

RISK MANAGEMENT AND INTERNAL CONTROL POLICY OF PJSC GAZPROM

1. General provisions

1.1. This Policy has been developed in line with the laws of the Russian Federation, the Articles of Association and local regulations of PJSC Gazprom (hereinafter referred to as the “Company”), taking into account the principles set forth in the Corporate Governance Code (recommended by Letter of the Bank of Russia No. 06-52/2463 dated April 10, 2014), Methodological Instructions on preparing a Regulation on the Risk Management System (approved by the Russian Government Order No. ISh-P13-4148 dated June 24, 2015), Methodological Guidelines on risk management and internal control for preventing and combating corruption in joint stock companies with state participation (approved by Order of the Russian Federal Agency for State Property Management No. 80 dated March 2, 2016), as well as nationally and globally accepted standards and recommendations issued by international professional organizations focused on risk management and internal control.¹

1.2. This Policy is designed to develop and improve the risk management and internal control system of Gazprom and the Gazprom Group entities in order to enhance its reliability and efficiency, and to provide ample guarantees that the goals and objectives of Gazprom and the Gazprom Group entities will be attained.

1.3. This Policy establishes the unified basic principles and approaches to organizing the risk management and internal control system, sets out the components, goals and objectives of the risk management and internal control system, and formulates the key tasks of and distributes powers among the parties of the risk management and internal control system.

1.4. In line with this Policy, Gazprom’s subsidiaries secure the approval of a local regulation (policy) governing the risk management and internal control procedures within a corresponding subsidiary.

Persons that represent Gazprom and its subsidiaries in the management bodies of other Gazprom Group entities ensure that a local regulation (policy) governing the risk management and internal control procedures in such entity of the Gazprom Group is developed and adopted on the basis of this Policy.

1.5. The risk management and internal control system is integrated in all operations of Gazprom and the Gazprom Group entities, covers all management levels and types of activities, and includes all risks that they may face.

1.6. Gazprom’s structural unit in charge of risk management and internal control oversees compliance with the Policy, makes sure it is duly updated, and exercises control over the settlement of disputes pertaining to the risk management and internal control system.

2. Terms, definitions, and acronyms

2.1. Business process – a function or activity (action) designed to produce a specific output through a series of sequential operations.

2.2. Probability – the degree (measure) of the likelihood for a risk to occur.²

2.3. Business process owner – a structural unit of the Company (or of the Gazprom Group entity) or an entity of the Gazprom Group that implements and improves the Business process and ensures that the established goals are met in an efficient manner. The Business

¹ Risk management standards ISO 31000, risk management standards of the Federation of European Risk Management Associations (FERMA), the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the Committee of Chief Risk Officers (CCRO), the Basel Committee on Banking Supervision (BCBS), and Russian State Standards (GOSTs) of the Risk Management series.

² Expressed either quantitatively (as the frequency of an event over a certain period of time, which is measured as a percentage or fraction of a unit or by means of scores) or qualitatively.

process owner is the Owner of all risks identified as part of the relevant Business process (or inherent to the relevant Business process).

2.4. Owner of internal control procedures – an employee or a structural unit of the Company (or of the Gazprom Group entity), which is duly charged with the responsibility of carrying out the Internal control procedures. Owners of the internal control procedures are appointed upon the recommendation of the Business process owner in accordance with the procedure established within the Company (the Gazprom Group entity).

2.5. Risk owner – a structural unit of the Company (or of the Gazprom Group entity) that is responsible for the implementation of the risk management stages (Risk identification, assessment and monitoring, as well as the development, implementation and monitoring of Risk management activities, and preparation and submission of reporting materials) that are embedded in the structural unit's activities. Risk owners are appointed under a local regulation of the Company (or of the Gazprom Group entity).

2.6. Internal control – the process carried out by Management bodies of the Company, management bodies of the Gazprom Group entities, structural units of the Company and those of the Gazprom Group entities, employees of the Company and those of the Gazprom Group entities, which is designed to provide reasonable confidence that the goals of the Company (the Gazprom Group entity) will be attained.

2.7. Internal control environment – a set of rules and procedures (including non-formalized ones) and ways of their implementation, which is created and maintained by the management bodies of the Company and the Gazprom Group entities in order to ensure the effectiveness of Internal control.

2.8. The Gazprom Group – the Company and the Gazprom Group entities.

2.9. Acceptable risk level – the Risk level that does not exceed the Maximum acceptable risk level considered acceptable by the Management bodies of the Company, and which, if occurs, does not create a deviation from the set goal beyond the set level.

2.10. Significance of the risk level – a qualitative indicator of the Risk level distinguished by the degree of its influence on achieving the set goals and objectives of the Gazprom Group.

2.11. Risk identification – the process of determining the sources of risk and events leading to possible Threats, as well as researching their causes and describing their possible Consequences.

2.12. Risk inventory – the procedure of updating the information about the risks contained in the Risk Register.

2.13. Risk classification – grouping of risks according to certain classification criteria used to structure multiple risks.

2.14. Key risks – risks that combine Critical and Significant risks.

2.15. Collective body – a permanent joint body (committee, commission, working group) of the Company that performs the functions stipulated by this Policy. The Collective body is set up under and operates in accordance with the procedure adopted at the Company.

2.16. Critical risk – a risk the level of which exceeds the Maximum acceptable risk level.

2.17. Risk limits – the interconnected multi-layered set of indicators that limit the powers of Risk owners (co-owners) to accept risks and ensure conditions under which the Risk level does not exceed the Maximum acceptable risk level.

2.18. Risk management activities – a set of steps aimed at implementing Risk response methods with a view to providing reasonable confidence that the Residual risk level does not exceed the Maximum acceptable risk level.

2.19. Risk monitoring – the process of controlling and revising Risk levels in order to detect changes, including those related to Risk management activities and resulting from changes in the factors influencing the level of an identified risk. Risk monitoring includes systemic renewal and updating of information about risks and Risk management activities.

2.20. Insignificant risk – a risk the level of which does not exceed the Threshold risk level.

2.21. The Gazprom Group entities – for the purpose of this Policy, the Gazprom Group entities comprise the following companies and organizations:

- subsidiaries of Gazprom;
- branch companies of Gazprom's subsidiaries;

– companies and entities with over 50 per cent of shares (stakes) in their share capital held jointly by Gazprom and its subsidiaries and/or branch companies of Gazprom's subsidiaries.

2.22. Management bodies of the Company – the Board of Directors, the Management Committee, and the Chairman of the Management Committee of Gazprom.

2.23. Residual risk level – the Risk level present after Risk management activities have been carried out.

2.24. Entity/person responsible for risk management activities – a structural unit or an employee of the Company (or of the Gazprom Group entity) whose duties include the implementation of Risk management activities. Entities/persons responsible for risk management activities are appointed upon the recommendation of Risk owners (co-owners) in accordance with the procedure established within the Company (the Gazprom Group entity).

2.25. Entity/person responsible for the monitoring of internal control procedures – a structural unit or an employee of the Company (or of the Gazprom Group entity) whose duties include the monitoring of the execution of Internal control procedures. Entities/persons responsible for the monitoring of internal control procedures are appointed in accordance with the procedure established within the Company (the Gazprom Group entity).

2.26. Risk assessment – the process involving the application of qualitative or quantitative methods to measure the Risk level and determine the Significance of the risk level.

2.27. The Risk Management and Internal Control Unit (RMICU) of the Company – the structural unit of the Company that, within the scope of its competence, shapes a uniform policy for Risk management and Internal control to be applied by the Company and the Gazprom Group entities, provides methodological support for the implementation of such policy, and ensures the interaction with the Company's structural units and the Gazprom Group entities on the matters of Risk management and Internal control.

2.28. Risk indicators – quantitative metrics used to measure the Risk level that are calculated in accordance with the selected Risk assessment approaches (methods) and are determined in a formalized way, with due regard for the Probability and Consequences of the Occurrence of risk.

2.29. Threshold risk level – the level of risk that marks the boundary between Significant risks and Insignificant risks.

2.30. Consequences – the degree to which the Occurrence of risk impacts the achievement of goals and objectives of the Gazprom Group.³

2.31. Maximum acceptable risk level – the upper limit of the Acceptable risk level.

2.32. Internal control procedures – actions aimed at ensuring that the necessary measures are taken to reduce the risks affecting the achievement of the goals of the Company and the Gazprom Group entities.

2.33. Risk response – a set of dedicated efforts targeting a risk, using such methods as:

- risk aversion (risk avoidance/elimination), rejection of measures/activities that cause the corresponding risk, rejection of potential risk sources;
- risk mitigation (reduction) – implementation of measures and/or performance of actions aimed at bringing down the Risk level;
- risk redistribution (transfer) – sharing of risk with another party or parties, use of insurance;
- acceptance (retention/holding) of risk – absence of actions which are taken as part of other Risk response methods, use of self-insurance, hedging.

2.34. Occurrence of risk – the occurrence of events and the effect of circumstances and external and internal factors that affect the achievement of the established goals of the Company (the Gazprom Group entity).

2.35. Risk Register – the document compiled by Risk coordinators and containing the basic (summary) information about risks provided by Risk owners (co-owners).

2.36. Risk – potential events, circumstances, and external and internal factors that affect the achievement of the established goals of the Company (the Gazprom Group entity).

³ Expressed either quantitatively (through financial indicators or by means of scores) or qualitatively.

2.37. Risk coordinator – an employee or a structural unit of the Company (or of the Gazprom Group entity) whose responsibilities are to provide methodological support for the Risk management process (Risk identification, assessment, response and monitoring), consolidate the information on risks/Internal control procedures, compile the Risk Register and reporting documents on risks/Internal control procedures, and coordinate the interaction between the participants of the Risk management process. Risk coordinators are appointed under a local regulation of the Company (the Gazprom Group entity).

2.38. Risk management and internal control system (RMICS) – an aggregate of interrelated organizational measures and processes, organizational structure, local regulations of the Company and the Gazprom Group entities, and other documents, methodologies and procedures (rules and regulations, standards and guidelines), corporate culture norms and actions undertaken by the employees of structural units of the Company and the Gazprom Group entities, aiming to provide ample guarantees that the relevant goals and objectives will be achieved, as well as to support the employees of the Company's structural units and the Gazprom Group entities during decision-making under uncertainty.

2.39. Event – a circumstance or a combination of circumstances, an actual change in a specific set of conditions, and the effect of external and internal factors that create uncertainties affecting the achievement of the set goals and objectives of the Gazprom Group.

2.40. Co-owner of internal control procedures – an employee or a structural unit of the Company (or of the Gazprom Group entity) sharing the powers to perform Internal control procedures with the Owner of internal control procedures and other Co-owners of internal control procedures. The Co-owner of internal control procedures is appointed upon the recommendation of the Business process owner in accordance with the procedure established within the Company (the Gazprom Group entity).

2.41. Risk co-owner – a structural unit of the Company (or of the Gazprom Group entity) that shares the risk management powers with the Risk owner and other Risk co-owners. Risk co-owners are appointed under a local regulation of the Company (the Gazprom Group entity).

2.42. Means of control – processes (including automated ones) that help identify and prevent non-conformity of an object covered by Internal control to the established requirements.

2.43. Significant risk – a risk possessing an Acceptable risk level which however exceeds the Threshold risk level.

2.44. Threats – potential Events that have a negative impact on the achievement of the established goals and objectives of the Gazprom Group.

2.45. Risk management – a systematic process covering all activities of the Gazprom Group and providing support in managerial decision-making in the face of risk and uncertainty to the management bodies of the Company and those of the Gazprom Group entities.

2.46. Risk manageability – a qualitative property of risk indicating the extent of possible impact on Risk factors with the use of Risk response methods.

2.47. Risk level – a combination of the Probability and Consequences of the Occurrence of risk that is expressed in a certain formalized way.

2.48. Risk factor – a subject, object or activity that, independently or in combination with each other, can lead to the Occurrence of risk under certain conditions.

2.49. Risk management and internal control responsibility center(s) – dedicated structural unit(s) of any of the Gazprom Group entities (other combination(s) or group(s) of its employees), which, in line with the local regulations of the relevant Gazprom Group entity, is (are) responsible for fulfilling the tasks and performing the functions in the process of Risk management and Internal control, and which has (have) the necessary labor and material resources to deal with the assigned tasks.

2.50. Opportunities – potential Events having a positive impact on achieving the established goals of the Company and the Gazprom Group entities.

3. Goals and objectives of rmics

3.1. The RMICS has the following goals:

- to provide reasonable confidence that the goals of the Company and the Gazprom Group entities will be achieved; and
- to exert proper oversight over the financial and business activities of Gazprom and the Gazprom Group entities.

3.2. The objectives of the RMSC are as follows:

3.2.1. to support the systematic and continuous Risk identification and Risk assessment processes affecting the attainment of the goals pursued by the Company and the Gazprom Group entities; to reduce the number of unforeseen events that have a negative impact on the achievement of the goals of the Company and the Gazprom Group entities;

3.2.2. to ensure effective Risk management and streamline decision-making processes related to Risk response; to raise the efficiency of resource utilization and allocation with regard to Risk management activities and Internal control procedures;

3.2.3. to develop the ways of Risk response, carry out Risk monitoring, undertake Risk management activities, duly and promptly respond to changes in Risk factors; to collect and systematize information on the potential and occurred risks at the Company and the Gazprom Group entities;

3.2.4. to set the Maximum acceptable risk levels and Threshold risk levels, bring down the risk impacts to the Acceptable risk level, and ensure that the risks assumed by the Gazprom Group are acceptable;

3.2.5. to develop Internal control procedures (including those aimed at preventing and combating corruption) for timely risk response; to implement Internal control procedures in a proper and timely manner;

3.2.6. to promptly identify deficiencies and deviations in and violations of Internal control procedures in the course of activities of the Company and the Gazprom Group entities;

3.2.7. to distribute the powers related to Risk management and Internal control across all management levels of the Company and the Gazprom Group entities; to ensure that an optimal organizational structure is built in the Gazprom Group through the allocation of duties between the RMICS participants;

3.2.8. to create a methodological framework for the functioning of the RMICS and introduce regulations on and standardization of Risk management processes and Internal control procedures; to improve the local regulations of the Company and the Gazprom Group entities with regard to the integration and/or streamlining of Risk management processes and Internal control procedures at every level of management;

3.2.9. to compile and maintain regular submission of the Company's and the Gazprom Group entities' unified reporting documents on Risk management and Internal control; to ensure the integrity and transparency of management reporting documents of the Company and the Gazprom Group entities and inform Management bodies of the Company and those of the Gazprom Group entities about Key risks and measures to reduce them;

3.2.10. to enable timely preparation and submission of reporting documents, as well as other information to be disclosed pursuant to the law;

3.2.11. to create a robust information environment for activity planning and managerial decision-making; to provide information on decision-related risks for managerial decision-making processes;

3.2.12. to increase the sustainability and operational effectiveness of the financial and business activities of the Company and the Gazprom Group entities;

3.2.13. to ensure the protection of assets, as well as the efficiency of resource utilization and distribution;

3.2.14. to enhance Risk management at the Company and the Gazprom Group entities and strengthen the confidence of investors and other stakeholders;

3.2.15. to ensure compliance with the law and the local regulations of the Company and the Gazprom Group entities.

4. Principles of rmics organization and functioning

The organization and functioning of the RMICS are based on the following principles:

4.1. The principle of coherence (integration). Being an integral part of corporate governance, the RMICS is integrated into the Gazprom Group's current planning system, project and program management system, process safety management system, and other management systems. Risk management processes and Internal control procedures are embedded in all Business processes.

4.2. The principle of comprehensiveness. The RMICS covers all levels of corporate governance, all structural units of the Company and the Gazprom Group entities, all Business processes and operations, and all identified risks.

4.3. The principle of alignment (with goals). Risk management is carried out in line with the goals identified during the development of the Gazprom Group's development strategy, as well as the goals and business lines of the Gazprom Group.

4.4. The principle of reasonable confidence. The RMICS aims to provide a reasonable (high) but not absolute confidence that the goals and objectives of the Company and the Gazprom Group entities will be achieved.

4.5. The principle of flexibility and development. The RMICS provides for the monitoring of and adaptation and flexible response to changes in the internal and external operational environment. The Gazprom Group facilitates continuous development of the RMICS.

4.6. The principle of materiality and resourcing. Risk management activities and Internal control procedures are to address Key risks as a matter of priority. The decision-making process involves the allocation of resources which are required for effective Risk management and Internal control.

4.7. The principle of continuity (of operation). Uninterrupted and stable operation of the RMICS ensuring the continuity of decision-making across all management levels and allowing the Company and the Gazprom Group entities to identify and address Key risks in a timely manner.

4.8. The principle of interaction and collective decision-making. Concerted efforts of the RMICS participants in achieving the goals set. Risk management activities and Internal control procedures influencing the performance of several structural units of the Company (or of the Gazprom Group entity) are based on joint decisions.

4.9. The principle of responsibility. Enshrining the rights and obligations of the RMICS participants in the local regulations of the Company and the Gazprom Group entities. Each employee of the Company (or of the Gazprom Group entity) participates in Risk management process, as well as in the development and proper implementation of Internal control procedures within the scope of his/her duties and competencies.

4.10. The principle of separation of duties. Delineation of functions in such a way as to ensure that authorization, performance, accounting of transactions with certain assets and control over their execution are not exercised by one and the same person (structural unit).

4.11. The principle of assessment of results. Performance indicators are determined and performance results are assessed taking into account the requirements to Risk management and Internal control.

4.12. The principle of streamlined structure and promptness. The RMICS is structured and regulated so as to ensure complete and timely provision of information about risks and Internal control procedures within the Company and the Gazprom Group entities.

4.13. The principle of a uniform regulatory framework. Risk management processes and Internal control procedures are based on principles, approaches, norms, requirements, terminology, methodology, reporting structures and IT support activities that are the same across the entire Gazprom Group.

4.14. The principle of economic feasibility. Allocation of resources to Risk management activities and Internal control procedures are to be substantiated by the economic effect from the Risk level reduction.

4.15. The principle of three lines of defense.

The first line of defense – Risk management and Internal control activities at the level of Business processes. Risk management and Internal control are carried out by Business process owners in structural units of the Company (the Gazprom Group entity).

The second line of defense – the creation of a unified policy for Risk management and Internal control, provision of methodological guidelines for its implementation, as well as coordination of Risk management and Internal control activities in structural units of the Company (the Gazprom Group entity). This line of defense is provided by the RMICU and Risk management and internal control responsibility centers.

The third line of defense – the internal assessment of the RMICS effectiveness. This line of defense is provided by the structural unit of the Company (the Gazprom Group entity) responsible for organizing and conducting internal audits in accordance with the established procedure.

5. Participants of rmics. Distribution of powers among rmics participants

5.1. The participants of the RMICS are:

- the Gazprom Board of Directors;
- the Audit Committee of the Gazprom Board of Directors;
- the Gazprom Management Committee;
- the Chairman of the Gazprom Management Committee;
- the Collective body;
- the RMICU;
- the Company's structural units, the Gazprom Group entities;
- Business process owners;
- Risk owners (co-owners);
- Entities/persons responsible for risk management activities;
- Risk coordinators;
- Owners (Co-owners) of internal control procedures;
- Entities/persons responsible for the monitoring of internal control procedures;
- Risk management and internal control responsibility centers.

5.2. Powers of the RMICS participants:

5.2.1. The Gazprom Board of Directors:

- approves the internal documents of the Company that define its policy with regard to the organization of Risk management and Internal control processes, including the principles of and approaches to the RMICS organization, functioning and upgrading;
- sets the Maximum acceptable risk levels and Threshold risk levels for the Company and the Gazprom Group;
- reviews issues pertaining to the RMICS organization, functioning and effectiveness, including the results of assessment and self-assessment, and, if necessary, formulates recommendations concerning the improvement of the RMICS.

5.2.2. The Audit Committee of the Gazprom Board of Directors:

- exercises control over the reliability and effectiveness of the RMICS;
- gives preliminary consideration to and provides recommendations for the decision-making of the Gazprom Board of Directors on the issues specified in Clause 5.2.1;
- reviews the consolidated reporting documents on risks and Internal control procedures; examines the outcomes of Internal control procedures and the findings of Risk management assessment.

5.2.3. The Gazprom Management Committee:

- reviews the information about Key risks and Risk management activities generated by the RMICU and, if necessary, issues recommendations regarding the improvement and monitoring of Risk management activities and improvement of Internal control procedures;
- within the scope of its competence, ensures the effectiveness of the RMICS across the Gazprom Group.

5.2.4. The Chairman of the Gazprom Management Committee within the respective limits of competence:

- ensures the functioning of the RMICS;
- ensures the implementation of the Gazprom Board of Directors' decisions regarding the organization of the RMICS;
- approves the Company's local regulations in the sphere of Risk management and Internal control that do not require approval by the Gazprom Board of Directors, including those concerning the appointment of Risk owners (co-owners) from among the structural units of the Company;
- establishes the Collective body, approves its composition, and endorses the regulation on the Collective body in accordance with the established procedure.

5.2.5. The Collective body:

- approves, within its competence set out by the relevant regulation, Risk limits for separate risks;
- reviews and approves Risk response methods and Risk management approaches developed by Risk owners (co-owners), including hedging strategies, lists of derivatives permitted for use during Risk management, and stress testing scenarios;
- conducts a preliminary review of the following before the Management bodies of the Company:
 - the Company's draft local regulations in the sphere of Risk management and Internal control, as well as proposals for their development and updating;
 - results of self-assessment regarding the efficiency of the RMICS;
 - RMICU proposals on the appointment of Risk owners (co-owners) from among the structural units of the Company.

5.2.6. The RMICU:

- ensures the implementation of the uniform policy for Risk management and Internal control of Gazprom and the Gazprom Group entities, and provides the methodological guidelines for its implementation;
- coordinates Risk management and Internal control activities in structural units of the Company (or of the Gazprom Group entities);
- develops, approves and ensures the updating of the Company's local regulations and guidelines on Risk management and Internal control;
- defines the methodological approaches to Risk management processes and Internal control procedures;
- analyzes proposals issued by Risk owners (co-owners) regarding the Maximum acceptable risk levels and Threshold risk levels for separate risks;
- formulates and submits for consideration by the Audit Committee of the Gazprom Board of Directors proposals regarding the Maximum acceptable risk levels and Threshold risk levels, as well as the frequency of their revision, to be established by the Board of Directors for the Company and the Gazprom Group;
- generates and submits, upon request, proposals to the Collective body with regard to establishing Risk limits, as well as the frequency of their revision, for separate risks;
- formulates proposals on the appointment of Risk owners (co-owners) from among the structural units of the Company;
- approves the engagement of third-party consultants on Risk management and Internal control by the structural units of the Company and the Gazprom Group entities, as well as the scope and content of the works (services) of third-party consultants, draft contracts (additional agreements) with third-party consultants and certificates of acceptance of the works (services) performed by them, as well as draft local regulations of the Company and the Gazprom Group entities, and other documents related to Risk management and Internal control;
- summarizes and analyzes the contents of the reporting documentation submitted by the structural units of the Company and the Gazprom Group entities concerning the occurred risks, the use of the established Risk limits, the data about counterparties, the contracts with counterparties, the financial instruments used at the Company and the Gazprom Group entities, and the Internal control;

- prepares consolidated reporting documentation on risks and Internal control procedures for submission to Management bodies of the Company;
- monitors Risk management processes and Internal control procedures across the Company and the Gazprom Group entities;
- forms the portfolio of the Company's Key risks;
- analyzes Key risks to provide the analysis results to Management bodies of the Company;
- organizes reviews of Business processes in structural units of Gazprom to verify that the Company's key performance indicators in Risk management and Internal control are applied correctly and that the measures for streamlining Internal control procedures are duly performed;
- analyzes the measures aimed at streamlining Internal control procedures developed by the Company's structural units and the Gazprom Group entities;
- ensures the improvement and development of approaches, methods and tools applied in Risk management processes and Internal control procedures of Business processes;
- secures the preparation of proposals regarding the expansion of the RMICS and improvement of its efficiency;
- summarizes the results of self-assessment regarding the efficiency of the RMICS for their subsequent submission to the Collective body and the Audit Committee of the Gazprom Board of Directors;
- organizes employee training in Risk management and Internal control and performs advisory activity in accordance with the procedure established at the Company;
- develops unified approaches to Internal control, including elaboration of tools for the development, introduction, performance and verification of Internal control procedures;
- reviews third-party auditors' reports on Internal control issues. Monitors the elimination of any deficiencies in Internal control identified by a third-party auditor;
- controls the execution of instructions issued by Management bodies of the Company with regard to Risk management and Internal control;
- agrees action plans to enhance Internal control procedures;
- performs reviews of the Internal control system established at the Company's structural units and the Gazprom Group entities, including control over compliance with the relevant local regulations of the Company. Informs Management bodies of the Company, as well as the heads of the structural units of the Company and the Gazprom Group entities about the deficiencies revealed. Monitors the elimination of the Internal control system's deficiencies;
- approves the information about risks and Internal control processes submitted by the structural units of the Company and the Gazprom Group entities in the cases when such information is to be included in the reporting documentation prepared pursuant to the laws on information disclosure.

Internal audits and activities carried out by control and auditing subdivisions and by the subdivision in charge of economic security do not fall within the scope of the RMICU work.

5.2.7. The Company's structural units and the Gazprom Group entities ensure the organization and functioning of the RMICS within the scope of their respective tasks and responsibilities.

5.2.8. Business process owners:

- ensure the functioning of the RMICS within the relevant Business process, including the coordination of activities carried out as part of risk management and internal control procedures;
- secure the integration of Risk management processes and Internal control procedures into the Business processes that they implement;
- submit to the RMICU and the Management bodies of the Company proposals regarding the improvement of Risk management processes and Internal control procedures, including proposals to develop measures for the implementation of recommendations received from the RMICU or a structural unit of the Company (the Gazprom Group entity) that is responsible for arranging and conducting internal audits in accordance with the established procedure;

- carry out Risk identification to determine risks inherent in the relevant Business process; develop Internal control procedures necessary to reduce the identified risks; and agree such procedures with the RMICU.

5.2.9. Risk owners (co-owners):

- implement the stages of the Risk management process;
- submit risk reporting documentation to the Risk coordinator in accordance with the procedure set out by the local regulations of the Company and the Gazprom Group entities;
- on the basis of Risk assessment results, select a Risk response option, and develop and implement Risk management activities;
- formulate proposals for determining the Maximum acceptable risk levels and Threshold risk levels for separate risks, establish Risk limits and submit them to the RMICU;
- ensure the implementation of Risk management activities in cooperation with the Company's structural units concerned (the Gazprom Group entities concerned) and perform other functions stipulated by the local regulations of the Company and the Gazprom Group entities;
- carry out self-assessment of the effectiveness of the RMICS.

5.2.10. Entities/persons responsible for risk management activities:

- implement Risk management activities;
- submit to Risk owners (co-owners) information regarding the accomplishment of Risk management activities.

5.2.11. Risk coordinator:

- systematizes and summarizes the reporting documentation submitted by Risk owners (co-owners);
- systematizes and summarizes the information, including reporting documentation, submitted by Owners (Co-owners) of internal control procedures;
- maintains risk statistics;
- renders methodological support to the Risk owner (co-owner);
- compiles risk reporting documentation and Internal control reporting documentation and submits them to the RMICU, along with other information about risks and Internal control procedures which is to be submitted upon request;
- conducts working meetings to carry out Risk identification and Risk assessment;
- provides information about risks to the Company's structural units and the Gazprom Group entities whose goals and objectives are influenced by such risks.

5.2.12. Owners (Co-owners) of internal control procedures:

- enable the introduction, implementation and continuous performance monitoring of Internal control procedures;
- submit reporting documentation on Internal control procedures to the Risk coordinator in the manner prescribed by the local regulations of the Company and the Gazprom Group entities.

5.2.13. The monitoring of Internal control procedures is performed by Entities/persons responsible for the monitoring of internal control procedures.

5.2.14. The Gazprom Group entities set up Risk management and internal control responsibility centers.

The employees of Risk management and internal control responsibility centers carry out the powers and functions of Risk coordinators and Entities/persons responsible for the monitoring of internal control procedures.

6. Interaction within the framework of rmics

6.1. Interaction between the RMICS participants in terms of Risk management process and Internal control procedures includes:

- vertical interaction;
- horizontal interaction.

6.2. Vertical interaction is the interaction between Management bodies of the Company, structural units of the Company, and the RMICU, as well as the interaction of the Company and its structural units with the Gazprom Group entities.

6.3. Horizontal interaction takes place between:

- structural units of the Company;
- Risk coordinators;
- Risk owners (co-owners), Owners (Co-owners) of internal control procedures;
- the Gazprom Group entities;
- Business process owners.

6.4. The procedure of interaction between the RMICS participants to be observed in the course of Risk management and Internal control procedures is defined by the local regulations of the Company and the Gazprom Group entities.

6.5. The interaction of the Company (the Gazprom Group entity) with external stakeholders, including state supervisory authorities, third-party auditors, banks, insurance companies, shareholders, and investors, is carried out in compliance with the requirements of the current legislation and local regulations of the Company and the Gazprom Group entities.

7. Components of rmics

7.1. Internal control environment

7.1.1. The Internal control environment is created with the aim of establishing a uniform infrastructure of the RMICS, maintaining the continuity of Risk management processes and Internal control procedures, and promoting the culture of Risk management and Internal control.

7.1.2. The factors that determine the Internal control environment are:

- honesty, competence, commitment to ethical values, and other personal qualities of the employees of the Company and the Gazprom Group entities outlined in the Code of Corporate Ethics of Gazprom (the Gazprom Group entity);
- a philosophy and style of management that facilitate the Risk management processes and Internal control procedures;
- a system of delegation of powers, as well as approaches to the segregation of duties between employees and to employee training at the Company (the Gazprom Group entity) which are based on the operating principles of the RMICS.

7.1.3. The following activities are carried out for the creation of the Internal control environment:

- elaboration, expansion and constant updating of regulatory and methodological documents in the area of Risk management and Internal control, including the introduction of unified Risk management and Internal control reporting;
- creation of effective management structures at the Company and the Gazprom Group entities; determination and segregation of functions and responsibilities of the participants of the Risk management process and Internal control procedures;
- delineation of functions in accordance with the principle of separation of duties;
- allocation of resources to create the conditions required for achieving efficient Risk management processes and Internal control procedures, as well as to implement the selected Risk response options and Risk management activities;
- arrangement of monitoring over the general evolution of the Internal control environment; timely adaptation of the Internal control environment to new challenges, including introduction of timely updates to the regulatory and methodological documents of the RMICS;
- introduction of standards of conduct and adoption of measures that facilitate further enhancement of the Risk management and Internal control culture and help employees understand their role in the RMICS and the impact of their activity on the performance of the Company (the Gazprom Group entity);
- capacity building of employees in the sphere of the RMICS.

7.1.4. The Risk management and Internal control culture is maintained across all Business processes at the Gazprom Group.

7.1.5. The creation and development of the Internal control environment, provision of a uniform infrastructure of the RMICS, and prompt adaptation of the RMICS so that new tasks can be addressed constitute an ongoing process integrated in the day-to-day operations at all levels of Risk management and Internal control activities, with simultaneous compilation and enhancement of the local regulations of the Company and the Gazprom Group entities that stipulate the requirements to the components of the RMICS, as well as to Risk management processes and Internal control procedures at various levels.

7.2. Goal setting

7.2.1. Goal setting at the level of the Company and the Gazprom Group entities is an essential precondition for Risk identification and Risk assessment processes and subsequent determination of Internal control procedures.

7.2.2. In the course of goal setting at the Company and the Gazprom Group entities, mandatory requirements are established with regard to:

- Risk identification and Risk assessment processes that the Company (the Gazprom Group entity) will face as a result of adopting the goals under consideration, with indication of possible deviations from the projected targets;
- determining the ways of Risk response for Key risks, selecting the relevant Risk management activities, and estimating the costs required for their conduct;
- performing Internal control procedures that ensure proper and timely implementation of the selected ways of Risk response.

7.2.3. Goal setting within the RMICS framework envisages, inter alia, the determination of the Maximum acceptable risk levels and Threshold risk levels.

The Maximum acceptable risk levels and Threshold risk levels form the basis for Risk response decision-making, enable Risk monitoring and assessment of the effectiveness of Risk management activities, and are also used in Internal control procedures.

7.2.4. The procedures to be applied for determining the Maximum acceptable risk levels and Threshold risk levels, as well as Risk assessment methods are approved by a local regulation of the Company.

7.3. Risk identification

7.3.1. Risk identification reveals risks expressed as internal and/or external events that may occur in the future and have a negative (Threats) or positive (Opportunities) impact on attaining the goals of the Company and the Gazprom Group entities.

7.3.2. Besides Threats, the Company and the Gazprom Group entities shall also identify Opportunities present in the course of attaining their goals.

The process of Risk management and Risk identification includes the determination of the causes, conditions and circumstances that prevent the use of Opportunities which can facilitate the attainment of the goals set by the Company and the Gazprom Group entities.

7.3.3. Newly identified risks undergo the Risk identification process at the structural units of the Company and the Gazprom Group entities, including the procedures of gathering and analyzing the risk information which is required to perform the description, classification and registration of such risk. Risk owners (co-owners) are appointed for each identified risk.

7.3.4. Risk Identification involves:

- analysis of internal and external factors that can create risks;
- forecasting of possible changes in the external and internal environment that may have an effect on the activities of the Company and the Gazprom Group entities;
- identification of interrelations between Risk factors and performance of Risk classification in order to subsequently determine the resources to be allocated for Risk management and Internal control.

7.3.5. In the course of Risk Identification, Risk coordinators draw up Risk Registers, which are supplemented during the next stages of Risk management.

7.3.6. The tools and procedures of Risk identification are reflected in the local regulations of the Company and the Gazprom Group entities, which also specify the requirements to the

content and presentation formats of the information included in the relevant Risk Register and provide instructions on how to draw up the Risk Register.

7.3.7. Risk owners (co-owners) analyze the relevant Risk Register for completeness in the course of Risk inventory, during which the previously identified risks are also re-assessed (the relevance and Significance of the risk level are determined for the risks present in the Risk Register at the time of Risk inventory).

7.3.8. In the course of Risk inventory, the identified additional risks are entered in the relevant Risk Register; the previously identified risks can be deleted from it if Risk factors cease to have an effect or if Risk factors cannot lead to the Occurrence of risks.

7.3.9. If there are signs of a new risk that has not been identified before, each employee of the Company (the Gazprom Group entity) shall inform his/her manager (or Risk coordinator) about such risk, as well as about its anticipated Consequences (including the information on the cases of the Occurrence of risk that have taken place).

The manager (or Risk coordinator) shall analyze the submitted information and undertake the activities required to enter the new risk in the relevant Risk Register.

7.4. Risk assessment

7.4.1. Risk assessment includes the process of analyzing the identified risks, Probabilities and Consequences in order to ensure further Risk management and introduction of Internal control procedures.

7.4.2. For each risk identified, the Risk owner (co-owner) shall perform Risk assessment by Risk indicator components in order to determine the Probability and Consequences of the occurrence of the risk and the potential impact of the risk on the achievement of the Gazprom Group's goals and objectives.

7.4.3. The Consequences can be either financial or non-financial.

Financial Consequences are assessed against financial indicators.

Non-financial Consequences are assessed on the basis of their impact on the reputation of the Company and the Gazprom Group entities, damage to human health, and environmental footprint.

7.4.4. Risk assessment may use qualitative, interval, and quantitative indicators.

7.4.5. Qualitative Risk assessment is less accurate than quantitative assessment and is mostly used to assess non-financial Consequences which may be brought about by the Occurrence of risk.

In the course of qualitative Risk assessment, indicators that show the Probability for a risk to occur and the impact of a risk on the goals of the Company (the Gazprom Group entity) are determined through expert methods.

7.4.6. In the course of interval Risk assessment, the Probability and Consequences are expressed using an interval of values that corresponds to a certain qualitative assessment category.

The criteria and scales for assessing the Probability and Consequences, as well as the selection of assessment intervals are prescribed by a relevant local regulation of the Company.

The interval Risk assessment method is permitted for use in the assessment of measurable financial consequences and the Probability of the Occurrence of risk.

7.4.7. In the course of quantitative assessment, the Probability and Consequences are expressed as precise numerical values or functional dependencies.

7.4.8. The methodology and techniques of Risk assessment are prescribed by the local regulations of the Company and the Gazprom Group entities.

7.4.9. On the basis of the Risk assessment results, a relative rank is assigned to and the Significance of the risk level is determined for each identified risk.

The Significance of the risk level is determined with the use of the criteria and scales that are applied for assessing the Probability and Consequences of the Occurrence of risk, which are prescribed by the local regulations of the Company and the Gazprom Group entities.

7.4.10. The following activities can also be carried out as part of Risk assessment:

- assessment of the potential Residual risk level in comparison to the expenditure of resources required to achieve it;

- Risk assessment which takes into account the interrelation of risks and Risk factors;
- Risk assessment at various management levels, including at the level of the Company and the Gazprom Group entities, by main lines of business, types of activities and Business processes, in order to identify the areas requiring additional Internal control procedures for Risk management;
- additional control by Risk owner (co-owner) to verify the correctness of Key risks assessment.

7.4.11. The Risk assessment results and the conclusions on the Significance of the risk level are to be submitted to the RMICU.

7.4.12. Risk owners shall reconsider Risk assessment results at least once a year.

7.5. Risk response

7.5.1. Risk response is aimed at bringing down the Risk level to keep it within the Acceptable risk level through implementing Risk management activities with due regard for the selected way of Risk response (or a combination of such ways).

7.5.2. The objective of the Company and the Gazprom Group entities is to respond to Key risks in such a way as to minimize the negative impact of Threats and to maximize the use of the available Opportunities to achieve the set goals.

7.5.3. The way of Risk response is determined on the basis of the Risk level assessment, the acceptable costs for the implementation of possible Risk management activities, the assessment of the corresponding value of the Residual risk level, as well as the Maximum acceptable risk level.

7.5.4. The following aspects shall be taken into account when choosing a way of Risk response:

- options available for impacting both the Probability and Consequences;
- the benefit-cost ratio that can be achieved through choosing various Risk response options or a combination thereof;
- risks that may arise as a result of applying the way of Risk response selected with regard to an identified risk;
- the capability of the Company (the Gazprom Group entity) to allocate the resources necessary to implement the preferred ways of Risk response with regard to the identified Key risks;
- the ability to put the way of Risk response under consideration into practice within such time as to ensure the efficiency of Risk management;
- whether the Residual risk level achieved through the corresponding way of Risk response falls within the Acceptable risk level.

7.5.5. Risk owner (co-owner) shall assess Risk manageability and the choice of the way of Risk response on the basis of the Company's (the Gazprom Group entity's) ability to influence the relevant risk sources and Risk factors.

7.6. Development and implementation of Risk management activities

7.6.1. The way of Risk response which is selected on the basis of the Significance of the risk level and Risk manageability serves as the foundation for elaborating and adopting Risk management activities aiming to provide reasonable confidence that the Residual risk level does not exceed the Maximum acceptable risk level.

7.6.2. Risk management activities are designed for all Critical risks.

The Risk management activities to address Significant risks are carried out with due consideration of the principle of economic feasibility.

7.6.3. In the course of designing Risk management activities, Risk owners (co-owners) shall identify the goals and expected outcomes of the implementation of such activities, with indication of their main stages and implementation deadlines, as well as the required resources.

Risk management activities must take into account the requirements of the relevant legislation and the local regulations of the Company and the Gazprom Group entities.

7.6.4. The resources and budget provided for Risk management activities are assessed and substantiated by Risk owners (co-owners) and allocated in accordance with the budget planning and formation practice and procedures established at the Company (the Gazprom

Group entity); the resources and budget provided for Risk management activities with regard to investment project risks are addressed as part of the corresponding project approval procedure with due account for the decision-making process.

7.6.5. Information about Risk management activities is reflected in the risk reporting documentation in accordance with the established procedure.

7.7. Internal control procedures

7.7.1. Internal control procedures are implemented in accordance with the requirements of the local regulations of the Company and the Gazprom Group entities and are focused on attaining the goals of the RMICS.

7.7.2. Internal control procedures are classified as follows:

- preventive – helping prevent the occurrence of an undesirable event;
- revealing (detecting) – applied to detect an undesirable event that has occurred;
- directive – contributing to the occurrence of a desired event;
- corrective – neutralizing the consequences of an undesirable event that has occurred;
- compensatory – complementing the available Means of control.

7.7.3. Internal control procedures are carried out at all management levels in accordance with the rules established for the Company and the Gazprom Group entities.

7.7.4. Internal control procedures include Means of control, such as:

- agreement – approval of documents by employees of various structural units and management levels who are vested with the appropriate powers;
- authorization – obtaining by employees of a permission to perform an operation;
- reconciliation – checking the completeness, accuracy, consistency and correctness of the information received from different sources, including control measures to prevent discrepancies in accounting items, accounting systems, accounting data of the Company (the Gazprom Group entity) and counterparties;
- arithmetic control – checking the arithmetic correctness of calculations, including the calculation of checksums in financial, accounting and other documents;
- analysis of deviations – assessing the extent to which the set goals and plans are implemented through comparing actual performance indicators with target indicators, forecasts, data from previous periods, and the performance of competitors;
- physical control over the safeguarding of assets – limiting physical access to assets, premises, documents; equipping asset storage places in a proper manner; concluding financial liability contracts;
- inventory – identifying and describing the actual availability and qualitative characteristics of assets and liabilities in order to ensure the accuracy of accounting and the safeguarding of assets;
- general and specialized Internal control procedures for information technologies (computer-aided control) – exercising control over access and data integrity and introducing changes to information management systems.

7.7.5. Responsibilities on the development, documenting, adoption, execution and monitoring of Internal control procedures are set forth in the regulations on structural units and job descriptions of the employees of the Company (the Gazprom Group entity).

7.7.6. The content of Internal control procedures depends on the management level and intended functions, is developed by the structural units of the Company (the Gazprom Group entity) in accordance with the goals and objectives of the Company (the Gazprom Group entity), and is established by the local regulations of the Company (the Gazprom Group entity).

7.8. Risk monitoring and implementation of Risk management activities and Internal control procedures

7.8.1. The Company and the Gazprom Group entities design and adopt the processes that ensure Risk monitoring, monitoring of the status of Risk management activities, timely and effective completion of such actions, as well as monitoring of the progress of Internal control procedures.

7.8.2. Monitoring is performed through periodic Risk assessment, as well as through the verification of the performance of Risk management activities and introduction and performance of Internal control procedures.

7.8.3. The purpose of Risk monitoring and progress monitoring of Risk management activities and Internal control procedures is to provide reasonable confidence that:

- risks have been mitigated through Risk response methods, Risk management activities, and Internal control procedures;
- Risk management activities are carried out in a sufficient and timely manner;
- Internal control procedures ensure effective reduction of the Risk level;
- funds allocated to Risk management activities and Internal control procedures are disposed of effectively;
- significant changes in Risk factors that occurred during the reporting period have been taken into account in Risk assessment.

7.8.4. Risk monitoring is arranged with respect for the following requirements:

- Key risks must have a priority;
- information presented in Risk management reporting documentation must be kept up-to-date.

7.8.5. Monitoring by Risk owners (co-owners) is performed in the form of self-assessment and includes constant supervision over the progress of Risk management activities, as well as Risk monitoring with regard to Critical risks. The self-assessment process includes risk re-assessment if there are grounds therefor.

7.8.6. Monitoring by Owners of internal control procedures is carried out in the form of self-assessment and includes constant supervision over the progress of Internal control procedures and/or elimination of deficiencies in Internal control procedures.

The monitoring of Internal control procedures is carried out by Entities/persons responsible for the monitoring of internal control procedures.

7.8.7. Cases of the Occurrence of risk are registered and analyzed by Risk owners (co-owners) in order to determine the opportunities for improving Risk response options and Risk management activities.

7.8.8. Information about the Occurrence of risks is used to adjust Risk assessment, determine the sufficiency of Risk management activities and Internal control procedures, or decide if additional Internal control procedures are needed.

7.8.9. In the event of the Occurrence of risks, Risk (co-owners) shall develop and conduct measures to mitigate the Consequences of the Occurrence of risk. Owners of internal control procedures shall develop additional Internal control procedures.

7.9. Reporting procedure and information exchange within the framework of the RMICS. IT support of the RMICS

7.9.1. The timeframes for submitting and the procedure for exchanging information, the requirements to the content of such information and/or submission formats of risk reports and reports on the implementation of Internal control procedures and assessment of the effectiveness of the RMICS, as well as the procedure for keeping such documents are set out in the local regulations of the Company and the local regulations developed by the Gazprom Group entities on their basis.

7.9.2. Information sharing is carried out in the context of risks, dynamics of changes in Risk levels, as well as efficiency and status of Risk management activities, Internal control procedures, the risks that have occurred and the losses incurred, as well as the information about possible changes in the external and internal environment that may affect the attainment of the goals set at the Company and the Gazprom Group entities.

7.9.3. Information exchange within the framework of the RMICS involves all its participants with due consideration of data confidentiality restrictions.

The exchange of information within the framework of the RMICS is intended to ensure the completeness, timeliness, reliability and accuracy of this information, its correct addressing, optimal format and contents, as well as compliance with information confidentiality requirements.

7.9.4. Confidentiality requirements to the information on risks and their management are established by the local regulations of the Company and the Gazprom Group entities.

7.9.5. IT support of the RMICS is organized by the RMICS participants at the stage when the RMICS reaches a certain level of development, namely, when it has a sound methodological framework, a formalized description of Risk management processes and Internal control procedures, as well as the requirements to calculation algorithms, mathematical modeling, risk assessment methods, collection, accumulation, storage and structuring of information about risks, confidentiality and information security which are specified in the local regulations of the Company and the Gazprom Group entities.

7.9.6. The RMICS participants shall carry out IT support of the RMICS and build its information resources with due regard for the benefit-cost ratio.

7.10. Assessment and monitoring of the effectiveness of the RMICS

7.10.1. Assessment and monitoring of the effectiveness of the RMICS pursue the following objectives:

- revealing deficiencies in the functioning of the RMICS and identifying their causes and actual and/or possible consequences;
- informing Management bodies of the Company and the Gazprom Group entities about these deficiencies;
- carrying out monitoring to ensure that the identified violations, deviations and deficiencies in the RMICS are eliminated in a full and timely manner.

7.10.2. Assessment and monitoring of the efficiency of the RMICS are performed through self-assessments, internal assessments and external assessments in accordance with the procedure stipulated by the local regulations of the Company and the local regulations of the Gazprom Group entities developed on their basis.

7.10.3. Self-assessment of the effectiveness of the RMICS is carried out by Risk owners (co-owners) and Owners (Co-owners) of internal control procedures. The results of such self-assessment are accounted for during the compilation of the reporting documentation on risks and Internal control.

The RMICU shall summarize the results of self-assessment of the effectiveness of the RMICS and provide the results of such self-assessment for consideration by the Collective body and the Audit Committee of the Gazprom Board of Directors upon request.

7.10.4. The RMICU shall provide methodological support in the course of self-assessment of the effectiveness of the RMICS.

7.10.5. The internal assessment of the effectiveness of the RMICS is carried out on a periodic basis by the structural unit of the Company (the Gazprom Group entity) responsible for the organization and conduct of internal audits in accordance with the established procedure.

The requirements to the internal assessment of the RMICS are established by the local regulations of the Company and the local regulations of the Gazprom Group entities developed on their basis.

The results of the assessment of the RMICS effectiveness are forwarded to the RMICU for subsequent submission to the Audit Committee of the Gazprom Board of Directors.

7.10.6. The external assessment of the efficiency of the RMICS is conducted by the decision of Management bodies of the Company or the Gazprom Group entity (subject to agreement with the RMICU) in accordance with the procedure established by a relevant local regulation of the Company and the local regulations of the Gazprom Group entities developed on its basis.