



**APPROVED**

**by Resolution of Rosneft'**

**Board of Directors of April 9, 2015**

**Minutes no. 28 dated April 10, 2015**

## **ROSNEFT REGULATION**

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**ON PAYMENT OF REMUNERATION AND COMPENSATION OF EXPENSES OF THE  
MEMBERS OF ROSNEFT' BOARD OF DIRECTORS**

**№ P2-03 R-0519 UL-001**

**VERSION 2.00**

(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 Regulation “On payment of remuneration and compensation of expenses of the members of Rosneft’ Board of Directors (hereinafter the Regulation) was elaborated in accordance with the Federal Law dated 26.12.1995 № 208-FZ “On Joint Stock Companies” and Federal Law dated 25.12.2008 № 273-FZ “On Corruption Counteraction”, the Code of Corporate Governance recommended by the Bank of Russia for observance in joint stock companies, the securities of which are admitted for organized bidding, Rosneft’ Charter and Regulation on the Board of Directors of Rosneft Oil Company, and defines the grounds, procedure of calculation and payment of remuneration and compensation of expenses of the members of Rosneft’ Board of Directors.

## SCOPE OF APPLICATION

The present Regulation shall be binding on all employees of Rosneft involved in the process of calculation and payment of remuneration and compensation of expenses to the members of the Board of Directors.

The provisions of this Regulation shall not apply to the members of the Board of Directors, who act as:

- State officials and other individuals, in relation to whom the federal laws foresee restrictions or prohibition of any payments from commercial organizations;
- Rosneft’ Sole Executive Body, members of Rosneft Collegial Executive Body (executive directors).

Organizational, administrative and local regulatory documents shall not be in conflict with this Regulation.

## VALIDITY TERM AND AMENDMENT PROCEDURE

The present Regulation represents permanent local regulatory document.

The present Regulation shall be approved in Rosneft by resolution of Rosneft’ Board of Directors.

Regulation shall be recognized as ceased to be in force in Rosneft on the basis of resolution of Rosneft’ Board of Directors.

Any amendments may be introduced to this Regulation on the basis of resolution of Rosneft’ Board of Directors.

If, as a result of any changes in applicable laws of Russian Federation and/or Rosneft’ Charter, some provisions of this Regulation become in collision therewith, then relevant provisions of applicable laws of Russian Federation and/or Rosneft Charter shall prevail.

Introduction of amendments to the present Regulation may be initiated by Rosneft’ Corporate Governance Department, or other structural subdivisions of Rosneft after validation with Rosneft’

Corporate Governance Department.

Amendments to this Regulation may be introduced in case of any changes in applicable laws of Russian Federation, Rosneft' organizational structure or management authorities etc.

Control over introduction and compliance with this Regulation shall be ensured by Rosneft' Board of Directors with active support of Rosneft' Board of Directors Committee on HR and Incentives.

# 1. TERMS AND DEFINITIONS

## TERMS AND DEFINITIONS FOR THE PURPOSE OF THIS DOCUMENT

**CORPORATE YEAR** – a period of time starting from the date of the Annual General Meeting of Rosneft' shareholders, which elected the members of Rosneft' Board of Directors, through the date of the next Annual General Meeting of Rosneft' shareholders.

**EXPERT CONSULTATION** – a consultation provided by external consultants at the request of the member of Rosneft' Board of Directors.

**OFFICE TERM OF THE MEMBER OF ROSNEFT' BOARD OF DIRECTORS** – a period of time, during which a person elected to Rosneft' Board of Directors performed functions of the member of Rosneft' Board of Directors.

## 2. NOTIONS AND ABBREVIATIONS

**ACCOUNTING AND BOOKKEEPING ORGANIZATION** – specialized organization, which provides accounting and bookkeeping services to Rosneft subject to the terms of service contract.

**BOARD OF DIRECTORS** – Rosneft’ Board of Directors.

**CGD** – Rosneft’ Corporate Governance Department.

**CIS SAP R/3** - corporate information system on the basis of SAP R/3 software and other supporting programs integrated with the latter, used in Rosneft and Group Entities for the purposes of Rosneft’ governance and business management.

**COMMITTEE** – Committee of Rosneft’ Board of Directors.

**COMPANY** – Rosneft.

**LRD** – local regulatory document Rosneft.

### 3. GENERAL PROVISIONS

3.1. The decision on payment of remuneration to the members of the Board of Directors and/or compensation of expenses incurred due to performance of the functions of the Board of Directors' members during their office term, on the values of such remuneration and compensation shall be adopted by General Meeting of Rosneft' shareholders with due account for recommendations of the Board of Directors.

General Meeting of Rosneft' shareholders may abstain from making decision on payment of remuneration and/or compensation of expenses, or may decide not to pay remuneration and/or compensation to the members of the Board of Directors or may change the amount of payments recommended by the Board of Directors.

## 4. CALCULATION OF REMUNERATION AMOUNTS PAYABLE TO THE MEMBERS OF THE BOARD OF DIRECTORS

4.1. Basic remuneration for each member of the Board of Directors shall be fixed in amount of 500,000 (five hundred thousand) US Dollars per corporate year.

4.2. Additional remuneration for the member of the Board of Directors, who performs the functions of the Chairman of the Board of Directors, shall be fixed in amount of 100,000 (one hundred thousand) US Dollars per corporate year.

4.3. Additional remuneration for the member of the Board of Directors, who performs the functions of the member of a Committee, shall be fixed in amount of 30 000 (thirty thousand) US Dollars per corporate year.

4.4. Additional remuneration for the member of the Board of Directors, who performs the functions of the Chairman of a Committee, shall be fixed in amount of 50 000 (fifty thousand) US Dollars per corporate year and shall include remuneration for performance of functions of the member of relevant Committee.

4.5. The sums of basic and additional remuneration, specified in p. 4.1 - 4.4 of this Regulation, shall include the amount of taxes payable by the member of the Board of Directors in accordance with applicable laws.

The Company shall calculate, withhold and pay individual income tax upon payment of remuneration to the members of the Board of Directors at the rate applicable on the date of payment of earned income in accordance with applicable legislation.

4.6. Remuneration, specified in p. 4.1 – 4.4 of this Regulation, shall be paid to the members of the Board of Directors in proportion to the period of their work in composition of the Board of Directors (period of the office term of the member of the Board of Directors, or Chairman of the Board of Directors and/or member of a Committee, and/or Chairman of a Committee).

4.7. No remuneration shall be paid to the member of the Board of Directors, who attends less than  $\frac{2}{3}$  of actual number of the meetings of the Board of Directors and/or its Committees.

4.8. Remuneration to the member of the Board of Directors, who works in composition of two Committees, shall be paid for performance of functions of the member of each Committee.



## 5. PROCEDURE OF MAKING DECISION ON PAYMENT OF REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS AND COMPENSATION OF THEIR EXPENSES

5.1. The amount and form of remuneration (in cash or shares of the Company), including the amount of reimbursable expenses, shall be determined in advance by resolution of the Board of Directors with due account for recommendations of Rosneft' Board of Directors Committee on HR and Incentives.

5.2. Final decision, specifying the amount of remuneration, payable to each member of the Board of Directors, the form of payment of such remuneration, as well as the amount of reimbursable expenses shall be adopted by General Meeting of Rosneft' shareholders.

5.3. In case by the Board of Directors recommends to pay remuneration in shares of the Company, then calculation of the equity stake (number of shares) transferable to each member of the Board of Directors and proposed to General Meeting of Rosneft' shareholders for approval, shall be based on the amount of cash remuneration for each member of the Board of Directors, calculated in accordance with Section 4 of this Regulation, and weighted average price of one share in the Company for the period starting from the date of the Annual General Meeting of Rosneft' shareholders, which elected current composition of the Board of Directors, through the date of the next meeting of the Board of Directors, which anticipatory determines the amount and form of remuneration to the members of the Board of Directors, applying the closing price at the ZAO "FB MICEX".

5.4. In case General Meeting of Rosneft' shareholders adopts the decision on payment of remuneration in shares, then the member of the Board of Directors, when making any transaction in shares of the Company, shall strictly follow the requirements of applicable laws of the Russian Federation, Rosneft Regulation "On insider information" № П3-01.04 P-0014 ЮЛ-001 and Company Standard "Protection of confidential information" № П3-11.03 C-0006, in part related to such confidential or insider information.

5.5. In case General Meeting of Rosneft' shareholders adopts the decision on payment of remuneration in shares, then the members of the Board of Directors are recommended not to sell the greater part of their shares in the Company (50% and more shares in the company owned by the member of the Board of Directors) and abstain from using any hedging options within at least 1 (one) year after their withdrawal from composition of the Board of Directors.

## 6. COMPENSATION OF EXPENSES CONNECTED WITH PERFORMANCE OF FUNCTIONAL DUTIES BY THE MEMBER OF THE BOARD OF DIRECTORS

6.1. The Company shall compensate all costs and expenses incurred by the members of the Board of Directors in the course of performance of their duties and functions.

6.2. Reimbursable expenses may include but not limited to the following:

6.2.1. Lodging, meals, business travel to the meeting of the Board of Directors (or its Committee), including airports or railway stations' VIP lounge services, other charges and duties for airfare, railway and/or automobile travel;

6.2.2. Expenses incurred in the course of the visits to production sites;

6.2.3. Expenses incurred for the purpose of expert consultation related to the issues of the Board of Directors' activities and/or issues relegated to the competence of the Board of Directors and performance of relevant functions by the members of the Board of Directors;

6.2.4. Expenses incurred by the member of the Board of Directors in connection with any claims of third parties (including expenses for judicial defense etc.), all related to activities of the Board of Directors (functions of the member of the Board of Directors), in case such claim is caused by the actions of the member of the Board of Directors undertaken in the interests of the Company;

6.2.5. Expenses incurred by the member of the Board of Directors in the framework of administrative, criminal or other litigations, pertaining to his/her actions in capacity of the member of the Board of Directors;

6.2.6. Expenses for payment of any amounts, which a of the Board of Directors has to pay to third parties in accordance with enforceable court ruling awarded in relation to the member of the Board of Directors in case such award is caused by the actions of the member of the Board of Directors undertaken in the interests of the Company;

6.2.7. Other expenses incurred by the members of the Board of Directors in the course of performance of their duties and functions.

6.3. Compensation of expenses, specified in sp. 6.2.1 – 6.2.3 of this Regulation, shall be paid on the basis of valid expense report and original supporting documents.

6.4. Compensation of expenses, specified in sp. 6.2.4 and 6.2.5 of this Regulation, shall be paid against presentation of documentary proof of the claim or lawsuit by the member of the Board of Directors, including any administrative, criminal or other litigations and documentary confirmation of relevant expenses.

Any member of the Board of Directors shall be obliged to immediately notify the Company on all and any claims or lawsuits pertaining to his/her actions in capacity of the member of the Board of Directors, including any administrative, criminal or other litigation so initiated.

6.5. Compensation of expenses, specified in sp. 6.2.6 of this Regulation, shall be paid against presentation of original order or certified copy of enforceable court ruling by the member of the Board of Directors by way of the Company's transfer of awarded amount to the persons or entities specified in such court award.

For the purpose of compensation of expenses to the members of the Board of Directors, specified in sp. 6.2.2 – 6.2.6, the Company shall calculate, withhold and remit individual income tax at the rate applicable on the date of payment of earned income in accordance with applicable legislation.

6.6. Based on resolution of the Board of Directors, adopted on the basis of the decision of General Meeting of shareholders on compensation of expenses, the members of the Board of Directors may receive cash advances to cover expenses incurred due to performance of the functions of the Board of Directors' members.

The limit of such cash advances shall be determined in resolution of the Board of Directors.

For the purpose of accounting of expenses incurred by the member of the Board of Directors and paid using such cash advances, the member of the Board of Directors shall present to the Corporate Secretary original copies of documents confirming the fact of incurred expenses.

Each subsequent provision of cash advances to the member of the Board of Directors may be allowed only after due confirmation of actual expenses paid using the cash advanced earlier.

Any unexpended balance of cash advances shall be refunded by the member of the Board of Directors to the Company no later than in 30 business days after termination of his/her office term<sup>1</sup>.

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<sup>1</sup> The date of termination of authorities of any member of the Board of Directors – the date of election of the new composition of the Board of Directors, in which such member is not listed, or the date of hi/her withdrawal from the Board of Directors.

## 7. DEADLINES AND PROCEDURES OF REMUNERATION AND COMPENSATION

7.1. Remuneration in any amount, approved by General Meeting of shareholders, shall be paid by Rosneft to the members of the Board of Directors no later than in 30 business days after the date of the Minutes of the General Meeting of Rosneft' shareholders, which adopted the decision on payment of remuneration to the members of the Board of Directors.

7.2. Payment of remuneration to the members of the Board of Directors – residents of Russian Federation shall be remitted in RF Rubles at the official exchange rate of the RF Central Bank on the date of payment.

Payment of remuneration to the members of the Board of Directors, who are not residents of Russian Federation, shall be remitted in US Dollars.

Compensation of expenses of the Board of Directors' members shall be paid:

- To RF residents - in RF Rubles at the official exchange rate of the RF Central Bank on the date of approval of expense report;
- To RF non-residents - in RF Rubles and/or foreign currency at the official exchange rate of the RF Central Bank on the date of approval of expense report.

7.3. Payment of remuneration to the members of the Board of Directors:

7.3.1. No later than in 3 business days after the date of the Minutes of the General Meeting of Rosneft' shareholders, which adopted the decision on payment of remuneration to the members of the Board of Directors, the Corporate Secretary of the Company shall send to Rosneft' HR Department an abstract from the Minutes of the General Meeting of Rosneft' shareholders in part related to incentives for the members of the Board of Directors;

7.3.2. No later than in 10 business days after the date of the abstract's receipt, mentioned in sp. 7.3.1 of this Regulation, Rosneft' HR Department shall prepare the draft of Rosneft Order for payment of remuneration to the members of the Board of Directors and send the same to the Sole Executive Body of the Company (or other officer performing such functions) for signing;

7.3.3. No later than in 25 business days after the date of the Minutes of the General Meeting of Rosneft' shareholders, which adopted the decision on payment of remuneration to the members of the Board of Directors, on the basis of the decision of the General Meeting of Rosneft' shareholders and in accordance with Rosneft Order, the accounting and bookkeeping organization shall calculate and issue the required documents for payment of remuneration, payable to the members of the Board of Directors to the bank accounts specified accordingly;

7.3.4. No later than in 5 business days after the date of receipt of the required documents from accounting and bookkeeping organization for payment of remuneration, the Finance department of the Company shall remit remuneration to the members of the Board of Directors.

7.4. Banking details for payment of remuneration shall be advised by the members of the Board of Directors to the Corporate Secretary of the Company no later than in 5 business days after the date of the Corporate Secretary's inquiry.

7.5. The Company shall not be liable for its failure to remit remuneration in due time to any member of the Board of Directors, who failed to advise his/her banking details.

7.6. Any remuneration to the member of the Board of Directors, who advises his/her banking details after the date specified in sp. 7.4 of this Regulation, shall be paid no later than in 30 business days after the date of actual receipt of such information.

7.7. All expenses incurred by the members of the Board of Directors shall be compensated by the Company no later than in 30 business days after the date of presentation of valid expense report by the member of the Board of Directors, supported by original documents confirming the fact of such expenses.

7.8. Filing and documenting of expenses incurred by the members of the Board of Directors, collection of the package of documents confirming the fact of expenses attached to the expense reports of of the Board of Directors' members, as well as uploading of expense reports of the Board of Directors' members into CIS SAP R/3, shall be performed by CGD no later than in 10 business days after the date of presentation of supporting documents by the member of the Board of Directors.

All expense reports shall be presented for approval to the top manager of Rosneft responsible for the issues of corporate governance.

7.9. Compensation of expenses of the Board of Directors' members shall be paid by CGD using the cash funds of CGD within the time limits specified in p. 7.7 of this Regulation.

## 8. REGISTRATION OF AMENDMENTS TO THIS LOCAL REGULATORY DOCUMENT

Table 1  
List of Amendments to this Regulation of Rosneft

VERSION	TYPE AND TITLE OF THE DOCUMENT	DOCUMENT NUMBER	DATE OF APPROVAL	EFFECTIVE DATE	APPROVAL AND VALIDATION
1	2	3	4	5	6
1.00	Regulation on the procedure of calculation and payment of remuneration and compensation of expenses to the members of Rosneft' Board of Directors	-	28.04.2009	28.04.2009	Approved by resolution of Rosneft' Board of Directors 28.04.2009

## 9. REFERENCE DOCUMENTS

1. Federal Law dated 26.12.1995 № 208-FZ “On Joint Stock Companies”.
2. Federal Law dated 25.12.2008 № 273-FZ “On Corruption Counteraction”.
3. Code of Corporate Governance, recommended by the Bank of Russia for observance in joint stock companies, the securities of which are admitted for organized bidding (Letter of the Bank of Russia dated 10.04.2014 № 06-52/2463 “On the Code of Corporate Governance”).
4. Regulation on the Board of Directors of Rosneft Oil Company approved by resolution of General Meeting of shareholders of Rosneft Oil Company dated 27.06.2014, Minutes dated 02.07.2014.
5. Company’s Standard “Protection of confidential information” No. P3-11.03 S-0006 version 4.00, approved by the Order of Rosneft dated 29.12.2012 No. 727.
6. Regulation of Rosneft “On insider information” № P3-01.04 R-0014 UL-001 version 1.00, approved by the resolution of the Board of Directors of Rosneft dated 30.06.2014 (minutes dated 30.06.2014 No. 39), approved by the Order of Rosneft dated 24.07.2014 No. 353.