



APPROVED BY
the Board of Directors
Rosneft Oil Company
November 15, 2017
Minutes of November 17, 2017 № 6.

ROSNEFT STANDARD

ON PAYMENTS AND COMPENSATIONS TO TOP-MANAGERS

№ P2-03 S-0132 YL-001

VERSION 2.00

MOSCOW
2017

CONTENTS

CONTENTS	2
INTRODUCTORY PROVISIONS	3
PURPOSE	3
SCOPE	3
VALIDITY AND AMENDMENT PROCEDURE	3
1. TERMS AND DEFINITIONS.....	4
2. BASIC PROVISIONS	6
3. OFFICIAL SALARY.....	7
4. ADDITIONAL PAYMENTS RELATED TO PERFORMANCE OF JOB DUTIES	8
5. INCENTIVES (BONUS PAYMENT)	10
6. OTHER PAYMENTS AND COMPENSATIONS	12
7. REFERENCES	13
8. REGISTRATION OF AMENDMENTS TO THIS LOCAL REGULATORY DOCUMENT	14

Rosneft shall reserve all rights for this Local Normative Document (LND). This LND or any part thereof may not be reproduced, replicated or disseminated without the express consent by Rosneft.

INTRODUCTORY PROVISIONS

PURPOSE

This Standard specifies the basic principles of remuneration and payment of stimulating and other allowances to the Chief Executive Officer of Rosneft, Vice Presidents of Rosneft and officers equivalent to the Vice Presidents of Rosneft.

The standard has been developed in accordance with the requirements of the Civil Code of the Russian Federation, the Labor Code of the Russian Federation, Federal Law of 26.12.1995 №208-Ф3 "On Joint Stock Companies", the Corporate Governance Code recommended by the Bank of Russia for use by listed joint stock companies¹, other regulatory legal acts of the Russian Federation, the Charter of Rosneft, the Regulations on the Board of Directors of Rosneft and Rosneft Regulations on Rosneft Board HR and Compensation Committee № P2-03 R-0329 YL-001.

SCOPE

This Standard shall be binding upon all employees of Rosneft involved in calculating and effecting payments provided for by this Standard.

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

In cases when upon changes to the Russian law and/or the Rosneft Charter, the provisions of this Standard come into conflict therewith, one shall be guided by the law of the Russian Federation and/or the Rosneft Charter.

VALIDITY AND AMENDMENT PROCEDURE

This Standard is a local normative document of permanent validity.

This Standard shall be approved, amended or deemed null and void in Rosneft based on a resolution of the Rosneft Board of Directors.

Initiators of changes to the Standard shall be the Rosneft Board of Directors, Rosneft Board HR and Compensations Committee, Rosneft Chief Executive Officer.

¹ Letter of the Bank of Russia № 06-52/2463 dated 10.04.2014 On the Corporate Governance Code.

1. TERMS AND DEFINITIONS

COLLECTIVE PERFORMANCE INDICATORS – are the indicators based on the development strategy of Rosneft, the long-term development program of Rosneft and the business plan of Rosneft which are used for the collective performance appraisal of Rosneft, Rosneft Streams and Rosneft Group Subsidiaries.

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

CORPORATE PENSION – is a non-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 the allocation of pension reserves assessed by the Non-Government Pension Fund.

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

INDIVIDUAL PERFORMANCE INDICATORS – are the indicators based on the development strategy of Rosneft, the long-term development program and the business plan of Rosneft which are used for an individual performance appraisal of the Rosneft management.

KEY PERFORMANCE INDICATORS (KPIs) – are the indicators based on the strategy, the long-term development program and the business plan of Rosneft, as well as operating objectives for the reporting period which are used to quantify the efficiency of relevant activities of Rosneft managers.

LOCAL NORMATIVE DOCUMENT – is an internal (effective within the Company business scope) controlled standard document adopted (approved) by an authorized governance body or an officer as per the delegated authorities in compliance with the Company's effective procedures and setting forth, for multiple application, the rules and requirements to the Company's business, including also to employees, production and/or management processes, products, systems, technologies, which shall be followed by the Company employees or other persons for whom this document is valid and binding.

Note:

Controlled document is a document to which the Company assigns an individual identification number and controls (manages) in due order the procedures of the document agreement, approval, communication, dissemination, and publication.

OFFICIAL ENTERTAINMENT EXPENSES – are 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 Rosneft Board of Directors, and the Rosneft Management Board.

OFFICIAL SALARY – is a fixed amount of cash payment per month which is paid to the employee for the performance of his/her job duties.

TOP MANAGERS – are Chief Executive Officer of Rosneft, First Vice President, Vice Presidents of Rosneft and office holders in the rank of Vice President of Rosneft.

2. BASIC PROVISIONS

2.1. Efficient management of Rosneft is based on ensuring the commitment of the top managers of Rosneft to the results of their work and the achievement of the Company's strategic goals. An integrated top management incentives system is in place at the Company which includes:

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

2.2. The Rosneft top management incentives system 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 the requirements of the effective law of the Russian Federation, they shall be governed by Rosneft LND, approved by Rosneft governance bodies in accordance with the competence established by the Rosneft Charter.
- **EFFICIENCY** – the top management incentives system is based on balancing the interests of Rosneft shareholders and the interests of the top managers in achieving the Company's strategic goals in the long term.
- **OBJECTIVITY** – the size of remuneration payable to the top managers directly depends on the Company's performance and implementation of significant projects.

3. OFFICIAL SALARY

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

- for the Chief Executive Officer of Rosneft – by a resolution of the Rosneft Board of Directors;
- for the members of the Rosneft Management Board – by a resolution of the Rosneft Chief Executive Officer based on a resolution of the Rosneft Board of Directors made with due consideration of recommendations issued by the Rosneft Board HR and Compensations Committee;
- for other top managers – by a resolution of the Rosneft Chief Executive Officer.

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

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

4. ADDITIONAL PAYMENTS RELATED TO PERFORMANCE OF JOB 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 contribution to the work of the Management Board of Rosneft.

Top-managers included in the collegial executive body (Management Board) of Rosneft shall be entitled to a one-time additional payment in the amount of 5% of the official salary of the Chief Executive Officer of Rosneft, as approved by 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 Rosneft Regulations "Procedure and terms of establishment and payment of monthly percentage surcharges to the official salary of employees permanently admitted to work with information constituting state secrets, and to employees of state secrets protection structural units of Rosneft" № P3-11.03 R-0019 YL-001.

4.4. Business trip expenses.

Top managers seconded on a business trip shall be entitled to per diem expenses, and to reimbursement of expenses related to booking of and payment for accommodation, traveling to the destination and back, other expenses related to fulfillment of duty assignments in accordance with the norms established in the Company's Recommended Practice "Russia and overseas business trip allowance standards for the employees of Rosneft and Group Subsidiaries" №P2-07 M-0003.

4.5. Official entertainment expenses.

For the purposes of fulfillment of job duties related to establishment and maintenance of business contacts with representatives 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 the Rosneft Recommended Practice "Official entertainment expenses planning, control and documentation" № P2-07 M-0001 YL-001.

4.6. Compensation of residential lease.

A top manager whose permanent place of residence differs from the location of the principal place of work shall be compensated for expenses related to residential 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, rental fees. The compensation amount shall be specified 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 younger than 23 years old, not married, who financially depend on the top managers and live with them, shall be compensated for expenses

related to education of such children at the location of the principal place of work. The compensation amount shall be specified in the employment contract with the top manager.

4.8. Other payments related to performance of job duties.

In accordance with a resolution of the Board of Directors made with due consideration of recommendations issued by the Rosneft Board HR and Compensations Committee, top-managers may be entitled to other remunerations related to performance of their job duties, the amounts and procedure for payment of which are stipulated in employment contracts. Such payments shall be common for all top managers and cannot be selective.

5. INCENTIVES (BONUS PAYMENT)

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

5.2. Annual bonus:

1. Payment of annual bonuses to the top managers shall be based on the achievement of individual and collective key performance indicators (KPIs). 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 Rosneft Board HR and Remuneration Committee acting on the basis of the Rosneft Regulations on the Rosneft Board of Directors HR and Remuneration Committee № P2-03 R-0329 YL-001.
2. Key performance indicators of the Chief Executive Officer of Rosneft shall coincide with the top-level indicators of the Company's performance.
3. Key performance indicators of 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 streams;
 - b. individual performance indicators and work targets related to the implementation of the Company's strategy and its development.
4. The size of the annual bonus of a top manager shall be established as a percentage of the annual cash remuneration paid by Rosneft to the top manager for the reporting year, net of bonuses and compensations.
5. The standard size of the annual bonus of the Chief Executive Officer of Rosneft shall be set at 150% of his annual cash remuneration.
6. The standard size of the annual bonus of other top managers shall be set at 140% of the annual cash remuneration.
7. The procedure and time for payment of the annual bonus to top managers shall be stipulated by Rosneft LND governing the procedure and terms of annual bonus payment.

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

1. For high achievements related to the implementation of significant projects of Rosneft, a top manager may be entitled to a spot bonus.
2. The size of a top manager bonus in accordance with the Company's LNDs shall be approved:
 - a. by an order of Rosneft, if the size of the bonus is less than or equal to the sixfold official salary inclusive;
 - b. by an order of Rosneft, subject to a positive recommendation of the Rosneft Board HR and Compensations Committee, if the size of the bonus exceeds his/her sixfold official salary.

5.4. Payment of the bonus in the event 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 the amount whereof shall be approved by an order of Rosneft.

2. top managers who are honored with corporate awards of Rosneft shall be entitled to a cash consideration the amount whereof, depending on the type of the award, shall make up from 50,000 rubles to 150,000 rubles.

5.5. Stock options plan.

In order to ensure conformity of the interests of the top managers and shareholders of Rosneft by linking the remuneration of the top managers to the growth of the cost of shares of Rosneft in the long term, top managers shall be entitled to participate in stock options plans approved by the Board of Directors of Rosneft.

6. OTHER PAYMENTS AND COMPENSATIONS

6.1. Pension insurance.

Top managers shall be entitled to non-government corporate pension in accordance with the Company's Standard for Non-Government Pension Provision to Employees of Rosneft and Group Subsidiaries № P3-09 S-0007.

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

6.2. Medical insurance.

Top managers of Rosneft together with their family members (spouse and minor children) are entitled to use the corporate voluntary medical insurance program, in particular, abroad, in accordance with the Rosneft Regulations on the Procedure for Delivery of Healthcare to Employees of the Rosneft Executive Office № P3-09 R-0018 YL-001.

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-time compensation in an amount equal to six average monthly salaries.

6.4. Other payments and compensations.

Top managers of Rosneft may be entitled to any other payments and compensations based on resolutions of the Rosneft governance bodies adopted in accordance with the Rosneft Charter and LND.

7. REFERENCES

1. Civil Code of the Russian Federation
2. Labor Code of the Russian Federation.
3. Federal Law № 208-FZ 'On Joint Stock Companies' dated 26.12.1995.
4. Corporate Governance Code recommended by the Bank of Russia as applicable to joint-stock companies the securities of which are traded (Letter of the Bank of Russia № 06-52/2463 "On Corporate Governance Code" dated April 10, 2014).
5. Charter of Rosneft approved by the resolution of the General Shareholders' Meeting of Rosneft dated 27.06.2014 (Unnumbered minutes dated 02.07.2014).
6. Company's Standard for Non-Government Pension Provision to Employees of Rosneft and Group Subsidiaries № P3-09 S-0007 version 3.00, as approved by the Rosneft Management Board on 30.05.2016 (Minutes № Pr-IS-15p dated 30.05.2016), put into effect by Rosneft Order № 558 dated 03.10.2016.
7. Regulations on Rosneft Board of Directors approved by the resolution of Rosneft General Shareholders Meeting of 27.06.2014 (Minutes dated 02.07.2014, unnumbered).
8. Rosneft Regulations on Rosneft Board HR and Compensations Committee № P2-03 R-0329 YL-001 version 2.00 as approved by resolution of the Board of Directors of Rosneft dated 01.10.2014 (Minutes № 6 dated 06.10.2014).
9. Rosneft Regulations "Procedure and terms of establishment and payment of monthly percentage surcharges to the official salary of employees permanently admitted to work with information constituting state secrets, and to employees of structural units protecting state secrets of Rosneft. № P3-11.03 R-0019 YL-001 version 1.00 as approved by the resolution of Rosneft Management Board on 25.04.2012 (Minutes № 22 dated 25.04.2012), put into effect by Rosneft Order № 279 dated 10.05.2012.
10. Rosneft Regulations on Rosneft Board HR and Compensations Committee № P2-03 R-0329 YL-001 version 2.00 as approved by resolution of the Board of Directors of Rosneft dated 01.10.2014 (Minutes № 6 dated 06.10.2014).
11. Rosneft Regulations on the Procedure for Delivery of Healthcare to Employees of the Rosneft Executive Office № P3-09 R-0018 YL-001 version 1.00 as approved by Rosneft order № 375 dated 29.08.2013.
12. Company's Recommended Practice "Russia and Overseas Business Trip Allowance Standards for the Employees of Rosneft and Group Subsidiaries" № P2-07 M-0003 version 2.00 as approved by Rosneft order № 751 dated 31.01.2014).
13. Rosneft's Recommended Practice "Official entertainment expenses planning, control and documentation" № P2-07 M-0001 YL-001 Version 2.00, approved by Rosneft Order № 364 dated 25.07.2014.

8. REGISTRATION OF AMENDMENTS TO THIS LOCAL REGULATORY DOCUMENT

Table 1
List of Amendments to this Regulation of Rosneft

VERSION	TYPE AND TITLE OF THE DOCUMENT	DOCUMENT NUMBER	DATE OF APPROVAL	EFFECTIVE DATE	APPROVAL AND VALIDATION
1	2	3	4	5	6
1.00	Rosneft Standard On payments and compensations to top-managers	P2-03 S-0132 YL-001	23.04.2015	24.04.2015	Approved by resolution of Rosneft' Board of Directors dated April 23, 2015 Minutes dated April 24, 2015 № 29, Effective as of April 24, 2015 By Order dated April 24, 2015, № 166