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Rosneft Board of Directors
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COMPANY STANDARD

on payments and compensations to top managers

№ P2-03 S-0132 YuL-001

VERSION 1.00

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INTRODUCTORY PROVISIONS

INTRODUCTION

This Standard sets forth the main principles for labor remuneration, making of incentive and other payments to the President of Rosneft, Vice-Presidents of Rosneft and office holders in ranks similar to Vice-Presidents of Rosneft.

This Standard is developed in accordance with the requirements of the Civil Code of the Russian Federation, Labor Code of the Russian Federation, Federal Law № 208-FZ «On Joint Stock Companies» dated December 26, 1995, Corporate Governance Code recommended by the Bank of Russia as applicable to joint-stock companies, securities of which are admitted for organized trading¹, other regulatory legal acts of the Russian Federation, Charter of Rosneft, Regulations on the Board of Directors of Rosneft and Regulations on Human Resources and Remuneration Committee of the Board of Directors of Rosneft № P2-03 R-0329 YuL-001.

SCOPE

This Standard shall be binding on all employees of Rosneft, who are involved in the process of calculation and making payments as contemplated by this Standard.

Orders, local normative documents and any other internal documents shall not conflict with this Standard.

If as a result of amendment of the applicable law of the Russian Federation and/or Charter of Rosneft specific provisions of this Standard come into conflict with the former, the relevant provisions of the law of the Russian Federation and/or Charter of Rosneft shall apply.

VALIDITY AND AMENDMENT PROCEDURE

This Standard shall be a permanent local regulatory document.

The Standard shall be approved, amended and recognized as ceased to be in force at Rosneft on the basis of a decision of the Board of Directors of Rosneft.

Introduction of amendments to this Standard shall be initiated by the Board of Directors of Rosneft, Human Resources and Remuneration Committee of the Board of Directors of Rosneft, President of Rosneft.

Keeping this Standard at Rosneft up-to-date and control of implementation thereof shall be the responsibility of Finance Director of Rosneft.

Control over introduction and implementation of requirements set forth in this Standard shall be the responsibility of the Board of Directors of Rosneft with the support of the Human Resources and Remuneration Committee of the Board of Directors of Rosneft.

¹ Letter from the Bank of Russia №06-52/2463 «On Corporate Governance Code» dated April 10, 2014

TERMS AND DEFINITIONS

OFFICIAL SALARY – a fixed size of a monthly cash payment, which is due to the employee for the fulfillment of his/her job duties.

INDIVIDUAL PERFORMANCE INDICATORS – indicators, which are established on the basis of the development strategy of Rosneft, Long-Term Development Program and business plan of Rosneft, which are used for individual assessment of efficiency of Rosneft top managers' performance.

KEY PERFORMANCE INDICATORS (KPI) – indicators, which are established on the basis of the development strategy, Long-Term Development Program and business plan of Rosneft, as well as operating tasks for the reporting period, which are used to provide numeric assessment of core activities of Rosneft managers.

COLLECTIVE PERFORMANCE INDICATORS – indicators established on the basis of the development strategy of Rosneft, Long-Term Development Program and business plan of Rosneft, which are used for calculating collective assessment of performance results of Rosneft, business units of Rosneft and Entities of Rosneft Group.

COMPANY – a group of legal entities of various forms of incorporation, including Rosneft, with regard to which the latter acts directly and/or indirectly predominant (participating) entity.

CORPORATE PENSION – -government pension formed of means of Rosneft or its subsidiaries remitted to the Non-Government Pension Fund within the framework of the executed corporate pension agreements in the form of regular pension contributions and income from allocation of pension reserves assessed by the Non-Government Pension Fund.

LOCAL NORMATIVE DOCUMENT (LND) – an internal controlled document of an established form, adopted (approved) within the competence of the authorized governance body (official) in conformity with the procedures established in the Company, which provides for the rules of and requirements to all aspects of the Company's activities, including employees, production and management processes, systems, equipment and technologies, which shall be binding on all Company employees and other stakeholders, to whom it applies by virtue of voluntary application obligations, current foundation documents and corporate governance rules and/or existing contractual relations.

GROUP ENTITY – a business entity, in the authorized capital of which a direct and/or indirect ownership interest of Rosneft amounts to 20% and more.

OFFICIAL ENTERTAINMENT EXPENSES – expenses related to receiving and providing services to:

- representatives of organizations and institutions (including foreign ones), participating in negotiations (business meetings) with employees of Rosneft for establishment and maintenance of mutually beneficial co-operation and business contacts;
- participants, attending the General Shareholders' Meetings, meetings of the Board of Directors of Rosneft, the Management Board of Rosneft.

TOP-MANAGERS – President of Rosneft, First Vice-President, Vice-Presidents of Rosneft and office holders in the rank of Vice – President of Rosneft.

BASIC PROVISIONS

2.1. Efficient management of Rosneft is conditional on the interest of the top managers of Rosneft in the results of their work and achievement of the Company's strategic goals. For this purpose, a complex system of incentives for top managers has been put in place in the Company, which system includes:

- Cash remuneration;
- social package;
- non-cash incentives.

2.2. The system of incentives for top managers in Rosneft is based on the following principles:

- **CONFORMITY TO REQUIREMENTS OF THE LAW AND COMPANY'S LND** – all payments to top managers shall be made in accordance with requirements of the applicable law of the Russian Federation, they shall be governed by LND of Rosneft approved by management bodies of Rosneft in accordance with the competence stipulated by the Charter of Rosneft.
- **EFFICIENCY** – the system of incentives for top managers is based on maintenance of the balance of interests of Rosneft shareholders and interests of top managers in achieving the Company's strategic goals in the long-term perspective.
- **OBJECTIVITY** – the size of the remuneration payable to top managers directly depends on the results of the Company's activities and implementation of significant projects.

OFFICIAL SALARY

3.1. The size of the official salary shall be established as follows:

- for the President of Rosneft – by decision of the Board of Directors of Rosneft;
- for members of the Management Board of Rosneft – by decision of the President of Rosneft on the basis of decision of the Board of Directors of Rosneft made with due consideration of recommendations of the Human Resources and Remuneration Committee of the Board of Directors of Rosneft;
- for other top managers – by decision of the President of Rosneft.

3.2. The size of the official salary of the top managers shall be established within the following limits:

- for the President of Rosneft - from 15 to 20 mln. roubles;
- for the First Vice President of Rosneft – from 30% to 50% of the amount of the official salary of the President of Rosneft, as stipulated by the decision of the Board of Directors of Rosneft;
- for Vice Presidents of Rosneft – from 20% to 40% of the amount of the official salary of the President of Rosneft, as stipulated by the decision of the Board of Directors of Rosneft;
- for other top managers – from 10% to 35% of the amount of the official salary of the President of Rosneft, as stipulated by the decision of the Board of Directors of Rosneft.

ADDITIONAL PAYMENTS, RELATED TO PERFORMANCE OF OFFICE DUTIES

4.1. Top managers shall be entitled to additional payments and compensations in accordance with the law of the Russian Federation and this Standard.

4.2. Additional payment for participation in work of the Management Board of Rosneft.

Top-managers included in the collegial executive body (Management Board) of Rosneft shall be additionally paid once in the amount of 5% of the official salary of the President of Rosneft, as stipulated by the decision of the Board of Directors of Rosneft.

4.3. Additional payment for work with information constituting state secrets.

Top-managers admitted to work with information constituting state secrets shall be paid monthly percentage surcharges to the official salary, the procedure and conditions for payment of which are regulated by the law of the Russian Federation on state secrets and LND of Rosneft.

4.4. Business trip expenses.

Top managers seconded on a business trip shall be entitled to per diem expenses in accordance with norms established under Company LND, and to reimbursement of expenses related to booking of and payment for accommodation, travelling to the destination and back, other expenses related to fulfillment of duty assignments.

4.5. Official entertainment expenses.

the purposes of fulfillment of job duties related to establishment and maintenance of business contacts with representative of other organizations and entities, top managers shall be entitled to reimbursement of official entertainment expenses. Planning, control and documentation of official entertainment expenses shall be governed by Rosneft LND.

4.6. Compensation of lease expenses.

A manager, whose permanent place of residence differs from location of the principal place of work, shall be compensated for expenses related to accommodation lease and relocation to the principal place of work, namely: tickets, transportation of personal belongings, commission fee to the real estate agency for search of accommodation, lease fees. The compensation amount shall be stipulated in the employment contract with the top manager.

4.7. Compensation of expenses for children's education.

Top managers who are in charge of children at the age up to 23 years old, being not married, remaining the top managers' dependants financially and living with them, shall be compensated for expenses related to education of children at the location of the principal place of work. The compensation size shall be stipulated in the employment contract with the top manager.

4.8. Remuneration for work in management bodies of subsidiaries.

Top-managers shall not be remunerated for participation in collegial management bodies of Entities

of Rosneft Group, the aggregate participatory interest of Rosneft in which exceeds 50%.

4.9. Other payments connected with performance of offices duties.

In accordance with the decision of the Board of Directors made with due consideration of recommendations of the Human Resources and Remuneration Committee of the Board of Directors of Rosneft top-managers may be entitled to other remunerations related to performance of their office duties, amounts and procedure for payment of which are stipulated in labour agreements. Such payments shall be the same for all top managers and may not be selective.

INCENTIVES (BONUS PAYMENT)

5.1. Top managers may be entitled to payment of annual bonuses, bonuses subject to results of implementation of significant projects and bonuses in the event of issue of government awards of the Russian Federation, institutional awards, awards of Rosneft to such top managers.

5.2. Annual bonuses.

1. Payment of annual bonuses to the top managers shall be based on achievement of individual and collective key performance indicators (KPI). Key performance indicators, achievement thereof and sizes of the annual bonuses shall be approved on the annual basis by the Board of Directors of Rosneft subject to recommendations of the Human Resources and Remuneration Committee of the Board of Directors of Rosneft.
2. Key performance indicators of the President of Rosneft shall coincide with the top results of the Company's performance.
3. Key performance indicators of the other top managers shall consist of:
 - a. collective performance indicators that assess the performance results of Rosneft in general and the performance results of specific units;
 - b. individual performance indicators and work targets related to implementation of the Company's strategy and its development.
4. The size of the annual bonus of the top manager shall be established as percentage of the annual cash remuneration paid by Rosneft to the top manager for the reporting year, net of bonuses and compensations.
5. The normative size of the annual bonus of the President of Rosneft shall be established in the amount of 150% of his annual cash remuneration.
6. The normative size of the annual bonus of the top managers (except the President) shall be established in the amount of 140% of the annual cash remuneration.
7. The procedure and time for payment of the annual bonus to top managers shall be stipulated by LND of Rosneft, governing the procedure and time for payment of the annual bonus.

5.3. Payment of the bonus subject to results of implementation of significant projects.

1. For high achievements related to implementation of significant projects of Rosneft, the top manager may be entitled to a one-off bonus.
2. The size of the bonus in accordance with the Company's LNDs shall be approved:
 - a. by the order of Rosneft, if the size of the bonus reaches up to his sixfold official salary inclusive;
 - b. by the order of Rosneft, subject to positive recommendation of Human Resources and Remuneration Committee of the Board of Directors of Rosneft, if the size of the bonus exceeds his sixfold official salary.

5.4. Payment of the bonus in the event of issue of government awards of the Russian Federation, institutional awards, awards of Rosneft to the top manager:

1. top managers, who are honored with government and institutional awards, may be entitled to a cash consideration, amount whereof shall be approved by the order of Rosneft.

2. top managers who are honored with corporate awards of Rosneft shall be entitled to a cash consideration amount whereof, depending on the type of award, shall make up from 50 thous. roubles to 150 thous. roubles.

5.5. Optional program.

In order to ensure conformity of the interests of the top managers and shareholders of Rosneft by tying the remuneration of the top managers to the growth of the cost of shares of Rosneft in the long-term perspective, top managers shall be entitled to participate in optional programs approved by the Board of Directors of Rosneft.

OTHER PAYMENTS AND COMPENSATIONS

6.1. Pension insurance.

Top managers shall be entitled to non-government corporate pension in accordance with the Company's LNDs, governing the procedure for non-government retirement insurance for Rosneft employees.

Upon retirement (due to the age, disability) the top manager may be entitled to a one-off allowance, the size whereof shall be established by the order of Rosneft.

6.2. Medical insurance.

Top managers of Rosneft together with their family members (spouse and minor children) may use the corporate voluntary medical insurance program, in particular, abroad, in accordance with the Company LND.

Upon retirement (due to the age, disability) top managers and their family members (spouse) shall remain entitled in perpetuity to free medical care as per the last position in Rosneft, from which the employee retired.

6.3. Payments upon termination of employment relations.

Upon termination of employment relations with Rosneft top managers shall be entitled to a one-off compensation in an amount equal to six average monthly wage.

6.4. Other payments and compensations.

Top-managers of Rosneft may be entitled to any other payments and compensations in accordance with decisions of management bodies of Rosneft.

REFERENCES

1. Civil Code of the Russian Federation.
2. Labor Code of the Russian Federation.
3. Federal Law of 26.12.1995 № 208-FZ “On Joint-Stock Companies”.
4. Corporate Governance Code recommended by the Bank of Russia as applicable to joint-stock companies, securities of which are admitted for organized trading (Letter of the Bank of Russia № 06-52/2463 «On Corporate Governance Code» dated April 10, 2014).
5. Charter of Rosneft approved by the decision of the General Shareholders’ Meeting of Rosneft dated June 27, 2014 (Minutes n/n dated July 2, 2014).
6. Regulations Rosneft Board of Directors, approved by decision of the General Shareholders’ Meeting of Rosneft dated June 27, 2014 (Minutes n/n dated July 2, 2014).
7. Rosneft Regulations on Human Resources and Remuneration Committee of the Board of Directors of Rosneft № P2-03 R-0329 YuL-001 version 2.00, approved by decision of the Board of Directors of Rosneft dated October 1, 2014 (Minutes № 6 dated October 6, 2014).