital structure changes in the future, the Company intends to observe the given elements of the Code.</p>

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2.4.3	Independent Directors account for at least one third of the elected Board of Directors.	1. Independent Directors account for at least one third of the Board of Directors.	Observed	
2.4.4	Independent directors play the key role in preventing internal conflicts in the Company and in performing material corporate actions by the Company.	1. Independent directors (having no conflict of interests) preliminarily assess material corporate actions, with a possible conflict of interests involved, whereas the results of such assessment are submitted to the Board of Directors.	Observed	
2.5	The Chairman of the Board of Directors contributes to most efficient performance of the functions laid upon the Board of Directors.			
2.5.1	An independent director is elected as the Chairman of the Board of Directors, or a senior independent director coordinating the work of independent directors and interacting with the Board's Chairman is appointed from among the elect independent directors.	1. The Chairman of the Board of Directors is an independent director, or a senior independent director is appointed from among the independent directors. 2. The role, rights and obligations of the Chairman of the Board of Directors (and, if applicable, of the senior independent director) are duly defined in the Company's internal documents.	Partially observed	<p>Not observed as regards p. 1</p> <p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: In view of the Company's joint-stock capital specifics (100% of the voting shares are owned by the Russian Federation), as well as the fact that the Company is on the list of companies of strategic importance, the Board of Directors is chaired by a professional fiduciary – a representative of interests of the Russian Federation. Furthermore, the Company believes that the current structure (the ratio of professional fiduciaries to independent directors) and system of the Board of Directors' operations is effective without establishing the position of a senior independent director.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Given the structure of the joint-stock capital, election of the Chairman of the Company's Board of Directors is stipulated by executive orders of the Government of the Russian Federation. According to the decision of the Company's Board of Directors dated 24 July 2018, based on the executive order of the Government of the Russian Federation, the professional fiduciary representing the interests of the Russian Federation, Alexander Novak, was voted to be the Chairman of the Board of Directors. The Board of Directors made no decisions to appoint a senior independent director.</p> <p>Description of the Company's measures taken to mitigate additional risks: The Regulations on the Company's Board of Directors, approved by Directive of the Federal Agency for State Property Management No. 392-r dated 30 June 2017, provide for the opportunity for the Board of Directors to appoint a senior independent director.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: The requirement of Paragraph 1 of the Report concerning election of an independent director to be the Chairman of the Board of Directors cannot be met because the election of the Chairman of the Board of Directors of the Company is stipulated by executive orders of the Government of the Russian Federation. Nonconformity to the provision of the Code is limited in time: until the Company's joint-stock capital structure changes. The Forecast Plan (Programme) of Federal Property Privatisation and the Guidelines of Federal Property Privatisation for 2020-2022 approved by Directive of the Government of the Russian Federation No. 3260-r dated 31 December 2019 do not envisage alienation of state-owned shares of Transneft. If the joint-stock capital structure changes in the future, the Company intends to observe the given elements of the Code.</p>
2.5.2	The Chairman of the Board of Directors makes provision for constructive meetings, free discussion of the issues included in the agenda and oversight of implementation of the decisions made by the Board of Directors.	1. The performance of the Chairman of the Board of Directors was assessed within the procedure of performance appraisal of the Board of Directors in the reporting period.	Observed	

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1	2	3	4	5
2.5.3	The Chairman of the Board of Directors takes measures required for timely provision of the members of the Board of Directors with the information necessary for making decisions on the agenda items.	1. The duty of the Chairman of the Board of Directors to take measures for timely provision of the members of the Board of Directors with the materials on the agenda of the meeting of the Board of Directors is stipulated by the Company's internal documents.	Observed	
2.6	Members of the Board of Directors conscientiously and reasonably promote the best interests of the Company and its shareholders being sufficiently informed, with due care and prudence.			
2.6.1	Members of the Board of Directors make decisions taking into account all the information available, when no conflict of interests is present, with an equal attitude towards the Company's shareholders within the usual entrepreneurial risk.	1. The Company's internal documents prescribe that a member of the Board of Directors is bound to notify the Board of Directors in case a conflict of interests arises relative to any issue of the agenda at a meeting of the Board of Directors or a meeting of a Board's Committee, prior to discussing the respective issue of the agenda. 2. The Company's internal documents prescribe that a member of the Board of Directors shall abstain from voting on any matter where a conflict of interests is present. 3. The Company has established a procedure for the Board of Directors to receive professional advice on matters within its competence at the Company's expense.	Observed	
2.6.2	The rights and duties of the members of the Board of Directors are clearly formulated and stipulated in the Company's internal documents.	1. The Company adopted and published an internal document clearly defining the rights and duties of the members of the Board of Directors.	Observed	
2.6.3	Members of the Board of Directors have enough time to perform their duties.	1. Individual attendance of meetings of the Board of Directors and committees, as well as the time spent on preparation for meetings were taken into account within the procedure of evaluation of the Board of Directors during the reporting period. 2. In keeping with the Company's internal documents, members of the Board of Directors are obliged to notify the Board of their intention to enter managing bodies of other organisations (other than the Company's subsidiaries and controlled entities), as well as of the fact of their appointment.	Observed	
2.6.4	All the members of the Board of Directors have equal access to the Company's documents and information. Newly elected members of the Board of Directors are provided with ample information about the Company and the Board of Directors' work at the shortest possible notice.	1. In keeping with the Company's internal documents, members of the Board of Directors have the right to get access to documents and file queries regarding the Company and subordinate entities, whereas the Company's executive bodies are obliged to provide respective information and documents. 2. A formal programme of introductory events for newly elected members of the Board of Directors is in place at the Company.	Observed	

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2.7	Meetings of the Board of Directors, preparations for them and participation therein of the members of the Board of Directors assure efficient operations of the Board of Directors.			
2.7.1	Meetings of the Board of Directors are held as and when required, taking account of the scale of activities and the challenges facing the Company in a certain period.	1. The Board of Directors held at least six meetings in the reporting year.	Observed	
2.7.2	The Company's internal documents formalise the procedure of preparing and holding meetings of the Board of Directors, which ensures that the members of the Board of Directors have an opportunity to get ready for the meeting in a proper way.	1. The Company adopted an internal document stipulating the procedure for preparing and holding meetings of the Board of Directors, including the provision stating that notifications of the meeting shall be provided, as a rule, at least 5 days before the date of the meeting.	Observed	
2.7.3	The form of holding meetings of the Board of Directors is chosen with regard for importance of the items on the agenda. The most important issues are resolved at in-person meetings.	1. The Company's Articles of Association or internal documents specify that most important items (pursuant to the list given in Recommendation 168 of the Code) shall be addressed at in-person meetings of the Board of Directors.	Partially observed	<p>Not observed as regards formal inclusion in the internal documents (Articles of Association) of the provision to the effect that the most important matters are to be considered at in-person meetings of the Board of Directors.</p> <p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The Company's Articles of Association determine the range of issues addressed and resolved by the Board of Directors at its meetings held mainly in person.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Not observed by virtue of the decision made by the sole shareholder which owned all the voting shares at the time when the Articles of Association and the Regulations on the Board of Directors of the Company were being approved.</p> <p>Description of the Company's measures taken to mitigate additional risks: The Regulations on the Board of Directors stipulate that the Chairman of the Board of Directors determines the form of the meeting to be held, with in-person meetings being preferable for addressing major issues. In 2019, the following issues were considered at in-person meetings of the Board of Directors: 1) on election of the Chairman of the Board of Directors of Transneft; 2) on achieving the key performance indicators of economic activities for 2018; 3) on preliminary approval of the Company's Annual Report and annual accounting (financial) statements; 4) on paying remuneration to the Company's executive bodies and other key managers based on the results of 2018; 5) on the NCSP Development Strategy; 6) on consolidated budget of the Group and the Company's budget.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: The Company's full observance of this recommendation largely depends on the work schedule of the Chairman of the Board of Directors, who is the Minister of Energy of the Russian Federation. Additionally, the approach currently being applied meets the Company's needs.</p>
2.7.4	Decisions on the critical issues of the Company's activities are passed at the meetings of the Board of Directors by a qualified majority or a majority vote of all elected members of the Board of Directors.	1. The Articles of Association stipulate that decisions on critical issues, as stated in Recommendation 170 of the Code, shall be adopted at the meeting of the Board of Directors by a qualified three-quarter majority vote or more, or by a majority vote of all elected members of the Board of Directors.	Observed	

No.	Corporate Governance Principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
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2.8	The Board of Directors establishes Committees to carry out preliminary consideration of the most important issues related to the Company's activities.			
2.8.1	For preliminary review of issues related to monitoring the Company's financial and operational activities, the Audit Committee, composed of independent directors, was established.	<ol style="list-style-type: none"> 1. The Board of Directors set up the Audit Committee entirely composed of independent directors. 2. The Company's internal documents stipulate the responsibilities of the Audit Committee, including those mentioned in Recommendation 172 of the Code. 3. At least one member of the Audit Committee, who is an independent director, has experience and expertise in the field of preparation, analysis, assessment and auditing of accounting (financial) statements. 4. The meetings of the Audit Committee were held at least once a quarter in the reporting period. 	Observed	
2.8.2	For preliminary review of issues related to the establishment of efficient and transparent practice of remuneration, the Remuneration Committee composed of independent directors and headed by an independent director other than the Chairman of the Board of Directors was set up.	<ol style="list-style-type: none"> 1. The Board of Directors set up the Remuneration Committee entirely composed of independent directors. 2. The Remuneration Committee is chaired by an independent director other than the Chairman of the Board of Directors. 3. The Company's internal documents stipulate the responsibilities of the Remuneration Committee, including those mentioned in recommendation 180 of the Code. 	Observed	
2.8.3	For preliminary review of issues related to human resource planning (business continuity planning), professional composition and efficiency of the work of the Board of Directors, a committee for nominations (staffing, appointment) was set up, which is mainly composed of independent directors.	<ol style="list-style-type: none"> 1. The Board of Directors set up the Committee for Nominations (otherwise its responsibilities stated in recommendation 186 of the Code are fulfilled by another committee) mainly composed of independent directors. 2. The Company's internal documents stipulate the responsibilities of the Committee for Nominations (or the committee with respective functions), including those mentioned in recommendation 186 of the Code. 	Observed	
2.8.4	Taking into account the scope of activities and the risk level, the Company's Board of Directors made sure that the composition of its Committees is in full accord with the goals of the Company. Additional committees were either established or not deemed necessary (the Strategy Committee, the Corporate Governance Committee, the Ethics Committee, the Risk Management Committee, the Budget Committee, the Health, Safety and Environment Committee, etc.)	<ol style="list-style-type: none"> 1. During the reporting period, the Company's Board of Directors considered whether the composition of its Committees was in line with the tasks of the Board of Directors and the Company's goals. Additional committees were either established or not deemed necessary. 	Observed	

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No.	Corporate Governance Principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
2.8.5	The composition of the Committees was determined in a way allowing for comprehensive discussion of the issues requiring preliminary consideration, so that various opinions would be taken into account.	<p>1. The Committees under the Board of Directors are chaired by independent directors.</p> <p>2. The internal documents (policies) of the Company contain provisions determining that individuals who are not members of the Audit Committee, the Committee for Nominations and the Remuneration Committee may attend Committee meetings strictly at the invitation of the chairman of the respective Committee.</p>	Partially observed	<p>Partially observed as regards p. 1</p> <p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: Two of the three Committees under the Board of Directors are entirely composed of independent directors and are headed by independent directors (the Audit Committee and the Human Resources and Remuneration Committee). The Strategy, Investments and Innovations Committee of the Company consists of 7 members, and in accordance with the decision of the Company's Board of Directors dated 24 July 2019 is headed by Kirill Dmitriev, a professional fiduciary.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: According to the decision of the Board of Directors, the Strategy, Investments and Innovations Committee is chaired by the professional fiduciary K. Dmitriev, who, in the view of the members of the Board of Directors, has the necessary experience and expertise to carry out the respective duties and responsibilities.</p> <p>Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not pose any extra risks since the Company's Board of Directors includes a sufficient number of independent directors. Independent directors actively discuss and take part in the decision making on agenda items at meetings of the Board of Directors, including major decisions that can affect the interests of shareholders, including interests of the Company's preferred shareholders.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: The Company intends to comply with this provision of the Code in the future, if the number of independent directors is expanded.</p>
2.8.6	Chairpersons of the Committees regularly inform the Board of Directors and its Chairperson about the work of their Committees.	1. In the reporting period, the Chairpersons of the Committees regularly reported on the work of their Committees to the Board of Directors.	Observed	
2.9	The Board of Directors ensures assessment of performance of the Board of Directors, its Committees and members of the Board of Directors.			
2.9.1	Evaluation of performance of the Board of Directors is aimed at identifying the level of efficiency of the Board of Directors, its Committees and the members of the Board of Directors, as well as how their performance complies with the development needs of the Company; it is also aimed at intensifying the activities of the Board of Directors and detecting the areas of activities allowing for improvement.	<p>1. Self-evaluation or external evaluation of the performance of the Board of Directors carried out during the reporting period included evaluating the performance of the Committees, individual members of the Board, and the Board of Directors as a whole.</p> <p>2. The results of self-evaluation or external evaluation of the performance of the Board of Directors carried during the reporting period were considered at an in-person meeting of the Board of Directors.</p>	Observed	

No.	Corporate Governance Principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
2.9.2	Performance of the Board of Directors, its Committees, and members of the Board of Directors is evaluated on a regular basis, at least once a year. An independent evaluation of the performance of the Board of Directors is conducted at least once in three years by an external organisation (analyst).	1. An independent evaluation of the performance of the Board of Directors was conducted at least once during the last three reporting periods, with an external organisation (analyst) engaged by the Company for this purpose.	Not observed	<p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The document regulating the procedure of the Board of Directors evaluating its performance, specifically the Regulations on Assessment of the Transneft Board of Directors' Performance, was approved by the Board of Directors on 19 October 2017. Assessment of the efficiency of the Board of Directors in the Company is made for the period from the date of the Annual General Meeting of Shareholders when they were voted into the Board till the date of the following Annual General Meeting (a corporate year) starting from 2018.</p> <p>By decision of the Board of Directors, external assessment of the Board of Directors' performance is planned for 2020 (Minutes No. 2 dated 17 February 2020).</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: By decision of the Board of Directors, external assessment of the Board of Directors' performance was planned for 2020 (Minutes No. 2 dated 17 February 2020). Under the conditions of the coronavirus infection outbreak, the external assessment was postponed to 2H 2020.</p> <p>Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not pose any extra risks since the Board of Directors has been conducting internal assessment of its performance since 2018. The results of such assessment are disclosed in the Company's Annual Reports. In addition, external assessment of the Board of Directors' Performance is planned in 2020 by decision of the Board of Directors.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: External assessment was postponed to 2H 2020.</p>

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No.	Corporate Governance Principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
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3.1	The Company's Corporate Secretary is in charge of efficient current interaction with shareholders, coordination of the Company's activities protecting shareholders' rights and interests, as well as support of efficient performance of the Board of Directors.			
3.1.1	The Corporate Secretary has the knowledge, expertise and qualification sufficient for performing their duties and enjoys an impeccable reputation, as well as shareholders' trust.	<p>1. An internal document, the Regulations on the Corporate Secretary, was adopted and implemented by the Company.</p> <p>2. Biographical information on the Corporate Secretary is available on the Company's website and in the Annual Report; it has the same level of detail as the equivalent information on the members of the Board of Directors and the Company's executive management.</p>	Not observed	<p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The functions of the Corporate Secretary are carried out by a dedicated business unit (the Corporate Governance Department). The candidate to be appointed as the head of the business unit acting as the Company's Corporate Secretary was approved by the Board of Directors in January 2017.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Such information cannot be provided for the reason that the Corporate Secretary's functions are carried out by a dedicated business unit (the Corporate Governance Department). The information contained in the Regulations on the Corporate Governance Department is confidential.</p> <p>Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks by virtue of the fact that the Corporate Secretary's functions are carried out not by a person but by a dedicated business unit (in the field of Corporate Governance), whose employees have knowledge, expertise, and qualification sufficient for performing their duties.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Nonconformity to the Code's provision is limited in time: until a Corporate Secretary is elected as an individual official of the Company and the Regulations on a Corporate Secretary are approved.</p>
3.1.2	The Corporate Secretary is reasonably independent of the Company's executive bodies and has the necessary authority and resources to perform the tasks at hand.	1. The Board of Directors approves appointment, removal from office and additional remuneration for the Corporate Secretary.	Observed	
4.1	The level of remuneration paid by the Company is sufficient to employ, motivate and retain persons having the competence and qualification required by the Company. Payment of remuneration to the members of the Board of Directors, executive bodies and other key managers of the Company is made in accordance with the remuneration policy adopted by the Company.			
4.1.1	The level of remuneration paid by the Company to the members of the Board of Directors, executive bodies and other key managers provides sufficient motivation for their effective performance, enabling the Company to employ and retain competent and qualified experts. Meanwhile, the Company avoids paying remuneration in excess of the necessary level and allowing an unjustifiably big gap between the levels of remuneration of the said persons and the Company's employees.	1. The Company adopted an internal document(s), i.e. remuneration policy(ies), for the members of the Board of Directors, executive bodies and other key managers, which clearly define the approach to rewarding those persons.	Observed	

No.	Corporate Governance Principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
4.1.2	The Company's remuneration policy is developed by the Remuneration Committee and adopted by the Company's Board of Directors. The Board of Directors, supported by the Remuneration Committee, ensures control of introduction and implementation of the remuneration policy in the Company, and, as necessity arises, revises and amends it.	1. In the reporting period, the Remuneration Committee considered the remuneration policy(ies) and the practice of their implementation and, where necessary, submitted respective recommendations to the Board of Directors.	Observed	
4.1.3	The Company's remuneration policy lays down transparent mechanisms of determining the amount of remuneration for the members of the Board of Directors, executive bodies and other key managers of the Company, as well as regulates all kinds of payments and privileges provided to the said persons.	1. The Company's remuneration policy(ies) lays down transparent mechanisms of determining the amount of remuneration of the members of the Board of Directors, executive bodies and other key officials of the Company, as well as regulates all kinds of payments and privileges provided to the said persons.	Observed	
4.1.4	The Company determines the policy of reimbursing expenses (compensation) specifying the list of expenses which can be reimbursed and the service level that members of the Board of Directors, executive bodies and other key managers can claim. Such policy can be included into the Company's remuneration policy.	1. The remuneration policy(ies) or other internal documents of the Company stipulate the rules of reimbursing expenses of the members of the Board of Directors, executive bodies and other key managers of the Company.	Observed	

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No.	Corporate Governance Principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
4.2	The system of remuneration for members of the Board of Directors ensures bringing the Directors' financial interests closer to shareholders' long-term financial interests.			
4.2.1	<p>The Company pays a fixed annual remuneration to members of the Board of Directors.</p> <p>The Company does not pay remuneration for participation in individual Board meetings or meetings of Committees under the Board of Directors.</p> <p>The Company offers no short-term incentives or additional material incentives for members of the Board of Directors.</p>	<p>1. The fixed annual remuneration was the only monetary reward paid to the members of the Board of Directors for their activities as Board members during the reporting period.</p>	Partially observed	<p>Not observed as regards the variable part (the non-fixed part depending on the actual deliverables and achievements according to the KPI system) and to the remuneration based on the performance for a period under three years.</p> <p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The annual remuneration paid to members of the Board of Directors consists of two parts: the base (fixed) amount and the variable (non-fixed part depending on the actual deliverables and achievements according to the KPI system) amount. The amount of the remuneration is differentiated in accordance with the scope of liabilities assigned to each member of the Company's Board of Directors.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: In view of the Company's joint-stock capital specifics (100% of the voting shares belong to the Russian Federation), the Regulations on Remuneration to Members of the Board of Directors are approved by the shareholder who determines the policy as regards the system of remuneration for the members of the Board of Directors at their discretion.</p> <p>Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks since the Regulations on Remuneration to Members of the Board of Directors implemented at the Company are in line with its strategic objectives. Since most of the members of the Board of Directors represent interests of the Russian Federation and vote in accordance with executive orders of the Government of the Russian Federation, their financial motivation is not definitive in making decisions that may affect the long-term prospects of the Company's development.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: Nonconformity to the Code's provision is limited in time: until the shareholder, which is the Russian Federation represented by the Federal Agency for State Property Management, alters their opinion on this issue.</p>
4.2.2	<p>Long-term ownership of the Company's shares contributes the most towards bringing the Board member's financial interests closer to shareholders' long-term financial interests. At the same time, the Company does not condition the right to disposition of shares upon achievement of certain performance indicators, and members of the Board of Directors are not granted stock options.</p>	<p>1. If an internal document(s) such as a corporate remuneration policy(ies) implies provision of the Company's shares to members of its Board of Directors, clear rules governing ownership of shares by Board members promoting long-term ownership of such shares must be introduced and communicated.</p>	Not observed	<p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: Pursuant to the Regulations on Remuneration to Members of the Board of Directors approved by the decision made by the sole shareholder that owns all the voting shares as of 30 June 2015, remuneration for the members of the Board of Directors does not include granting the Company's shares to them.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: In view of the Company's joint-stock capital specifics (100% of the voting shares belong to the Russian Federation).</p> <p>Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks since the Regulations on Remuneration to Members of the Board of Directors implemented at the Company are in line with its strategic objectives.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: The Company plans to comply with this provision of the Code after the sole shareholder that owns all the voting shares approves the Equity Buyback Programme, as some of the equity can be provided to members of the Board of Directors.</p>

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4.2.3	The Company does not provide for any extra payment or compensation in case of early termination of the powers of the members of the Board of Directors due to change of control over the Company or otherwise.	1. The Company does not provide for any extra payment or compensation in case of early termination of the powers of the members of the Board of Directors due to change of control over the Company or otherwise.	Observed	
4.3	The system of remuneration of the Company's executive bodies' members and other key managers implies that the remuneration depends on the Company's performance and on their personal contribution thereto.			
4.3.1	Remuneration of the executive bodies and other key managers of the Company is determined so as to provide a reasonable and well-grounded ratio of the fixed part of the remuneration and the variable part contingent on the Company's performance and the manager's personal (individual) contribution to the result.	<p>1. In the reporting period, the annual performance indicators approved by the Board of Directors were used in determining the amount of the variable part of remuneration of the members of the executive bodies and other key managers of the Company.</p> <p>2. In the course of the latest assessment of the remuneration system of members of executive bodies and other key managers of the Company, the Board of Directors (the Remuneration Committee) ascertained the fact that the Company used an effective ratio of the fixed and the variable part of remuneration.</p> <p>3. The Company has a procedure in place which ensures that any bonuses received by members of executive bodies and other key managers in a wrongful way shall be returned to the Company.</p>	Observed	

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No.	Corporate Governance Principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
4.3.2	The Company has introduced a long-term share incentive plan for members of its executive bodies and other key managers (stock options or other financial derivatives, with the Company's shares being the underlying).	<p>1. The Company has introduced a long-term share incentive plan for members of its executive bodies and other key managers (financial derivatives based on the Company's shares).</p> <p>2. The Company's long-term share incentive plan for members of its executive bodies and other key managers implies that the right to dispose of the shares and other financial derivatives used in such a programme comes into effect no earlier than in three years after their provision. The said right depends on the achievement of certain performance indicators by the Company.</p>	Not observed	<p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice:</p> <p>The incentive scheme for members of executive bodies and other key managers of the Company does not imply using the Company's shares.</p> <p>In view of the Company's joint-stock capital specifics (100% of the voting shares are owned by the Russian Federation), implementation of a long-term motivation programme for members of the Company's executive bodies and other key managers is only possible with the use of the Company's preferred shares. According to the Privatisation Master Plan, the Company's preferred shares were gratuitously distributed among the Company's employees and equal-status persons in 1996. The Company's preferred shares have been listed in the stock exchange since 2008.</p> <p>In October 2018, the Company's Board of Directors considered the possibility of introducing the Long-Term Share Incentive Plan for Members of Executive Bodies and Other Key Managers of the Company (Derivative Financial Instruments Based on the Company's Shares).</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company:</p> <p>Execution of this recommendation by the Company depends on the Government of the Russian Federation approving the conditions for the introduction in the Company of the Long-Term Share Incentive Plan for Members of Executive Bodies and Other Key Managers of the Company (Derivative Financial Instruments Based on the Company's Shares).</p> <p>Description of the Company's measures taken to mitigate additional risks:</p> <p>The Company believes that the established practice does not bear any extra risks since the Incentive Plan is in place for the Company's executive officers and key managers based on the actual performance of the Company against its strategic goals.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future:</p> <p>The Company plans to comply with this provision of the Code after the Government of the Russian Federation approves the Equity Buyback Programme, as some of the equity can be provided to executive bodies (the Company's Long-Term Share Incentive Plan for Members of Executive Bodies and Other Key Managers of the Company (Derivative Financial Instruments Based on the Company's Shares)).</p>
4.3.3	The amount of compensation (golden parachute) paid by the Company in case of early termination of the powers of members of the executive bodies or key managers at the initiative of the Company and in the absence of any unethical practices on their part shall not exceed twice the amount of the fixed part of the annual remuneration.	1. The amount of compensation (golden parachute) paid by the Company in case of early termination of the powers of members of the executive bodies or key managers at the initiative of the Company and in the absence of any unethical practices on their part did not exceed twice the amount of the fixed part of their annual remuneration in the reporting period.	Observed	

No.	Corporate Governance Principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
5.1	An efficient risk management and internal control system is in place at the Company, which provides reasonable assurance in that the Company will achieve its goals.			
5.1.1	The Board of Directors determined the principles of and approaches to organising the Company's risk management and internal control system.	1. The functions exercised by various management bodies and business units of the Company within the risk management and internal control system are clearly defined in internal documents/ respective policy of the Company approved by the Board of Directors.	Partially observed	<p>Not observed as regards internal control.</p> <p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The Transneft Regulations on Internal Control Procedures (approved by the Board of Directors of the Company, Minutes No. 12 dated 10 September 2009, as amended by the Board of Directors on 5 September 2017, Minutes No. 10) establish that internal control is exercised, among others, by authorised business units of the Company, without naming specific titles, functions, rights and responsibilities of such business units. At the time of approval of the Regulations on Transneft's Internal Control Procedures in 2009, no regulatory requirements or methodical recommendations with regard to the contents of the internal document stipulating the principles and approaches to the organisation of the Company's internal control existed.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: The Board of Directors approved the Report on the Performance of Transneft's Internal Audit Unit for 2019 by its resolution of 7 May 2020 whereby the risk management, internal control and corporate governance system of the Company and its subsidiaries was recognised as generally efficient.</p> <p>Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not pose any extra risks since internal control procedures are carried out at the Company.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: At present, the Company sees no need to revise the existing documents on internal control, but the Company will return to this issue after the Bank of Russia announces its recommendations with regard to organisation of risk management and internal control, internal audit and the work of the Committee under the Board of Directors (the Supervisory Board) on audit in public joint-stock companies.</p>

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No.	Corporate Governance Principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
5.1.2	The Company's executive bodies provide for creation and maintenance of an efficient risk management and internal control system with the Company.	1. The executive bodies of the Company ensured that risk management and internal control functions and authorities were distributed among subordinate managers (heads) of business units and sections.	Partially observed	<p>Not observed as regards internal control.</p> <p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: Local regulatory documents (provisions on business units) of the Company lack clear distribution of internal control functions and authorities. At the time of approval of the Regulations on Transneft's Internal Control Procedures in 2009, no regulatory requirements or methodical recommendations with regard to the contents of the internal document stipulating the principles and approaches to the organisation of the Company's internal control existed.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: The Board of Directors approved the Report on the Performance of Transneft's Internal Audit Unit for 2019 by its resolution of 7 May 2020 whereby the risk management, internal control and corporate governance system of the Company and its subsidiaries was recognised as generally efficient.</p> <p>Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not pose any extra risks since internal control procedures are carried out at the Company. Besides, the Company has an efficient system of risk management in place and has provided for internal audit by creating separate business units (Risk Assessment Section of the Financial Support Directorate and Risk Assessment Section of the Department of Economics; Internal Audit Department).</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: At present, the applied approach to organisation of the internal control system meets the needs of the Company; its change is possible after the Bank of Russia issues recommendations regarding organisation of risk management and internal control, internal audit and work of the Committee under the Board of Directors (the Supervisory Board) on audit in public joint-stock companies.</p>

No.	Corporate Governance Principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
5.1.3	The Company's risk management and internal control systems ensure non-biased, fair and clear understanding of the Company's standing and prospects, integrity and transparency of the Company's reporting, soundness and acceptability of the risks taken by the Company.	1. The Company adopted an anti-corruption policy. 2. The Company organised an accessible method of notifying the Board of Directors or its Audit Committee of law infringement, breaches of the internal procedures or the Company's code of ethics.	Partially observed	<p>Not observed as regards p. 2</p> <p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The Company formalised internal control procedures only with respect to countering corruption. The Transneft Regulations on Internal Control Procedures, approved by the resolution of the Board of Directors of Transneft on 10 September 2009 (Minutes No. 12), as amended on 5 September 2017 (Minutes No. 10), establish that internal control is exercised, among others, by authorised business units of the Company, without naming specific titles, functions, rights and responsibilities of such business units (except for the business unit for countering corruption).</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Creation of a hotline to inform the Board of Directors or its Audit Committee of law infringement, breaches of the internal procedures or the Company's code of ethics is not envisaged by the Company's internal documents.</p> <p>Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not pose any extra risks since the Company accepts any reports and letters, including through the anti-corruption hotline. If the information contains any signs of violation of the law, the internal procedures or the code of ethics, it can be submitted to the Board of Directors and the Audit Committee. The competence of the Audit Committee includes supervising the measures taken by executive bodies of the Company after being informed about potential cases of employees' dishonest behaviour and other violations.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: In 2020 it is planned to create a hotline to inform the Board of Directors or its Audit Committee of law infringement, breaches of the internal procedures or the Company's code of ethics within the improvement of internal control procedures and updating of internal documents on counteracting unauthorised use of the Company's insider information.</p>

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No.	Corporate Governance Principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
5.1.4	The Company's Board of Directors is taking the necessary measures to ensure that the risk management and internal control system implemented at the Company complies with the principles of and approaches to organising it established by the Board of Directors and operates efficiently.	1. During the reporting period, the Board of Directors or the Audit Committee under the Board of Directors assessed the efficiency of the Company's risk management and internal control system. The key results of this assessment are included in the Company's Annual Report.	Partially observed	<p>Not observed as regards the internal control system.</p> <p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The goals, objectives, procedures and methods of internal control are stipulated in the Regulations on Internal Control Procedures (approved by the Company's Board of Directors, Minutes No. 12 dated 10 September 2009, with changes approved by the Board of Directors, Minutes No. 10 dated 5 September 2017). Pursuant to the given Regulations, the Audit Committee must assess the Company's internal control system. Internal control is effected by various authorised business units of Transneft. During the reporting period, neither the Board of Directors nor the Audit Committee under the Board of Directors made assessment of the efficiency of the Company's internal control system.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: At present, the Company considers it inexpedient to set up a special unit in charge of internal control. However, internal control procedures are carried out at the Company.</p> <p>Description of the Company's measures taken to mitigate additional risks: Transneft's authorised business units exercise internal control in accordance with their competences. Besides, the Company has an efficient system of risk management in place and has provided for internal audit by creating separate business units (Risk Assessment Section of the Financial Support Directorate and Risk Assessment Section of the Department of Economics; Internal Audit Department). Further improvement of internal control is planned at the Company.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: At present, the applied approach to organisation of the internal control system meets the needs of the Company; its change is possible after the Bank of Russia issues recommendations regarding organisation of risk management and internal control, internal audit and work of the Committee under the Board of Directors (the Supervisory Board) on audit in public joint-stock companies.</p>
5.2	In order to perform regular independent assessment of the reliability and efficiency of the risk management and internal control systems and the corporate governance practice, the Company carries out internal audit.			
5.2.1	In order to conduct internal audit, the Company set up a special business unit or engaged an independent external organisation. The functional and administrative reporting relationships of the internal control unit are differentiated. The internal audit unit is functionally accountable to the Board of Directors.	1. In order to conduct internal audit, the Company set up a special internal audit business unit that is functionally accountable to the Board of Directors or the Audit Committee or engages an independent external organisation with the same principle of accountability.	Observed	
5.2.2	The internal audit unit assesses the efficiency of the internal control, risk management and corporate governance system. The Company applies the generally accepted auditing standards when conducting internal audit.	1. In the reporting period, the internal audit was used to provide assessment of the efficiency of the internal control and risk management system. 2. The Company applies the generally accepted approaches to internal control and risk management.	Observed	

No.	Corporate Governance Principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
6.1	The Company and its activities are transparent to shareholders, investors, and other stakeholders.			
6.1.1	The Company developed and implemented the information policy that ensures effective information exchange between the Company, shareholders, investors and other stakeholders.	1. The Board of Directors adopted the Company's information policy with account taken of the recommendations of the Code. 2. The Board of Directors (or one of its Committees) discussed compliance of the Company with its information policy at least once in the reporting period.	Observed	
6.1.2	The Company discloses information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of the Code.	1. The Company discloses information on its corporate governance system and the general corporate governance principles applied at the Company, also making it available on its corporate website. 2. The Company discloses information on membership in its executive bodies and the Board of Directors, the independence of the Board's members, and their membership in Committees under the Board of Directors (as determined by the Code). 3. If the Company is controlled by any entity, the Company publishes a memorandum of the controlling entity containing the entity's corporate governance plans regarding the Company.	Observed	
6.2	The Company discloses full, up-to-date and true information about the Company on a timely basis so that its shareholders and investors are in a position to make well-grounded decisions.			
6.2.1	The Company discloses information observing the principles of regularity, consistency and immediacy along with accessibility, trustworthiness, completeness and comparability of the data disclosed.	1. The Company's information policy defines the approaches and criteria of identifying information which can materially affect the Company's evaluation and the cost of its securities, as well as the procedures providing for timely disclosure of such information. 2. If the Company's securities are traded in foreign stock markets, disclosure of material information in the Russian Federation and in such markets is made simultaneously and equally during the reporting year. 3. If foreign shareholders own significant quantities of the Company's shares, the disclosure of information during the reporting year was not only made in the Russian language but also in one of the most common foreign languages.	Observed	
6.2.2	The Company avoids being formal in disclosing information and discloses material information on its activities even if such disclosure is not stipulated by law.	1. In the reporting period the Company disclosed its annual and semi-annual financial statements drawn up according to the IFRS. The Company's Annual Report for the reporting period includes the annual financial statements drawn up according to the IFRS rules along with the auditor's opinion. 2. The Company discloses complete information on its capital structure in its Annual Report and on the Company's website following Recommendation 290 of the Code.	Observed	

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No.	Corporate Governance Principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
6.2.3	The Annual Report, being a critical instrument of communication with shareholders and other stakeholders, contains information that helps to assess the Company's performance for the year.	<ol style="list-style-type: none"> 1. The Company's Annual Report contains information on the key aspects of the Company's operating activities and financial performance. 2. The Company's Annual Report contains information on environmental and social aspects of the Company's activities. 	Observed	
6.3	The Company provides information and documents upon shareholders' request, adhering to the principles of equal and unhindered access.			
6.3.1	Information and documents are provided by the Company upon shareholders' request in compliance with the principles of equal and unhindered access.	<ol style="list-style-type: none"> 1. The Company's information policy determines the procedure of shareholders' unhindered access to information, including information on legal entities controlled by the Company, upon shareholders' request. 	Observed	
6.3.2	When providing information to shareholders, the Company ensures a reasonable tradeoff between the interests of individual shareholders and the interests of the Company itself being concerned about confidentiality of important commercial information that can materially affect its competitiveness.	<ol style="list-style-type: none"> 1. In the reporting period, the Company did not reject shareholders' requests for information, or else, such refusals were well grounded. 2. In the cases defined by the Company's information policy shareholders are warned of confidential character of the information and assume obligation to maintain confidentiality. 	Observed	

No.	Corporate Governance Principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
7.1	Activities which affect or may affect the structure of the Company's joint-stock capital and financial standings and, consequently, shareholders' situation (material corporate actions), are carried out on fair terms providing for observance of shareholders' and other stakeholders' rights and interests.			
7.1.1	Material corporate actions include the Company's reorganisation, acquisition of 30 per cent or more of the Company's voting shares (takeover), entering into significant transactions, increase or decrease of the Company's authorised capital, listing and delisting of the Company's shares, as well as other actions that may lead to material change in the rights of the shareholders or violate their interests. The Company's Articles of Association define the list (criteria) of transactions or other actions that are considered to be material corporate actions, with such actions being referred to the competence of the Board of Directors of the Company.	1. The Company's Articles of Association define the list of transactions or other actions that are considered to be material corporate actions and state the criteria for their identification. Making decisions on material corporate actions is within the competence of the Board of Directors. In cases where the law puts such corporate actions within the competence of the General Meeting of Shareholders, the Board of Directors provides shareholders with respective recommendations. 2. According to the Company's Articles of Association, material corporate actions include, but are not limited to, reorganisation of the Company, acquisition of 30 per cent or more of the Company's voting shares (takeover), entering into significant transactions, increase or decrease of the Company's authorised capital, listing and delisting of the Company's shares.	Observed	
7.1.2	The Board of Directors plays the key role in making decisions or developing recommendations regarding material corporate actions, and for this purpose the Board of Directors relies on the opinions of the Company's independent directors.	1. A procedure is in place at the Company for the independent directors to declare their opinion on material corporate actions before their approval.	Observed	

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No.	Corporate Governance Principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
7.1.3	In concluding material corporate actions touching upon the rights and lawful interests of shareholders, equal conditions are provided for all of the Company's shareholders, and if the mechanisms stipulated by the legislation to protect the rights of shareholders are insufficient, there are additional measures in place which protect the rights and lawful interests of the Company's shareholders. In doing that, the Company is guided not only by formal requirements of the law, but also by the principles of corporate governance laid down in the Code.	<p>1. The Company, in view of the specifics of its activities, has established in its Articles of Association lower minimum criteria of referring the Company's transactions to material corporate transactions than those stipulated by the legislation.</p> <p>2. In the reporting period, all material corporate actions underwent the procedure of approval prior to their implementation.</p>	Partially observed	<p>Not observed as regards p. 2¹.</p> <p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: In accordance with the Transneft Corporate Governance Code, approved by the Board of Directors on 20 September 2019, the Company's material corporate actions include:</p> <ul style="list-style-type: none"> – reorganisation of the Company; – acquisition of at least 30 per cent of the voting shares of another public joint-stock company (takeover); – execution by the Company of major transactions, interested-party transactions; – the Company's transactions worth more than RUB 100 billion (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)). – increase in the Company's authorised share capital; – splitting, consolidation and conversion of Company shares; – listing and delisting of Company shares. <p>In 2019, interested-party transactions were executed without preliminary approval for their execution, with their subsequent approval by the Board of Directors.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: In accordance with the provisions of the Federal Law On Joint-Stock Companies, no preliminary approval is required to conclude an interested-party transaction. The Company is obliged to notify Members of the Board of Directors and the Management Board of its intention to enter into an interested-party transaction; the Members have the right to demand that the transaction be approved before its execution. After 15 days from the date of such a notification have passed, if no such demand is received, the Company has the right to enter into the transaction. Contracts were approved (or will be approved) at the request of the Company's management after their conclusion; in terms of contracts setting tariffs, the tariff has to be approved by the FAS of Russia first.</p> <p>Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks by virtue of the fact that the legislation does not prohibit post-factum approval of interested-party transactions.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: The Company will carry out additional work to inform its business units that oversee contracts about the need to evaluate each transaction for its significance and the need to follow best corporate governance practices, i.e. approve such transactions before they are executed.</p>

¹ During 2019, there were 2 major transactions: an additional agreement to the contract for oil transportation services through the territory of Ukraine with Ukrtransnafta, as well as an agreement on the establishment of a long-term tariff for oil transportation via the ESPO PS – Komsomolsk Refinery pipeline offshoot section with Rosneft, and an additional agreement to the surety agreement with VTB Bank (an interested-party transaction).

No.	Corporate Governance Principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
7.2	The Company ensures that the material corporate actions are taken in a way allowing shareholders to timely obtain full information on such actions and to influence such actions, ensuring that their rights are duly observed and protected when such actions take place.			
7.2.1	Information on performing material corporate actions is disclosed along with the explanation of the causes, circumstances and consequences of such actions.	1. In the reporting period, the Company disclosed information on material corporate actions on a timely basis and in sufficient detail, including the grounds for and time limits of such actions.	Partially observed	<p>Not observed as regards disclosure of information on concluded major contracts with legal entities subject to suppressive measures imposed by foreign countries, state associations and (or) unions, and (or) state (interstate) establishments of foreign countries or state associations and (or) unions.</p> <p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: 100 per cent of the Company's voting shares are owned by the Russian Federation. The Company is included in the list of strategic joint-stock companies owned by the federal government, where the participation of the Russian Federation in managing such companies secures strategic interests, defense capabilities and security of the state, protection of ethical values, health, rights and lawful interests of the citizens of the Russian Federation (Decree of the President of the Russian Federation No. 1009 dated 4 August 2004).</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: The information was disclosed by the Company to a limited extent, in accordance with Resolution of the Government of the Russian Federation No. 10 dated 15 January 2018 On Defining the Instances of Relieving a Joint-Stock Company and a Limited Liability Company of the Duty to Disclose and (or) Provide Information on Major Transactions and (or) Interested-Party Transactions, as well as in accordance with Resolution of the Government of the Russian Federation No. 400 dated 4 April 2019 On the Specifics of Disclosure and Provision of Information Subject to Disclosure and Provision in Accordance with the Requirements of the Federal Law On Joint-Stock Companies and the Federal Law On Securities Market.</p> <p>Description of the Company's measures taken to mitigate additional risks: The Company believes that the established practice does not bear any extra risks by virtue of the fact that it abstained from disclosing information in accordance with the legislation in force.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: The Company reserves the right not to disclose or disclose information to a limited extent until the moment sanctions are lifted.</p>

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No.	Corporate Governance Principle	Criteria of assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanation of the deviation from the criteria of assessing compliance with the corporate governance principle
1	2	3	4	5
7.2.2	The rules and procedures related to material corporate actions carried out by the Company are formalised in the Company's internal documents.	<p>1. The Company's internal documents provide for a procedure for engaging an independent assessor to determine the cost of property alienated or purchased under a major transaction or an interested-party transaction.</p> <p>2. The Company's internal documents provide for a procedure of engaging an independent assessor to determine the cost of acquisition and redemption of the Company's shares.</p> <p>3. The Company's internal documents provide an extended list of grounds to recognise members of the Company's Board of Directors and other persons required by law as interested parties.</p>	Partially observed	<p>Not observed as regards p. 3</p> <p>A short description of the context, circumstances of the Company's activities and (or) the background that reveals why the Company does not follow the recommended practice: The Company's internal document providing an extended list of grounds to recognise members of the Company's Board of Directors and other persons required by law as interested parties has not been approved yet. When qualifying an interested-party transaction, the Company is guided by the law.</p> <p>Explaining the specific reasons for nonobservance of the respective provision (element) of the Code and justifying the decision made by the Company: Since 2017, significant amendments have been made to the Federal Law On Joint-Stock Companies, including those in regard to interested-party transactions (both the subject matter and the grounds to classify a transaction as an interested-party transaction have been revised). Moreover, the legislative body has excluded the regulation for the articles of association of joint-stock companies to set out additional grounds for classifying someone as an interested party (Federal Law No. 343-FZ dated 3 July 2016)</p> <p>Description of the Company's measures taken to mitigate additional risks: When qualifying an interested-party transaction, the Company is guided by the law.</p> <p>Indication to whether the nonconformity to the provision of the Code is limited in time, and whether the Company intends to comply with the respective element of the Code in the future: The Company believes that the grounds for qualifying an interested-party transaction set out by law are sufficient to ensure a transparent mechanism for the Company to carry out interested-party transactions.</p>

8.5. § Appendix No. 5 List of Interested-Party Transactions (the Report on Interested-Party Transactions Concluded by the Company in 2019 Compiled in Accordance with Paragraph 1.1 of Article 81 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995)

Information about the interested-party transactions concluded by Transneft in 2019 is not disclosed (provided) on the basis of Resolution of the Government of the Russian Federation No. 400 dated 4 April 2019 On the Specifics of Disclosure and Provision of Information Subject to Disclosure and Provision in Accordance with the Requirements of the Federal Law On Joint-Stock Companies and the Federal Law On Securities Market. A corresponding notification was sent to the Bank of Russia (Paragraph 6 of Article 30.1 of Federal Law No. 39-FZ On Securities Market dated 22 April 1996).