

**APPROVED:**

**By Resolution of Rosneft Board of Directors**

**"11" September 2020**

**Minutes No. 6 as of "14" September 2020**

# **REGULATIONS of ROSNEFT OIL COMPANY**

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## **ON ROSNEFT BOARD COMMITTEES**

**No. PZ-01 R-0105 YL-001**

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## INTRODUCTORY PROVISIONS

These Regulations were developed in accordance with the Federal Law No. 208-FZ of December 26, 1995 "On Joint Stock Companies", the Corporate Governance Code recommended by the Bank of Russia for use by joint stock companies whose securities are admitted to trading, the Charter of Rosneft Oil Company, Regulations on Rosneft Board of Directors, Rosneft Code of Corporate Governance № PZ-01 KS-01 and sets out the procedure for establishment and operation of the Company Board committees, their functions, competencies and powers and authority.

# 1. TERMS AND DEFINITIONS

**COMMITTEES** - advisory and consultative bodies of the Board of Directors of the Company acting on a permanent or temporary basis (to resolve certain issues).

**IFRS** – International Financial Reporting Standards.

**RAS** – Russian Accounting Standards.

**COMPANY** – Rosneft Oil Company

**GROUP SUBSIDIARY** – a business entity where Rosneft directly and (or) indirectly holds shares or equity stakes of 20 percent and more.

**ESG** – Environment, Social, Governance

## 2. FORMATION OF THE BOARD COMMITTEES

2.1. In order to perform its functions, the Company Board of Directors shall form the committees for the preliminary review of the most important items within the terms of reference of the Company Board of Directors and for preparation of recommendations to the Board of Directors for making decisions on such items.

2.2. The Company forms the following standing Committees:

- Strategy and Sustainable Development;
- HR and Remuneration Committee;
- Audit Committee;

If necessary, other committees may be formed by decision of the Company Board of Directors. The committees shall act on the basis of these Regulations.

Committees shall not be bodies of the Company and have no right to act on behalf of the Board of Directors of the Company. Resolutions of Committees shall serve as guidelines for the Board of Directors.

2.3. Committees shall be formed at the first meeting of a newly elected Company Board of Directors, and in case that is not possible for objective reasons, then no later than one month after the election of a new Company Board of Directors.

2.4. Committees shall be composed of the Company BoD members possessing professional experience and knowledge in the relevant area and other designated persons, unless otherwise established by the legislation of the Russian Federation and the Charter of the Company.

2.5. Only members being independent directors of the Company Board of Directors may be members of the Audit Committee and the HR and Remuneration Committee.

If it is impossible to form such committees, the majority of members of each committee shall be independent directors, and the remaining members of such committees may be members of the Board of Directors who are not executive directors.

At least one of the independent directors who are members of the Audit Committee must have experience and knowledge in the preparation, analysis, evaluation and audit of accounting (financial) statements.

In case circumstances affecting an independence of the committee member arise, the committee member shall immediately notify the Company Board of Directors of such circumstances.

2.6. Committees shall be formed in such a way as to allow for a comprehensive discussion of the issues submitted to such committees, taking into account a variety of opinions.

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

Each of Committees shall be comprised of at least three members. One member of the Company Board of Directors may be a member of not more than two Committees.

2.7. If so required, invited non-voting participants - experts and/or consultants who possess the required professional experience and knowledge may be invited to work in Committees on a temporary or permanent basis.

Experts and/or consultants may be involved subject to compliance with the Company adopted procedures for access to confidential information.

Experts and/or consultants involved for working in the committee shall not have the right to vote when the committee makes a decision within its terms of reference.

2.8. The Company Board of Directors is entitled to terminate the authority of one or several members of the committee, including upon a written application of the committee member submitted two weeks prior to withdrawing from the committee to the Chairman of the Company Board of Directors.

### 3. CHAIRMEN OF THE BOARD COMMITTEES

3.1. The Chairmen of Committees or deputies thereof shall be elected by the Board of Directors from among the members of the respective committees.

3.2. Only an independent director may chair the audit committee. The Chairmen of other committees of the Board of Directors of the Company shall be elected from among their members who are independent directors of the Company, and if impossible – from among members of the Board of Directors of the Company, who are not executive directors.

3.3. The Chairman of the Board of Directors shall not be the Chairman of the Audit Committee and the Chairman of the HR and Remuneration Committee.

3.4. The Chairman of Committee shall ensure the efficient organization of its activities, i.e.

- convene committee meetings, sets the agenda;
- preside the committee meetings and organize taking of the minutes at meetings;
- ensure constructive discussion of the issues within the committee's terms of reference at the meetings in presentia;
- sign and present to the Board of Directors of the Company on behalf of Committee the recommendations in respect of the issues within the committee's terms of reference;
- inform the Board of Directors upon the request of its members on the committee operation;
- perform other functions as provided by these Regulations.

3.5. The Chairman of the Committee shall be responsible for complete and timely communication of the committee recommendations to the Board of Directors.

3.6. In case the Chairman of a committee is absent, the deputy Chairman of the committee shall preside as the Chairman. In case the Chairman of the Committee and his Deputy are absent, the Committee member (Chairperson) elected by the majority of the votes of the Committee members participating in the meeting shall preside as the Chairman.

## 4. RIGHTS AND RESPONSIBILITIES OF MEMBERS OF THE BOARD COMMITTEES

4.1. The committee members are entitled to:

- submit proposals when preparing the committee forward schedule for a period ahead in accordance with the deadlines set out in the internal documents of the Company.
- initiate convening of the Committee meeting;
- request and obtain from executive bodies and officials of the Company in a timely and complete manner all information required for making informed decisions on the matters falling within terms of reference of the committee;
- familiarize with minutes of the committee meetings, obtain copies (abstracts) of the said minutes with observance of the requirements to confidential and other information protected by law and Company internal documents;
- request inclusion of special opinions on the agenda issues and resolutions into the minutes of the committee meeting;
- if not prohibited by legislation of the Russian Federation, receive remuneration for performance of their duties and/or compensation of expenditures related to execution of the committee member functions in the amount determined by the General Shareholders meeting and in accordance with the Company adopted principles of remuneration payment to the BoD members.

4.2. The committee members shall:

- act in good faith and reasonably when executing their duties, not abuse their official position and act against interests of the Company;
- actively participate in the work of the committee;
- carry out a comprehensive assessment of information and documents within the Committee's competence;
- not to disclose any information on the activities of the Company, its subsidiaries and affiliates that became known to them in the course of exercising their powers;
- immediately inform the committee on own interest in making a decision on the agenda item, refrain from voting or not participate in voting on such items of the agenda;
- refrain from actions that may result in the conflict between his own interest and interests of the Company and/or may discredit the committee and/or doubt the professionalism of the committee members.

4.3. No Committee member may give his vote to any other person, including another member of the Committee.



## 5. SECRETARY OF THE BOARD COMMITTEE

5.1. Functions of the Secretary of the Board of Directors shall be performed by the Corporate Secretary of the Company.

5.2. The term of office of the secretary of committees shall be equal to the term of office of the Company Corporate Secretary determined by resolution of the Company Board of Directors, and if such term is not determined - to the term of performance of his powers by the Company Corporate Secretary.

5.3. The Committee Secretary shall ensure organizational and technical support to the Committee activities, incl.:

- requests from the Committee members the proposals for preparing the Committee forward schedule, develops a draft agenda of the Committee meetings, sends the approved Committee meetings agenda to the Committee members;
- within the time established by item 6.13 hereof, informs the Committee members of the meetings, sends to the Committee members information and materials required for the meeting, as well as the bulletins for voting in case of the meeting in absentia;
- documents outcomes of the Company BoD committees (summarizes voting results on the agenda items, prepares and ensures signing of the meeting minutes);
- prepares and provides abstracts of minutes of the Committee meetings to the Committee members, members of the Company Board of Directors, who are not members of the committee and persons who initiated review of the item by the Committee subject to observance of the requirements to confidential and other information protected by law and Company internal documents;
- prepares a draft report on activities of the committee for its further approval by the committee and submission to the Company Board of Directors;
- ensures interaction of the Committee members with management bodies and officials of the Company;
- ensures safekeeping of the materials for the committee meetings, bulletins and minutes of the committee meetings;
- ensures the record and storage of all incoming documents and copies of outgoing documents related to the committee;
- exercises any other functions in accordance with these Regulations, resolutions of the Company Board of Directors and committees, assignment of the Committee Chairman.

## 6. MEETINGS OF THE BOARD COMMITTEES

6.1. The meetings of the committee will be held in accordance with the committee's approved meeting schedule (at least once in three months).

6.2. The committee forward schedule shall be prepared for each half a year based on the approved Board of Directors forward schedule.

The committee forward schedule may include issues that are not included in the BoD meetings' agenda and that may have a significant influence on the development of the Company, additional issues as consistent with the functions and tasks of the committee, as well as the issues in accordance with the assignment of the Board of Directors and with due account for the proposals of the committee members.

6.3. Draft forward schedule of the committee meetings shall be developed by the Committee secretary.

6.4. The Committee forward schedule shall be approved no later than 14 days after the approval of the Board of Directors forward schedule for the respective half-year period or at the first meeting of the Committee.

6.5. If necessary, the committee may hold extraordinary meetings that can be initiated by the Chairman of the committee, Deputy Chairman, committee member at his own initiative and on the proposal of the members of the Board of Directors, who are not members of the committee, member of the Audit commission of the Company, the Company's auditor, the Company's sole executive body or senior executive of the Company.

6.6. Agenda of Committee meeting shall be determined by the committee Chairman. Before holding the meeting, the committee meeting agenda may be amended (updated/reduced) by the decision of the committee Chairman at his own initiative, on the proposal of the committee members, members of the Board of Directors who are not the committee members, Audit commission of the Company, the Company's auditor, the Company's sole executive body or senior executives of the Company.

6.7. By the decision of the committee Chairman, members of the Board of Directors who are not the committee members, the Company's sole executive body, and members of the Company's collegiate executive body, representatives of the Company's auditor, senior executives and other employees of the Company may be invited to the committee meetings.

6.8. The committee meetings may be held in the format of:

- joint presence for a discussion of the agenda items, whereas any meeting of the committee in the format of a joint presence for the discussion of the agenda items may be held using technical capabilities of participation (telephone (video-) conference);
- absentee voting on the agenda items.

In case the committee meeting is held in the format of a joint presence for the discussion of agenda items using technical capabilities telephone (video-) conference), any member of the committee,

including the Chairman of the committee, deputy Chairman of the committee has a right to participate in such meeting using technical capabilities (telephone (video-) conference).

Format of the committee meeting shall be determined by the committee Chairman considering importance of the meeting agenda items.

6.9. The committee meetings shall be held using information security measure in order to prevent unauthorized access to confidential information.

6.10. The committee meeting is duly constituted (has a quorum), if more than half of the total number of the committee members participate (written opinions are received by the beginning of the meeting, completed bulletins are received by the end of the meeting). When there is no quorum, the committee meeting shall be rescheduled for the date determined by a decision of the Committee Chairman.

6.11. Committee meetings shall be convened by the Committee Chairman by way of sending a written notice of the Committee meeting stating the format, date, time and venue of the meeting (and in case of the meetings is held in absentia, the date and time of the voting bulletins receipt closing and the address where the bulletins should be sent to (received), and the meeting agenda items.

6.12. The Committee meetings may not be held at venues and/or times that most of the Committee members may find significantly inconvenient or impossible for personal presence.

Should any circumstances arise making it impossible or difficult to conduct the meeting of the Committee at the place and/or time, at a venue and (or) at a time, specified in the meeting notification, the meeting on the planned agenda may be conducted at a different venue and/or different time subject to approval of the respective changes by all members of the Committee.

Approval of the said changes with the meeting participants shall be made by the Committee Secretary. Such approval may be in any format subject to a condition that it allows establishing a fact of approval by all Committee members.

6.13. Notice of the Committee meeting with the attached materials on the agenda items and the voting bulletins (in case of the voting in absentia) shall be sent by the Committee Secretary to the Committee members no later than 3 days after the date of the meeting using the method approved by the Committee members.

By a decision of the Committee Chairman, in exceptional cases admitting of no delay, the timing of sending the materials to the Committee members may be reduced.

6.14. The Committee Chairman shall preside at the Committee meetings. Meeting minutes shall be taken by the Committee Secretary.

6.15. The Committee resolutions shall be passed by a simple majority of votes of the Committee members attending the meeting (taking into account the expressions in writing submitted by Committee members prior to the meeting).

Persons invited to the meetings shall not have the right to vote on the items reviewed, however, they may communicate their opinion to the Committee members in an oral or written form. Opinion of a

person invited to the meeting may be recorded in the meeting minutes (added to the meeting minutes).

6.16. Any information on personal interest of the Committee member (conflict of interest) in adopting a decision on any item shall be disclosed at the Committee meeting.

6.17. The Committee meeting minutes shall be drawn up in a single copy no later than 3 days after holding of the meeting and shall contain the following:

- Company legal name;
- format, time and venue of the Committee meeting (closing date of the bulletins accepting – in case of the meeting in absentia);
- list of persons attending the meeting, including invited persons who are not the Committee members;
- list of the Committee members who provided a written opinion on the agenda items, and the expression in writing of the Committee members (if any);
- statement that the quorum is present for the Committee meeting to be held;
- the agenda of the meeting;
- statement of the conflict of interest with the Committee member in making a decision on the item (items) of the meeting agenda;
- issues put to vote and results of voting on them;
- resolutions adopted in respect of the agenda items
- a special opinion of the Committee member, in case it is different from an opinion adopted by the Committee on the agenda item.

The committee meeting minutes shall be signed by the Committee Chairman and shall be deposited with the Committee Secretary.

6.18. The Committee Secretary shall ensure communication of the resolutions adopted by the Committee to the persons who initiated a review of the item by the Committee.

6.19. In case an item falling under the terms of reference of the Board of Directors should be preliminarily review by the Committee, a resolution adopted in respect of such item by the Committee shall serve as a recommendation to the Company Board of Directors.

Recommendation to the Board of Directors shall be submitted by the Committee Secretary in the form of an abstract of minutes of the Committee meeting. Abstract of the Committee resolution may be added to the materials of the Board of Directors meeting, in the agenda of which such item is included.

## 7. REPORTING OF THE BOARD COMMITTEES

7.1. Chairmen of Committees shall inform the Board of Directors of Committees activity, including of the recommendations issued and/or resolutions of Committees on the main items reviewed by Committees.

7.2. On the annual basis, Committees shall report on their performance to the Board of Directors providing information on the number of meetings held, the number and the list of issues reviewed, nature of recommendations issued and statistics of committee members' participation in the Committee activities.

7.3. The Committee report may contain an opinion of the Committee and/or individual members of the Committee on the Committee performance in the reporting year, proposals on improvement of the Committee performance as well as other information of relevance, in opinion of the Committee or individual members of the Committee.

7.4. Reports on Committees performance may be included in the Company's annual report.

7.5. Reports on the activities of the committees may be used in the course of a formalized procedure for evaluating the Board of Directors performance.

## 8. TASKS, FUNCTIONS, COMPETENCES AND POWERS OF THE BOARD COMMITTEES

### GENERAL PROVISIONS

The Committees are authorized by the Company Board of Directors to act within its terms of reference specified hereby and on behalf of the Board of Directors of the Company.

The Committees have the right to request and receive from the Company, executive bodies and officials of the Company, any information within its terms of reference as required for the Committee to carry out its activities.

The Company, executive bodies and officials of the Company must assist the Committee in obtaining the information requested by it, ensure the completeness of this information and the timeliness of its provision, demonstrate own initiative in providing information relevant for consideration and decision-making in the terms of reference of the Committee, subject to the restrictions imposed by the current legislation of the Russian Federation, the Charter and internal documents of the Company.

### 8.1. STRATEGY AND SUSTAINABLE DEVELOPMENT COMMITTEE

The Committee shall be established for the purpose of in-depth study of issues and preparation of recommendations to the Company Board of Directors on issues within its competence, as well as on issues delegated to the Committee by the Board of Directors.

The main objective of the Committee is to assist the Company Board of Directors in the strategic management of the Company's activities, in ensuring its protection of the interests of the Company's shareholders through control in the area of strategy and sustainable development of the Company.

The Committee shall provide assistance to the Board of Directors in the following areas of the Company governance:

- determination of strategic goals and guidelines for the Company's development, including the Company's goals in the area of social and environmental responsibility and management (ESG);
- evaluation of the Company's performance in the long term, the management focus on creating value for shareholders and other stakeholders in accordance with the principles of sustainable development;
- ensuring strategic and business planning;
- determination of the Company's policy in relation to the Group Subsidiaries within the terms of reference defined by the Company's Charter in respect of the corporate structure.

8.1.1. The functions of the Committee include as follows:

8.1.1.1. Participate in establishing priority areas of Company's business, assessment of strategic initiatives from Company senior executives with regard to development and implementation control of the Company Strategy and business area specific strategies of the Company by way of:

- regular interaction with the Company's structural units on strategy and sustainable development issues;
- preliminary review of proposals on forming the Company's development strategy and strategic initiatives, strategic and program documents of the Company in key business areas, continuous improvement of management efficiency, including finance (dividend policy, equity and debt capital structure, transactions with the Company's securities), human resources and organizational development, investment portfolio management, innovation and technological development, industrial safety and health, environmental protection and other areas of the Company's development;
- preliminary review of business projects/investment projects for their compliance with the Company's development strategy;
- preliminary review of initiatives of the senior managers of the Company in respect of reorganization of the Company;
- preliminary review of proposals regarding the execution of transactions related to the acquisition, merger, sale of stakes/shares, establishment of strategic alliances and joint ventures, decisions on which are within the competence of the Board of Directors of the Company, as well as transactions which are classified by the current legislation of the Russian Federation as major transactions;
- preliminary review of information (reports) on the results of the Company's development strategy implementation;
- preliminary review of the Company's reports on sustainable development and other public reports of the Company, including social and environmental responsibility and management issues (ESG);
- preliminary review of information (reports) on the Company's activities in the field of industrial safety, labor and environment protection.

8.1.1.2. Analysis of principal trends of the Russian current economic policy in relation to the Company's activities and communicate relevant information to the Company Board of Directors;

8.1.1.3. Analysis of risks and opportunities for the Company related to climate change, environment (including water management), and social responsibility of the Company (including human rights), other factors and bringing relevant information to the attention of the Board of Directors of the Company.

8.1.1.4. Participation in control of Company's Business Plan delivery;

8.1.1.5. Assessment of efficiency of the Company's interaction with investors and shareholders of the Company and other interested parties.

8.1.2. The Committee's terms of reference include:

8.1.2.1. Preliminary review and preparation of recommendations to the Company Board of Directors (if necessary) on the following issues:

- preliminary determination of the priority areas of the activities;
- determination of the Company's development strategy and monitoring its implementation;

- approve plans of the Company's financial and business operations (business plans, budgets) and monitor their implementation;
- adopt resolutions on application for a listing of the Company's shares and/or the Company's issuable securities convertible into the Company's shares;
- issuance of the Company's bonds and other securities;
- acquisition of shares placed by the Company subject to restrictions provided for by the applicable laws of the Russian Federation;
- acquisition of bonds and other securities placed by the Company in cases provided for under federal laws of the Russian Federation;
- sale of any shares acquired by the Company, in cases provided for under the effective legislation of the Russian Federation;
- approval of a report on the results of acquisition of the shares for the purpose of their redemption and of the report on the results of redemption of shares;
- approval of a report on shareholders' claims for redemption of their shares.
- taking decisions on the Company's implementation of business projects/investment programs and on the conclusion, modification, and early termination by the Company of transactions which are classified as major transactions by the current legislation of the Russian Federation;
- approval of the Company's internal documents at the Policy-level, as well as any amendments and supplements thereto on issues related to the Committee's functions:
  - ◆ determination of the Company's business organization model (including determination of key managerial and business processes and principles for establishing and modifying the Company's organizational structure);
  - ◆ sustainable development, social and environmental responsibility and governance (ESG);
  - ◆ investing activity;
  - ◆ innovative and technological activity;
  - ◆ communications policy;
  - ◆ dividend policy;
  - ◆ external communications (including regional politics and international operations);
  - ◆ other areas of the Company's activity that are of strategic importance for its development.

8.1.2.2. Preliminary review of the Company's report on sustainable development in respect to the functions of the Board Committee.

8.1.2.3. Review of other issues as part of the Board Committee's performance of its functions as set out in these Regulations.

## **8.2. HR AND REMUNERATION COMMITTEE**

The Committee shall be established for the purpose of in-depth study of issues and preparation of recommendations to the Board of Directors of the Company on issues within its competence in relation to HR, social policy, remuneration policy, as well as on other issues delegated to the Company's Board of Directors.



The main objective of the Committee is to assist the Board of Directors in protecting the shareholders' interests by way of assessing efficiency of the HR policy and the policy of continuity in the Company, the system of appointments and remunerations, evaluation of the activity of the Board of Directors, executive bodies and other senior managers of the Company.

8.2.1. The functions of the Committee include as follows:

8.2.1.1. Involvement of qualified experts in management of the Company and provision of required incentives for their successful work by way of:

- analysis of current and expected needs of the Company with regard to professional qualification of members of management bodies and senior managers of the Company taking into account interests and development strategy of the Company;
- determination of criteria for selection and preliminary evaluation of candidates to the Company's Board of Directors and executive bodies of the Company, as well as candidates to the positions of the sole executive body and senior managers of the Company from the perspective of professional expertise, experience (taking into account the information provided by them);
- assessment of suitability of the candidates to members of the Board of Directors, analysis of suitability of independent directors (based on the information provided by them) on independence criteria, development and communication to the Board of Directors of an opinion on the independence of the candidates / members of the Board of Directors, including information about the circumstances whereby a member of the Board of Directors ceases to be independent;
- preparation of recommendations to shareholders regarding voting on election of candidates to the Board of Directors of the Company;
- planning for appointments of members of the executive bodies, including ensuring continuity of operations;
- preparation of recommendations to the Company's Board of Directors regarding the candidates for the sole executive body, members of the collegiate executive body, and the Corporate Secretary of the Company;
- preparation of proposals to determine the essential terms and conditions of contracts (employment contracts) with the members of the Board of Directors of the Company, with the members of the collegiate executive body of the Company and the person performing the functions of the sole executive body of the Company, including the procedure and conditions of early termination of contracts, including all material obligations of the Company and the conditions of their submission;
- preparation of proposals and recommendations to the Company's Board of Directors on determining the amount of remuneration, principles and amount of bonuses for the Corporate Secretary of the Company;
- review and evaluation of the expediency of implementing long-term incentive programs for senior managers, taking into account the business model, planning horizons of the Company's activity, objectivity of long-term indicators, expected motivational efficiency and the cost of such program implementation.

The Committee shall be entitled (subject to the relevant initiative of shareholders) to organize preliminary discussion by shareholders (representatives of shareholders) of candidates proposed for nomination to the Board of Directors of the Company.

#### 8.2.1.2. Assessment of the Company management bodies' performance by way of;

- participation in the development of criteria for assessing the performance of members of executive bodies and senior managers of the Company;
- preliminary assessment of the performance of members of executive bodies and senior managers of the Company based on the results of the year in accordance with the current remuneration policy of the Company, including assessment of their achievement of the set goals;
- updating the remuneration policy for members of the Company's Board of Directors, members of the executive bodies of the Company and other senior managers of the Company, control over its implementation and execution;
- preparing recommendations to the Company's Board of Directors regarding the possibility of reappointment (extension of powers) of members of the executive bodies of the Company;
- developing a methodology for assessing performance of the Board of Directors and members of the Board of Directors of the Company, including a methodology for self-assessment of members of the Board of Directors, and preparation of proposals (recommendations) to the Board of Directors for its approval;
- reviewing the candidature of an independent consultant for external assessment of the work of the Company's Board of Directors and preparing proposals (recommendations) to the Company's Board of Directors for the selection of an independent consultant for the assessment of the Board of Directors' performance;
- carrying out an annual detailed formalized evaluation (self-assessment/external evaluation) of the performance of the Board of Directors and its committees, members of the Board of Directors, reviewing the results of the evaluation and developing proposals to the Board of Directors with respect to improving the activities and procedures of the Board of Directors, identifying priority areas for strengthening the Board of Directors, and preparing a report on the results of the evaluation for inclusion in the Annual Report of the Company;
- development of an induction course for newly elected members of the Company's Board of Directors aimed at familiarizing newly elected directors with the Company's activities, its strategy, organizational structure and business practice, and monitoring the implementation of the induction course;
- development (if necessary) of a training and professional development program for members of the Company's Board of Directors, taking into account their individual needs, as well as control over its implementation.

8.2.1.3. Constant monitoring of compliance of the Company's HR and social policy, the system of motivation, evaluation and remuneration of the Company with the development strategy of the Company, the situation in the labor market and financial position of the Company by means of preparation of proposals regarding determination of directions of the Company's HR and social policy, including recruitment, development and motivation of personnel, as well as on improvement of the HR and social policy, including issues of the succession pool and corporate culture.

8.2.1.4. Supervision over disclosure of information on policy, practice of remuneration and ownership of the Company's shares by members of the Board of Directors, members of executive bodies and senior managers of the Company in the Annual Report and on the corporate website of the Company on the Internet.

8.2.1.5. Ensuring regular interaction between the members of the Company's Board of Directors and the executive bodies of the Company and the HR and Social Issues Business Unit of the Company through working meetings and joint meetings on issues:

- development of the Company's HR and Social Policy;
- development of a unified corporate culture that facilitates effective implementation of the Company's HR policy and attraction of qualified specialists to work in the Company;
- implementation of corporate governance principles in the Company;
- exercising control over compliance by the Company's employees with the requirements of local normative documents related to HR and social policy;
- preliminary assessment of candidates for the positions of senior managers of the Company;
- preliminary discussion of proposals regarding the payment of remuneration to members of the Board of Directors and executive bodies of the Company.

8.2.2. The Committee's terms of reference include:

8.2.2.1. Preliminary review and preparation of recommendations to the Company's Board of Directors (if necessary) on the following issues:

- approval of criteria for determination of the amount of remuneration payable to the members of the Board of Directors of the Company;
- analysis of professional qualification and independence of all candidates for election to the Company's Board of Directors;
- preparation and forwarding of recommendations on issues related to the assessment (efficiency) of the Company's Board of Directors' performance, including:
  - ◆ on self-assessment of the Board of Directors' performance;
  - ◆ on external assessment of the Board of Directors' performance by an independent consultant and review of the report on the results of such evaluation;
  - ◆ on approval of the Plan for the improvement of performance of the Company's Board of Directors.
- determination of key performance indicators and approval of the amount of annual bonuses (bonuses) for members of the Company's collegiate executive body, the Company's sole executive body, as well as other management employees (senior managers) of the Company;
- appointment of the Chief Executive Officer of the Company, making decision on early termination of authorities of the Chief Executive Officer of the Company;
- determination of the number of members of the Company's Management Board, appointment of members of the Company's Management Board, appointment of the Deputy Chairman of the Company's Management Board, taking a decision on early termination of powers of individual members or the entire Management Board of the Company;
- approval of the terms and conditions of contracts with the Company's Chief Executive Officer and members of the Management Board, approval of amendments and modifications to the said contracts;
- determination of the persons authorized to sign an agreement with the Chief Executive Officer and members of the Management Board on behalf of the Company;
- determination of the official of the Company performing the functions of the sole executive

body of the Company in case of impossibility of the Chief Executive Officer of the Company to perform his duties for a long or indefinite period of time, including in case of temporary disability, as well as in case of dismissal of the Chief Executive Officer at his own discretion and in case of early termination of powers of the Chief Executive Officer of the Company on other grounds;

- issuance of consent to the Chief Executive Officer concurrent employment, and to holding by the Chief Executive Officer and the members of the Management Board of the Company of positions in governing bodies of other organizations;
- approval of the Company's internal documents including any amendments and modifications thereto related to the Board Committee's functions.
  - ◆ Company's Code of business policies and ethics;
  - ◆ Regulations on the Company's Corporate Secretary;
  - ◆ Regulations on remuneration and compensation of expenses to the members of the Company's Board of Directors;
  - ◆ Regulations on remuneration and compensation of the Company's Audit Commission;
  - ◆ Regulations on holding by members of the Board of Directors of shares of the Company and the Group Subsidiaries;
  - ◆ Regulations on remuneration to members of the Management Board and the sole executive body (including Regulations on social support measures for members of the Management Board and the sole executive body) and for key management personnel;
  - ◆ Regulations on the annual bonuses (bonuses) and options;
  - ◆ Policy-level corporate regulations of the Company in the following areas:
    - HR and social policies;
    - performance assessment (including assessment of the Company's governing bodies' performance);
    - other areas of the Company's activity affecting the HR and social spheres.
- recommendations to the General Meeting of Shareholders of the Company on the amount of remunerations and reimbursements of expenses paid to members of the Internal Audit Commission of the Company for the period of performing their duties;
- appointment to a position, as well as dismissal of the Corporate Secretary of the Company;
- review of other issues as part of the Board Committee's performance of its functions as set out in these Regulations.

### 8.3. AUDIT COMMITTEE

The Committee shall be established for the purpose of in-depth study of issues and preparation of recommendations to the Board of Directors of the Company on issues within its competence in relation to the Company's financial and business operations, as well as on other issues delegated to the Company's Board of Directors.

Main objective of the Committee is to provide assistance to the Company's Board of Directors in ensuring protection of the Company shareholders' interests by way of monitoring completeness and

accuracy of financial and other reporting of the Company, reliability and efficiency of the risk management and internal control, compliance, internal audit and corporate governance system.

8.3.1. The functions of the Committee include as follows:

8.3.1.1. Control completeness, accuracy and reliability of the accounting (financial statements) reporting of the Company by way of:

- preliminary review of the Company's accounting (financial) statements developed in accordance with the Russian accounting standards and international financial reporting standards, as well as materials that contain information on the results of these reports disclosed by the Company;
- analysis of significant adjustments made on the results of the external audit of the Company's accounting (financial) statements;
- review of significant changes in the procedures for the development of the Company's accounting (financial) statements;
- review of the material issues and judgments in respect of the Company's accounting (financial) statements;
- assessment of completeness and reliability of disclosure of the Company's accounting (financial) statements;
- analysis of significant aspects of the Company's accounting policy, assessment of the completeness and reliability of tax, book-keeping and management accounting in the Company;
- regular interaction with structural divisions of the Financial and Economic Function of the Company in the development of requirements to the standards of financial, tax, book-keeping and management accounting in the Company, as well as selective monitoring of compliance of such standards with the established requirements, consideration of significant issues and judgments in accounting (financial) statements of the Company;
- preliminary consideration of internal documents of the Company in the area of accounting (financial) reporting at the Policy level.

8.3.1.2. Ensuring the independence and objectivity of external audit by way of:

- regular interaction with the independent auditor of the Company;
- control over the tender for auditor services provision to the Company;
- assessment of candidates to the Company's auditors in the course of procurement procedures for audit services contracting and submission of recommendations to the Company's Board of Directors on the auditor's (auditors') candidate to forward the issue for the decision of the General Shareholders Meeting of the Company;
- drafting and submission of requirements for approval to the Board of Directors of the Company, the observance of which allows the auditor to be qualified as independent in relation to the Company (including the definition of those types of services that the auditor can provide to the Company without questioning his independence with respect to him and receipt of a written confirmation from the auditor on compliance with these requirements, as well as preparation of recommendations to the Board of Directors of the Company regarding the term of the auditor's rotation);

- development of proposals for the permissible types and scopes of non-audit services provided by the Company's auditor, as well as the amount of remuneration paid by the Company for such services;
- review and assessment of the annual official written report of the Company's auditor describing all relations between the auditor and the Company, including the structural units of the Company and the Group Subsidiaries, in order to identify circumstances that may affect the independence of the Company's auditor;
- discussions with the Company's auditor of the scope and time of the Company's audit, interim and final audit results, other issues requiring the attention of the Committee and/or related to the conduct of audit procedures, as well as the results of consulting and other services provided by the auditor to the Company;
- assessment of the Company's auditor opinion and its submission in written form to the Board of Directors of the Company (attached to the materials for the Annual General Shareholders Meeting of the Company);
- annual review of the Company's auditor report describing the internal control procedures, material disputes arising from the latest audits and ways of those disputes resolution;
- assessment of compliance of the external auditor's remuneration amount with the scope, quality and effectiveness of the external audit process.

#### 8.3.1.3. Ensuring effective interaction between the external auditor and the Company through:

- coordination of the work of the external auditor of the Company and the internal audit service to ensure the completeness of the audit coverage, including assistance in organizing and participating in the meetings of the external auditor with the Company's officials and the Internal Audit Service of the Company;
- together with the external auditor of the Company and the Internal Audit Service of the Company, consideration of known facts of fraud practices, significant deficiencies in the internal control procedures, and evaluation of their effect on the Company's reporting;
- consideration of the Company's external auditor requirements to convene an Extraordinary General Shareholders Meeting of the Company and submission of recommendations to the Board of Directors of the Company regarding the possibility to meet such requirements;
- preparation of proposals on elimination of disagreements arising between the auditor and the Company's management.

#### 8.3.1.4. Ensuring the independence and objectivity of internal audit by way of:

- preliminary review of an internal Policy-level document of the Company related to internal audit (Regulations on internal audit that defines the goals, tasks and powers of the structural unit performing the internal audit functions in the Company) and assessing the effectiveness of its implementation;
- regular interaction with the internal audit service in order to:
  - ♦ review significant limitations of authority or budget for the implementation of the internal audit function which may adversely affect the effective implementation of the internal audit function;
  - ♦ review the submitted information (activity plans, performance reports, assessment of the effectiveness of the risk management system and internal control, results of individual



inspections including information on identified significant deficiencies and violations, as well as action plans to improve the internal audit function);

- ◆ organize independent assessment of the quality of activities in the field of internal audit at least once every five years.

8.3.1.5. Control of operating efficiency and reliability of the risk management and internal control system by means of:

- preliminary review of an internal Policy-level internal document of the Company as related to risk management and internal control;
- control of procedures ensuring compliance with the requirements of legislation and stock exchanges in the field of risk management and internal control;
- review of proposals to improve the risk management and internal control system;
- regular interactions with Company's executive bodies for the purpose of reviewing their reports on assessment of the internal control and risk management system efficiency, including information on key risks and activities to mitigate such risks.

8.3.1.6. Monitoring of the Company' corporate governance system, evaluation of the corporate governance practice and development of recommendations on improving corporate governance system of the Company by way of:

- preliminary consideration of internal Policy-level documents of the Company in the field of corporate governance and conflict of interest management and assessment of the effectiveness of their implementation;
- control of procedures that ensure compliance of the Company's with the legislation, ethical standards and procedures, and requirements of exchanges in the field of corporate governance;
- analysis of the completed measures to improve the corporate governance.

8.3.1.7. Regular interaction with the Audit Commission for the purpose of:

- analysis of the conclusion following the results of the Company's business audit, the Company's accounting (financial) statements and the data contained in the Annual Report and the annual financial statements of the Company, as well as information not related to the results of the annual audit of the Company's business;
- assessment of the need for the Audit Commission of the Company to check the financial and business activities of the Company and preparation of relevant recommendations to the Board of Directors of the Company;
- consideration of the Company's Audit Commission requirements to convene an Extraordinary General Shareholders Meeting of the Company and preparation of recommendations to the Board of Directors of the Company regarding the possibility to meet such requirements;
- preliminary review and preparation of recommendations on introducing amendments and addenda into the Company's internal documents regulating the activities of the Company's Audit Commission.

8.3.1.8. Control of the effectiveness of the Fraud Early Warning System that informs about potential fraud of the Company's employees (incl. use of insider and confidential information in bad faith) and third parties and other noncompliance issues in the Company activities by way of:

- supervision of special audits (investigations) on potential cases of fraud, corruption, unfair use of insider information and/or other unscrupulous actions of the Company's employees;
- control over the measures taken by the executive bodies of the Company within the framework of such system.

8.3.1.9. Ensuring regular interaction between the Board of Directors of the Company and the Company's executive bodies, structural units of the Company's Financial and Economic Function, the Company's structural units responsible for internal audit, risk management and internal control matters, the Audit Commission, through regular meetings and joint meetings on the issues:

- development of a unified corporate culture that contributes to the effective functioning of the risk management and internal control system, internal audit, and corporate governance practices;
- coordination of audit (external and internal) activities, risk management and internal control;
- control over compliance by the employees of the Company's structural units with the requirements of local normative documents;
- implementation and monitoring of control procedures;
- other issues related to the functions of the Committee.

8.3.2. The Committee's terms of reference include:

8.3.2.1. Preliminary review and preparation of recommendations to the Company's Board of Directors (if necessary) on the following issues:

- preliminarily approve the Company Annual Report, in terms of the Committee functions;
- working out proposals on appointment, re-election and dismissal of the Company's external auditors;
- specify the Company's auditor service fee amount;
- make resolutions on audit by the Audit Commission of financial and business operations of the Company, consider the findings of such audits as carried out pursuant to the resolution of the Board of Directors, and make resolutions on them if required;
- determining the price (monetary value) of the property in cases, provided for by the Federal Law № 208 of 26.12.1995 "On Joint Stock Companies";
- approval of reporting on identification of corporate level financial and business operations risks including determination of the acceptable risk (risk appetite);
- control of operating efficiency and reliability of the risk management and internal control framework;
- approve key areas for development of the risk management and internal control system, and supervise their implementation;
- reviewing the effectiveness of the compliance system;
- make resolutions on appointment and dismissal of the Head of the Internal Audit Service of the Company;
- review of reports on the Company's Internal Audit performance, coordination of the internal audit activity plans;
- review of the results of the financial statements audit;



- approval of related-party transactions in the cases provided for by the Federal Law "On Joint Stock Companies" № 208 of 26.12.1995 if they are of material importance for the Company;
- prepare recommendations to the General Shareholders Meeting of the Company on the following issues:
  - ◆ distribution of profits and losses of the Company based on results of a fiscal year;
  - ◆ amount of a dividend on the Company shares and procedure of dividends payment.
- preliminary review of reports on the Company's compliance with the requirements of the legislation of the Russian Federation in the area of combating the illegal use of insider information and market manipulation;
- approve the following Company's internal documents including any amendments and modifications thereto related to the Board Committee functions:
  - ◆ Corporate Governance Code of the Company;
  - ◆ Policy-level corporate regulations of the Company in the following areas:
    - internal audit (Regulations on Internal Audit, which shall define the goals, objectives, and authorities of organizational departments performing internal audit functions in the Company);
    - risk management and internal control system;
    - management of finances and reporting;
    - dividend policy (Regulations on Dividend Policy);
    - management of conflicts of interest;
    - corporate governance;
    - countering the misuse of insider information.
- review of other issues as part of the Board Committee's performance of its functions as set out in these Regulations.

8.3.2.2. Preliminary review of issues related to the involvement of an independent appraiser in cases provided for by legislation and local normative documents of the Company.

8.3.2.3. Review of issues related to consolidated financial results and consolidated financial statements of the Company under IFRS, as well as accounting (financial) statements under RAS.

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## 9. FINAL PROVISIONS

9.1. To ensure activities of the Board Committees, the Company business plan may provide for funding of each Committee operation.

9.2. Whenever necessary and by decision of the Committee, within the budget envisaged, the Committee members may participate in the professional advanced training programs.

9.3. Activities of each committee shall be annually evaluated by the Company's Board of Directors.

9.4. On a regular basis, the Committee shall assess the relevance hereof and, if necessary, develop proposals to the Board of Directors of the Company on its amendment.

9.5. Any alterations hereof and amendments hereto shall be made by the Company's Board of Directors. The Committees are entitled to initiate introduction of amendments in the Resolutions hereof.

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## 10. REFERENCES

1. Federal Law No. 208-FZ "On Joint Stock Companies" dated 26.12.1995.
2. 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 No. 06-52/2463 dated 10.04.2014 "On the Code of Corporate Governance").
3. Rosneft Corporate Governance Code No. PZ-01 KS-01, revision 2.00, approved by the resolution of Rosneft Board of Directors on 15.11.2017 (minutes No.6 dated 17.11.2017).