

## Committees under the Board of Directors

To ensure preliminary consideration of key issues and prepare recommendations for the Board of Directors, there were three Board Committees in 2020:

**Audit Committee**

**Human Resources and Remuneration Committee**

**Strategy, Investments and Innovations Committee**

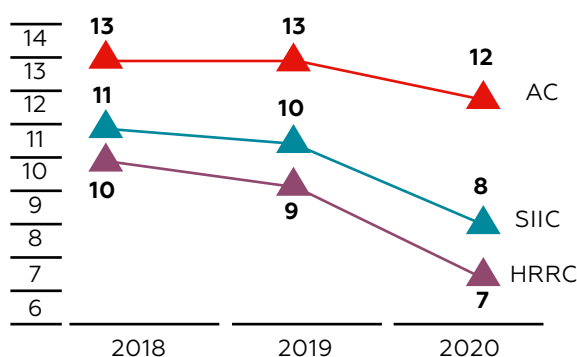
Committees contribute to the effectiveness of the decisions taken by the Board of Directors.

A Committee's chairman has the right to invite employees of the Company, experts and third parties to participate in the meetings of the Committee without the right to vote.

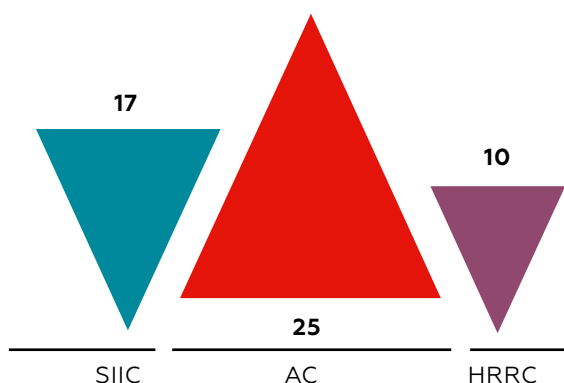
In 2020, the Board Committees held a total of 27 meetings to consider various issues and prepare detailed recommendations and proposals for the Board of Directors.

In total, **27** meetings of the Board Committees were held in 2020

### Meetings of the Committees in 2018–2020



### Issues Considered by the Committees in 2020

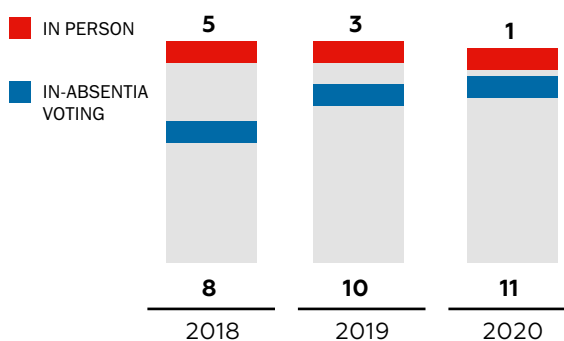


### AUDIT COMMITTEE

The Audit Committee under the Board of Directors provides the Board of Directors with preliminary study of matters related to supervising the Company's financial and operational activities and on other matters delegated by the Board of Directors. The activities of the Committee are governed by the Regulations on

the Audit Committee under the Board of Directors (approved by the Resolution of the Board of Directors of Transneft dated 19 January 2017 (Minutes No. 1).

### Meetings of the Audit Committee



During 2020, the Audit Committee was composed entirely of independent directors.

**3** Independent director

(composition elected by the decisions of the Board of Directors dated 24 July 2019, 19 October 2020 (minutes No. 13 and 18):

- I. Klebanov (Chairman of the Committee, Independent Director)
- A. Korsik (Independent Director);
- G. Shmal (Independent Director)

### Key issues on which recommendations were prepared:

- on Transneft's Risk Management Report for 2019;
- on preliminary approval of Transneft's annual accounting (financial) statements, inclusive of the financial results statement;
- on preliminary distribution of Transneft's profits

for 2019, including recommendations on dividend payments;

- on quarterly reports of Transneft's executive body on the financial and economic performance of Transneft and Transneft Group for Q1, 1H 2020 and 9 months of 2020;
- Expected implementation of the consolidated budget of Transneft Group and the budget of Transneft for 2020.
- on the consolidated budget of Transneft Group and the budget of Transneft for 2021;

- on reviewing the Annual Report of Transneft for 2019;
- on supplementing the list of critical risks of Transneft for 2020;
- on approval of Regulations for Access to Insider Information of Transneft and Internal Control Regulations for Prevention, Detection and Suppression of Unlawful Use of Insider Information and (or) Market Manipulation.

#### The most important issues of external and internal audit that were considered:

##### External Audit

- the Regulations on Holding an Open Tender to Select an Auditor for the Mandatory Annual Audit of Transneft for 2020 and Reviewing the Interim Consolidated Financial Statements for Q1 2021;
- composition of the tender commission to select an auditor for the mandatory annual audit of Transneft;
- scope and plans for the audit of the annual reports for 2020 by the external auditor;
- Transneft's Report on the Remarks of the Auditor for 9 Months of 2019 and Remedial Actions;
- on the offered initial (maximum) price for the open tender for the auditor selection for the mandatory annual audit of Transneft for 2021 and reviewing the interim consolidated financial statements for Q1 2022;
- on the conclusion of Transneft's auditor on the results of the audit of Transneft's financial and operational activities for 2019 and the assessment of the auditor's report, that is to be provided to persons entitled to participate in the annual general meeting of Transneft shareholders.

##### Internal Audit

- consideration of the report on the results of the activities of the Internal Audit Unit of Transneft for 2019, including issues of independence, objectivity and efficiency of the internal audit function;
- consideration of the general areas (planning) for internal audit in Transneft for 2021.
- recommendations on approval of the terms and conditions of the current employment agreement with the Director of the Department of Internal Audit and Analysis of Core Business Activities of Transneft.

**Dates of the Audit Committee's meetings and numbers of the corresponding minutes:** 24 January 2020 No. 1; 01 April 2020 No. 2; 17 April 2020 No. 3; 01 May 2020 No. 4; 05 June 2020 No. 5; 26 June 2020 No. 6; 08 July 2020 No. 7; 16 September 2020 No. 8; 23 October 2020 No. 9; 20 November 2020 No. 10, 07 December 2020 No. 11; 18 December 2020 No. 12.



[The Regulations on the Audit Committee under the Board of Directors of Transneft](#)

## HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Human Resources and Remuneration Committee under the Board of Directors provides preliminary study of issues and prepares recommendations to the Board of Directors on issues of human resources and social policies as well as remuneration policy. The Committee's operations are governed by the Regulations on the Human Resources and Remuneration Committee (approved by the Resolution of the Board of Directors of Transneft dated 19 January 2017 (Minutes No. 1)).

Due to the threat of the spread of the coronavirus infection COVID-19, offline meetings were not held in 2020.

**During 2020, the Human Resources and Remuneration Committee was composed entirely of independent directors.**

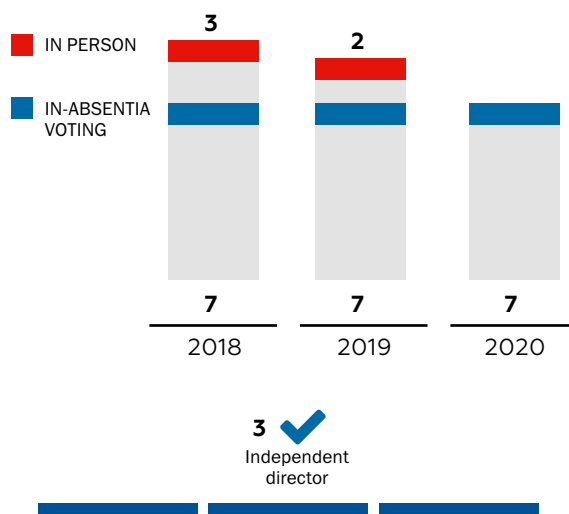
**(composition elected by the decisions of the Board of Directors dated 24 July 2019, 19 October 2020 (minutes No. 13 and 18):**

- A. Korsik (Chairman of the Committee, Independent Director);
- I. Klebanov (Independent Director);
- G. Shmal (Independent Director)

### Key issues on which recommendations were prepared:

- on the concurrence of positions in governing bodies of other organisations by the President of Transneft and members of the Management Board of Transneft;
- on recommendations for the payment of remuneration to members of the Board of Directors of Transneft;
- on recommendations for the payment of remuneration to the sole executive body;
- on recommendations for the payment of remuneration to managers and employees of Transneft

## Meetings of the Human Resources and Remuneration Committee



and Transneft subsidiaries, as well as to members of the Revision Commission;

- on amending the remuneration system based on the performance of Transneft and Transneft subsidiaries' managers and employees for the year;
- on the implementation of the Plan for Introduction of Professional Standards in Transneft and Transneft subsidiaries in 2016-2020.
- on the proposed candidates for Transneft's Board of Directors and the Revision Commission for 2021-2022.

### Dates of the Human Resources and Remuneration Committee's meetings and numbers of the minutes:

31 January 2020 No. 1, 02 April 2020 No. 2, 13 April 2020 No. 3; 22 May 2020 No. 4; 26 June 2020 No. 5; 20 October 2020 No. 6; 23 November 2020 No. 7.



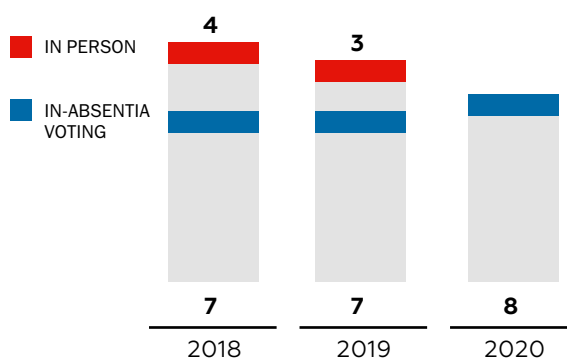
[The Regulations on the Human resources and Remuneration Committee under the Board of Directors](#)

## STRATEGY, INVESTMENTS AND INNOVATIONS COMMITTEE





The Strategy, Investments and Innovations Committee under the Board of Directors provides the Board of Directors with preliminary study of issues regarding the development of the Company's long-term strategy and its investment, innovation and dividend policy, as well as the improvement of Transneft's performance. The activities of the Committee are governed by the Regulations on the Strategy, Investments and Innovations Committee under the Board of Directors (approved by the resolution of the Board of Directors dated 19 January 2017 (Minutes No. 1).

Due to the threat of the spread of the coronavirus infection COVID-19, offline meetings were not held in 2020.

## Meetings of the Strategy, Investments and Innovations Committee



2020 saw two lists of members included in the Strategy, Investments and Innovations Committee.

<p>1 </p> <p>Executive Director</p>	<p>2 </p> <p>Independent director</p>	<p>4 </p> <p>Non-executive directors</p>
		
<p>The members appointed by the Board of Directors on 24 July 2019 (Minutes No. 13)</p>		<p>The members appointed by the Board of Directors on 19 October 2020 (Minutes No. 18)</p>
<ul style="list-style-type: none"> <li>• <b>K.A. Dmitriev (Chairman of the Committee);</b></li> <li>• M. Warnig;</li> <li>• A.L. Korsik (<i>Independent Director</i>);</li> <li>• M.Yu. Sokolov;</li> <li>• N.P. Tokarev;</li> <li>• V.P. Shantsev;</li> <li>• G.I. Shmal (<i>Independent Director</i>, Representative of the Transneft Consumer Council).</li> </ul>		<ul style="list-style-type: none"> <li>• <b>K.A. Dmitriev (Chairman of the Committee);</b></li> <li>• M. Warnig;</li> <li>• A.V. Kozlov;</li> <li>• A.L. Korsik (<i>Independent Director</i>);</li> <li>• N.P. Tokarev;</li> <li>• V.P. Shantsev;</li> <li>• G.I. Shmal (<i>Independent Director</i>, Representative of the Transneft Consumer Council).</li> </ul>

### Key issues on which recommendations were prepared:

- on the reports on implementation of the Transneft Long-Term Development Programme (LDP) for 2019, for H1 2020, for 9 months of 2020;
- on the report on implementation of Transneft's Programme for Operational Efficiency Improvement and Cost Cutting up to 2024;
- on the implementation of key performance indicators of Transneft's economic activities for 2019;
- on the auditor's opinion regarding the implementation of the Transneft Long-Term Development Programme for 2019;
- on the implementation of the Transneft Innovation Development Programme in 2019.
- on the adjustment of the LDP;
- on the specifications for auditing of the implementation of the LDP for 2020;
- on consideration of Transneft's Programme for Operational Efficiency Improvement and Cost Cutting up to 2025;

- on the key performance indicators system of Transneft's operational activities.
- on the target key performance indicators of Transneft's economic activities for 2020.

**Dates of the Strategy, Investments and Innovations Committee's meetings and numbers of the minutes:** 27 March 2020 No. 1; 21 April 2020 No. 2; 21 May 2020 No. 3; 29 June 2020 No. 4; 24 September 2020 No. 5; 27 October 2020 No. 6; 15 December 2020 No. 7; 24 December 2020 No. 8.



[The Regulations on the Strategy, Investments and Innovations Committee under the Board of Directors](#)