

Results of estimating compliance with the CGC principles

Corporate Governance Principles	Principles Recommended in the CGC	2018			2019			2020		
		Full compliance	Partial compliance	No compliance	Full compliance	Partial compliance	No compliance	Full compliance	Partial compliance	No compliance
Shareholder rights and equal treatment of all shareholders	13	9	2*	2*	9	2*	2*	9	2*	2*
Board of Directors	36	25	9	2	28	7	1	28	7	1
Corporate Secretary	2	1	–	1	1	–	1	1	–	1
The Company's Board of Directors and executive management remuneration system	10	7	1	2	7	1	2	7	1	2
Risk management and internal control and audit	6	2	4	–	2	4	–	3	3	–
Information disclosure	7	6	1	–	7	–	–	7	–	–
Material corporate actions	5	1	3	1	2	3	–	3	2	–
Total score	79	51	20	8	56	17	6	58	15	6
	100%	64.6%	25.3%	10.1%	70.9%	21.5%	7.6%	73.4%	19.0%	7.6%

* 4 CGC principles (5%) are not applicable to the Company and cannot be fully observed due to the fact that all voting shares (100%) belong to the sole shareholder represented by the Russian Federation.

7.3. KEY EVENTS OF THE YEAR AND THE PERIOD AFTER THE REPORTING DATE IN CORPORATE GOVERNANCE

Improving the Process of Disclosing Information and Interacting with Shareholders and Investors:

- dialogue is being developed, and the process of increasing the volume of communications with investors, analysts and shareholders is underway: presentations on the results of the Company's IFRS reporting have been developed and published on the Company's website, a conference call was held by the management of Transneft on the results of IFRS reporting for 2019, 9 months of 2020 and 2020;
- a regular dialogue with investors and specialised analytical agencies on sustainable development was organised, a specialised section of the For ESG Investors website was created, a guide of key indicators for ESG investors was prepared and posted – <https://www.transneft.ru/investors/for-esg-investors/>;
- two independent directors were re-elected to the Board of Directors: A. Korsik and I. Klebanov, who fully comply with the independence criteria established by the Listing Rules of the Moscow Exchange. The Board of Directors recognised G. Shmal as an independent director;

- to increase the investment attractiveness, the Company and the Moscow Exchange agreed to split the futures on Transneft shares (0.1 of the cost of one preferred share). By order of Moscow Exchange dated 25 February 2020 No. MB-P-2020, the Futures Contract Specification for the Estimated Value was approved. Since April 2021, the futures contract has been put into circulation;
- a significant increase in the volume of investment in preferred shares of Transneft was recorded by Russian retail investors – individuals (the number of individual accounts increased by 7,095 compared to 2019 and amounted to 11,994*). Thus, the Company managed to avoid serious volatility of quotations as a result of the exit of preferred shares of Transneft from the MSCI indices.

*The information is provided taking into account the disclosure of nominee clients.

p. 180

[For more detail, see the Shareholder and Investor Relations section](#)

Key Risk Management and Internal Control Improvement Measures:






- the Risk Management Report and the Report on the Results of the Internal Audit of Transneft for 2019 were approved;
- By the decision of the Board of Directors of Transneft, the list of critical risks of Transneft was supplemented with the Adverse Effects Due to Unfavourable Public Health Situation risk;
- the external assessment of the risk management system of Transneft was carried out;

- the updated version of the Anti-Corruption Policy of Transneft was approved;
- the Board of Directors approved the terms and conditions of the employment agreement with the Director of the Department of Internal Audit and Analysis of the Core Business Activities of Transneft, as well as the Internal Audit Plan for 2021.



For more detail, see the [Risk Management System and Control and Audit System sections](#)

Key Measures to Improve the Corporate Structure of Transneft Group:

 <p>Dispersed ownership of 4 companies was minimised:</p> <ul style="list-style-type: none">• Transneft East, LLC• Transneft Telecom, LLC• SPIMEX, JSC• Transneftstroy, LLC	 <p>The direct stake of Transneft in 4 companies was increased:</p> <ul style="list-style-type: none">• Transneft Western Siberia, JSC (as a result of the termination of activities of Transneft Central Siberia, JSC by merging with Transneft Western Siberia, JSC)• Transnefteproduct West, JSC• Nevskaya Pipeline Company, LLC• SPIMEX, JSC	
 <p>2 companies were liquidated:</p> <ul style="list-style-type: none">• PMC ESPO, LLC• Transneft Central Siberia, JSC	 <p>Decisions were taken to liquidate 5 companies:</p> <ul style="list-style-type: none">• Transneftstroy, LLC• Transneft Security Services, LLC• Transneft Ust-Luga, LLC¹• PC-BA Ltd²• NKHL, LLC	 <p>The powers of the sole executive body in REM, JSC and TOP, JSC were transferred to the managing organisation – UDM, LLC.</p>

¹ Transneft Ust-Luga, LLC was liquidated on 18 March 2021.

² PC-BA Ltd was liquidated on 08 February 2021.

Measures were taken to improve the efficiency of corporate governance by introducing electronic forms for corporate decision-making:

- in Transneft Group organisations, execution of corporate decisions (decisions of the sole shareholder/participant, minutes of meetings, as well as minutes of voting results) using electronic signatures in the electronic document management system of organisations of the Transneft Group were introduced;
- in order to comply with the legal requirements for holding annual general meetings of participants in limited liability companies at the end of 2019, new regulations on general meetings of Transneft subsidiaries' participants were approved in presentia. The Regulations allowed the members of the companies to take part in the meeting in presentia in a new way, by preliminary filling out and sending to the Company an electronic voting ballot 1 day prior to the meeting;

- at the suggestion of the Company, the registrar of the Company and the Group, NRK-R.O.S.T., JSC, has made finalisation of electronic services for holding meetings in order to expand the opportunities for shareholders/participants of the Transneft subsidiaries for remote participation in meetings.

In 2020, electronic voting accounted for more than 80% of the corporate decision making in Transneft subsidiaries.

The introduction of digital services into the procedures for holding meetings of Transneft subsidiaries' shareholders/participants has made it possible to significantly reduce travel and postage costs, notification time for meetings and the timing of meetings, and to hold meetings in the safest way in a pandemic.

The Company's Plans on Further Improvement of Corporate Governance

- A regular dialogue with analysts and investors to increase their awareness of Transneft's activities.
- Interaction with investors and specialised rating agencies on ESG issues.
- Targeted meetings with investors (mainly in the format of a teleconference until the sanitary and epidemiological situation returns to normal).
- Updating internal documents in the field of corporate governance, internal control, illegal use of insider information and counteracting and preventing corruption.
- Conducting an external quality assessment of the Board of Directors.

7.4. MANAGEMENT AND CONTROL BODIES

Corporate Governance System

