

APPROVED

by the Resolution of the Rosneft

Board of Directors

January 30, 2015

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**by the Rosneft Order № 60 as of February
18, 2015**

POLICY OF THE COMPANY

ON INTERNAL AUDIT

№ P4-01 P-02

VERSION 1.00

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**MOSCOW
2015**

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INTRODUCTORY PROVISIONS

DESIGNATION

This Policy is a fundamental document in the field of internal audit at Rosneft and the Group Subsidiaries:

- defines the goals, objectives and functions of the internal audit;
- defines the principles for internal audit building and managing in the Company;
- discloses the interaction of the internal audit with an external auditor, Rosneft Audit Commission, the entities of the risk management and internal control system subjects, the Company's corporate governance, state control authorities;
- describes the main internal audit processes and approaches to ensuring quality control and assessment of internal audit activity.

This Policy reflects the Company's opinion regarding the internal audit, and, in that respect, formalizes consistent approaches and principles.

The Regulation was prepared in accordance with the Civil Code of the Russian Federation, Federal Law No. 208-FZ as of December 26, 1995 «On Joint-Stock Companies», other regulatory legal acts of the Russian Federation, the Corporate Governance Code recommended by the letter of the Bank of Russia No. 06-52/2463 as of April 10, 2014, Recommended practice for Organizing the Internal Audit Activity in Joint-Stock Companies Involving the Russian Federation, approved by order of the Federal Property Management Agency No. 249 as of July 04, 2014, Procedural Guidelines for the Preparation of the Internal Audit Regulation, approved by order of the Government of the Russian Federation No. ISh-P13-4148 as of June 24, 2015, the International Principles of Professional Practice for Internal Audit, Including the Key Principles of Internal Audit Professional Practice, the Code of Ethics of the Institute of Internal Auditors, International Occupational Standards for Internal Audit, the Internal Audit Definition, the Charter of Rosneft, the Code of Corporate Governance of Rosneft No. P3-01 KS-01, the Rosneft Code of Business and Corporate Ethics № P3-01.06 P-01, the Company Policy "Risk Management and Internal Control System" № P4-01 P-01.

SCOPE OF APPLICATION

This Policy is binding on all employees of Rosneft and the Group Subsidiaries controlled by Rosneft, which are not subject to any special guidance of realization of shareholders/partners' rights as otherwise would be required by regulations set by the Group Subsidiaries' Charters, shareholders' and other agreements with companies (partners), including those relating to the Company's management.

VALIDITY AND AMENDMENT GUIDANCE

This Policy is a local regulatory document of permanent action.

This Policy is approved at Rosneft by a decision of the Board of Directors of Rosneft subject to preliminary recommendation for approval by the Audit Committee of Rosneft Board of Directors and it is put into force in Rosneft by Rosneft's order.

The Policy is recognized as ceased to be in force at Rosneft on the basis of a decision of the Board of Directors of Rosneft. Amendments to this Policy are introduced on the basis of a decision of the Board of Directors of Rosneft and put into force by Rosneft's order.

1. TERMS AND DEFINITIONS

CORPORATE GLOSSARY TERMS AND DEFINITIONS

CHECK means a form of implementation of the control activity, which ensures implementation of goals, objectives, functions and authorities of internal audit. The following can be referred to the types of checks, including, but not limited to:

- **AUDIT** means a check based on the method of preventive control aimed at assessing, analyzing and expressing an opinion about efficiency of implementation of business projects, business processes, business lines, of the risk management and internal control system, of the corporate governance, with a view to develop proposals aimed at improving the performance of the object of the audit;
- **THEMATIC CHECK** means a check based on the method of follow-up control that contemplates inspection of specific aspects and operation section of the object of such check, which are most exposed to risk, in order to discover instances of good practice, violations, defects, assessment of risks and development of proposals aimed at improving the performance of the object of the check;
- **INSPECTION ON THE ISSUES RELATING TO FINANCIAL AND BUSINESS ACTIVITIES** means a check based on the comprehensive follow-up control method that contemplates a comprehensive analysis of the financial and business activities of the objects of the check with a view to discover any instances of good practice, violations, defects, risks and develop proposals aimed at improving the efficiency of the revision object.

CONSULTATION OF AN INTERNAL AUDIT means the result of the internal audit activity consisting of provision of consultations, advice, recommendations based on the formed opinion of the internal audit, which is aimed at provision of assistance and improvement of corporate governance, risk management and internal control processes, which rule out assumption by internal auditors of any responsibility for any managerial decisions.

CORPORATE GOVERNANCE means the system of relations among the executive authorities of Rosneft, Rosneft Board of Directors, shareholders, Subsidiaries and other stakeholders. Corporate governance is the tool used to identify Company goals and means of achieving such goals and ensuring effective control over the Company's activities by shareholders and other stakeholders.

DESK TOP AUDIT (CARRIED OUT BY THE AUDIT TEAM) means an audit conducted remotely at the workplaces of the audit team members based on information and files submitted by the audit item at the request of the internal audit using modern communication media, as well as other information and files on the activities of the audit item available for internal audit.

INTERNAL AUDIT means activity consisting in provision of independent and objective assurance and consulting aimed at improvement of the organization's performance. Internal audit helps the Company achieve the set of goals, in particular, by using a systematic and consistent approach to assessment and improvement of the efficiency of risk management, internal control and corporate governance processes.

Note: The term "Internal audit" is also used as a definition of the relevant function or structural units that discharge such function.

INTERNAL AUDIT ACTIVITY PLAN (ACTIVITY PLAN) means the document developed by the Head of Internal Audit including scheduled audits and other internal audit activities for the planned period (one year, within the three year planning time-frame) submitted to Chief Executive Officer of Rosneft for approval and to the Audit Committee of Rosneft Board of Directors for consent. The information about the activity plan is submitted to Rosneft Board of Directors during review of the internal audit performance report for the previous period.

INTERNAL AUDIT ITEM (AUDIT ITEM) means the business project, business process, business line and/or business unit of Rosneft, Group Subsidiary, an official (an employee of the Company) being audited.

INTERNAL AUDITOR means the employee of the structural unit performing functions of the internal audit, who possesses all the requisite skills and knowledge as required for performance of audits of the relevant business lines.

INTERNAL CONTROL SYSTEM means a system of organizational measures, policies, instructions and control procedures aimed at mitigation of any risks related to business processes, corporate culture standards and activities undertaken by risk management and internal control system subjects in order to ensure due implementation of business activities: in order to ensure financial sustainability of the Company, achieve optimal balance between the growth of its value, profitability and risks of business processes, for streamlined and efficient conduct of business, ensuring safety of assets, identification, rectification and prevention of violations, compliance with the applicable law and local regulatory acts, timely preparation of accurate financial statements in order to enhance the investor appeal.

RISK means the combination of the probability of an adverse event and its potential implications, the threat of a negative impact of a random event on achievement of the Company's purposes.

RISK AND INTERNAL CONTROL MANAGEMENT SYSTEM – an aggregate of risk and internal control management processes performed by the parties of the risk and internal control management system based on the existing organizational set-up, internal policies and rules, procedures and methods of risk and internal control management used at all management levels and within the framework of all functional areas.

SCHEDULED AUDIT means an audit included into the activity plan for the relevant scheduled period.

SECURITY HOT LINE means communication channels for receiving any messages containing any information on any suspicions, cases or indicators of theft, corporate fraud, corruption, unfair competition, conflict of interest, other messages, including:

- electronic mailbox;
- Security Hot Line telephone for voice mails (round-the-clock, toll-free);
- "Post of Russia" mail box.

SUBJECTS OF THE COMPANY'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM means subjects of Rosneft risk management and internal control system, audit commissions, management and employees of the Group Subsidiaries, security service divisions of the Group Subsidiaries.

SUBJECTS OF ROSNEFT RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM means Rosneft Board of Directors, the Audit Committee of Rosneft Board of Directors, Chief Executive Officer of Rosneft, Rosneft Management Board, Rosneft Audit Commission, Rosneft Risk Management Committee, management and employees of Rosneft (including the structural units of Rosneft, which exercise separate functions of risk management and internal control on business/functional units), Rosneft Risk Management and Internal Control Department, Rosneft Security, Rosneft Internal and Personnel Security Division, Head of Internal Audit, Operational Audit Department of Rosneft, Corporate Audit Department of Rosneft, Regional Audit Department of Rosneft, Internal Audit Methodology and Organization Division of Rosneft, Economic and Organizational Analysis Division of Rosneft.

UNSHEDULED AUDIT means an internal audit which is not included in the approved internal audit activity plan conducted in accordance with the assignment of Chief Executive Officer of Rosneft, Rosneft Board of Directors, (Audit Committee or Rosneft Board of Directors recommendations), or in accordance with re-assessment of the Company's risks by the Head of Internal Audit.

TERMS AND DEFINITIONS FOR THE PURPOSES OF THIS DOCUMENT

ASSURANCE means an objective analysis of available audit evidence for the purposes of provision of an independent evaluation of risk management and internal control processes, corporate governance in the organization.

ASSURANCE MAP means the document developed by the Head of Internal Audit, which reflects the coverage of the risks, business processes, business lines by the Company's control functions, allowing a more efficient coordination of the operation of structural units, which exercise the control function at various levels, and also systematizing the information by area for improvements in the Company, which is provided to the top management and to Rosneft Board of Directors (Audit Committee of Rosneft Board of Directors).

DEFICIENCY means a formally non-prohibited action or omission of any official that entails adverse consequences for the audited subject.

GOOD PRACTICE means a positive example of improved efficiency, reliability of business projects, business processes, business lines, risk management and internal control system, corporate governance revealed by the internal audit, which is recommended by the audit to be used in the Company for the relevant activity line.

VIOLATION means any action or omission of the Company's employee aimed at non-fulfillment or improper fulfillment of law provisions, regulations, local normative documents of the Company, conditions of signed agreements whose party is a legal entity, with which the employee who has committed such violation is in employment relations.

2. DESIGNATIONS AND ABBREVIATIONS

COMPANY means a group of legal entities with various organizational and legal forms, including Rosneft, in relation to which the latter acts as the main or prevailing (participating) Entity.

COMPANY MANAGEMENT means top managers of Rosneft and directors of the Group Subsidiaries.

GROUP SUBSIDIARY means a business company, where Rosneft's direct and/or indirect ownership of stock or shares in the authorized capital makes up at least 20 percent.

HEAD OF INTERNAL AUDIT means the Company officer in charge of efficient management of internal audit in accordance with the Company Policy "On internal audit" № P4-01 P-02, Code of Ethics of the Internal Auditors Institute and International Standards for the Professional Practice of Internal Auditing. The Head of the internal audit of the Company is Vice President – Head of Internal Audit Service of Rosneft.

LND means a local normative document.

RM&ICS is risk management and internal control system.

ROSNEFT GOVERNANCE AUTHORITIES means the General Shareholder Meeting of Rosneft, Rosneft Board of Directors, Rosneft Management Board, Chief Executive Officer of Rosneft.

ROSNEFT STRUCTURAL UNIT (SP of ROSNEFT) means a structural unit of Rosneft with independent functions, objectives and responsibility, which operates within the framework of its competence stipulated by the Regulation on the structural unit.

ROSNEFT TOP MANAGERS means Rosneft First Vice Presidents, Rosneft Vice Presidents, Rosneft Chief Accountant, Rosneft Finance Director, the Press Secretary of Rosneft, Advisors and Heads of Rosneft business units and Rosneft services in the rank of Vice Presidents.

STRUCTURAL UNIT OF THE GROUP SUBSIDIARIES (SP of SG) means a structural unit of a Group Subsidiary with independent functions, tasks and responsibility acting within the framework of their competence stipulated by the Regulation on the structural unit.

STRUCTURAL UNITS OF ROSNEFT INTERNAL AUDIT SERVICE means Rosneft Operational Audit department, Rosneft Corporate Audit Department, Rosneft Regional Audit Department, Rosneft Internal Audit Methodology and Management Division, Rosneft Economic and Organizational Analysis Division.

3. GENERAL PROVISIONS

3.1. INTERNAL AUDIT DEFINITION

Internal audit is an activity consisting of provision of independent and objective assurance and consulting services aimed at improvement of the Company's performance. The Internal Audit helps the Company achieve the set of goals, including by using a systematic and consistent approach to assessment and efficiency improvement of the risk management, internal control and corporate governance processes.

The mission of Internal Audit is to maintain and increase the Company's value through objective internal audits using a risk-based approach, provision of recommendations and knowledge sharing.

In this Policy the term "Internal audit" is also used to define a relevant function or structural units that discharge such function.

The internal audit function at Rosneft is discharged by the Head of internal audit and structural units of Rosneft Internal Audit Service.

Structural units of Rosneft Internal Audit Service are organized and disbanded by Rosneft order based on the organizational structure as approved by Rosneft competent authority in accordance with the competence stipulated by the Charter of Rosneft.

In accordance with Rosneft organizational structure, the structural units of Rosneft Internal Audit Service directly report to the Head of internal audit.

When performing its activities the internal audit applies guidelines defined in the Core Principles of the Professional Practice of Internal Auditing, Code of Ethics of the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing, Definition of Internal Auditing and Mission of Internal Auditing.

3.2. ORGANISATIONAL PRINCIPLES OF THE INTERNAL AUDIT

The key principles of structure and organization of internal audit in the Company ensuring achievement of the goals of internal audit, are:

- ***Independence principle:*** organizational independence of Internal Audit is ensured through separation of administrative and functional reporting. The Head of Internal Audit directly communicates with the Audit Committee of Rosneft Board of Directors at least once a year without participation of the Company's management.

The Internal Audit functionally reports to Rosneft Board of Directors. The functional management of the internal audit contemplates the following:

- approval of LNDs at "Policy" level in the sphere of internal audit (internal audit regulation defining goals, objectives and authorities of internal audit);
- adoption of resolutions on appointment to a position and dismissal from his/her position of the Head of the internal audit;

- review of activity plans and internal audit performance reports ;
- approval of the budget of Rosneft Internal Audit Service and remuneration to the Head of Internal Audit;
- review by the Audit Committee of Rosneft Board of Directors of significant limitations of authority and other limitations that can adversely affect the efficient performance of functions of internal audit.

Internal audit administratively reports to Rosneft Chief Executive Officer. The administrative management of Internal audit implies, among other things:

- allocation of necessary funds within approved budget;
- approval of internal audit activity plans;
- review of internal audit performance reports;
- support in interaction with structural units of Rosneft and structural units of the Group subsidiaries;
- administering of policies and procedures of internal audit activity (for example, approval of LNDs in the sphere of internal audit at the “Provisions” level and their amendments, approval of organizational documents of Rosneft Internal Audit Service, agreement of business trips, agreement of hiring of external and third party experts to internal audits).

The employees of the structural units of Rosneft Internal Audit Service administratively and functionally report to the Head of the internal audit.

In order to fulfill the internal audit activity plan, the Head of the internal audit ensures availability of sufficient resources and their efficient usage.

- ***Objectivity principle:*** internal auditors are impartial and unbiased in their work and avoid any conflict of interest of any kind. Internal auditors should not participate in management decision making on the financial and business activities of the Company and in the audits if there is a real or potential conflict of interests or any other circumstances that jeopardize their independence and/or objectivity.

To avoid the conflict of interest (threat of loss of independence of the internal audit and objectivity of the auditor’s opinion) the Head of internal audit and internal auditors abstain from:

- audit of the areas of activities for which they were in charge of during the year preceding the audit;
- participation in the audits and other assignments in case of any competing professional or personal interest (financial, property, family or any other interest in the activities of the audited items);
- participation in any activities that could impair their impartiality or be perceived as causing impairment thereto;
- management of the employees of the structural units of Rosneft and Group Subsidiaries unless such employees are assigned to participate in the audit.

Internal auditors in writing confirm to the directors of structural units of the Internal Audit Service of Rosneft Oil Company and head of internal audit their individual objectivity at least once a year.

The Head of internal audit confirms organizational independence of internal audit and individual objectivity of internal auditors at least once a year to Rosneft Chief Executive Officer, Rosneft Board of Directors (Audit Committee of Rosneft Board of Directors) in the internal audit performance report.

Internal auditors inform the Head of internal audit of any factors that adversely affect the independence and objectivity of internal audit including limitation of their authority and arising conflicts of interest. The Head of internal audit informs Rosneft Board of Directors (Audit Committee of Rosneft Board of Directors), Rosneft Chief Executive Officer of the respective limitations and possible consequences of such limitations.

- ***The risk focus principle:*** the Head of internal audit develops a risk-based activity plan defining the priorities of internal audit in accordance with the Company's goals, taking into account the criticality of risks inherent for any of the activities of the Company, the risk management concept adopted by the Company, revises and corrects the plan if necessary.
- ***Continuous assurance principle:*** the internal audit activity plan defines the areas which are subject to continuous assurance (evaluation of the efficiency of internal control on the continuous basis), based on the evaluation of risks and risk factors.
- ***Full responsibility principle:*** the Head of internal audit is responsible for all results of activities of internal audit and for periodical evaluation of the conformance of the goals, authority and responsibility of internal audit defined by the Policy to the tasks set to the internal audit.
- ***Methodological unity principle:*** the Company applies unified approaches to structuring, management and coordination of the internal audit function, ensure their linkage with methodology of the risk management and internal control system.
- ***The principle of focusing on the Company's strategy:*** the internal audit plans and performs its activities in accordance with strategy and goals of the Company's development.
- ***Principle of efficient interaction:*** the structural units of Rosneft Internal Audit Service efficiently interact with each other when performing their activities. Internal audit establishes efficient relationships with concerned parties including Rosneft Board of Directors (Audit Committee of Rosneft Board of Directors), Chief Executive Officer of Rosneft, Company management, employees of Rosneft and Griup Subsidiaries, Rosneft Audit Commission, external auditor, subjects of the risk management and internal control system.
- ***Integrity principle:*** the employees of internal audit perform their work honestly, diligently and responsibly, acting in accordance with laws and if required by the law or International Standards for the Professional Practices of Internal Auditing disclose the relevant information. The employees of internal audit do not intentionally participate in any campaigns or actions discrediting the profession of internal auditor or the Company, respect the legally and ethically justified goals of Company and contribute to their achievement.
- ***Confidentiality principle:*** the employees of internal audit act reasonably and carefully when using and storing any information obtained during performance of their duties, they do not use any information for their personal interests or in any other manner contradicting the law or that can compromise the achievement of legally and ethically justified goals of the Company.
- ***Professional competence principle:*** the employees of internal audit have and apply in their work the skills and knowledge of audit of a certain business area required for full competent performance of their duties, improve their knowledge, skills and other competences through continuous professional development.

3.3. PURPOSE OF THE INTERNAL AUDIT

The goal of the internal audit (Head of internal audit, structural units of Rosneft Internal Audit Service) is providing assistance to Rosneft Board of Directors and the Company's executive authorities with improvement of the efficiency of the Company management, improvement of its financial and business activities, in particular, through systematic and consistent approach to analysis and assessment of the risk management and internal control system, as well as corporate governance as the tools for ensuring reasonable confidence in attainment of the goals set before the Company.

3.4. TASKS OF THE INTERNAL AUDIT

In order to achieve the tasks of the internal audit, subject to available resources and priorities of the Company's activities, the Head of internal audit, structural units of Rosneft Internal Audit Service shall resolve their tasks along the following main lines:

1. Assistance to the Company's executive authorities and the Company's employees with development and monitoring of fulfillment of the procedures and activities aimed at improvement of the risk management and internal control system, the Company's corporate governance by assessing the reliability and efficiency of the risk management and internal control system, corporate governance, and ensuring:
 - truthfulness and integrity of the provided information on the Company's financial and business activities, including Group Subsidiaries;
 - efficiency and productivity of the activities carried out by the Company, including Group Subsidiaries;
 - identification of internal resources for improving the efficiency of the Company's financial and business activities, including Group Subsidiaries;
 - safety of the Company's assets, including that of the Group Subsidiaries;
2. Coordination of the activities with the external auditor, with Rosneft Audit Commission, with Audit Commissions of the Group Subsidiaries and with persons, who provide services consisting of providing consultations in the sphere of risk management, internal control and of the corporate governance of the Company;
3. Performance of internal audit of Rosneft and of the Group Subsidiaries.
4. Independent audit of the efficiency of the system of quality management (in particular, in the sphere of capital construction, including assessment of the conformance to the requirements of ISO standards);
5. Check of compliance by the executive authorities of Rosneft and Group Subsidiaries and Company's employees of the provisions of the law and Company's internal documents concerning insider information and combating corruption, compliance with the requirements of Rosneft Business and Corporate Ethics Code;
6. Preparation and submitting to Rosneft Board of Directors and the executive authorities of Rosneft and the Group Subsidiaries the reports of the results of the internal audit performance (in particular, those including information about material risks, violations / deficiencies, results and efficiency of fulfillment of the recommendations and proposals of

the internal audit subject to the results of audits to the extent of remediation of detected violations / deficiencies, results of compliance with the internal audit activity plan, results of assessment of the actual state, reliability and efficiency of RM&ICS and corporate governance);

7. Improving the quality of audits and timely response to changes associated with the development of Rosneft business.

3.5. FUNCTIONS OF THE INTERNAL AUDIT

In order to address the set tasks and achieve the goals, the Head of internal audit, structural units of Rosneft Internal Audit Service discharge the following functions:

- assess the reliability and efficiency of the risk management and internal control system, its conformance to the scale and complexity of the Company business;
- assess the corporate governance;
- organize and carry out audits based on the internal audit activity plan approved by Rosneft Chief Executive Officer and consented by the Audit Committee of Rosneft Board of Directors;
- carry out other audits and fulfill other assignments as requested/instructed by Rosneft Board of Directors (Audit Committee of Rosneft Board of Directors recommendations) and/or of Rosneft Chief Executive Officer within the limits of competence including based on the information received at the Security Hot Line;
- perform comprehensive audits of the activities at the objects of such check consisting in the documentary and physical check of the lawfulness of the exercised financial and business transactions, veracity and correctness of reflecting the same in accounting (financial) statements, exercise the follow-up control of the financial and business activities of the object of such check;
- analyze the audit items in order to examine specific aspects of the activity and assessment of the condition of the specific sphere of the object of such audit;
- provide consultations to the Company's executive authorities on the matters related to risk management, internal control and corporate governance (subject to preservation of the independence and objectivity of the internal audit);
- monitor implementation of the recommendations and proposals of the internal auditors aimed at improvement of the RM&ICS, corporate governance, remediation of violations and deficiencies identified during the audit;
- assist the Company's executive authorities in investigating improper / illegal acts of the employees and third parties, including negligence, corporate fraud, corrupt practices, wrongdoings and various illegal acts that may cause damage to the Company;
- develop the risk-oriented internal audit activity plan for the period that determines the priorities of the internal audit's activities in response to the Company's goals,
- cooperate with structural units and officials of Rosneft and Group Subsidiaries on the matters concerning the internal audit activities;
- exercise internal audit quality assurance and assessment of the audit results and audit activities;

- and exercise other functions required in order to address the tasks set before the internal audit in the Company.

If subject to the instruction of Rosneft Chief Executive Officer, Rosneft Board of Directors (Audit Committee of Rosneft Board of Directors), the Head of internal audit, heads of IAS structural units are charged with any additional functions and/or duties outside the sphere of the internal audit, safeguards must be taken in order to limit the negative impact on the independence and objectivity of the internal audit.

The assessment of the reliability and efficiency of the risk management and internal control system and conformance thereof to the Company's scale and business complexity, assessment of the corporate governance, shall be performed by the internal audit in accordance with the principles and approaches set forth in the Corporate Governance Code as recommended by letter from the Bank of Russia dated 10.04.2014 № 06-52/2463, Guidelines on internal audit management in joint-stock companies with participation of the Russian Federation as approved by order of Rosimuschestvo of 04.07.2014 № 249, and using generally accepted activity standards in the sphere of internal audit.

The internal audit annually forms the internal audit opinion on the reliability and efficiency of RM&ICS as part of files for submission to shareholders at the Annual General Shareholders Meeting of Rosneft.

The internal audit opinion is formed on the basis of the results of the annual audit of the efficiency of the RM&ICS and audits of the efficiency of business processes and contains:

- the name "The internal audit opinion on the reliability and efficiency of the RM&ICS";
- information about the audit item, in respect of which an opinion is given;
- conclusion of the internal audit on the reliability and efficiency of the RM&ICS;
- date of the opinion.

3.6. AUTHORITIES OF THE INTERNAL AUDIT

The Head of internal audit is authorized as follows:

- To have a direct access to the Chairman of the Audit Committee of Rosneft Board of Directors and Rosneft Chief Executive Officer;
- To request and receive any information and materials as required in order to fulfill its job duties, including access to computer systems and data bases from the Company's executive authorities;
- View the current and prospective activity plans, reports on fulfillment of the plans and programs, drafts of the resolutions and resolutions of Rosneft Board of Directors and Company's executive authorities;
- Inform Rosneft Board of Directors (Audit Committee of Rosneft Board of Directors) and Rosneft Chief Executive Officer of the proposals on how to improve the existing systems, processes, standards, methods of conducting activities and comments on any matters included into the competence of the internal audit;

- In accordance with the procedure stipulated by the Company's local regulatory documents stipulated by the Company's local regulatory documents retain Company employees, external and third party experts for fulfillment of other tasks;
- Take part as an invited representative in the meetings and conferences of Company working authorities (committees, commissions, task forces, etc.), in order to communicate the opinion of the internal audit;
- Take part as an invited representative in the meetings of Rosneft Board of Directors, Audit Committee of Rosneft Board of Directors, Rosneft Management Board on issues concerning internal audit, corporate governance, internal control and risk management.

The structural units of Rosneft Internal Audit Service (internal auditors) are authorized as follows:

- request and obtain unimpeded access to all assets, documents, accounting records and other information (in particular, in electronic form) about the Company's activities, as required for fulfillment of their job duties, make copies of the relevant documents and photo and video recordings of the facts of the Company's business activities;
- interview the Company's executive authorities and employees within the framework of the performed checks;
- use information resources and software for the internal audit's purposes;
- use the information resources and software of the audited business units for the purposes of the internal audit in accordance with the stipulated procedure;
- study and assess and assess any documents requested during the audit (including those outside the time limits of the period in question before and after the work at the audit item), and send such documents and/or relevant information to the Head of internal audit;
- request and obtain any requisite assistance from the employees of audited structural units and assistance from the employees of other Company structural units;
- carry out other activities as necessary in order to attain the aims of the audit.

4. INTERNAL AUDIT PROCEDURE IN GROUP SUBSIDIARIES

The function of the internal audit in Group Subsidiaries shall be discharged via the following mechanisms:

1. Inclusion of the employees of the structural units of Rosneft Internal Audit Service into audit commissions of the Group Subsidiaries in order to conduct desk top audits in the course of preparation of the conclusions of audit commissions as per truthfulness of accounts data and data of the annual report without visits of the employees of structural units of Rosneft Internal Audit Service to such Group Subsidiary. The employees of structural units of Rosneft Internal Audit Service may also be retained for audits performed by the audit commission of the Group Subsidiary as experts (on-site, if necessary).
2. Auditing the Group Subsidiaries in accordance with the internal audit activity plan by the employees of the structural units of Rosneft Internal Audit Service (without using the audit commissions' mechanism), which allows taking into account the influence of risks related to the audited processes of the Group Subsidiaries on the Company's activities as a whole.
3. Participation of the employees of structural units of Rosneft Internal Audit Service in the proceedings of Audit Committee of the Group Subsidiary's Board of Directors with evaluation of the need to inform the relevant Company structural units, which manage/coordinate specific processes in the Group Subsidiary on the most important matters / key recommendations of the Audit Committee of the Group Subsidiary's Board of Directors.
4. Functional management by the Head of internal audit of internal audit units in Group Entities, where Rosneft or its Subsidiaries hold stock/shares in the authorized capital jointly with partner companies, and/or charters, shareholding and other agreements, which stipulate the specific procedure for exercise of their rights by shareholders/members, in particular, those related to the management of the Group Subsidiary.

The functional management by the Head of internal audit with regard to internal audit divisions in Group Subsidiaries contemplates:

- Approval of creation, reorganization and liquidation of the internal audit division in the Group Subsidiary, examination of the organizational structure and headcount of the division;
- Approval of appointment and dismissal of the Head, discussion of dismissal of all employees of the internal audit division in the Group Subsidiary;
- Discussion with a view to express an independent opinion, of the activity plans of the internal audit division in the Group Subsidiary and performance reports thereof, including the internal audit opinion on the reliability and efficiency of the RM&ICS of a Group Subsidiary, formed under the Federal Law No. 208-FZ as of December 26, 1995 "On Joint Stock Companies";
- Methodological support of the internal audit function in the Group Subsidiary.

5. INTERACTION OF THE INTERNAL AUDIT WITH THE EXTERNAL AUDITOR, THE SUBJECTS OF THE COMPANY'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM AND STATE CONTROL AUTHORITIES

5.1. INTERACTION WITH ROSNEFT BOARD OF DIRECTORS AND THE AUDIT COMMITTEE OF ROSNEFT BOARD OF DIRECTORS

The Head of internal audit shall interact with Rosneft Board of Directors and the Audit Committee of Rosneft Board of Directors within the framework of its activities, in particular, it will submit internal audit reports to Rosneft Board of Directors.

The internal audit activity plan for the subsequent period shall be submitted to the Audit Committee of Rosneft Board of Directors together with the internal audit performance report for the reporting period. The works schedule, staff list, resource plan and the information about resource limitations, if any, may also be attached to the plan.

5.2. INTERACTION WITH THE EXTERNAL AUDITOR

The Head of internal audit shall coordinate interaction of the internal audit with the Company's external audit in order to:

- Ensure completeness of the audit coverage by examination of the external auditor's report on the audit plan for the subsequent financial year, with indication of the audit coverage (of Group Subsidiaries and processes, which will be considered within the framework of audit of consolidated financial statements);
- Consider the known instances of dishonest acts, significant deficiencies of internal control procedures, as well as assessments of influence thereof on the Company reporting by consideration of the external auditor's reports (if any).

The Head of internal audit shall include the results of interaction with the external auditor and efficiency of the external audit process (including efficiency of coordination of the internal and external audit activities) into the internal audit performance reports to Rosneft Board of Directors (after approval for consideration by the Audit Committee of Rosneft Board of Directors) on the annual basis.

5.3. INTERACTION WITH ROSNEFT AUDIT COMMISSION

Within the framework of control of the Company's financial and business activities, the Head of internal audit shall interact with Rosneft Audit Commission.

Subject to the initiative of Rosneft Audit Commission or the Head of internal audit, joint meetings of Rosneft Audit Commission and Rosneft Internal Audit Service shall be held in order to discuss the Audit Commission's work plans, audit results, activities aimed at remediation of any violations and deficiencies in the Company's activities.

In the course of its activities, Rosneft Audit Commission may take into account the audits performed by the Company's internal audit.

5.4. INTERACTION WITH THE SUBJECTS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The goals, tasks, principles of functioning of the risk management and internal control system in the Company as well as distribution of duties and authority of its subjects, including the internal audit functions are defined in the Company Policy "Risk management and internal control system" № P4-01 P-01.

The Head of internal audit interacts with the subjects of RM&ICS to the extent of information exchange with regard to risks and internal control, develops and updates the "assurance map", which reflects risk and business processes coverage in the Company through control functions. The assurance map is made across the Company in order to understand where on the whole the roles and responsibility with regard to risk management and assurance are placed.

If the internal audit relies on the performance results of other RM&ICS subjects and other concerned parties, it is recommended that the Head of internal audit should first estimate the quality and reliability of work results (including the methodology applied, procedures and techniques used in order to estimate the scope and nature works, etc.).

5.5. INTERACTION WITH STATE CONTROL AUTHORITIES

The Head of internal audit within the framework of its activities shall interact with state control authorities in accordance with the procedure contemplated by the law and relevant local regulatory acts of the Company, in particular, with the Audit Chamber of the Russian Federation and other state control authorities on the issues referred to the competence of the internal audit.

6. QUALITY CONTROL AND ASSESSMENT OF THE PERFORMANCE OF THE INTERNAL AUDIT

In order to ensure due quality and assessment of the internal audit activities, the Head of internal audit develops, submits the internal audit quality assurance and improvement program, which contemplates performance of internal and external periodical assessment, and continuous monitoring of the internal audit quality to Rosneft Chief Executive Officer for approval and implement the same.

The internal audit quality assurance and improvement program is developed for evaluation of conformance of internal audit performance with the International Standards for the Professional Practice of Internal Auditing and evaluation of the conformance of the internal auditors' performance to the Code of Ethics of the Institute of Internal Auditors.

The Head of internal audit informs Rosneft Chief Executive Officer and reports to Rosneft Board of Directors about the activities within the framework of the internal audit quality assurance and improvement program and results thereof, in particular, provides information about the results of internal and external evaluations on the regular basis.

Within the framework of ongoing quality monitoring, the Head of internal audit shall:

- oversee the audits and other activities of the internal audit;
- set the internal audit activity quality assessment criteria;
- obtain the feedback from the audited divisions and other concerned parties;
- perform a sample estimate of work documents;
- analyze the stipulated parameters of assessment of work fulfillment;
- work on description and evaluation of auditors' risks, management thereof.

The main auditors' risks are as follows:

- risk of non-detection of violations and deficiencies (incomplete detection);
- risk of erroneous detection of violations and deficiencies;
- risk of failure to fulfill the Internal Audit Activity Plan;
- risk of unauthorized access to confidential information;
- risk of objectivity loss;
- risk of independence loss.

The internal periodical assessments of the internal audit quality shall be performed by the internal audit through self-assessment once a year subject to drawing up a report on the self-assessment results.

The external evaluation of the conformance of the quality of internal audit quality in terms of conformity to the International Standards for the Professional Practices of Internal Auditing of the Institute of Internal Auditors, Code of Ethics of the Institute of Internal Auditors, this Policy and other LNDs regulating the internal audit's activities is conducted at least once in five years for providing report with an independent opinion about the quality of the internal audit function for

Rosneft Board of Directors, Rosneft Chief Executive Officer, the Head of internal audit and other concerned persons.

7. REFERENCES

1. Federal Law No. 208-FZ as of December 26, 1995 “On Joint Stock Companies”.
2. Procedural Guidelines for the Preparation of the Internal Audit Regulation, approved by order of the Government of the Russian Federation No. ISH-P13-4148 as of June 24, 2015.
3. The Corporate Governance Code recommended by the letter of the Bank of Russia No. 06-52/2463 as of April 10, 2014.
4. Recommended practice for Organizing the Internal Audit Activity in Joint-Stock Companies Involving the Russian Federation, approved by order of the Federal Property Management Agency No. 249 as of July 04, 2014.
5. Key Principles of the Internal Audit Professional Practice/Institute of Internal Auditors.
6. International Professional Standards of Internal Audit/Institute of Internal Auditors.
7. Internal Audit Definition.
8. Practice Advisories on Internal Audit/Institute of Internal Auditors.
9. Code of Ethics of the Institute of Internal Auditors.
10. The Charter of Rosneft Oil Company approved by the General Shareholders Meeting of Rosneft (minutes N/n).
11. Code of Business and Corporate Ethics of Rosneft No. P3-01.06 P-01 (version 1.00) approved by the resolution of Rosneft Board of Directors as of June 05, 2015 (minutes No.35 as of June 05, 2015), which was enacted by the order of Rosneft No. 428 as of September 28, 2015.
12. Corporate Governance Code of Rosneft No. P3-01 KS-01 (version 2.00) approved by the resolution of Rosneft Board of Directors as of November 17, 2017 (minutes No. 6 as of November 17, 2017).
13. Policy of the Company “Risk Management and internal control system” No. P4-01 P-01 (version 2.00) approved by the resolution of Rosneft Board of Directors as of November 16, 2015 (minutes No. 8 as of November 16, 2015), enacted by Rosneft Order No. 522 as of November 16, 2015.