

APPROVED

**by Rosneft Board of Directors Resolution
dated October 01, 2014**

Minutes No. 6 dated October 06, 2014

ROSNEFT REGULATION

**ON THE ROSNEFT BOARD OF DIRECTORS
AUDIT COMMITTEE**

№ П4-01 Р-0020 ЮЛ-001

VERSION 2.00

TABLE OF CONTENTS

INTRODUCTORY PROVISIONS.....	3
1. TASKS AND FUNCTIONS OF THE COMMITTEE.....	4
2. TERMS OF REFERENCE AND POWERS OF THE COMMITTEE.....	8
3. FINAL PROVISIONS	10
4. REFERENCES.....	11
5. RECORD OF INTERNAL REGULATORY DOCUMENT CHANGES	12

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INTRODUCTORY PROVISIONS

This Regulation on the Rosneft Board of Directors Audit Committee is drawn up in compliance with Federal Law № 208-ФЗ dated December 26, 1995 On Joint-Stock Companies, the Corporate Governance Code recommended by the Bank of Russia for application by joint-stock companies with listed securities, the Charter of the Rosneft Oil Company, and the Regulation on the Rosneft Board of Directors. It sets the tasks, functions, powers and work procedure for the Rosneft Board of Directors Audit Committee¹.

The procedure for formation and work of the Committee is determined by Rosneft Regulation on the Procedure for Formation and Work of Rosneft Board of Directors Committees № № ПЗ-01.05 P-0002 ЮЛ-001.

¹ Committee - Rosneft Board of Directors Audit Committee.

1. TASKS AND FUNCTIONS OF THE COMMITTEE

1.1. The Committee shall be a consultative and advisory body of the Board of Directors of the Company² and shall be established with the purpose of an in-depth consideration of issues and preparation of recommendations to the Company Board of Directors on matters within its remit pertaining to control of the Company's financial and economic activities and on other matters delegated to the Committee by the Company Board of Directors.

1.2. The main task of the Committee shall be rendering assistance to the Company Board of Directors in its assuring protection of the interests of Company shareholders by exercising control of completeness and reliability of the Company's financial statements and other reports, reliability and efficiency of the system of internal control and risk management, compliance, internal audit, and the system of corporate governance.

1.3. The functions of the Committee shall include:

1.3.1. Control of completeness, accuracy and reliability of the Company's accounts (financial statements) by means of:

- preliminary reviews of the Company's RAS and IFRS accounts (financial statements), and of materials containing information on the results of the said accounts and statements disclosed by the Company;
- analysis of material adjustments made on the basis of findings of the external audit of the Company's accounts (financial statements);
- reviews of material changes in the procedures of preparation of the Company's accounts (financial statements);
- assessment of completeness and reliability of the Company's accounts (financial statements);
- analysis of material aspects of the Company's accounting policy, assessment of completeness and reliability of the Company's tax, book and management accounting;
- regular interaction with the structural subdivisions of the Company's financial and economic functions regarding development of requirements to standards for financial statements and tax and management accounts used by the Company, and conducting random checks of such standards compliance with the set requirements, reviews of material issues and judgments pertaining to the Company's accounts (financial statements);
- preliminary reviews of the Company's internal documents related to accounts (financial statements) at the Policy level.

1.3.2. Assurance of independence and objectivity of external audit by means of:

- regular interaction with the Company's independent auditor;
- control of a tender for audit services to the Company;
- evaluation of auditor candidates during tender procedures for audit services to the Company and recommendations to the Company Board of Directors of the candidate (-s) for the auditor (-s) to be then submitted for the General Meeting of Shareholders' review and decision;
- development and submission to the Company Board of Directors of requirements which make it possible to qualify an auditor as being independent from the Company (including

² Company - Rosneft Oil Company.

identification of services which the auditor may provide to the Company without compromising its independence from it and getting a written confirmation from the auditor of compliance with those requirements, also preparation of recommendations to the Company Board of Directors on the term of auditor rotation);

- development of proposals on acceptable types and scope of non-audit services provided by the Company's auditor and the amount of remuneration to be paid by the Company for such services;
- review and evaluation of the Company auditor's annual formal written report complete with description of all relations between the auditor and the Company, including structural subdivisions of the Company and companies of the Group³, in order to identify circumstances capable of affecting the independence of the Company auditor;
- discussion with the Company auditor of the scope and timing of the Company's audit, preliminary and final audit findings, other matters requiring the Committee's attention and/or related to audit procedures, and also results of consultative and other services provided by the auditor to the Company;
- evaluation of the Company auditor's opinion and submission of the evaluation in writing to the Company Board of Directors (incorporated in the materials for the Annual General Meeting of Shareholders);
- annual review of the Company auditor's report where it describes internal control procedures, material disputed issues found during recent audits and ways to resolve them;
- assessment of the adequacy of the external auditor's remuneration to the scope, quality and efficiency of the external audit process.

1.3.3. Assurance of the effective interaction of the external auditor with the Company by means of:

- coordination of the Company auditor's work and the work of the internal subdivision which performs the functions of internal audit in order to ensure completeness of audit coverage, including assistance in arrangement of and participation in the Company auditor's meetings with Company officers and with the structural subdivision which performs the functions of the Company's internal audit;
- jointly with the external auditor and the structural subdivision which performs the functions of the Company's internal audit, reviewing known acts of bad faith, material gaps in internal control procedures, and assessment of their effect on Company reports;
- review of the auditor's requests to call an extraordinary general meeting of Company shareholders and providing recommendations to the Company Board of Directors on the possibility of complying with such requests;
- preparation of proposals on settling differences between the auditor and the Company management.

1.3.4. Assurance of independence and objectivity of internal audit by means of:

- preliminary review of the Company internal document at the Policy level pertaining to internal audit (Regulation on Internal Audit defining objectives, tasks and powers of the structural subdivision which performs the functions of the Company's internal audit) and assessment of the effectiveness of its implementation;

³ The term "Company of the Group" is interpreted pursuant to para 10.2.13 of the Rosneft Charter.

- regular interaction with the Company structural subdivision which is responsible for conducting internal audit in order to:
 - ♦ review potential imposition of limits on the internal audit powers or budget which can impact efficient performance of the internal audit function;
 - ♦ review information provided by it (action plans, performance reports, audit findings, including information on identified material gaps and non-compliances);
 - ♦ organize an independent quality assessment of internal audit activities.

1.3.5. Control of the effectiveness and reliability of the system of internal control and risk management by means of:

- preliminary review of the Company internal document at the Policy level pertaining to internal control and risk management and assessment of the effectiveness of its implementation;
- control of procedures ensuring the Company's compliance with legislative and exchange requirements to internal control and risk management;
- review of proposals on improving the internal control and risk management system;
- regular interaction with the Company's executive bodies in order to review reports provided by them pertaining to the effectiveness of the internal control and risk management system, including information on key risks and actions to manage such risks, reports on their implementation and on the effectiveness of internal control and compliance procedures.

1.3.6. Monitoring of the Company's corporate governance system, assessment of corporate governance practices, development of recommendations on improving the Company's corporate governance system by means of:

- preliminary reviews of the Company internal documents at the Policy level pertaining to corporate governance and conflict of interest management and assessment of the effectiveness of their implementation;
- control of procedures ensuring the Company's compliance with legislation, ethical norms and Company procedures, also with exchange requirements to corporate governance;
- analysis of results of corporate governance improvement actions.

1.3.7. Regular interaction with the Audit Commission in order to:

- analyze the opinion provided after the audit of the Company's financial and economic activities, the Company's accounts (financial statements) and data contained in the Company's annual report and annual accounts, also information not related to the results of the annual audit of the Company's financial and economic activities;
- assess the need for the Company Audit Commission to conduct an audit of the Company's financial and economic activities and prepare respective recommendations to the Company Board of Directors;
- review the Audit Commission's requests to call an extraordinary general meeting of Company shareholders and provide recommendations to the Company Board of Directors on the possibility of complying with such requests;
- make a preliminary review and prepare recommendations on amending and supplementing the Company internal documents regulating the work of the Company Audit Commission.

1.3.8. Control of the effectiveness of the system of notification about potential acts of bad faith by Company employees (including dishonest use of insider and confidential information) and third parties, and other instances of non-compliance in the Company's activities by means of:

- supervision of special checks (investigations) of potential fraud, corruption, dishonest use of insider information and/or other acts of bad faith by Company employees;
- control of implementation of measures adopted by the Company's executive bodies as part of this system.

1.3.9. Assurance of regular interaction of the Company Board of Directors with the executive bodies and structural subdivisions of the Company in charge of internal audit, internal control and risk management, and with the Audit Commission by having working meetings and joint sessions on:

- development of a single corporate culture conducive to efficient functioning of the internal control and risk management system, internal audit, and corporate governance practices;
- alignment of audit (external and internal), internal control and risk management activities;
- control of Company structural subdivision employees' compliance with internal regulatory documents requirements;
- implementation and monitoring of control procedures;
- other matters within the Committee's remit.

2. TERMS OF REFERENCE AND POWERS OF THE COMMITTEE

2.1. The terms of reference of the Committee shall cover:

2.1.1. Preliminary reviews and preparation of recommendations to the Company Board of Directors on the following matters within its remit:

- preliminary approval of the Company's annual report where it concerns the functions of the Committee;
- determination of the amount of remuneration for the services of the Company auditor;
- taking a decision on the Audit Commission conducting an audit of the Company's financial and economic activities, review of the results of such an audit conducted at the decision of the Company Board of Directors and taking a decision thereon, if necessary;
- determination of the price (valuation) of the property in cases stipulated by the Federal Law On Joint-Stock Companies;
- organization of analysis and assessment of the effectiveness of the internal control and risk management system;
- taking a decision on appointment and dismissal of the head of the Company's Internal Audit subdivision;
- review of reports on the performance of the Company's Internal Audit subdivision;
- endorsement of related-party deals in cases stipulated by the Federal Law On Joint-Stock Companies which are of material importance for the Company;
- preparation of recommendations to the General Meeting of Company Shareholders on:
 - ♦ the Company's profit and loss distribution procedure based on the results of the financial year;
 - ♦ amount of dividend per share and of payment procedure.
- approval of the following internal documents of the Company and any amendments and supplements thereto related to the Committee's functions:
 - ♦ Company Code of Corporate Conduct (Governance);
 - ♦ Company internal documents at the Policy level in the field of:
 - internal audit (Regulation on Internal Audit defining objectives, tasks and powers of the structural subdivision which performs the functions of the Company's internal audit);
 - internal control and risk management system;
 - finance management and reporting;
 - dividend policy (Regulation on Dividend Policy);
 - conflict of interest management;
 - corporate governance;
 - countering illegal use of insider information.

2.1.2. Preliminary reviews of matters related to engagement of an independent valuator in cases stipulated by law and Company internal regulatory documents.

1.1. The Committee shall be authorized by the Company Board of Directors to act within the terms of reference defined by this Regulation and on behalf of the Company Board of Directors.

The Committee shall have the right to request and receive from the Company, executive bodies and officers of the Company, any information within its remit required for the Committee to perform its functions.

The Company, executive bodies and officers of the Company shall assist the Committee in obtaining requested information, assure completeness of the said information and timeliness of its provision, take initiative in providing information which is of importance for considering and taking decisions on matters within the Committee's remit, subject to restrictions set by the applicable laws of the Russian Federation, the Charter and internal documents of the Company.

3. FINAL PROVISIONS

3.1. The Committee shall regularly assess the relevance of this Regulation and, if necessary, shall prepare proposals to the Company Board of Directors on amending (supplementing) it.

3.2. Amendments and supplements to this Regulation shall be made by the Company Board of Directors.

4. REFERENCES

1. Federal Law № 208-ФЗ dated December 26, 1995, On Joint-Stock Companies.
2. Corporate Governance Code recommended by the Bank of Russia for application by joint-stock companies with listed securities (Letter from the Central Bank of the Russian Federation (Bank of Russia) № 06-52/2463 dated April 10, 2014 , On the Corporate Governance Code).
3. Regulation on the Rosneft Board of Directors approved by the decision of the Annual General Meeting of Rosneft Shareholders dated June 27, 2014, Minutes dated July 2, 2014, unnumbered.
4. Rosneft Regulation on the Procedure for Formation and Work of Rosneft Board of Directors Committees № ПЗ-01.05 Р-0002 ЮЛ-001 версия 2.00.

5. RECORD OF INTERNAL REGULATORY DOCUMENT CHANGES

Table 1
List of Rosneft Regulation Changes

VERSION	DOCUMENT TYPE AND NAME	DOCUMENT NUMBER	APPROVAL DATE	EFFECTIVE DATE	RD REFERENCE
1	2	3	4	5	6
1.00	Regulation on the Rosneft Board of Directors Audit Committee	Unnumbered	October 18, 2008	October 18, 2008	Minutes № 5 of the Rosneft Board of Directors meeting dated October 18, 2008.