

## Corporate Governance Charter

In 1998 Sibneft became the first Russian company to publish a corporate governance charter, bringing the company into line with international best practice. The most tangible result of the charter, compiled by leading European experts, was to prompt the appointment of three non-executives to the company's board of nine directors.

Through its commitment to training, new technology, accurate and transparent financial planning and reporting, as well as the adoption of international best practice across a range of commercial disciplines, Sibneft is determined to enter the new millennium setting a new benchmark for efficiency and profitability in the Russian oil sector.

### A Message From The Company President

The Board of Sibneft is committed to the implementation of corporate governance as set out in the accompanying report of independent experts. We have adopted their recommendations in full and approved the following documents as the Sibneft Charter. We will work over the coming year to put the report into practice.

We hope that this new level of corporate governance best practice and a commitment to transparency will set a new benchmark for major Russian companies. As the Russian corporate sector develops and becomes internationally competitive, so leading Russian companies should look to adopt international standards of corporate governance. This, we believe, is not just good for investor confidence but fundamentally good for business as well.

I am very grateful to the members of the committee for all the time and effort they spent in putting together this document and I look forward to reporting our progress to you in the coming year.

*Eugene Shvidler*  
AO Siberian Oil Company  
4 Sadovnicheskaya St  
Moscow Russia

### Principles

Sibneft is committed to the principles and implementation of good corporate governance. The company recognizes the valuable contribution that it makes to long-term business prosperity, to ensuring accountability to its shareholders and to developing and sustaining effective relationships with its stakeholders.

The Board is accountable to all of its shareholders and has responsibility for relationships with its stakeholders - employees, customers, suppliers, lenders, local communities and governments.

The Board will ensure that the company is managed in a way that maximizes long term shareholder value and which takes into account the interests of all of its stakeholders.

Sibneft places considerable emphasis on the appointments of independent Non-executive Directors. They have an essential role in adding value to the company's strategic decision making as well as monitoring the company's progress.

Sibneft is committed to the equitable treatment of all of its shareholders. So far as it is practicable, the company will ensure equality of access to information for all shareholders.

Sibneft believes that full disclosure and transparency in its operations are the cornerstones of good governance. Its communications policy will reflect this.

### Board

The Board is responsible for setting the company's strategic direction, for leading and controlling the company and for monitoring activities of the executive management.

At least twenty five percent of the Board or three members of the Board, whichever is the greater, will be Non-executive Directors. They will be independent of management and free from any constraints which could materially interfere with the exercise of their independent judgement.

The Board will meet at least six times a year. The Chairman / Chairwoman of the Board in consultation with the Chief Executive Officer will establish the agenda for each Board meeting.

The Chairman / Chairwoman will be responsible for ensuring that all members play a full part in its activities.

The Chief Executive Officer will implement the management strategies and policies adopted by the Board and will normally be a separate individual from the Chairman / Chairwoman.

The Board will present a balanced and understandable assessment of the Company's progress and prospects.

The Board will maintain a sound system of internal controls to safeguard shareholders' investments and the company's assets.

The Board will be supplied with information and data in such a form and quality appropriate for it to discharge its duties effectively.

### The Committees

The Board will assign certain functions to Board Committees which will report back to it. The main Board Committees consist of the Nomination Committee, the Remuneration Committee and the Audit Committee. The terms of reference of each committee will be determined by the board.

When and if the need exists, the Board may want to form new committees and will assign Board members to these.

The Chairman / Chairwoman of each committee will be appointed by the Board and, in consultation with the members, will determine the frequency and length of the meetings of individual Committees.

The Chairman / Chairwoman of each committee, in consultation with appropriate members of Management and Staff, will develop the individual Committee's agenda.

The Committees will be supplied with information and data in such a form and quality appropriate for them to discharge their duties

### Directors

All company directors are accountable to the company's shareholders and have a responsibility to carry out their work with loyalty, prudence, and skill.

## **Non-executive Directors**

Non-executive Directors will exercise their independent judgment. These directors must have a knowledge of and experience with global industrial issues, overseas markets, financial and economic matters, and/or other types of business information necessary to make a valuable contribution to the company's progress.

## **Nomination and Assessment Committee**

The Nomination and Assessment Committee will make recommendations to the full Board for the appointment of new Executive and Non-executive Directors when appropriate. The Committee will review, at least on an annual basis, the relevant skills and characteristics required of Board members based on the company's current business needs. The committee will report annually to the Board on the Board's performance. The assessment will specifically review areas where it is believed a better contribution could be made. Its purpose is to enhance the effective operation of the Board.

## **Re-election**

All Directors will be required to submit themselves to shareholders for re-election at regular intervals, at least, every three years. All names submitted for election will be accompanied by biographical details.

## **Directors' remuneration**

The company will establish a Remuneration Committee, composed of Non-executive Directors, advised by senior staff. The Committee will advise the Board on the appropriate framework for the remuneration of Directors. Directors will not participate in the decision of their own remuneration. Remuneration levels will be set at such a level as to attract and retain Directors of the required calibre.

## **Audit accountability**

The company will establish an Audit Committee to consider the Report and Accounts. The Committee will be composed solely of Non-executive Directors, advised by the Chief Financial Officer and other senior staff as appropriate.

Its duties will also include keeping under review the scope and results of the audit and its cost effectiveness, as well as the independence and objectivity of the auditors.

The Audit Committee will also keep under review financial management, financial and risk controls, compliance with laws and regulations, technical reviews, the safeguarding of assets and business risk assessment and response.

In carrying out its duties, the Audit Committee may, at its discretion, consult alone with internal and external auditors and other relevant bodies.

The Audit Committee will report regularly to the Board and, at least, annually.

## **Shareholders**

The company recognizes the importance of dialogue between present and potential investors and to a long-term commitment to the market in which it operates.

The company's communications policy is committed to ensuring enhanced information flows between investors and the company through all forms of media, including electronic media.

It is also committed to ensuring that there is regular systematic contact and communications between the company and investors on its strategy, performance targets and its performance against these targets.

## **Communications**

The company will publish this corporate governance policy and report on the progress of its implementation in its Annual Report and to its Annual General Meeting.