

**APPROVED**

**by the Resolution of the Board of Directors**

**Rosneft Oil Company**

**"05" June 2015**

**Minutes No.35 dated "05" June 2015**

## **ROSNEFT DIVIDEND POLICY**

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# INTRODUCTORY PROVISIONS

## INTRODUCTION

The Rosneft Dividend Policy (hereinafter referred to as the Policy) formalizes key principles of Rosneft with regard to payment of dividends to Rosneft shareholders and is adopted to ensure maximum transparency for Rosneft shareholders in the process of deciding on dividend payment (announcement), the level of dividends and their payment order in compliance with the Russian Federation law.

The Policy is developed pursuant to the requirements of the Civil Code of the Russian Federation, Federal Law 208-ФЗ "On Joint-Stock Companies" dated 26.12.1995, other laws and regulations of the Russian Federation, Rosneft Charter and Code of Corporate Conduct.

## SCOPE OF APPLICATION

The Policy is binding upon employees of Rosneft.

No directive documents, local normative documents or other internal documents shall be in conflict with the Policy.

In cases when upon changes to the Russian law and/or the Rosneft Charter, the provisions of this Policy come into conflict with them, one shall follow the law referred to above and/or the Rosneft Charter.

## VALIDITY PERIOD AND AMENDMENT PROCEDURE

This document is a local normative document with permanent validity.

This Policy shall be approved, declared invalid across Rosneft by a resolution of Rosneft's Board of Directors and shall be put into effect across Rosneft by a Rosneft order.

Changes to the Policy shall be introduced following a resolution of Rosneft's Board of Directors and brought into force by a Rosneft order.

Changes to the Policy can be initiated by: a Rosneft senior executive in charge of economics and finance as well as other senior executives of Rosneft agreed by the Rosneft senior executive responsible for economics and finance.

Responsibility for updating Rosneft's Dividend Policy shall be laid on Rosneft's senior executive in charge of economics and finance.

Control of compliance with the Policy requirements shall reside with Rosneft's senior executive for economics and finance.

# 1. TERMS AND DEFINITIONS

## CORPORATE GLOSSARY TERMS AND DEFINITIONS

**DIVIDEND PAYMENT** - transfer of relevant amounts to the banking account (postal address) of a person entitled to dividends.

*Note: Persons entitled to dividends and with the shareholding rights registered with a nominee shareholder, shall receive cash dividends according to the procedure established by the securities legislation of the Russian Federation.*

**ANNUAL GENERAL SHAREHOLDERS MEETING/REGULAR GENERAL MEETING OF COMPANY PARTICIPANTS** - general meeting of shareholders / participants which the Company shall hold annually not earlier than two months before and no later than six months / four months after the end of a fiscal year and for which Federal Law 208-ФЗ "On Joint-Stock Companies" dated 26.12.1995 / Federal Law 14-ФЗ "On Limited Liability Companies" dated 08.02.1998 determine the list of mandatory agenda items.

**DIVIDENDS** - an income on shares held by a Rosneft shareholder resulting from distributions of Rosneft's net income as decided by Rosneft's General Shareholders Meeting and calculated per a number of shares owned by a shareholder.

**PERSON ENTITLED TO DIVIDENDS** - a person included to the list of persons entitled to dividends as of a date set forth by a resolution of Rosneft's General Shareholders Meeting.

**DECISION ON PAYMENT (ANNOUNCEMENT) OF DIVIDENDS** - a resolution of Rosneft's General Shareholders meeting to pay dividends to persons entitled to dividends, passed on the results of the first quarter or six months or nine months of a fiscal year and (or) on the results of a fiscal year.

**REGISTRAR** - a keeper of Rosneft's Shareholders Register who undertakes activities to keep the register of security holders based on the agreement made with Rosneft.

**TIMING OF DIVIDEND PAYMENT** - a period of time during which the obligation to pay dividends should be discharged.

*Note: The obligation to pay dividends shall be discharged at any moment within such period.*

## 2. KEY PROVISIONS

### 2.1. KEY PROVISIONS ON DIVIDENDS

2.1.1. Deciding on payment (announcement) of dividends on shares shall be a right rather than an obligation of Rosneft shareholders. Rosneft's General Shareholders Meeting shall have the right not to make a decision on payment of dividends.

Payment of announced dividends shall be the obligation of Rosneft. Rosneft shall be liable to persons entitled to dividends for non-execution of this obligation in accordance with current legislation of the Russian Federation.

Rosneft shall only pay announced dividends. In absence of a dividend payment (announcement) decision, Rosneft shall not be entitled to pay the dividends and shareholders to require payment thereof.

2.1.2. Rosneft's executive bodies shall ensure that the announced dividends be paid in full and in a timely manner.

### 2.2. PRINCIPLES OF ROSNEFT DIVIDEND POLICY

2.2.1. The Rosneft Dividend Policy is based on the following principles:

- comply with the requirements of the Russian Federation law, the Rosneft Charter and other internal documents when paying (announcing) dividends;
- balance short-term and long-term interests of shareholders;
- ensure shareholders' interest in improving Rosneft's profitability;
- improve Rosneft's bankability;
- ensure positive dynamics of the dividend level in line with the growing net profit of Rosneft;
- ensure the most comfortable way of dividend receiving for shareholders;
- pay dividends as soon as practical;
- ensure maximum transparency of the dividend level calculation mechanism.

2.2.2. Rosneft's Board of Directors when deciding on the level of dividends to be recommended to Rosneft's General Shareholders Meeting shall be guided by the amount of net profit announced in the Rosneft financial statements prepared under Russian Financial Reporting Standards and in the Rosneft consolidated financial statements prepared under International Financial Reporting Standards.

The recommended level of dividends shall be determined by Rosneft's Board of Directors based on the Rosneft financial results over a year, but generally amounts to at least 25% of Rosneft's net profit under International Financial Reporting Standards.

2.2.3. Rosneft strives to ensure growth of dividend level year-on-year. The rate of Rosneft dividend level growth shall be determined in line with the rate of Rosneft net profit growth, Rosneft financial situation and active investment projects of Rosneft.

## 2.3. DIVIDEND PAYMENT DECISION-MAKING PROCEDURE

2.3.1. Payment of dividends following the results of an accounting period shall be preliminary reviewed by the Audit Committee of Rosneft's Board of Directors.

2.3.2. Rosneft's Board of Directors based on proposals of the Audit Committee of Rosneft's Board of Directors shall decide on a reasonable amount of Rosneft profit to be spent on dividends and shall formulate recommendations to Rosneft's General Shareholders Meeting on the level and the order of dividend payment.

2.3.3. Rosneft's Board of Directors when deciding on the recommended dividend level shall be guided by the current legislation of the Russian Federation, the Rosneft Charter and this Policy.

2.3.4. Decisions on dividend payment (announcement) including decisions on the level of dividends, the order and the way of their payment as well as on setting forth the date on which persons entitled to dividends are identified shall be made by Rosneft's General Shareholders Meeting.

2.3.5. The level of dividends shall not exceed that recommended by Rosneft's Board of Directors.

2.3.6. Decision on payment of dividends on issued shares following the results of the first quarter, six months, nine months of a fiscal year shall be made by Rosneft's General Shareholders Meeting under a separate item of Rosneft's General Shareholders Meeting agenda.

2.3.7. Decision on payment of dividends on issued shares following the results of a fiscal year shall be made by Rosneft's General Shareholders meeting under a separate item of Rosneft's General Shareholders meeting agenda, or as a part of the decision on Rosneft profit distribution based on the fiscal year results.

## 2.4. DISTRIBUTION AND PAYMENT OF DIVIDENDS

2.4.1. The source for dividend payment shall be Rosneft net profit determined in accordance with the requirements of the effective legislation of the Russian Federation.

2.4.2. Dividends shall not be distributed and paid on the shares:

- not placed (not issued);
- issued Rosneft's shares owned by Rosneft;
- to the extent otherwise stipulated by the effective legislation of the Russian Federation.

2.4.3. The total amount of the distributed dividends shall be determined by multiplying the dividend level per share set forth by Rosneft's General Shareholders Meeting resolution to a number of shares held by a Company shareholder.

2.4.4. Dividends shall be paid in line with the announced level and within the timing set forth by Rosneft's General Shareholders Meeting resolution and within the range envisaged by the law. Rosneft shall have the right to discharge its dividend payment obligation on any day within the dividend payment period. Rosneft shall not give any advantages to individual shareholders on the dividend payment timing.

2.4.5. Payment of cash dividends to individuals whose shareholding rights are registered in Rosneft's Shareholders Register shall be paid via a mail transfer or to a banking account and to other entities whose shareholding rights are registered in Rosneft's Shareholders Register - via cash transfer to a banking account. Persons entitled to dividends and with the shareholding rights registered with a nominee shareholder, shall receive cash dividends according to the procedure established by the securities legislation of the Russian Federation.

2.4.6. Rosneft's dividend payout obligation shall be considered accomplished from the date when the transferred cash acceptance by a federal post office unit or from the date of cash receipt to account in a lending agency where a person entitled to dividends set up a bank account.

2.4.7. Rosneft and the Registrar shall hold no responsibility if dividends are not paid out because Rosneft and the Registrar have no exact addresses, banking details or other necessary dividend payment details of a person registered in Rosneft's Shareholders Register and entitled to dividends.

2.4.8. Persons failed to receive announced dividends due to Rosneft or the Registrar not having accurate and necessary address or banking details or due to any other delay on the lender's part shall have the right to claim for payment of such dividends (unclaimed dividends) within five years from the dividend payment decision.

2.4.9. When adopting a decision on payment (announcement) of dividends Rosneft shall follow the restrictions established by the legislation of the Russian Federation.

2.4.10. In the presence of circumstances envisaged by the Federal law under which Rosneft has no right to pay the announced dividends on shares, Rosneft shall suspend the payment of dividends. Suspension of dividend payout in the above circumstances shall not deprive shareholders of the right to receive the announced dividends upon cessation of circumstances precluding the payment thereof. Upon cessation (elimination) of such circumstances Rosneft shall pay the announced dividends to shareholders.

### 3. INFORMING SHAREHOLDERS ON ROSNEFT DIVIDEND POLICY

3.1. Rosneft shall inform shareholders on its Dividend Policy by way of posting the information on the Rosneft official website in the Internet at: [www.rosneft.ru](http://www.rosneft.ru).

Information posted on Rosneft's official website shall include this Policy and any amendments thereto.

3.2. Rosneft shall inform shareholders on the level, form and procedure of dividend payment by way of posting the information on the Rosneft official website in the Internet at: [www.rosneft.ru](http://www.rosneft.ru).

3.3. The pre-read materials issued to shareholders for decision making at a General Shareholders Meeting shall contain recommendations of Rosneft's Board of Directors on the level and procedure of dividend payment and may contain information on the presence or absence of conditions necessary for dividend payout.

3.4. Rosneft published notification on the adopted decision to pay dividends, level, form, timing and procedure of dividend payment shall expressly and clearly provide an indication on the above matters to the shareholders. Concurrently, this notification to shareholders shall explain the shareholders' obligation to inform Rosneft on changes in their bank details and postal addresses as well as on the consequences of failure to comply with such obligation.