

APPROVED
by the annual General Meeting
of Transneft, JSC
Minutes No. 1 dated June 28, 2002

Chairman of the Meeting,
Deputy Minister of Energy
of the Russian Federation
V.S. Stanev

**Regulation
on the collective executive body
(Management Board)
of
Oil Transporting Joint Stock Company Transneft**

Moscow

1. General Provisions

1.1. This Regulation determines the status, procedure of formation and competence of the collective executive body of Oil Transporting Joint Stock Company Transneft (hereinafter referred to as the Company), the matters of its powers and responsibility, the procedure of its activity and passing and executing resolutions.

1.2. The Management Board of the Company (hereinafter referred to as the Management Board) shall be the collective executive body of the Company.

1.3. The Management Board shall perform its activity in line with the requirements of the applicable laws of the Russian Federation and on the basis of the Charter of the Company, this Regulation approved by the General Meeting, concluded by each member of the Management Board with the Company, and other bylaws of the Company in part which refers to the collective executive body of the Company and organizes performance of managerial functions.

1.4. Resolutions of the General Meeting, the Board of Directors and the President of the Company passed within the framework of their competence shall be mandatory for the Management Board.

1.5. The Management Board shall be accountable to the Board of Directors and the General Meeting of the Company.

1.6. The quorum for conducting a meeting of the Management Board shall be determined by the Charter of the Company and it should be at least half of the elected members of the Management Board. If the number of members of the Management Board is less than the number constituting the mentioned quorum, the Board of Directors of the Company shall pass resolution on formation of a temporary collective executive body of the Company or form the Management Board.

2. Competence and powers of the Management Board

2.1. Competence of the Management Board includes deciding the matters as follows:

- 1) passing resolutions on entering into transactions, which are related to purchase and sale by the Company, directly or indirectly, of the property, the value of which is from 10 to 25 percent (inclusive) of the balance sheet value of the Company's assets, as determined on the basis of the data of its financial statements as of the last reporting date, except for the transactions carried out in the course of performing ordinary business activity, transactions related to distribution via subscription (sale) of ordinary shares of the Company and transactions related to distribution of a securities' issue convertible into ordinary shares of the Company;
- 2) submitting recommendations to the Board of Directors on use and replenishment of the reserve fund of the Company;
- 3) submitting recommendations to the Board of Directors on change and expansion of the Company's activity, its representative offices, branches and subsidiaries;
- 4) formation of the production program of the Company, its independent divisions and subsidiaries, determination of production volumes;
- 5) selection of suppliers and consumers of the Company's products, determination of the procedure and conditions of the products sale;
- 6) arrangement of measures related to execution of resolutions of the Board of Directors and the General Meeting of the Company's shareholders;
- 7) development and discussion of the collective agreement with the Company's employees, as well as of the provisions that regulate the relations resulting from the collective agreement;
- 8) determination of the list of social protection measures of the Company's employees;
- 9) allocation of a part of profit established by the General Meeting to development of production, including for independent divisions of the Company and its subsidiaries and affiliates;
- 10) approval of the procedure of international business activity of the Company;

- 11) approval of cost estimates and a plan of actions for the forthcoming year;
- 12) bringing proposals to the Board of Directors on revision of bylaws that regulate activity of the Company's management bodies;
- 13) entering into simple partnership agreements, unless otherwise provided for by the Federal Law *On Joint-Stock Companies*;
- 14) other matters, which don't refer to the competence of other management bodies of the Company.

3. Composition of the Management Board

3.1. Members of the Management Board shall be elected by the Board of Directors upon the motion of the President of the Company for the same term as the President of the Company.

3.2. Upon election of the Management Board, the Company shall enter into agreement for up to five years with each member of the Management Board to determine the rights, duties and liability of the Management Board members toward the Company, the procedure and conditions of work organization and remuneration and the procedure for removal from office.

The agreement shall be signed on behalf of the Company by the President of the Company. Duration of the agreement may be extended for the next term by resolution of the Board of Directors.

3.3. By resolution of the Board of Directors, during the period of performing their functions members of the Management Board may be paid remuneration and/or compensated expenses related to their performance of functions of the Management Board members. The amount of such remunerations and compensations shall be established by resolution of the Board of Directors.

3.4. The President of the Company shall be the Chairman of the Management Board.

3.5. The Chairman of the Management Board shall organize the work of the Management Board, convene its meetings and preside at them, arrange for taking of minutes at the meetings, sign the documents originating on behalf of the Management Board and act on behalf of the Company in line with the resolutions of the Management Board passed within its competence.

4. Termination of powers of the Management Board

4.1. The Board of Directors shall be entitled to terminate powers of each member of the Management Board early as proposed by the President on the following grounds:

- a member of the Management Board may not discharge his/her duties due to health issues;
- a member of the Management Board voluntarily lays down the duties of office;
- failure to comply with resolutions of the Company's bodies;
- violation of provisions of the Company's Charter and requirements of this Regulation;
- engagement in wilful acts (omission) that caused damages to the Company;
- coming into legal force of a court verdict with regard to a member of the Management Board, declaring him/her guilty of a crime;
- other grounds provided for by the applicable laws of the Russian Federation.

4.2. The President of the Company shall send to the Board of Directors demand to convene a meeting of the Board of Directors with the purpose to consider the matter of early termination of powers of a member(s) of the Management Board.

Simultaneously with sending the demand notice on convening the meeting of the Board of Directors (bringing to the agenda of the Board of Directors the matter on early termination of powers of a member(s) of the Management Board), the President of the Company shall nominate other candidates for appointment as a member(s) of the Management Board instead of the ones, whose powers are terminated early.

4.3. Resolution on early termination of powers shall be passed at the meeting of the Board of Directors with participation of the President, for each of the members of the Management Board separately.

At the same time, powers of that member of the Management Board who at the meeting of the Management Board voted against the resolution, adoption of which gave rise to the grounds for early termination of powers, or didn't take part in the voting, may not be terminated early.

5. Organization of work of the Management Board

5.1. Work of the Management Board shall be arranged on the basis of plans developed by it.

5.2. The Management Board shall conduct its meetings whenever necessary, but at least once a month in line with the approved schedule.

5.3. Notification about the Management Board meeting shall be sent to each member of the Management Board at least 2 days before the appointed date of the meeting.

Notification shall contain the information as follows:

- date and place of the meeting;
- agenda of the meeting.

The necessary materials on the agenda items of the Management Board meeting shall also be attached to the notification.

5.4. The President of the Company shall preside at the Management Board meetings.

5.5. The Management Board meetings may be conducted as absentee meetings, except for the matters of the Management Board competence provided for by Sub-Clauses 1, 2, 5, 7, 8, 9 and 10 of Clause 2.1 thereof.

The Management Board meetings as absentee meetings shall be conducted via questionnaires.

5.6. The questionnaire shall contain:

- full name of the member of the Management Board, to whom the questionnaire is sent;
- date of sending the questionnaire to the member of the Management Board;
- formulation of each question put to voting and sequence of its consideration;
- voting options for each item put to vote expressed by formulations “aye”, “no” and “abstained”;
- instruction to the effect that the questionnaire should be signed by the member of the Management Board.

5.7. The meeting of the Management Board conducted as absentee meeting shall be deemed duly constituted, if at least half of the elected members of the Management Board of the Company took part in voting using questionnaires.

5.8. In case of voting performed by way of questionnaires, only the votes on the items, on which the voter marked only one of the possible voting options, shall be scored. Questionnaires filled in in contravention with the above requirement shall be deemed invalid, and the votes on the items contained in them shall not be taken into account.

If the questionnaire contains several items put to voting, failure to comply with the above requirement with regard to one or several items shall not cause declaring invalid the questionnaire as a whole.

The meeting of the Management Board conducted as attendee meeting shall be deemed duly constituted if at least half of the number of the elected members of the Management Board attends it.

5.9. The chairman of the Management Board shall be entitled to invite third parties for participation in the Management Board meeting.

5.10. When passing resolutions at the Management Board meeting each member of the Management Board shall have one vote.

A member of the Management Board must not transfer his/her vote to another person, including another member of the Management Board.

Resolutions shall be passed at the Management Board meeting by simple majority of votes of the ones present at the meeting.

In case of tie vote, the vote of the chairman of the Management Board shall be casting vote.

5.11. A member of the Management Board who has voted against the resolution passed shall be entitled to express his/her special opinion in writing, which would release him/her from liability for the resolution passed by the Management Board.

The fact of expressing a special opinion shall be recorded in the minutes of the Management Board Meeting, and the opinion itself shall be executed in the form of an annex to the minutes.

6. Taking into account a written opinion of the Management Board member, which is absent from the Management Board meeting.

6.1. When establishing quorum and results of voting on the items of the agenda, a written opinion of a member of the Management Board who is absent from the Management Board meeting, shall be taken into account.

The written opinion should be presented to the chairman of the Management Board by the member of the Management Board before conduction of the Management Board meeting.

The written opinion of the member of the Management Board may contain variants of his/her voting both on all the items of the agenda and on certain items. The written opinion of the Management Board member shall be taken into account only when establishing the quorum and results of voting on the items of the agenda, for which it contains the variant of voting of the member of the Management Board.

6.2. If a copy of the written opinion of the member of the Management Board hasn't been included into the information (materials) provided to members of the Management Board for the meeting, the chairman of the meeting shall announce the written opinion of the member of the Management Board absent from the meeting before beginning of voting on the item of the agenda, for which that opinion is presented.

If the member of the Management Board is present at the meeting of the Management Board, his/her written opinion received before conducting the meeting shall not be announced and shall not be taken into account when establishing quorum and results of voting.

7. Taking of minutes of the Management Board meeting

7.1. Minutes shall be taken at the meeting of the Management Board, and they shall be executed within 10 days after the meeting.

Minutes of the Management Board meeting shall be presented to the members of the Board of Directors of the Company, the Revision Commission of the Company, the auditor of the Company, shareholders that jointly own at least 25% of voting shares of the Company upon their demand. Minutes of the meeting shall contain:

- place and time of the meeting;
- persons, present at the meeting;
- agenda of the meeting;
- matters put to voting and results of voting on them;
- the resolutions passed.

Minutes of the Management Board meeting of the Company shall be signed by the chairman of and the secretary of the Management Board. The chairman of the Management Board shall be liable for correctness of the minutes.

Minutes of the Management Board meetings shall be maintained at the legal address of the Company's executive body.

7.2. On motion of the President of the Company the Management Board shall appoint the secretary of the Management Board, which is not a member of the Management Board, and is an employee of the Company's business unit, which ensures work of collective management bodies of the Company.

The secretary of the Management Board shall perform technical work on preparation and organization of conducting meetings of the Management Board. Under guidance of the chairman of the Management Board the secretary shall perform the entire work on taking Minutes of the Management Board and perform current control over fulfilment of resolutions of the Management Board.

8. Liability of members of the Management Board

8.1. When exercising their rights and discharging duties members of the Management Board of the Company shall act in the best interests of the Company, exercise their rights and discharge duties with regard to the Company in good faith and reasonably.

8.2. Members of the Management Board of the Company shall be liable toward the Company for the losses inflicted on the Company by their wilful acts (omission to act), unless other grounds and amount of liability are established by the federal laws.

Furthermore, the members of the Management Board of the Company who voted against the resolution that caused infliction of damages on the Company or didn't take part in the voting, shall not be liable.

8.3. When determining grounds and amount of liability of members of the Management Board, normal business practices and other circumstances material for the case shall be taken into account.

8.4. If several persons are liable in line with provisions of this Clause, their liability toward the Company shall be joint.

8.5. The Company or a shareholder (shareholders) that jointly own at least 1% of distributed ordinary shares of the Company shall be entitled to file a claim for damages inflicted on the Company against a member of the Management Board as provided for by Sub-Clause 8.2 thereof.

9. The Procedure for Approving and Amending the Regulation on the Management Board

9.1. This Regulation shall be approved by the General Meeting of the Company. A resolution on approval of the Regulation shall be passed by a simple majority of votes of the shareholders owning voting shares of the Company, who take part in the meeting.

9.2. Amendments and supplements to this Regulation shall be made by the General Meeting of the Company. The resolution shall be passed by a simple majority of votes of the shareholders owning voting shares, who take part in the meeting.

9.3. If due to changes in the laws of the Russian Federation certain articles of this Regulation become in contravention with them, those articles shall cease to be in force and till the time of amending the Regulation it shall be necessary to be guided by the applicable laws.

9.4. The Rules of conducting the Management Board meetings shall be approved by the Management Board of the Company.