



APPROVED
Board of Directors of
Rosneft Oil Company
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ROSNEFT OIL COMPANY'S REGULATION ON

EVALUATION OF ROSNEFT BOARD OF DIRECTORS PERFORMANCE

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INTRODUCTORY PROVISIONS

PURPOSE

This Regulation determines the objectives, forms, principles and procedure for evaluation of Rosneft's Board of Directors performance, for the use and communication of the Rosneft BoD performance assessment results to the stakeholders, including the forms and scope of disclosure of information on the assessment process and its results.

This Regulation has been developed considering the requirements of:

- 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");
- Rosneft Oil Company Charter;
- Corporate Governance Code of Rosneft (№ P3-01 KS-01);
- The local normative documents of Rosneft regulating the BoD activities.

SCOPE

This Regulation shall be binding upon:

- Members of Rosneft Board of Directors;
- Members of Rosneft Committees;
- Employees of the Corporate Governance Department of Rosneft engaged in the Assessment process or those having access to the results of such Assessment.

The directive documents, local normative documents and other internal documents shall not be in conflict with this Regulation.

VALIDITY AND AMENDMENT PROCEDURE

This Regulation is a permanent local normative document.

This Regulation shall be approved, changed and acknowledged void by the resolution of the Board of Directors of Rosneft at the suggestion of the Board's HR and Remuneration Committee.

The Regulation shall be amended in the event of changes in the Russian Federation laws, requirements and recommendations of regulator and organizers of trade on financial market, changes in the TOR of management bodies, changes in the organizational structure and the functionality of top managers of Rosneft, etc.

The initiators of changes to the Regulation shall be the BoD members, the members of HR and Remuneration Committee, and the Corporate Governance Department of Rosneft.

1. TERMS AND DEFINITIONS

CORPORATE GLOSSARY TERMS AND DEFINITIONS

ANNUAL GENERAL SHAREHOLDERS MEETING/ REGULAR GENERAL MEETING OF COMPANY PARTICIPANTS – a general meeting of shareholders, which the Company shall hold annually not earlier than two months before and no later than six months months after the end of a fiscal year and for which Federal Law 208-FZ "On Joint Stock Companies" dated 26.12.1995 determines the list of mandatory agenda items.

ANNUAL REPORT OF THE COMPANY – a document reflecting the key performance indicators over the reporting period and development prospects of the Company.

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

ROSNEFT BOARD OF DIRECTORS – a standing consultative body set up by the Rosneft Board of Directors and intended for the preliminary review of the most important items within the TOR of the Board of Directors of Rosneft Oil Company and for preparation of recommendations to the Board of Directors for making decisions on such items.

TERMS AND DEFINITIONS FOR THE PURPOSE OF THIS DOCUMENT

BOD PERFORMANCE ASSESSMENT (ASSESSMENT) – a formalized process aimed at BoD performance improvement and identification of areas for improvement.

CONSULTANT – an independent external expert organization, which by virtue of the decision of the Board of Directors is requested to make an external assessment of BoD performance.

EXTERNAL ASSESSMENT – the form of assessment of BoD performance where the performance is assessed by an independent external expert organization (consultant).

INTERNAL ASSESSMENT (SELF-ASSESSMENT) – a form of evaluation of BoD performance, where the assessment is made by the BoD/ BoD Committee members independently by filling in questionnaires.

QUESTIONNAIRE – a structurally organized list of questions, the answers to which by the Board members allow to form a comprehensive vision of a Board member (respondent) on the Board activities.

REPORT ON ASSESSMENT RESULTS – a comprehensive document containing the summarized information on the BoD performance assessment results, which is prepared by the Corporate Secretary (in case of self-assessment) and the Consultant (in case of external assessment).

2. DESIGNATIONS AND ABBREVIATIONS

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

COMMITTEE/ COMMITTEES – Committee/ Committees of Rosneft Board of Directors.

COMPANY – a group of legal entities of various forms of incorporation, including Rosneft Oil Company, for which the latter is directly and/or indirectly the principal or prevailing (participating) entity.

CORPORATE YEAR – the period of time from the date of the Annual General Shareholders Meeting till the next Annual General Shareholders Meeting of the Company.

COMPANY – public joint-stock company Rosneft Oil Company.

3. GOALS, OBJECTIVES AND PRINCIPLES OF ASSESSMENT

The Assessment goals are:

- Increase the level of trust and interest to the Company (inform the shareholders and potential investors about the assessment results).
- Enhance the Company's reputation as one of the corporate governance leaders, positive evaluation by the investment community of the corporate governance level (introduction and application of the best-in-class corporate governance standards).

The Assessment objectives are:

- Determine the level of BoD performance efficiency in order to form its composition based on the optimal balance of professional experience, knowledge, skills and personal qualities of the Board members (including assessment of the Board and its its Committees' composition for successful discharging of the Board functions, and also to spot the need for elaboration of training programs for the Board members in specific areas of the Board activities);
- Create effective motivation for the Board member activities;
- Determine whether the Board activities comply with the Company development needs (determine the areas of BoD competencies requiring more attention from the Board);
- Determine the areas of BoD activities requiring enhancement (identification of factors reducing/ able to improve the Board performance);
- Improve the Board performance efficiency and communicate the Assessment results to the stakeholders.

The Assessment principles are:

- **Regularity** – assessments are conducted on an annual basis thus enabling comparability of Assessment results versus previous periods of time.
- **Comprehensiveness** – coverage of all the spheres and activities of the Board of Directors.
- **Confidentiality** – the information contained in the Report on Assessment Results and in the documents underpinning it pertain to the information constituting a commercial secret; the information on the Assessment results shall be submitted to the stakeholders in a summarized form.
- **Performance** – based on the Assessment results shall be prepared and implemented an action plan aimed at the Board performance improvement (in accordance with the recommendations for improving the BoD (Committees) activities/ proposals (programs) prepared by the Board of Directors HR and Remuneration Committee).
Reporting – the Assessment and follow-up results on an annual basis shall be communicated to the BoD HR and Remuneration Committee and to the Board of Directors of the Company.
- **Publicity** – information on the main results of completed Assessment shall be included in the annual report of the Company.

4. FORMS AND INSTRUMENTS OF ASSESSMENT. SUBJECTS AND AREAS OF ASSESSMENT

The Assessment principles are:

- Internal assessment (self-assessment).
- External assessment (engaging Consultant).

The Assessment instruments may be:

- Interviewing Board members.
- Questioning Board members/ Committee members/ Corporate Secretary.
- Reviewing internal documents and the Board working documents (plans, minutes).
- Overseeing Board of Directors processes.
- Interviewing external respondents (executives, shareholders).
- Other instruments (based on the Board decision considering the BoD HR and Remuneration Committee recommendations (in case of self-assessment)/ in accordance with the Consultant methodology (in case of external assessment)).

The subjects and areas of BoD performance assessment are:

- Subject: Board of Directors as the management body.

Areas of assessment:

- ♦ Composition and structure (including the independence of directors and composition stability);
- ♦ Key processes, competency;
- ♦ Meetings efficiency, including discussions, decision making procedure, taking into account dissenting opinions, etc.

- Subject: Committees.

Areas of assessment:

- ♦ Competency;
- ♦ Personal composition;
- ♦ Regularity of the meetings;
- ♦ Effectiveness;
- ♦ Effectiveness of communications with the management team.

- Subject: Chairman of the Board of Directors/ Members of the Board of Directors.

Areas of assessment:

- ♦ Competency;
- ♦ Detachment;
- ♦ Ethics;
- ♦ Proactive attitude, preparation for the meetings;

- ◆ Ability to work in a team;
- ◆ Interaction with the management team.
- Subject: Corporate Secretary.

Areas of assessment:

- ◆ Competency;
- ◆ Organization of the BoD work process;
- ◆ Interaction with the BoD members and management team;
- ◆ Control over implementation of resolutions adopted by the Board of Directors.

The Assessment results may be taken into consideration when summing up the BoD performance results and working out recommendations for the General Shareholders Meeting of Rosneft on remuneration of BoD members.

5. ASSESSMENT PROCEDURE

The BoD performance shall be assessed annually based on the work results during the corporate year.

The assessment is arranged by the BoD HR and Remuneration Committee and the Corporate Secretary of the Company.

The form of Assessment is determined by the Board of Directors considering recommendations of the BoD HR and Remuneration Committee.

The Corporate Secretary ensures the Assessment process, including timely preparation of materials for submission of the necessary issues to the HR and Remuneration Committee for review, organization of the meetings, forwarding and collecting questionnaires, summarizing the results, preparing a Report on Assessment Results to be presented to the HR and Remuneration Committee and the Board.

5.1. INTERNAL ASSESSMENT (SELF-ASSESSMENT)

The internal assessment (self-assessment) shall be made by questioning the BoD members/ Board Committees members on a non-attributable basis.

The questionnaire form is approved by the Board's HR and Remuneration Committee. At discretion of the Board's HR and Remuneration Committee, for the internal assessment may be also developed and approved a Questionnaire to be filled in by the Board members.

The questionnaire to be filled in by the Board members includes the questions which allow to determine positions of the Board members with respect to:

- Composition and structure of the Board of Directors, including professional and personal characteristics and independence of the Board members;
- Key processes and functions of the Board of Directors, including personal involvement of the Board members in the Board activities;
- Role of the Chairman of the Board of Directors;
- Input of Committees and independent Directors in the Board activities;
- Board of Directors procedures, including informational and organizational support to the Board activities;
- Other drivers of the Board of Directors performance.

The questionnaire to be filled in by the Committees members (subject to a relevant decision of the Board's HR and Remuneration Committee) includes questions that make it possible to identify the position of the Board's Committee on:

- Composition of the Committee, including professional and personal characteristics and independence of the Board's Committee members;
- Key processes and functions of the Committee, including the level of personal involvement of Committee members in its activities;

- Committee Chairman's role;
- Committee procedures, including informational and organizational support to the Committee activities;
- Other drivers of the Committee performance.

The Corporate Secretary forwards questionnaires to the Board members/ Committee members so that they fill it in meeting the deadlines set out by a decision of the HR and Remuneration Committee.

In order to ascertain position/ form better understanding/ request proposals in addition to the questioning:

- The Chairman of the Board's HR and Remuneration Committee may interview the BoD and Committee members.
- By decision of the Board's HR and Remuneration Committee may be requested opinions of executives, shareholders, and investors.

The Corporate Secretary forwards the filled in Questionnaires, interview records and other Internal Assessment materials for processing, Internal Assessment wrap-up and preparation of the Internal Assessment Report.

Assessment of the Chairman of the Company Board of Directors is made by independent Directors.

When processing the Internal Assessment results and preparing the Internal Assessment Report, as related to the BoD Chairman work, the Corporate Secretary separately considers positions and opinions expressed by the independent Directors and positions and opinions of other BoD members/ other respondents engaged to the Internal Assessment by the decision of the Board's HR and Remuneration Committee.

By decision of the Board's HR and Remuneration Committee to review the questioning results and prepare recommendations for streamlining the BoD and Committees activities a Consultant may be engaged.

The Board's HR and Remuneration Committee Chairman is entitled to hold meetings with the Board members and respondents whose assessment results materially differ from that of other respondents to identify the causes of such differences. Based on the results of the said meetings the respective changes can be made to the the Internal Assessment Report.

5.2. EXTERNAL ASSESSMENT

The Board of Directors endeavors to ensure that External Assessment is made at least once in three years.

For External Assessment Rosneft engages a Consultant with considerable expertise in assessment of BoD performance and recognized business reputation at financial market. The candidacy of Consultant for External Assessment is approved by the Board of Directors considering recommendations of the Board's HR and Remuneration Committee.

The plan and methodology of External Assessment are developed by the Consultant independently and tentatively forwarded to the Board's HR and Remuneration Committee Chairman for review and submission of proposals.

The task for the Consultant making an External Assessment is formulated by the Board's HR and Remuneration Committee and shall contain the following requirements:

- Record and review the results of BoD External Assessments carried out earlier;
- Ensure compliance of External Assessment with the principles set forth in this Regulation;
- Prepare the External Assessment Report, including a detailed analysis of acquired data, conclusions made using qualitative and quantitative metrics, which exclude evaluative judgments of the Consultant, and also including a set of recommendations based on the External Assessment results.

The Corporate Secretary provides the Consultant with all the required information for External Assessment. The information is submitted in line with the requirements for protection of confidential and other proprietary information in accordance with the RF laws and the Company's Standard "Protection of Confidential Information" № P3-11.03 S-0006.

In the course of External Assessment the Consultant may request opinions of executives, shareholders, and investors.

6. REVIEW OF RESULTS AND DISCLOSURE OF INFORMATION ON ASSESSMENT

The Assessment Report (internal assessment, external assessment) is preliminary considered by the Board's HR and Remuneration Committee who issues recommendations on submission of the relevant information to the Company Board of Directors for review.

The Board of Directors endeavours to review the Assessment Results at a meeting in presentia.

Upon agreement of the HR and Remuneration Committee Chairman, the meeting may invite representatives of the Consultant who has held the external assessment and (or) external respondents (executives, shareholders) if they have taken part in the Assessment.

If recommended by the HR and Remuneration Committee, representatives of the Consultant and (or) executives, shareholders who have taken part in the Assessment may also be invited to the Board of Directors meeting.

Following the results of the Assessment (internal assessment, external assessment):

- On the instructions of the Board's HR and Remuneration Committee the Corporate Secretary prepares an action plan to improve BoD performance for further submission to the HR and Remuneration Committee for review.
- The Board's HR and Remuneration Committee may issue BoD performance improving proposals (programs) and controls delivery of them.
- The information about fulfillment of HR and Remuneration Committee's decisions on improvement of BoD performance is provided by the Corporate Secretary to HR and Remuneration Committee for review and may be submitted to BoD (upon recommendation of HR and Remuneration Committee) for consideration after the corporate year completion.

The summarized information on the Assessment results is included in the annual report of Rosnft Oil Company and shall contain the information on the timelines and form of Assessment and on review of these results at the BoD meeting, and also information on the main results of Assessment to the extent determined by the BoD decision.

7. REFERENCES

1. 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").
2. Recommended practice for organization of the Board of Directors activities in the joint-stock companies, as approved by the Agency for Federal Property Management, order № 357 dated 21.11.2013.
3. Corporate Governance Code of Rosneft Oil Company approved by the resolution of Rosneft's Board of Directors on 11.06.2015 (Minutes № 36 dated 15.06.2015).
4. Company's Standard "Protection of Confidential Information" № P3-11.03 S-0006 approved by Rosneft Order № 727 dated 29.12.2012.
5. Rosneft Regulation on the Board of Directors HR and Remuneration Committee approved by the resolution of Rosneft Board of Directors on 01.10.2014 (Minutes № 6 dated 06.10.2014).