



APPROVED

**by the Resolution of the Board of Directors
of Rosneft Oil Company of May 22, 2015
Minutes No. 34 dated May 25, 2015**

ROSNEFT REGULATION

ON REMUNERATION AND COMENSATION TO ROSNEFT AUDIT COMMISSION MEMBERS

№ P2-03 R-0510 UL-001

VERSION 1.00

(with amendments approved by the decision of Board of Directors Meeting (Minutes of the meeting dated 22.06.2017 № 29) effective as of 28.08.2017 by Order № 489)

**MOSCOW
2015**

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INTRODUCTORY PROVISIONS

INTRODUCTION

Rosneft's Regulation on Remuneration and Compensations to Rosneft's Audit Commission Members (hereinafter referred to as the Regulation) has been developed in accordance with the provisions of Federal Law No. 208-FZ 'On Joint Stock Companies' dated December 26, 1995, other normative legal acts of the Russian Federation, Rosneft's Charter, Regulation on the Audit Committee of Oil Company Rosneft and it prescribes the procedure for calculation and payment of remuneration and compensation of expenses to Rosneft's Audit Commission members.

SCOPE OF APPLICATION

The present Regulation is binding upon the employees of Rosneft involved in the process of calculation and payment of remuneration and compensation of expenses to Rosneft's Audit Commission members.

The directive documents, local normative documents and other internal documents shall not be in conflict with this Regulation.

Where the Russian Federation legislation changes or if some changes are introduced to the Charter of Rosneft and if provisions of this Regulation get in conflict therewith, the specified legislation of the Russian Federation and/or the Charter of Rosneft should be followed.

VALIDITY PERIOD AND AMENDMENT PROCEDURE

This Regulation is a local regulatory standing document.

This Regulation shall be approved, amended and declared invalid based on the resolution of Rosneft's Board of Directors.

The originators of changes to this REGULATION are as follows: Corporate Governance Department of Rosneft and also other structural subdivisions of Rosneft to be coordinated with Corporate Governance Department of Rosneft.

1. TERMS AND DEFINITIONS

THE AUDIT COMMISSION OF ROSNEFT – an elective body exercising control over Rosneft's financial and business operations and the activities of its governing bodies, officials, subdivisions, functions, branches and representative offices.

THE CORPORATE YEAR – the period of time from the date of the Annual General Shareholders Meeting of Rosneft where the members of Rosneft's Audit Commission are elected till the next Annual General Shareholders Meeting of Rosneft.

THE PERIOD OF WORK IN THE AUDIT COMMISSION OF ROSNEFT – the period of time during which the person elected as Rosneft's Audit Commission member exercised the authorities of Rosneft's Audit Commission member.

2. GENERAL PROVISIONS

2.1. A decision to pay remuneration to Rosneft's Audit Commission members and (or) to compensate for the expenses associated with their Audit Commission membership related functions and decision on the size of this remuneration and compensation shall be made by Rosneft's Annual General Shareholders Meeting in view of recommendations from Rosneft's Board of Directors.

Rosneft's Annual General Shareholders meeting may make no decision to pay remuneration and (or) compensation of the expenses, may resolve not to pay remuneration and(or) compensation of the expenses to the members of Rosneft's Board of Directors or to change the size of payments recommended by the Board of Directors.

2.2. Remuneration shall be paid to Rosneft's Audit Commission member for the actual period of work in Rosneft's Audit Commission and shall be subject to the member's degree of involvement in the work of Rosneft's Audit Commission.

2.3. No remuneration shall be paid and no compensation shall be made to Rosneft's Audit Commission members if they are working for the government and also if there are limitations and bans imposed by the effective legislation of the Russian Federation on any payments to these persons coming from business entities.

Where bans or limitations to receive payments from business entities are lifted on the grounds stipulated in the effective legislation of the Russian Federation, remuneration and compensation to Rosneft's Audit Commission member shall be calculated from the date of a written notification sent to Rosneft from Rosneft's Audit Commission member as set forth in this Regulation.

2.4. The payments to Rosneft's Audit Commission members shall be made in Russian rubles following their application for payment of remuneration (compensation of expenses) prepared in line with the Format specified in [Attachment 1](#) to this Regulation via a cash transfer as per the account/deposit details specified in the application.

2.5. The total remuneration to be paid to all members of the Audit Commission of Rosneft for a corporate year shall not exceed 5% of the dividend base to pay dividends on Rosneft's shares.

3. PROCEDURE FOR CALCULATION AND PAYMENT OF REMUNERATION AND COMPENSATION OF EXPENSES TO ROSNEFT'S AUDIT COMMISSION MEMBERS

3.1. Remuneration to a member of Rosneft's Audit Commission shall be established on the assumption of a base part of remuneration (R_{base})

The size of remuneration base part for a member of Rosneft's Audit Commission shall amount to 200 thousand rubles per year.

3.2. The actual size of remuneration to a member of Rosneft's Audit Commission shall be calculated using the following formula:

$$R_{act} = R_{base} * (m_i / m) * PI,$$

where:

R_{act} is the actual size of remuneration calculated on the assumption of the base part of remuneration;

R_{base} is the size of base part of remuneration specified in clause 3.1 of this Regulation;

m_i is the number of calendar days during which a member of Rosneft's Audit Commission performed these functions;

m is the total number of days in the corporate year;

PI is a personal input of a member of Rosneft's Audit Commission in the work of the Audit Commission of Rosneft.

3.2.1. Personal input shall reflect involvement of a member of the Audit Commission of Rosneft in the meetings of the Audit Commission of Rosneft as well as implementation of additional functions such as Chairman of Rosneft's Audit Commission.

3.2.2. Personal input shall be established for each member of Rosneft's Audit Commission using the following formula:

$$PI = (1 + R_m + R_{ad}) * R_a$$

where:

R_a is the ratio of Rosneft's Audit Commission member's participation in the audits by the Audit Commission of Rosneft; this ratio to be established by resolution of Rosneft's Audit Commission in the range of 0,000 - 1,000 on the basis of the number of audits completed as per the Action Plan of Rosneft's Audit Commission where a member of Rosneft's Audit commission participated.

For Rosneft's Audit Commission Chairman the ratio of participation in the audits shall be established at $Ra = 1,000$.

$Rm = 0,1 * (ni / n)$ is the ratio of Rosneft's Audit Commission member's participation in the meetings of Rosneft's Audit Commission (Rosneft's Audit Commission member attended ni number of meetings of n number of meetings held by Rosneft's Audit Commission during the period of his work in Rosneft's Audit Commission).

Rad is the ratio taking into account the work of a member of Rosneft's Audit Commission as Chairman of the Audit Commission of Rosneft.

$Rad = 0,3 * (fi / m)$ for a member of Rosneft's Audit Commission, where fi is the number of days in a corporate year (of the total number m), during which he performed the functions of Rosneft's Audit Commission Chairman.

Personal Input (PI) and its elements Rm , Rad and Ra) shall be represented in the format of a decimal fraction to three decimal places.

3.2.3. Where a member of the Audit Commission of Rosneft during the period of his work in the Audit Commission of Rosneft actively participated in additional audits of Rosneft's Audit Commission performed as per the resolution of Rosneft's Annual General Shareholders' meeting, Rosneft's Board of Directors or following the request of Rosneft's shareholder which owns in aggregate no less than 10% of Rosneft's voting shares, the Chairman of Rosneft's Audit Commission may seek an approval from Rosneft's Annual General Shareholders Meeting to increase Personal Input calculated as per clause 3.2.2. but by no more than 20%.

3.2.4. No remuneration shall be paid to a member of Rosneft's Audit Commission who failed to attend more than half of the total number of meetings of Rosneft's Audit Commission which took place during the period of his membership ($PI=0$).

3.3. The size of proposed compensations for the expenses incurred by a member of Rosneft's Audit Commission to be approved by Rosneft's Annual General Shareholders Meeting shall be calculated as per the standards for reimbursement of business trip expenses for travel and accommodation set forth for Chief Accountant of Rosneft as per the Corporate Methodology Guidelines 'Domestic and International Business Trip Allowance Standards for Employees of Rosneft and Group Entities' № P2-07 M-0003.

3.4. In the cases where the actual expenses incurred by a member of the Audit Commission of Rosneft is in excess of the amount calculated as per par.1 of this clause, the amount of excess shall not be reimbursed.

The need to compensate for the expenses incurred by a member of the Audit Commission of Rosneft is to be confirmed by the resolution of Rosneft's Audit Commission.

3.5. Chairman of Rosneft's Audit Commission shall make a calculation of the actual size of remuneration to each member of the Audit Commission of Rosneft as per clauses 3.1 - 3.2 of this Regulation.

3.6. In order to submit the issue on remuneration and compensation for expenses incurred by a member of Rosneft's Audit Commission for consideration of Rosneft's Annual General Shareholders Meeting, this member needs to send a written application to Rosneft's Audit Commission Chairman no later than within 60 calendar days following the end of the calendar year

when he was elected as Rosneft's Audit Commission member. The application format should be in line with [Attachment 1](#) to this Regulation and original documents in support of the incurred expenses as well as other documents required for reimbursement of the expenses should be enclosed. The documents in support of the incurred expenses and expenses to be reimbursed shall be submitted by a member of the Audit Commission of Rosneft as per the procedures set forth in the legislation of the Russian Federation for accounting of business trip expenses.

3.7. Chairman of Rosneft's Audit Commission shall review integrity and completeness of the documents submitted by a member of Rosneft's Audit Commission and shall calculate the actual remuneration for each member of Rosneft's Audit Commission, including Chairman, and no later than within 14 days following the expiration of period indicated in clause 3.6 of this Regulation, shall send to Vice President on HR and Social Matters a consolidated calculation of remuneration for all members of Rosneft's Audit commission which applied as appropriate, including Chairman, and their supporting documents.

The consolidated calculation specified in par. 1 of this clause shall be not expected to follow any format. It should include:

- the names of the Audit Commission members who applied as per clause 3.6 of this Regulation;
- the indicators taken into account while calculating each Audit Commission member's remuneration;
- calculation of each Audit Commission member's remuneration as per the procedure set forth in clauses 3.1 – 3.2 of this Regulation.

Rosneft's Vice President on HR and Social Matters as per Rosneft's Regulation 'Procedure for Preparation and Getting Approvals of the Materials to be Submitted for Consideration of the Board of Directors (Board Committees) and Management Board of Rosneft' № P3-01 R-0009 UL-001 shall make arrangements to prepare and get approvals of the materials to be submitted for consideration to the Board of Directors of Rosneft concerning the issue on development of recommendations for Rosneft's Annual General Shareholders meeting regarding the size of remuneration and compensation to be paid to the members of Rosneft's Audit Commission.

3.8. Rosneft using its in-house resources shall make calculations and deductions and shall pay the individual income tax as per the rate effective as of the date of income pay-out as well as other taxes and dues arising from the payment of remuneration and compensation to the members of Rosneft's Audit Commission.

3.9. Remuneration shall be paid and expenses incurred by the members of Rosneft's Audit Commission shall be reimbursed no later than within 3 (three) months following the date of the respective resolution by Rosneft's Annual General Shareholders Meeting.

4. REFERENCES

1. Federal Law No 208-FZ 'On Joint Stock Companies' as of 26.12.1995.
2. Anti-Corruption Federal Law No 273-FZ as of 25.12.2008.
3. Russian Federation Government Decree No 738 as of 03.12.2004 'On Management of Federally Owned Shares in Joint Stock Companies and Exercise of the Special Right of the Russian Federation to Participate in Joint Stock Companies' Management' ("Golden Share").
4. Methodology Guidelines for Developing Regulation on Remuneration and Compensation to Members of Audit Commissions of Stockholding Companies with Participation of the Russian Federation approved by Order No 253 as of 09.07.2014 of the Federal Agency for State Property Management.
5. Regulation on the Audit Commission of Rosneft, approved by the resolution of the General Shareholders Meeting of Oil Company Rosneft on 27.06.2014, Minutes no number as of 02.07.2014.
6. Rosneft's Regulation 'Procedure for Preparation and Getting Approvals of the Materials to be Submitted for Consideration of the Board of Directors (Board Committees) and Management Board of Rosneft' № P3-01 R-0009 UL-001 version 1.00 approved by Rosneft's Order No 667 as of 23.12.2014.
7. Corporate Methodology Guidelines 'Domestic and International Business Trip Allowance Standards for Employees of Rosneft and Group Entities' № P2-07 M-0003 version 2.00, approved by Rosneft's Order No 751 as of 31.12.2014.

ATTACHMENTS

Table 1
List of Attachments to Rosneft's Regulation

ATTACHMENT No	ATTACHMENT TITLE	NOTES
1	2	3
1	Application for payment of remuneration and compensation of expenses to Rosneft's Audit Commission member.	in this file

ATTACHMENT 1. APPLICATION FOR PAYMENT OF REMUNERATION AND COMPENSATION OF EXPENSES TO ROSNEFT'S AUDIT COMMISSION MEMBER

To: Rosneft Oil Company
from: Audit Commission Member (Chairman)
Full Name

**Application for payment of remuneration and compensation of expenses to Rosneft's
Audit Commission Member**

I hereby kindly request you to provide for remuneration to be paid to me, _____, as a member of Rosneft's Audit Commission, elected to Rosneft's Audit Commission by the Rosneft's General Shareholders Meeting resolution dated _____ (Minutes dated _____ no. __) when preparing materials on the remuneration to the members of Rosneft's Audit Commission.

The amount of expenses I incurred with the implementation of the functions of Rosneft's Audit Commission member is _____ rub, including:

- travel expenses - specify the details, fare and tariff /class of the tickets, total expenses _____;
- accommodation expenses - number of days, type of accommodation/room/hotel, total expenses _____.

I hereby confirm that during the specified period I was not on the list of persons for which the Federal Laws stipulated limitations or bans for payments from business entities.

In the event if the respective resolution is made by Rosneft's General Shareholders Meeting to pay remuneration and compensate the expenses, please make a transfer to my bank account (deposit)

(specify the details of your bank account (deposit details))

Attachments:

- 1) copy of the Minutes of Rosneft's Audit Commission with approval of the respective expenses compensation;
- 2) documents in support of the incurred expenses to be reimbursed.

Date / Full Name /