



**APPROVED**

**Board of Directors of**

**Rosneft Oil Company**

**June 09, 2017**

**Minutes № 28 dated June 13, 2017**

## **ROSNEFT OIL COMPANY'S REGULATION**

---

**ON THE HOLDING BY MEMBERS OF ROSNEFT BOARD OF DIRECTORS OF ROSNEFT  
SHARES, SHARES OF AND EQUITY STAKES IN GROUP SUBSIDIARIES**

**№ P3-01.03 R-0036 UL-001**

**VERSION 1.00**

**MOSCOW  
2017**

# TABLE OF CONTENTS

<b>INTRODUCTORY PROVISIONS .....</b>	<b>3</b>
<b>PURPOSE .....</b>	<b>3</b>
<b>1. TERMS AND DEFINITIONS.....</b>	<b>4</b>
<b>2. DESIGNATIONS AND ABBREVIATIONS.....</b>	<b>6</b>
<b>3. PRINCIPLES OF THE SHAREHOLDING BY MEMBERS OF THE BOARD OF DIRECTORS .....</b>	<b>7</b>
<b>4. GENERAL PROVISIONS .....</b>	<b>8</b>
<b>5. LIMITATIONS AND RESPONSIBILITIES ASSOCIATED WITH THE HOLDING OF ENTITY'S SHARES .....</b>	<b>9</b>
<b>6. DISCLOSING INFORMATION ON SHAREHOLDING .....</b>	<b>10</b>
<b>7. REFERENCES .....</b>	<b>11</b>

Rosneft shall reserve all rights for this Local Normative Document (LND). This LND or any part thereof may not be reproduced, replicated or disseminated without the express consent by Rosneft.

# INTRODUCTORY PROVISIONS

## PURPOSE

This Regulation sets forth the rules for the holding by members of Rosneft board of directors of Rosneft shares, shares of and equity stakes in Group Subsidiaries

This Regulation has been developed considering the requirements of:

- Federal Law № 208-FZ "On Joint Stock Companies" of 26.12.1995.
- Federal Law № 224-FZ| dated 27.07.2010 "On prevention of unlawful use of insider information and market manipulations and on modifying certain legal acts of the Russian Federation".
- The Code of Corporate Governance recommended by the Bank of Russia for application by the joint-stock companies whose securities are approved for organized trading (Letter of the Bank of Russia № 06-52/2463 of 10.04.2014 "On the Code of Corporate Governance").
- Charter of the Public Joint Stock Company Rosneft Oil Company.
- Regulations on the Board of Directors of Public Joint Stock Company Rosneft .
- Corporate Governance Code of Rosneft (№ P3-01 KS-01).
- Rosneft Regulation "On remuneration and compensation of expenses to the BOD members of Rosneft" № P2-03 R-0519 UL-001 version 2.00.
- Rosneft Regulation "On Insider Information" № P3-01.04 R-0014 UL-001.
- The Company's Standard on Protection of Confidential Information № P3-11.03 S-0006.

# 1. TERMS AND DEFINITIONS

## CORPORATE GLOSSARY TERMS AND DEFINITIONS

**BROKER** – any Russian or foreign legal entity, conducting financial (including broker activity, trust management activity, collective investment management activity), banking operations in accordance with the Russian legislation and other country's legislation.

**CORPORATE SECRETARY** – Rosneft official in charge of the Company compliance with the current legislation, Rosneft Charter and Rosneft internal documents in the area of corporate governance, which guarantee the observance of the rights and legitimate interests of Rosneft shareholders, effective interaction with the shareholders, effective BoD activities support, the development of Rosneft's corporate governance practices in line with the interests of the shareholders and other related parties.

**DEPOSITARY** – the securities market professional participant operating as a Depositary.

**DEPOSITARY ACTIVITY** – provision of services to keep in safe custody certificates of the securities and/or accounting and re-assignment of rights to securities [Federal Law № 39-FL dated 22.04.1996 «On Securities Market»].

**EMPLOYEE STOCK OPTION PLAN** – an incentive to improve performance of members of the management bodies / employees, intended to assign to the said persons to right to buy out a certain number of shares of the joint-stock company at the price set at the beginning of the program implementation, provided the joint-stock company achieves its performance targets.

**HEDGING** – insurance of the risk of adverse movement of the asset price, interest or FOREX by means of financial derivatives.

**ROSNEFT INSIDER INFORMATION** – any exact and specific information that has not been disclosed or provided by Rosneft (including commercial, official and other secrets protected by law), whose disclosure or provision may significantly affect the price of Rosneft financial instruments, and that is included in the List of Information related to Rosneft Insider Information.

**ROSNEFT OFFICIAL SITE** – a site in the information and telecommunication network «Internet», that contains information on Rosneft activity, and is a component of Rosneft information resources which are a totality of technical, technological and organizational solutions which can be accessed via Internet network by domain names [www.rosneft.ru](http://www.rosneft.ru) / [www.rosneft.com](http://www.rosneft.com).

## TERMS AND DEFINITIONS FOR THE PURPOSE OF THIS DOCUMENT

**CONFLICT OF INTEREST OF THE MEMBER OF THE BOARD OF DIRECTORS** – any conflict between interests of subsidiary and personal interests of member of the Board of Directors, which are understood as any direct or indirect personal interests, or interests in favor of a third party, including due to his business, friendship, family and other connections, holding by him of persons connected to him positions in other legal entity, holding by him of persons connected to him shares of other legal entity, a conflict between his obligation with respect to the subsidiary and obligations with respect to other legal entity.

***PARTIES RELATED TO A MEMBER OF THE BOARD OF DIRECTORS*** – a spouse, parents, children, adoptive parents, adopted, full brothers and full sisters, and half-brothers and half-sisters, grandmothers and grandfathers of a member of Rosneft Board of Directors, and other persons sharing residence and running a joint household with a member of Rosneft Board of Directors.

## 2. DESIGNATIONS AND ABBREVIATIONS

**BOARD OF DIRECTORS** – Board of Directors of Rosneft Oil Company.

**COMPANY** – public joint-stock company Rosneft Oil Company.

**HR AND COMPENSATIONS COMMITTEE** is the Committee of the Board of Directors of Rosneft Oil Company in charge of HR and Incentives.

**SUBSIDIARY OF THE GROUP** – shall mean the business entities where Rosneft directly and (or) indirectly holds shares or equity stakes of 20 percent and more.

### 3. PRINCIPLES OF THE SHAREHOLDING BY MEMBERS OF THE BOARD OF DIRECTORS

The Policy for the holding by members of the Subsidiary Board of Directors of the Subsidiary's shares, shares of and equity stakes in Group Subsidiaries is based on the following principles:

- **Convergence of financial interests of the Board of Directors members and long-term interests of shareholders**, increasing the interest of the Board of Directors members in successful development of Subsidiary through the long-terms holding of Subsidiary's shares.

Subsidiary set up the period during which the members of the Board of Directors are recommended not to sell the main part of the Subsidiary's shares held by them (50% and more of the acquired/received (for other reasons), and not to use hedging mechanisms.

- **Maintaining objectivity and independence of judgment of the members of the Board of Directors holding shares.**

Delivery by Subsidiary of performance indicators over a reporting period shall not be a reason for the right to sell shares by a Board member. Participation of the Board of Directors members in the employee stock option plans (if introduced in the Subsidiary) is not recommended.

This Regulation determines specific features of the holding by the Board of Directors members, who are independent directors of the BoD, of Subsidiary's shares.

- **Accountability of the Board of Directors members as related to concluding transaction with Subsidiary's shares, shares and equity stakes in Group Subsidiaries.**

When concluding transactions with Subsidiary's shares, shares and equity stakes in Group Subsidiaries, members of the Board of Directors shall be obliged to meet the requirements that apply to the persons having an access to insider information, as set forth by the Russian Legislation, Rosneft Provision On Insider Information № P3-01.04 R-0014 UL-001 and Company's Standard on Protection of Confidential Information № P3-11.03 S-0006.

For avoidance of a conflict of interests between a member of the Board of Directors and Subsidiary, the holding by the members of the Board of Directors of shares of and equity stakes in Group Subsidiaries is not recommended.

- **TRANSPARENCY**

Information on the holding by members of the Board of Directors of the Subsidiary's shares, shares of and equity stakes in Group Subsidiaries is publicly available.

## 4. GENERAL PROVISIONS

4.1. Members of the Board of directors shall be entitled to own shares of Subsidiary. General Shareholders Meeting of Rosneft, upon recommendation of the Board of Directors, can resolve to pay remuneration to the members of the Board of Directors in the form of Subsidiary's shares.

4.2. Subsidiary's shares can be acquired by the members of the Board of Directors independently at their expense with due consideration for the requirements specified in Section 3 hereof.

Members of the Board of Directors can become shareholders for other reasons provided for by the current legislation.

4.3. Member of the Board of Directors, who is an independent director, should assess an impact of transactions with Subsidiary's shares to be concluded by him on Subsidiary's independence.

The total number of Subsidiary's shares held by the member of the Board of Directors, who is an independent director, jointly with related parties, or the shares with regard to which the member of the Board of Directors, who is an independent director, jointly with related parties, is a beneficiary should not exceed one percent of the charter capital, or the market value of the Subsidiary's shares (shares of Subsidiary for which he is a beneficiary) should not exceed by more than 20 times the amount of the annual fixed financial remuneration to the member of the Board of Directors for the performing by him of the BoD member functions.

In case of exceeding the said threshold, the member of the Board of Directors, who is an independent director, should immediately inform of this the Board of Directors via the Chairman of the Board of Directors or via Corporate Secretary. Subsidiary' Board of Directors, based on recommendation of the Board HR and Compensation Committee, and analysis performed, shall make a decision as to whether such member of the Board of Directors meets / does not meet the independence criteria set forth by the Listing Rules of the Moscow stock exchange and Regulations on the Board of Directors of Public Joint Stock Company Rosneft Oil Company.

4.4. Members of the Board of Directors, from the date of election a Board member, shall abstain from acquisition, for any reason, of shares and stakes in the charter capital of Group Subsidiaries, including indirectly (through controlled persons).

4.5. Members of the Board of Directors shall be entitled to continue holding shares and stakes in the charter capital of Group Subsidiaries acquired before election a member of the Subsidiary's Board of Directors. At the same time, members of the Board of Directors holding, directly or indirectly, jointly with related parties shares/stakes in the charter capitals of Group Subsidiaries should strictly follow the code of conduct set forth by the Regulations on the Board of Directors of Public Joint Stock Company Rosneft Oil Company, in case of conflict of interest arisen (or potential arising of conflict of interests).

4.6. Upon request of the Board of Directors (Board HR and Compensation Committee), persons included in the list of candidates to the Board of Directors, as well as members of the Board of Directors should provide to the Board of Directors through the Chairman of BoD or Corporate Secretary the information on direct or indirect holding by them and by the parties related to them of Subsidiary's shares, shares and stakes in charter capitals in other business entities including Group Subsidiaries.



## 5. LIMITATIONS AND RESPONSIBILITIES ASSOCIATED WITH THE HOLDING OF ENTITY'S SHARES

5.1. Members of the Board of Directors holding Subsidiary's shares, should follow the requirements set forth by the Russian legislation, Rosneft Regulations "On Insider Information" № P3-01.04 R-0014 UL-001 and the Company Standard "On Protection of Confidential Information" № P3-11.03 S-0006, as applied to the persons having an access to insider information and holding shares of Subsidiary, including:

- Notify the Subsidiary and the Bank of Russia in a timely manner of transactions with Subsidiary's shares (of the fact of their acquisition and disposal for any reason);
- Not to make transactions with Subsidiary's shares using insider information;
- Abstain from making transaction involving Subsidiary's share during prohibited periods set by Rosneft Regulations "On Insider Information" № P3-01.04 R-0014 UL-001, in order to prevent recognition of the said transactions as the ones concluded using insider information.

5.2. Members of the Board of Directors should notify the Board of Directors through the Chairman of the Board of Directors or through the Corporate Secretary of the intent to make any transactions involving Subsidiary's shares, shares and stakes in the charter capitals of Group Subsidiaries, and of the conclusion of such transactions immediately after their conclusion.

5.3. Members of the Board of Directors holding Subsidiary's shares shall abstain from disposal of the main part of Subsidiary's shares owned by them (50% and more of the total number of Subsidiary's shares held by the member of the Board of Directors) during the entire period of activity as a member of the Board of Directors and during, at least, 1 (one) year after resignation from the Board of Directors.

5.4. Members of the Board of Directors holding Subsidiary's shares shall abstain from using any hedging mechanisms offsetting a negative impact of Subsidiary's shares price movement during the entire period of activity as a member of the Board of Directors and during, at least, 1 (one) year after resignation from the Board of Directors.

5.5. In order to put in place a process to monitor the compliance by the members of the Board of Directors with the rules regarding holding Subsidiary's shares and abstaining from using hedging mechanisms, the Board of Directors shall have the right to recommend that the members of the Board of Directors holding Subsidiary's shares:

- Open separate broker accounts for transactions with Subsidiary's shares with the stock market broker determined by the Board of Directors;
- Conduct all transactions with the owned Subsidiary's shares using the said broker accounts;
- Upon request of the Chairman of the Board of Directors or Board HR and Compensation Committee, provide through the Chairman of the Board of Directors or through Corporate Secretary a statement of respective broker account transactions;
- Transfer all available Subsidiary's shares for accounting to the depository determined by the Board of Directors;
- Provide in the contract with a depository the right of the Chairman of the Board of Directors and Corporate Secretary to request and receive information on respective broker accounts transactions.

## 6. DISCLOSING INFORMATION ON SHAREHOLDING

6.1. Annual reports of Subsidiary should include information on direct and indirect holding by members of the Board of Directors of Subsidiary's shares, shares and stakes in charter capitals of Group Subsidiaries.

6.2. Board HR and Compensation Committee shall oversee disclosure of information on direct and indirect holding by the Board members of Subsidiary's shares, shares and stakes in charter capitals of Group Subsidiaries, in annual reports and on the official site of Subsidiary.

6.3. Information on the holding by members of the Board of Directors of Subsidiary's shares, shares and stakes in charter capitals of Group Subsidiaries is disclosed by Subsidiary at the stock market and in quarterly reports.

Upon request of the Corporate Secretary, members of the Board of Directors shall provide respective information within the time line specified in the request for producing a quarterly report.

## 7. REFERENCES

1. Federal Law № 208-FZ 'On Joint Stock Companies' dated 26.12.1995.
2. Federal Law № 39 On Securities Market dated 22.04.1996.
3. Federal Law № 224-FZ dated 27.07.2010 "On prevention of unlawful use of insider information and market manipulations and on modifying certain legal acts of the Russian Federation".
4. The Code of Corporate Governance recommended by the Bank of Russia for application by the joint stock companies whose securities are approved for organized trading (Letter of the Bank of Russia № 06-52/2463 of 10.04.2014 "On the Code of Corporate Governance").
5. Rosneft Corporate Governance Code № P3-01 KS-01, revision 1.00, approved by the resolution of Rosneft BoD (minutes № 36 dated 15.06.2015).
6. Standard of the Company "Protection of Confidential Information" № P3-11.03 S-0006, version 4.00, approved by Rosneft Order № 727 dated 29.12.2012.
7. Regulations on the Board of Directors of Public Joint Stock Company Rosneft Oil Company approved by the General Shareholders Meeting of Open Joint Stock Company Rosneft Oil Company on 27.06.2014 (Minutes dated 02.07.2014, no number).
8. Rosneft Regulations "On Insider Information" № P3-01.04 R-0014 UL-001 version 1.00, approved by the resolution of Rosneft Board of Directors on 30.06.2014 (Minutes № 39 dated 30.06.2014) and put into force by Rosneft Order № 353 dated 24.07.2014.
9. Rosneft Regulation "On remuneration and compensation of expenses to the BoD members of Rosneft" № P2-03 R-0519 UL-001 version 2.00, approved by the resolution of Rosneft Board of Directors (Minutes № 28 dated 10.04.2015).