

APPROVED

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

Minutes No. 7 dated October 06, 2014

ROSNEFT REGULATION

PROCEDURE FOR FORMATION AND WORK OF ROSNEFT BOARD OF DIRECTORS COMMITTEES

№ ПЗ-01.05 Р-0002 ЮЛ-001

VERSION 2.00

**MOSCOW
2014**

TABLE OF CONTENTS

INTRODUCTORY PROVISIONS.....	3
1. FORMATION OF COMPANY BOARD OF DIRECTORS COMMITTEES	4
2. CHAIRMEN OF COMPANY BOARD OF DIRECTORS COMMITTEES.....	6
3. RIGHTS AND DUTIES OF COMPANY BOARD OF DIRECTORS COMMITTEE MEMBERS.....	7
4. SECRETARY OF A COMPANY BOARD OF DIRECTORS COMMITTEE.....	8
5. MEETINGS OF A COMPANY BOARD OF DIRECTORS COMMITTEE	9
6. REPORTS OF COMPANY BOARD OF DIRECTORS COMMITTEES.....	12
7. FINAL PROVISIONS	13
8. REFERENCES.....	14
9. RECORD OF INTERNAL REGULATORY DOCUMENT CHANGES	15

INTRODUCTORY PROVISIONS

This Regulation on the Procedure for Formation and Work of Rosneft Board of Directors Committees 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 Board of Directors of the Rosneft Oil Company. It sets the procedure for formation and work of committees of the Company¹ Board of Directors.

¹ Company - Rosneft Oil Company.

1. FORMATION OF COMPANY BOARD OF DIRECTORS COMMITTEES

1.1. In order to perform its functions, the Company Board of Directors shall form committees² for the purpose of preliminary consideration of most important issues within the remit of the Company Board of Directors and preparation of recommendations for the Board of Directors to take decisions thereon.

1.2. The Company shall have the following standing committees:

- strategic scheduling committee;
- audit committee;
- human resources (HR) and remuneration committee.

If necessary, by a decision of the Company Board of Directors, other standing and *ad hoc* (to address specific matters) committees may be formed, as well as subcommittees (based on existing committees) with dedicated functions to review matters within the remit of the existing committee but requiring a more focused consideration.

Subcommittees may be created for a set period of time (to address specific tasks) and without a time limit. In the latter case, the committee which a subcommittee is based on shall at least once a year review the relevance of and need for such a subcommittee to then present it to the Company Board of Directors.

The committees shall act pursuant to this Regulation and to regulations setting the procedure for the work and defining the tasks, functions and authority of each committee approved by the Company Board of Directors.

A subcommittee shall act by virtue of the Company Board of Directors' decision on its creation. Such a decision shall specify:

- the name of a subcommittee;
- the tasks and functions of a subcommittee;
- the membership of a subcommittee, which, apart from members of the respective committee, may include members of other committees of the Company Board of Directors and other persons having the right expertise and competence,

and may also approve the Regulation on the respective subcommittee.

1.4. The committees (subcommittees) shall not be governance bodies of the Company and shall not have the power to act on behalf of the Company Board of Directors. With regard to the Company Board of Directors, decisions of the committees shall have the status of recommendations.

Decisions of a subcommittee shall have the status of recommendations to the respective committee and, at the committee's decision, may be brought to the notice of the Company Board of Directors.

² Committees - standing committees of the Company Board of Directors.

1.5. The committees shall be formed at the first meeting of the newly elected Board of Directors, and should this for objective reasons not be possible, no later than one month after election of the new Board of Directors.

1.6. The committees shall be formed from among members of the Company Board of Directors who have professional experience and expertise in the respective field, and from among other competent persons.

With regard to the Audit Committee and the HR and Remuneration Committee, only such members of the Company Board of Directors may be members of these committees who are independent directors³, and should this for objective reasons not be possible, a majority of the members of these committees shall be independent directors, and the rest of the members of these committees may be members of the Company Board of Directors who are not executive directors⁴.

Should there arise circumstances affecting the independent status of a committee member, the committee member shall immediately notify the Company Board of Directors of such circumstances.

1.7. Membership of the committees shall be formed in such a way as to enable a comprehensive discussion of matters submitted for their review reflecting potential difference of opinion.

Committee members may be elected to the same committee an unlimited number of times.

Each committee shall be comprised of at least three members, and one member of the Company Board of Directors may not serve on more than two committees.

By a decision of the Company Board of Directors, the mandate of any or all committee members may be terminated early.

1.8. If necessary, the committees (subcommittees) may, on a temporary or permanent basis, engage the services of experts and/or consultants having the required professional knowledge and experience.

The use of experts and/or consultants shall be subject to the Company procedures governing access to confidential information.

Experts and/or consultants providing services to a committee shall not have a voting right when the committee votes on decisions within its remit.

³ The term “independent director” is interpreted pursuant to para 2.2. of the Regulation on the Rosneft Board of Directors.

⁴ The term “executive director” is interpreted pursuant to para 2.1. of the Regulation on the Rosneft Board of Directors.

2. CHAIRMEN OF COMPANY BOARD OF DIRECTORS COMMITTEES

2.1. Chairmen of the committees shall be elected by the Company Board of Directors from among members of each committee.

2.2. Only an independent director may be Chairman of the Audit Committee. Chairmen of the other committees shall be elected from among their members who are independent directors, and should this not be possible – from among members of the Company Board of Directors who are not executive directors.

2.3. The Chairman of the Company Board of Directors may not be Chairman of the Audit Committee or Chairman of the HR and Remuneration Committee.

2.4. The Chairman of a committee shall ensure efficient organization of its activities, including by:

- calling committee meetings and setting their agendas;
- chairing committee meetings and arranging taking of minutes;
- ensuring a constructive discussion of matters within the committee remit when committee meetings are held *in presentio*;
- signing and, on behalf of the committee, presenting to the Company Board of Directors recommendations on matters within the committee remit;
- at the request of the Company Board of Directors, updating the Board on the work of the committee; and
- performing other functions stipulated by this Regulation and other internal documents of the Company governing the activities of the committee.

The Chairman of a committee shall be accountable for recommendations of the committee to be brought to the notice of the Company Board of Directors fully and in a timely manner.

3. RIGHTS AND DUTIES OF COMPANY BOARD OF DIRECTORS COMMITTEE MEMBERS

3.1. Members of a committee shall have the right to:

- make proposals on the schedule of committee meetings for the next period observing the time lines set by respective internal documents of the Company;
- initiate calling a committee meeting;
- request and, in a timely manner, receive from the executive bodies and officers of the Company, all information required to make informed and balanced decisions on matters within the committee remit;
- have access to committee minutes, get copies of (excerpts from) the said minutes subject to confidentiality requirements with regard to information protected by law and internal documents of the Company;
- request that their dissenting opinion on agenda items and decisions taken be incorporated in the minutes of the committee meeting;
- if not prohibited by the applicable laws of the Russian Federation, get remuneration for performance of their duties and/or reimbursement of expenses associated with performance of the functions of a committee member in the amount determined by the General Meeting of Shareholders and based on the applicable principles of payment of remuneration to members of the Company Board of Directors.

3.2. Members of a committee shall have the duty to:

- act reasonably and in good faith in performing their functions and not use their position to the detriment of the Company interests;
- be fully involved in the work of the committee;
- make a comprehensive assessment of the information and documents concerning matters within the committee remit;
- not disclose confidential information which they became privy to about the activities of the Company, its subsidiaries and affiliates, insider information, and any other information which they became privy to in the course of exercising their powers;
- immediately notify the committee of the presence of a personal interest in respect of a decision an agenda item to be voted on and abstain from voting on such agenda items;
- avoid actions which may cause a conflict of interest and/or may compromise the committee, and/or may cast doubt on the professionalism of committee members.

4. SECRETARY OF A COMPANY BOARD OF DIRECTORS COMMITTEE

4.1. Secretary of a committee shall be appointed by the committee at the first meeting after its election. By its decision, the committee may reelect the Secretary at any time.

4.2. The functions of the Secretary of a committee may be performed by the Secretary of the Company Board of Directors.

In such a case, the term of office of the committee Secretary shall be equal to the term of office of the Company Board of Directors Secretary set by a decision of the Company Board of Directors, and should such a term not be set – to the term during which the Company Board of Directors Secretary acts in this capacity.

4.3. The Secretary of a committee shall provide organizational and technical support for committee activities, including:

- interviewing committee members for proposals on the schedule of committee meetings, drafting a schedule of committee meetings, sending the approved schedule of committee meetings to committee members;
- within the timelines set in para 5.13 of this Regulation, notifying committee members of meetings, providing to committee members pre-read information and materials, and ballot papers in the case of an *in absentia* voting;
- collecting and processing voting results on decisions taken *in absentia*;
- issuing excerpts from the minutes of committee meetings to members of the committee, members of the Company Board of Directors who are not members of the committee, persons who initiated review of an issue by the committee subject to confidentiality requirements with regard to information protected by law and internal documents of the Company;
- drafting a report on committee activities to be approved by the committee and submitted to the Company Board of Directors;
- providing organizational and technical support for committee members to interact with the governance bodies and officers of the Company;
- ensuring safekeeping of committee meeting materials, ballot papers and minutes of committee meetings;
- keeping records of and safekeeping of the committee's incoming documents and copies of outgoing documents;
- performing other functions pursuant to this Regulation, to decisions of the Company Board of Directors and its committees, and to assignments from the Chairman of the committee.

5. MEETINGS OF A COMPANY BOARD OF DIRECTORS COMMITTEE

5.1. Meetings of a committee shall be held as necessary in accordance with the schedule of committee meetings approved by the committee but at least once every three months.

5.2. The schedule of committee meetings shall be developed for every six months on the basis of the approved schedule of Company Board of Directors meetings.

The schedule of committee meetings may contain items which are not included in the schedule of Company Board of Directors meetings but which have a significant effect on Company development, also additional items in accordance with the functions and tasks of the committee, and items arising from assignments of the Company Board of Directors and proposals of committee members.

5.3. The schedule of committee meetings shall be drafted by the committee Secretary.

5.4. The schedule of committee meetings shall be approved no later than 14 days after the date of approval of the schedule of Company Board of Directors meetings for the respective six months.

5.5. If necessary, the committee may hold extraordinary meetings as initiated by the Chairman of the committee or its members and as proposed by members of the Company Board of Directors who are not members of the committee, by the Company Audit Commission, the Company auditor, the Company sole executive body, or the Company top managers.

5.6. The committee meeting agenda shall be determined by the Chairman of the committee. The committee meeting agenda may be changed (supplemented/abridged) by a decision of the Chairman of the committee at his/her own initiative, at the proposal from members of the committee, members of the Company Board of Directors who are not members of the committee, of the Company Audit Commission, the Company auditor, the Company sole executive body, or respective top managers.

5.7. At the decision of the Chairman of the committee, members of the Company Board of Directors who are not members of the committee, the sole executive body of the Company, members of its collegial executive body, members of the Company Audit Commission, representatives of the Company auditor, top managers and other employees of the Company may be invited to attend committee meetings.

5.8. Committee meetings may be conducted in the form of:

- joint attendance to discuss agenda items;
- *in absentia* voting on agenda items;
- teleconference/ conference call, if it is technically feasible for all committee members and invitees to attend.

The format of a committee meeting shall be determined by the Chairman of the committee subject to the importance of agenda items.

5.9. When conducting committee meetings, appropriate information protection measures shall be taken in order to prevent unauthorized access to confidential information.

5.10. A committee meeting shall be legitimate (quorate) if attended by (if by the beginning of a meeting, written opinions have been received from; if by the ballot paper acceptance deadline, completed ballot papers have been received from) more than a half of the total committee membership. If not quorate, the committee meeting shall be adjourned and moved to the date set by the Chairman of the committee.

5.11. Committee meetings of the shall be called by the Chairman of the respective committee by sending a committee meeting notice signed by him/her indicating the meeting form, date, time and venue (and in the case of *in absentia* voting – the deadline for ballot paper acceptance and address for ballot papers to be sent to), and meeting agenda items.

5.12. Holding a committee meeting at a place and/or time creating significant obstacles or making it impossible for the majority of committee members to attend shall not be allowed.

Should there appear circumstances making it impossible or impeding holding the meeting at the place and/or time of which committee members have been notified, the meeting with the planned agenda may be held at a different place and/or time subject to a unanimous consent to the changes from all the participants in the meeting.

It shall be the responsibility of the Secretary of the committee to agree the said changes with the participants. Consent may be given in any form as long as it states the fact of consent thereto.

5.13. A committee meeting notice with the pre-read agenda materials and ballot papers (in the case of *in absentia* voting) attached shall be sent by the Secretary of the committee to its members no later than 3 business days prior to the date of the meeting by a method agreed by committee members.

At the decision of the Chairman of the committee, in exceptional urgent cases, the time of notifying committee members and providing materials to them may be shortened.

5.14. Committee meetings shall be chaired by the Chairman. Meeting minutes shall be taken by the Secretary of the committee.

5.15. Decisions shall be taken by a simple majority of the committee members attending the meeting (with account taken of the written opinions of the committee members received prior to the beginning of the meeting).

Persons invited to attend the meeting shall not have the right to vote on matters under consideration but they may communicate their opinion to committee members verbally or in writing. The opinion of an invited person may be incorporated in/attached to the minutes of the meeting.

5.16. Any information concerning a committee member's personal interest/conflict of interest pertaining to a decision to be taken on a particular agenda item shall be disclosed at the meeting.

5.17. Minutes of a committee meeting shall be drawn up in a single copy no later than 3 days after the date of the meeting and shall contain:

- company name;
- form, time and place of the committee meeting (deadline for ballot paper acceptance in the case of *in absentia* voting);

- list of persons attending the meeting, including invitees who are not members of the committee;
- list of committee members who provided their written opinions on agenda items;
- mention of the committee meeting being quorate;
- meeting agenda;
- mention of a committee member's personal interest/conflict of interest pertaining to a decision to be taken on a particular agenda item (-s);
- items put to vote and results of voting thereon;
- resolutions passed on agenda items;
- a committee member's dissenting opinion on an agenda item (-s), if any.

Minutes of a committee meeting shall be signed by the Chairman of the committee and handed over to the Secretary of the committee for safe keeping.

5.18. The Secretary of the committee shall communicate resolutions passed by the committee (recommendations to the Company Board of Directors) to persons who initiated review of the issue by the committee.

5.19. In case the committee makes a preliminary review of a matter which is within the terms of reference of the Company Board of Directors, a resolution passed by the committee on such a matter shall have the status of a recommendation to the Company Board of Directors.

5.20. Minutes of a committee meeting (excerpt from the minutes) containing such an item, with relevant attachments and relevant committee meeting materials, shall be incorporated in the Company Board of Directors pre-read materials for the meeting which has such an item on its agenda and submitted to the Company Board of Directors within the time limit stipulated by the Regulation on the Rosneft Board of Directors.

6. REPORTS OF COMPANY BOARD OF DIRECTORS COMMITTEES

6.1. The Chairmen of the committees shall inform the Company Board of Directors of committee activities, including recommendations and/or resolutions on the main issues reviewed by the committees.

6.2. The Committees shall provide to the Company Board of Directors annual reports on their activities which are to be approved by the respective committees and contain information on the number of meetings held, number and list of issues reviewed, nature of recommendations issued and details of committee members' participation in the work of the committees.

6.3. A committee report may contain the committee's and/or individual members' opinion on the committee's performance in the reporting year, proposals on improving its work, and other information which, in the opinion of the committee or its individual members, is relevant.

6.4. Reports on committee activities may be included in the Annual Report of the Company.

6.5. Reports on committee activities may be used for assessment of performance of the committees, committee members, the Company Board of Directors, and Board members, in particular, for the purpose of determining the amount of remuneration to committee members.

7. FINAL PROVISIONS

7.1. In order to assure the functioning of the Company Board of Directors committees, the Company business plan may provide for financing the activities of each committee. Financing of a subcommittee shall be from the budget of the committee on the basis of which the subcommittee was created.

7.2. If necessary, committee members, at the decision of the committee and based on the committee budget, may participate in professional development programs.

7.3. The committees' performance shall be subject to annual assessment by the Company Board of Directors.

7.4. Amendments and supplements to this Regulation shall be made by the Company Board of Directors. The committees shall have the right to initiate the possibility of making amendments and supplements to this Regulation.

8. 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.

9. 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 Procedure for Formation and Work of Rosneft Board of Directors Committees.	Unnumbered	October 18, 2008	October 18, 2008	Minutes № 5 of the Rosneft Board of Directors meeting dated October 18, 2008.