

APPROVED

by the Board of Directors  
of JSOC Bashneft

on October 3, 2011

Minutes No. 18-2011 as of October 5, 2011

**THE CODE OF ETHICS  
OF JSOC BASHNEFT**

**Ufa, 2011**

## Glossary of terms

**“Directors”** – the members of the Board of Directors of JSOC Bashneft (hereinafter referred to as the “Company”)

**“Senior Management”** – the President of the Company, First Vice Presidents, Senior Vice Presidents, Vice Presidents, Directors of departments, Chief accountant, Branch managers, Heads of representative offices and other persons performing similar functions in the Company.

**“Employees”** – individuals employed by the Company or providing services / works for the Company under the agreement on providing services, work and/or personnel leasing concluded by the Company with these individuals or with an organization offering employee leasing services.

**“Executives”** - Directors, Senior Management and Employees when referred to collectively.

**“Stakeholders”** – any persons or groups of persons whose interests are affected by the Company’s operations: shareholders, investors, business partners, contractors, customers, Executives.

**“Members of the family”** – legally married or de facto spouses; parents including foster parents; children including foster children; brothers/sisters and cousins; mother-in-law/father-in-law; son-in-law, brother-in-law, daughter-in-law, sister-in-law of the Executives.

**“Confidential information”** – the information which has real or potential commercial value because it is unknown to third parties, there is no legal access to it, and the owner of this information takes measures to protect its confidentiality.

**“Insider information”** – precise and specific information not circulated or provided by the Company (including any secrets protected by law), the dissemination of which can significantly affect the price of the Company’s securities, and which is included into the List of insider information of the Company.

**“Conflict of interest”** – the situation when financial or personal interests of the Executives influence or may influence, for objective or subjective reasons, proper performance of their duties because of a clash of their personal interests and those of the Company.

**“Compliance officer”** – the Director of the Internal Control and Audit Department (ICAD).

**“Corruption”** - giving or accepting any form of bribe, serving as an intermediary in a bribery scheme, abuse of authority, commercial bribery, facilitation payments, misuse of office for private gain in the form of money, valuables, other property, services, any rights for oneself or third parties or receiving such benefits from third parties, including the perpetration of all these actions on behalf or for benefit of the Company.

## 1. INTRODUCTION

The Code of Ethics of JSOC Bashneft (hereinafter referred to as the “Code”), along with other valid internal documents setting out the rights, responsibilities and standards of behaviour of the Executives, governs the ethical standards of corporate relationships. Compliance with it is obligatory for the members of the Board of Directors, the President, Senior Management and all the Employees of the Company.

The Code of Ethics is in keeping with common standards of business conduct and ethics. The Code is an important part of the corporate governance system; it provides a balance between short- and long-term interests of the Company, long-term economic growth, business development; it is the basis of the managerial decision-making process considering such aspects as social responsibility, economics, health, safety and environment.

The Code is based on beliefs and values of the Company’s management. It reflects the Company’s and its management’s adherence to the high ethical standards in conducting open and honest business aimed at improving corporate culture, its compliance with best practices of corporate governance and maintaining a good reputation of the Company.

Long-term sustainable development of the Company is impossible without the confidence of shareholders, investors, contractors, employees and society as a whole. This confidence is gained through the maintenance of high standards of business conduct and ethics and care for others. Therefore, in its business practice the Company finds it necessary and seeks to consider socially significant aspects of its operations and responsibility towards its stakeholders.

The laws of different countries vary; therefore, although compliance with them is undoubtedly a necessary condition, the Company does not confine itself to fulfilling only this objective. The Company proclaims and affirms its intention to comply with the norms and requirements of the Russian legislation, applicable international and foreign legislation, including corporate regulations, anti-corruption legislation, and the stock market legislation. The Company has worked out additional ethical standards of individual and corporate behavior which apply to all operations and transactions of the Company and its Executives worldwide. The Company sticks to the principle of compliance with the strictest standards:

- If the applicable legislation imposes stricter constraints on the Executives’ behavior than the Code does, the Executives are obliged to follow the standards of the applicable legislation in a particular situation;
- If the applicable legislation imposes less strict constraints on the Executives’ behavior than the Code does, the Executives are obliged to follow the standards of the Code in a particular situation.

The Company is committed to the main ethical standards and principles of the Russian Code of Business Ethics (the Russian Chamber of Commerce and Industry, 1998), the Charter of Corporate Ethics (the Russian Union of Industrialists and Entrepreneurs, 2003), and the Code of Corporate Conduct (the Federal Commission of Securities Market of Russia, 2002). This Code of Ethics has been worked out on the basis of common standards of business conduct and applicable Russian and foreign documents outlining best practices of corporate governance, including the UK Bribery Act 2010, the Russian Federal Law on Counteraction to Illegal Use of Insider information and Market Manipulation and on Amendments to Certain Legislative Acts of the Russian Federation.

Compliance with ethical standards and principles helps the Company to avoid unnecessary risks and maintain long-term economic growth, strengthens its position on the Russian and international markets, promotes successful business practices and increase in capitalization and profit, and creates a positive image of the Company and its stakeholders.

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The Code deals with the Company's key principles of business ethics. It is an open document, and the Board of Directors of JSOC Bashneft has the right to make additions and amendments to the Code anytime following the changes in the Russian, foreign, and international legislation, interests of the Company's shareholders or its partners, creditors, and investors. However, these amendments must not misrepresent the standards of business conduct.

The provisions of the Code have been worked out with due consideration of the Civil Code and the Labor Code of the Russian Federation, the Federal Law on Joint-Stock Companies, and the above-mentioned documents.

## **2. MISSION AND THE MAIN ETHICAL PRINCIPLES**

JSOC Bashneft is a rapidly growing vertically integrated oil company operating in different regions of Russia; it is successfully implementing the program of modernization of Russian economy through the development and adoption of advanced technology in production and management processes. The main corporate values of the Company are:

### **2.1. Compliance with laws, norms, and regulations**

Compliance with the law is a necessary prerequisite for the ethical conduct of the Company's Executives. The Company strictly complies with the requirements of legislation, industry and corporate regulations, standards and procedures regulating the Company's operations. The Company strives to ensure and maintain high quality of its products and services, honestly fulfilling its contractual obligations, exercising open and responsible corporate governance.

In their day-to-day activity the Executives are obliged:

- To strictly comply with the requirements of the current legislation and other legal norms to the full extent; to follow the principles of honesty, reasonableness, fairness, and the provisions of this Code in the absence of applicable law;
- In their daily and professional life to prevent wrongful acts or acts which may arouse doubt as to their legality and ethics;
- To make decisions taking into account not only economic feasibility but also the decisions made by other persons, as well as the interests of other stakeholders, to avoid unfair or unethical competitive practices.

Directors and Senior Management also assume the obligation to comply with the following ethical principles in their day-to-day activity:

- To show a personal example of compliance with the applicable legislation, ethical standards and business principles;
- To provide, in compliance with the current legislation and internal documents, the timely disclosure of complete and reliable information about the Company, including its financial situation, economic performance, ownership and management structure, principal shareholders of the Company, and material data on its financial and economic activities in order to enable the shareholders, creditors, and investors to make informed decisions.

## **2.2. Ensuring efficiency**

The Company is aware of its responsibility towards its shareholders and all stakeholders; therefore, it uses all available legal means of increasing profitability and operational efficiency.

In their day-to-day activity the Executives are obliged:

- To respect the right of ownership, to seek to ensure the balance of interests and mutual benefit during transactions;
- To immediately inform their line manager or a Compliance officer if there is a risk of losses for the Company;
- To strive for collective decision-making and provide mutual support in making vital decisions and in case of emergency;
- To make decisions after a thorough and comprehensive examination of the situation, and avoid making decisions based on insufficient information;

## **2.3. Honesty, integrity and reliability of business relationships**

In their day-to-day activity the Executives are obliged:

- To be honest and trustworthy in business relationships, to avoid any dishonest way of doing business;
- To treat colleagues, representatives of the Company's clients and business partners respectfully and politely regardless of their position, gender, age, national

origin and religion; to be friendly and affable when conducting business communication;

- To avoid providing colleagues, management, partners, representatives of contractors and other persons with inadequate or unverified information;
- To respond in a timely manner to the questions and requests of colleagues, management, partners, representatives of contractors and other persons;
- To avoid actions or inaction that may cause business conflicts; to strive to settle the arising conflicts by finding the balance between stakeholders' interests.

#### **2.4. Professionalism, competence, and awareness**

In their day-to-day activity the Executives are obliged:

- To continuously increase the level of their professionalism, competence, and qualification. To use knowledge to perform their duties most efficiently and competently;
- To provide professional solutions, to exercise powers and perform duties in keeping with the level of competence necessary for the position they hold;
- To stick to the principle of zero tolerance to corruption in any form and manifestation in business relationships, including cooperation with shareholders, investors, contractors, representatives of government and local authorities, political parties, subsidiaries and affiliates and other persons;
- To avoid misusing their official position, Confidential and/or Insider information, the Company's tangible and intangible assets for personal gain.

#### **2.5. Social responsibility**

The Company pursues a socially responsible corporate policy focusing on global standards and best international practices in this area. The Company promotes the development of its operating regions, pursues socially responsible employment policy, and does charity. The Company attaches considerable importance to environmental protection, adopts modern environmental management systems and ISO standards.

The corporate social policy and strategic social target programs are approved by the Company's Board of Directors. The Board of Directors provides regular monitoring to ensure consistent and efficient implementation of the social policy. The Company regularly reports to its stakeholders and the general public on the results of social policy implementation.

Directors and Senior Management are also obliged to comply with the following ethical principles in their day-to-day activity:

- To conduct business with due consideration of social responsibility towards the state and society;
- To provide non-repayable financial support or other charitable support for social, cultural, educational and other programs;

- To conduct business in an environmentally friendly way; to participate in environmental programs;
- To build relationships between the Company and the Employees on the basis of long-term partnership, common goals, respect and consideration of mutual interests, good faith and feasibility of the assumed obligations, and social partnership;
- To provide the Employees with the working conditions which do not damage their health and dignity, to provide fair salary enabling them to raise their standard of living;
- To be honest in communications, to be responsive to the Employees' suggestions, ideas, needs and complaints;
- To avoid discriminatory policy and ensure that the Employees have equal rights and opportunities for promotion and competitive salary;
- To avoid making decisions that might lead to considerable and unjustified job cuts in the Company.

### **3. STANDARDS OF BUSINESS ETHICS**

Standards of business ethics are a set of rules of conduct and guidelines which make it possible to work out an efficient approach to dealing with complicated non-standard situations arising in the course of the Company's operations and help to make the right decision responsibly and professionally. Certain principles of corporate relations in the Company are set out in more detail in the Code of Corporate Conduct of the Company.

#### **3.1. Relationship of the Company with third parties**

The Company is interested in the constant improvement of its business reputation; it avoids the actions that could directly or indirectly damage its reputation, and builds relationships with third parties based on the principles of mutual respect and cooperation, transparency, trust and fairness.

When dealing with third parties, the Company's interests are represented by the Executives and/or authorized persons who must comply with the ethical principles and standards of the Code.

##### **3.1.1. Relationship with shareholders and investors**

The Company maintains an active and open dialogue with its shareholders and investors; it strives to minimize the existing risks to shareholders and investors. The Company ensures the implementation of high-quality and efficient corporate governance system. The Company safeguards the rights of all its shareholders stipulated by the existing legislation of the Russian Federation. The Company is implementing a system of efficient internal control, it engages independent external auditors to approve financial statements, ensures the independence of the Audit Commission and Internal Audit.

### **3.1.2. Relationship with society and the state**

The Company cooperates with government and local authorities in compliance with the requirements of the legislation on an arm's length basis. The Company is not involved directly or indirectly in political movements, parties or organizations.

The Company implements the principles of partnership and cooperation between business and government by carrying out social programs.

### **3.1.3. Relationship with business partners and competitors**

The Company applies legal and ethical competitive practices. Its relationship with partners and competitors is based on responsibility, mutual benefit and respect. Honesty, good faith and fairness to all partners and competitors are a fundamental principle of the Company's activities. The Company values relations with its business partners, honestly fulfils its obligations and demands the same from its partners. The Company seeks to settle all arising disputes with competitors by means of negotiation and in compliance with the legislation.

In compliance with the effective regulations on Due Diligence the Company uses a procedure of examining agents, intermediaries, contractors and other third parties for their reliability and affiliation to public officials (through close relatives or in other ways) and governmental organizations. The Company makes reasonable efforts to prevent cooperation with contractors who have been or can be involved in corruption. To ensure this, the Company evaluates the contractors' tolerance to bribery, including checking whether they have their own anti-corruption policies and procedures, and whether they are willing to comply with the anti-corruption policy of JSOC Bashneft, to incorporate anti-corruption clauses into the contracts, and to cooperate in ethical business conduct and preventing corruption.

The Company and its Executives are prohibited from engaging and using agents, intermediaries, contractors and other third parties to perform any actions that contradict the Company's principles and requirements or the norms of applicable anti-corruption legislation.

The Executives apply reasonable efforts to minimize the risk of business relationship with contractors who can be involved in corruption. The Senior Management makes reasonable efforts to ensure that the agreements concluded by the Company contain provisions aimed at preventing bribery, corruption and money laundering.

The Company regulates the due diligence process and monitors the deals with contractors for compliance with the ethical principles and requirements of the Company.

In accordance with the Company's requirements, the executives conducting due diligence study the information obtained from open sources, as well as the



constitutional documents and other title documents, compare the information obtained from open sources with the information in the provided title documents.

### **3.2. Counteraction to involvement in corruption**

The Company's operations and the activities of all its Executives are governed by the norms of the Russian, applicable foreign and international anti-corruption legislation<sup>1</sup>. All the Executives are prohibited from being involved (directly or indirectly, personally or through third parties) in corruption, from offering, giving, promising, soliciting or accepting bribes and facilitation payments in any form, including money, valuables, services or other benefit, to or from any person or organization, including commercial organizations, government and local authorities, public officials, private companies and their representatives.

The Company's guiding principle in its cooperation with third parties is zero tolerance to corruption in any form. The Company develops and introduces appropriate procedures to minimize corruption risks proportionate to the identified risks, and monitors compliance with these procedures.

The Directors and Senior Management are obliged to establish the ethical standard of zero tolerance to corruption in any form at any level, setting the example by their own conduct. The Company formulates the anti-corruption policy of JSOC Bashneft, follows it, encourages the observance of its principles and requirements by all stakeholders, openly declares zero tolerance to corruption and contributes to the improvement of the general level of anti-corruption culture by means of informing and training the Company's Executives.

The Company demands that the Executives immediately call the hotline (under the whistleblower program 'Employees raise concerns!') and/or inform the Compliance officer or their line manager of potential perpetration of illegal activities, ambiguous or unethical character of their actions, as well as of actions or inaction of other Executives, contractors or other persons who cooperate with the Company<sup>2</sup>.

The Company declares that none of its Employees will suffer dismissal, demotion or bonus denial or other adverse consequences for reporting in good faith a suspected corrupt action or refusing to give or accept a bribe, commit commercial bribery or act as an intermediary in bribery, even if this refusal causes the Company and its subsidiaries and affiliates to lose potential profit or other commercial and competitive advantages.

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<sup>1</sup> UK Bribery Act, 2010

<sup>2</sup> Regulations on the whistleblower program 'Employees raise concerns!'

### **3.3. Actions in case of conflict of interest**

The Executives are obliged to prevent situations which lead or can lead to a conflict of interest. If a conflict of interest already exists, the Executives shall completely abstain from making decisions, which will allow to rule out possible accusations of prejudice and subjectivity, and shall immediately inform their line manager and/or Compliance officer about a conflict of interest.

The Company considers compliance with the following requirements to be obligatory:

The Executives and members of their families shall not:

- have personal interest in the operations of the Company's competitors;
- invest in the Company's competitors;
- receive valuable gifts, services, remuneration and other personal benefits aimed at inducing them to make a decision in the interests of the party which gives it;
- get involved in situations when receiving or offering gifts or rendering services can lead to or appear to lead to a conflict of interest;

All of the Company's employees:

- shall inform the Board of Directors through the Corporate Secretary about an intention to conduct a transaction that can be viewed as a related-party transaction. Such transactions can be conducted only with the approval of the Board of Directors and/or General Meeting of Shareholders;
- be guided exclusively by the Company's interests in decision-making while performing their official duties;
- are obliged to avoid financial or other relationships that can lead to a conflict of interest and impede efficient performance of duties;
- are obliged to prevent the misuse of position for personal gain and the influence of personal interests, interests of the members of their families and other relationships on the Company's decision-making process;
- refrain from participation in making decisions on the Company's deals in which they or their affiliated persons have personal interest;
- are obliged to disclose information on outside business interests that take up a significant part of their time or distract their attention from their immediate official duties;
- are obliged to refrain from running for the regulatory bodies of any organization whose interests can contradict the Company's interests without a preliminary discussion of this issue with their line manager;
- those who have access to confidential and/or insider information can conduct transactions with the Company's securities and with the securities of its subsidiaries and affiliates, in compliance with the Regulation on Insider Information of JSOC Bashneft;

- are obliged to inform their line manager and/or Compliance officer about a conflict of interest and its causes;
- if possessing information about an employee's conflict of interest, are obliged to remind the colleague about his or her duty to report it, and in the case of his or her refusal are obliged to inform the Compliance officer and/or to call the Company's hotline under the whistleblower program 'Employees raise concerns!';

The Directors and Senior Management:

- are obliged to inform the Appointments and Remuneration Committee of the Company's Board of Directors through the Committee's secretary about any positions that they hold outside and without the knowledge of the Company; before accepting such a position, they are obliged to inform the Compliance officer about their intentions. If these norms are violated, the employees shall immediately inform the Compliance officer and/or call the Company's hotline under the whistleblower program 'Employees raise concerns!', the information on which is available on the Company's web-site.

The Code does not cover all possible conflicts of interest; therefore all the employees shall rely on their conscience and common sense and, if they have questions, consult the Compliance officer and/or the Corporate Conduct Committee of the Company's Board of Directors.

### **3.4. Information and asset protection**

The Executives who have access to the Company's confidential and/or insider information are obliged to use this information only for performing their official duties and in compliance with the Company's rules. The Executives shall not disclose this information (even after the end of their employment or official duties) to third parties, including government authorities, other Executives and members of their families if the demands of third parties are not based on law, unless otherwise stipulated by the Company's internal documents or by applicable legislation.

The Company's Executives are prohibited to disclose insider information of the Company to any person until the Company circulates or provides it in compliance with applicable legislation and the Regulation on Insider Information of JSOC Bashneft. When conducting transactions with securities of the Company and its public subsidiaries and affiliates, the Executives should follow the Regulation on Insider Information of JSOC Bashneft.

The procedure for disclosing information to the media, shareholders, investors, and other stakeholders and providing the public authorities with the

required reports is governed by the Company's internal documents and standards of applicable legislation.

The Company's Executives are obliged:

- not to abuse the Company's assets and ensure their proper use;
- to treat with care and to make efficient use of the Company's property, material and technical resources and finances;
- to report immediately all cases of fraud and embezzlement (including suspected ones) via the Company's hotline under the whistleblower program 'Employees raise concerns!'

### **3.5. Health, safety and environment**

Life and health of the employees, occupational safety and environmental protection are of primary importance for the Company. The Company conducts its operations in strict compliance with the effective legislation on environment and human health protection. The Company tries to minimize the negative impact of its operations on people, natural resources and environment.

The main duty of the Company in ensuring industrial safety is to provide industrial environmental monitoring at hazardous production facilities. The Company makes every effort to ensure safety and prevent accidents and emergencies.

The Company obliges all the employees:

- to always follow the safety rules and to maintain safe working conditions;
- to report all industrial accidents and injuries, unsafe working conditions and faulty equipment;
- to ensure environmental safety and to take all possible measures to reduce negative environmental impact of the Company's production.

The Company has a regulated HSE management system.

## **4. COMPLIANCE WITH THE CODE OF ETHICS AND THE SYSTEM OF IMPLEMENTATION**

The Company's HR department shall:

- acquaint new employees with the norms of the Code;
- inform the employees about the channels through which they can report violations of the Code;

- acquaint the Company's employees with a new edition of the Code not later than one month after the Code entered into force;
- test the employees' knowledge of the Code in the course of certification.

After getting acquainted with the Code, each employee signs the Statement of Compliance with the Code in the form enclosed to the Code (Appendix). The signed obligation is kept in the employee's personal file.

The Code is a public document and is circulated among the Company's employees by means of the Company's web-site.

All of the Executives are obliged to comply with this Code of Ethics and to report all cases of already committed and potential violations of this Code or effective legislation, the Company's rules and regulations to the Compliance officer and/or via the Company's hotline under the whistleblower program 'Employees raise concerns!', the information on which is available on the Company's web-site.

The Company provides the following information channels for reporting in various ways available for different groups of addressers:

Anonymous channels and ways of reporting:

- e-mail: [report@bashneft.ru](mailto:report@bashneft.ru)
- leaving a message on the answering machine at the phone number 8 (347) 261-62-22;
- sending a letter by mail to the address: 30, Karl Marks st., Ufa, 450008, with a note 'Personal – 'Employees raise concerns!'.

Non-anonymous channels and ways of reporting:

Through any available information channel providing the name of the addresser or another way of personal identification (chosen by the addresser) – a message by office or personal e-mail stating the name of the addresser; a call by office or other phone stating the name of the addresser; a letter signed by the addresser.

The reports on the operation of the hotline and on conducted investigations are regularly submitted for consideration to the President of the Company and the Compliance officer.

The Company is obliged to prevent retaliation in respect of people reporting such violations in good faith. Moreover, the Company guarantees that the identity of employees raising concern will be kept confidential and no employee will be discriminated against in any way as a result of reporting an issue in good faith.

In compliance to the Company's regulations and the norms of applicable legislation, the Executives who violated the effective legislation, rules and

regulations of this Code are subject to disciplinary action depending on the circumstances.

The Company's Board of Directors, the President, the Corporate Conduct Committee of the Board of Directors of JSOC Bashneft and the Compliance officer are responsible for the organization and monitoring of compliance with this Code, making additions and amendments to it.

**The Board of Directors** approves the Code, considers and approves amendments and additions to it, controls the general results of its introduction and implementation.

**The President** is responsible for organizing the implementation of this Code.

**The Corporate Conduct Committee of the Board of Directors of JSOC Bashneft:**

- regulates corporate ethical relations within the Company in accordance with the provisions of this Code and the Regulation on the Committee;
- examines the issues of compliance with this Code at its meetings and informs the members of the Board of Directors about the results of this examination;
- takes measures to prevent and settle corporate and ethical conflicts and conflicts of interest;
- examines appeals and claims of the Company's employees, shareholders and other stakeholders regarding actual or suspected violations of legislation, the Company's internal regulatory documents, ethical norms adopted in the Company.

**The Compliance officer:**

- receives information on violations of this Code and reports it to the Company's specialized structural units;
- receives notifications from the Directors and Senior Management about their intentions to take positions outside the Company;
- monitors compliance with this Code and the recommendations for the Board of Directors on making changes to it;
- explains individual provisions of this Code if requested by the Company's employees.



STATEMENT OF COMPLIANCE WITH  
THE CODE OF ETHICS OF  
JSOC BASHNEFT

I

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(name, surname)

am fully acquainted with the Code of Ethics of JSOC Bashneft and have understood the principles and values of JSOC Bashneft regarding business conduct and ethics.

I agree with the Code of Ethics of JSOC Bashneft and assume the obligation to observe the requirements of the Code of Ethics of JSOC Bashneft and follow it in making decisions while performing my official duties.

I am aware of and assume personal responsibility for the violation of the Code of Ethics of JSOC Bashneft and the current legislation of the Russian Federation and other internal regulatory acts of JSOC Bashneft and know that I shall inform my line manager and/or the Compliance officer about such a violation or call the Company's hotline under the whistleblower program 'Employees raise concerns!'.

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Signature

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Name Surname



