

APPROVED

**by Rosneft Board of Directors Resolution
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CODE

ROSNEFT CORPORATE GOVERNANCE

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TABLE OF CONTENTS

1. INTRODUCTION	3
2. PRINCIPLES OF CORPORATE GOVERNANCE.....	4
3. OBSERVANCE AND PROTECTION OF SHAREHOLDERS' RIGHTS, INTERACTION WITH THE SHAREHOLDERS	6
3.1. OBSERVANCE OF SHAREHOLDERS' RIGHTS TO PARTICIPATION IN COMPANY MANAGEMENT	6
3.2. OBSERVANCE OF SHAREHOLDERS' RIGHTS TO RECEIVE PART OF THE PROFIT AS DIVIDENDS.....	8
3.3. KEEPING RECORD OF ENTITLEMENTS TO SHARES	9
4. INTERACTION WITH STAKEHOLDERS	10
5. MANAGEMENT OF ROSNEFT BY THE EFFICIENT AND PROFESSIONAL BOARD OF DIRECTORS.....	12
5.1. COMPOSITION OF ROSNEFT'S BOARD OF DIRECTORS	14
5.2. ORGANIZATION OF THE PROCEEDINGS OF THE BOARD OF DIRECTORS OF ROSNEFT	15
5.3. CORPORATE SECRETARY	17
5.4. ASSESSMENT OF THE ACTIVITIES OF THE BOARD OF DIRECTORS OF ROSNEFT.....	18
5.5. REMUNERATION OF THE MEMBERS OF ROSNEFT'S BOARD OF DIRECTORS	19
5.6. THE SYSTEM OF REMUNERATION TO THE MEMBERS OF ROSNEFT'S EXECUTIVE AUTHORITIES.....	19
6. SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT. INTERNAL AUDIT.....	21
6.1. INTERNAL CONTROL AND RISK MANAGEMENT	21
6.2. INTERNAL AUDIT	23
7. INFORMATION POLICY AND DISCLOSURE OF INFORMATION.....	24
8. MATERIAL CORPORATE ACTIONS.....	27
9. MISCELLANEOUS.....	28

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1. INTRODUCTION

Rosneft's Corporate Governance Code (hereinafter referred to as the Code) stipulates the key principles, on which the Company's corporate governance system is based, and its key elements.

Rosneft is the leader of the Russian oil industry, and it is the largest public oil company worldwide in terms of oil reserves and production of liquid hydrocarbons.

Rosneft is a public joint-stock company, whose securities are listed at security exchanges in the Russian and overseas securities markets.

Rosneft is included into the list of Russia's strategic enterprises. Key investment projects of Rosneft include development of fields on the Russian shelf plate, development of hard-to-recover hydrocarbons, development of gas business, and participation in foreign projects.

Being one of the leaders of the national economy and the largest taxpayer in the Russian Federation, Rosneft exerts significant influence on the social sphere, contributes to the growth in prosperity of the population in the regions of its presence. Production achievements of Rosneft constitute a substantial contribution into the economic and social stability of the Russian Federation.

Adherence to the highest standards of corporate governance and maximum transparency are the most important factors of increasing Rosneft's investment appeal and economic efficiency, since they contribute to investor confidence-building, reduction of risks of inefficient use of the Company's resources, growth of company value and growth in prosperity of its shareholders.

This Code is developed on the basis of international corporate governance standards recognized by the economic community, including the corporate governance principles of the Organization for Economic Cooperation and Development, of the Corporate Governance Code recommended for application by the Bank of Russia, Rosneft's Articles of Association.

2. PRINCIPLES OF CORPORATE GOVERNANCE

Corporate governance of Rosneft means a system of relations among the executive authorities of Rosneft, Board of Directors of Rosneft, shareholders and other stakeholders, which is aimed at:

ensuring the observance of the rights of shareholders and investors;

enhancing the investment appeal of the Company;

creation of efficient mechanisms of risk assessment that are capable of influencing the Company value;

efficient use and ensuring the safety of the funds contributed by the shareholders (investors).

The system of corporate governance at Rosneft is based on **the following principles**, which are recognized by the world economic community as the corporate governance standard:

1. The system of corporate governance at Rosneft ensures observance and protection of the rights of its shareholders.

The main shareholders' rights include the following:

right to participate in the management of Rosneft through voting at the General Meeting of Rosneft's shareholders;

right to participate in the constitution of Rosneft's Board of Directors subject to conditions contemplated by the law of the Russian Federation;

right to receive part of the Company's profit in the form of dividends;

right to obtain any necessary information about the Company on a timely and regular basis;

rights to free and unencumbered disposal of shares, reliable methods of record-keeping with respect to entitlements to the shares.

2. Rosneft's system of corporate governance ensures equal conditions to exercise all shareholders' rights; every shareholder is entitled to effective protection in the event of infringement upon its rights.

3. Rosneft's system of corporate governance ensures strategic management of the Company by efficient and professional Board of Directors of Rosneft, due control by the Board of Directors in respect of the activities of Rosneft's executive authorities and accountability of Rosneft's Board of Directors and Rosneft's executive management authorities before the shareholders.

4. Rosneft's system of corporate governance is built subject to recognition and protection of the stakeholders' rights as contemplated by the law, active cooperation with stakeholders for the purposes of enhancement of Company's financial well-being, compliance with citizenship standards in the Company's activities and generating employment.

5. Rosneft's corporate governance ensures building of the risk management system aimed at ensuring reasonable certainty in achievement of the goals set before Rosneft.

- 6. Rosneft' system of corporate governance ensures timely and accurate disclosure of any information on all material aspects, including financial situation, performance results, property, Company governance, material corporate activities, etc.**

3. OBSERVANCE AND PROTECTION OF SHAREHOLDERS' RIGHTS, INTERACTION WITH THE SHAREHOLDERS

Rosneft' system of corporate governance ensures security, protection and strict observance of all shareholders' rights in accordance with the requirements of the law, guidelines of the Corporate Governance Code of the Bank of Russia, Rosneft's Articles of Association and Rosneft's internal documents.

Rosneft ensures interaction with the shareholders by providing information on the Company's activities, agenda and resolutions passed at the General Meetings of Rosneft's shareholders (hereinafter also referred to as the General Meeting), dividends assessed and paid and on other issues on a regular basis and in full, within the scope contemplated by the applicable law, regulator's guidelines and Rosneft's internal documents.

In order to ensure high efficiency of the interaction with the shareholders, a hotline is being operated by the Shareholder Relations Administration of Rosneft's Corporate Governance Department - a multi-line phone for acceptance and processing of oral messages, and a special e-mail address has been created for written communication with the shareholders.

The questions frequently coming from the shareholders concerning the exercise of their rights related to the management of Rosneft and receiving income on the shares and replies thereto, as well as information on the Company's activities, including the records on entitlements to the shares and execution of transactions with shares are published at Rosneft's official web-site www.rosneft.ru / www.rosneft.com in the Q&A section.

3.1. OBSERVANCE OF SHAREHOLDERS' RIGHTS TO PARTICIPATION IN COMPANY MANAGEMENT

The Company creates highly favorable conditions for participation of its shareholders in the General Meeting.

Rosneft's Articles of Association stipulate the possibility of holding the General Meeting of shareholders in presentia for the purposes of discussing the items of the agenda and making decisions on the issues put to the vote (in the form of a meeting held in presentia) not only at Rosneft's business address, but also in the centers of all major regions where its shareholders are based.

The Company ensures for the shareholders the opportunity to view the broadcasts of its General Meetings held in presentia in the cities of the Company's presence¹, as well webcasting at the Rosneft's official web-site www.rosneft.ru / www.rosneft.com.

The agenda of the General Meeting is developed subject to the opinion of shareholders, as well as issues proposed by the shareholders for consideration by the General Meeting.

Pursuant to the applicable law, Rosneft establishes simple and easy rules for making propositions by the shareholders as per inclusion of items into the agenda of the General Meeting, and nomination of candidates to be elected into Rosneft's Board of Directors and Rosneft's Audit

¹ The list of cities where the General Meeting is to be broadcast is determined during preparation to the General Meeting.

Commission. Presence of any technical defects in such shareholders' proposals may not serve as grounds for refusal to satisfy the same, if the shareholder's intent is clear from the meaning of the proposal and his right to making such a proposal is confirmed.

Rosneft has established a longer period for acceptance of shareholders' proposals into the agenda of the annual General Meeting and nominations of candidates to be elected into the Rosneft's Board of Directors and Rosneft's Audit Commission - 60 days after the end of financial year as compared to that stipulated by the law of the Russian Federation.

Rosneft ensures the opportunity for the shareholders to duly prepare for the General Meeting, to obtain information about the General Meeting and materials thereto without hindrance and in a timely manner.

The notice of the General Meeting is duly published at Rosneft's official web-site www.rosneft.ru / www.rosneft.com within 30 days before the date of the same, unless the applicable law stipulates a shorter period.

Information and materials to the items of the agenda of the General Meeting are available for viewing by the persons entitled to participate in the General Meeting within 30 days before the date of the same (in particular, at Rosneft's official web-site www.rosneft.ru / www.rosneft.com), as well as during the time of holding the same.

The list information and materials provided to the shareholders on the items of the agenda of the General Meeting is provided in Rosneft's Articles of Association and in the Regulation on the General Meeting of Rosneft's shareholders pursuant to the requirements of the law of the Russian Federation, as well as subject to recommendations of the regulator, and, therefore, is more comprehensive than the list of information and materials stipulated by the law.

For the purposes of providing more complete information to the shareholders, the materials for the General Meeting contain information on the person, who has proposed inclusion of a particular item into the agenda of the General Meeting or has nominated any candidates to be elected into Rosneft's governance authorities, as well as the position of Rosneft's Board of Directors concerning the agenda items of the General Meeting in cases when Rosneft's Board of Directors has already considered such items at its meetings, and special opinions of the members of Rosneft's Board of Directors for each of such items of the agenda of the General Meeting, if any.

In order to ensure equal rights for all Rosneft's shareholders, including foreign ones, the notice of the General Meeting, as well as information and materials to the items of the agenda of the General Meeting are published at Rosneft's official web-site www.rosneft.ru / www.rosneft.com in the Russian and English languages.

Subject to a shareholder's request and subject to a technical possibility, the notice of the General Meeting and materials of the General Meeting may be provided to a shareholder in the electronic format.

In addition to the notice of the General Meeting and information and materials provided to the shareholders on the items of the agenda of the General Meeting, directions on how to get to the place of the General Meeting and the approximate form of proxy for participation of shareholders' representatives in the General Meeting, including information on the procedure for certification thereof, is published at Rosneft's official web-site www.rosneft.ru / www.rosneft.com

The proceedings of the General Meeting stipulated by Rosneft ensure equal opportunity for all persons entitled to participate in the General Meeting to voice their opinion on the items of the agenda being discussed, ask any questions that they may have and obtain answers thereto during the General Meeting or in writing, after completion thereof, within the shortest time possible.

Every shareholder may exercise its right to vote on the items of the agenda of the General Meeting without interference in any manner as it may deem convenient for itself as contemplated by the applicable law, Rosneft's Articles of Association and Rosneft's Regulation on the General Meeting of Rosneft's shareholders. Subject to technical possibility and statutory regulation, Rosneft may use electronic systems enabling the shareholders to participate in the vote on the items of the agenda of the General Meeting electronically.

Rosneft, with the assistance of the registrar of Rosneft, ensures availability of the sufficient number of persons to register the participants of the General Meeting, and sufficient time to provide the opportunity to get registered to all shareholders, who wish to participate in the General Meeting.

An attendee of the General Meeting, who completes a voting ballot, may demand certification of the copy of the ballot completed by him by the ballot committee before the closing of the General Meeting held in presentia.

The members of the Board of Directors, sole executive authority, members of the Audit Commission of Rosneft participate in the proceedings of the General Meeting, besides, members of the collective executive authority, auditor's representatives, Chief Accountant of Rosneft, and, if necessary, any invited financial analysts and consultants may also take part therein. Such persons are obliged to provide qualified answers to the questions of the participants of the General Meeting. Any candidates nominated to be elected as members of Rosneft's Board of Directors and Audit Commission of Rosneft are also invited to the General Meeting, and shareholders are provided with the opportunity to ask them questions.

Any resolutions passed by the General Meeting are announced at the General Meeting, during which the vote was held, and are communicated to the stakeholders in accordance with the procedure stipulated by the law of the Russian Federation and internal documents of Rosneft. The minutes of the General Meeting is published at Rosneft's official web-site www.rosneft.ru / www.rosneft.com within the shortest time possible.

3.2. OBSERVANCE OF SHAREHOLDERS' RIGHTS TO RECEIVE PART OF THE PROFIT AS DIVIDENDS

The shareholders are entitled to revenue on Rosneft's shares in the form of dividends, as well as in the form of liquidation value. The practice of corporate governance at Rosneft excludes the use by the shareholders of any other methods of gaining income on account of Rosneft.

Rosneft shareholders are granted equal and fair opportunity to participate in the Company's profits by receiving dividends.

Rosneft's Board of Directors approves Rosneft's dividend policy which is posted at Rosneft's official web-site www.rosneft.ru / www.rosneft.com.

Rosneft's dividend policy stipulates guidelines and rules that regulate the procedure for calculating the part of profit applied to dividend payment, terms under which they are declared,

procedure for the calculation of the amount of dividend on the shares, procedure for the payment of the declared dividend.

Rosneft's executive bodies ensure timely and complete payment of dividends.

If the General Meeting passes a resolution as per payment of dividends, Rosneft performs the requisite activities aimed at updating the outdated shareholder information, namely: a reminder to the shareholders of the need to provide timely notice of any change in their data required for the payment of dividends (bank account details, mail address, etc.) is published at Rosneft's official web-site www.rosneft.ru / www.rosneft.com, and implications and risks related to belated notification of Rosneft of any change in such data are specified.

Rosneft's Articles of Association contemplate a longer period for shareholders' claims in respect of declared dividends, which remain outstanding as a result of unavailability of the address and banking data - 5 years, as compared to the period contemplated by the law of the Russian Federation, which provides additional guarantees of exercise of their right to gaining income on their shares by the shareholders.

3.3. KEEPING RECORD OF ENTITLEMENTS TO SHARES

Rosneft warrants to its shareholders reliable and efficient methods of keeping record of entitlements to shares, as well as the opportunity of free and unimpeded disposal of the shares.

The maintenance of the register of Rosneft's shareholders is entrusted to the professional registrar of Rosneft, which acts on the basis of the permanent license issued to it for the maintenance of the register of securities owners, which enjoys immaculate reputation, possesses all the requisite resources, including any technical means that enable it to guarantee the rights of shareholders to have their records kept and to exercise their rights to the shares in Rosneft.

Information on the registrar of Rosneft is published at Rosneft's official web-site www.rosneft.ru / www.rosneft.com, while the shareholders may read the Rules of maintenance of the registrar's register at the official web-site of such registrar.

The registrar of Rosneft, as well as the terms of agreement with the same are approved by the resolution of Rosneft's Board of Directors.

4. INTERACTION WITH STAKEHOLDERS

Rosneft's system of corporate governance is built subject to recognition and protection of the stakeholders' rights as contemplated by the law, active cooperation with stakeholders for the purposes of enhancement of financial well-being of the Company, compliance with citizenship standards in the Company's activities and generating employment.

One of the main aspects of corporate governance at Rosneft is ensuring the inflow of extraneous capital into the Company development. The competitiveness of the Company is the result of collective effort contributed to, among others, by investors, vendors, customers and employees of the Company.

Corporate governance of Rosneft is based on the recognition of the significance of the contribution of all stakeholders into long-term successful activities of the Company.

The Company in its activities relies on the best world standards, which underlie interaction with different categories of stakeholders, including, in particular, the following principles:

1. In its relations with the investors the Company seeks to:
 - maximize the value of its share capital in the long-term perspective;
 - disclose its financial targets and strategy, as well as any information, which may significantly affect the value of the shares of Rosneft and its performance results;
 - ensure maximum transparency of its operations by publicizing its results on a quarterly basis, holding meetings with participation of the Company management, leading business analysts, by providing for the opportunity to visit production facilities of the Company.
2. In its interaction with the customers the Company ensures:
 - high quality and competitive prices for its produce and services rendered;
 - due information on products and services;
 - long-term mutually beneficial relations;
 - due and unconditional fulfillment of obligations assumed by it.
3. In its interaction with the vendors the Company ensures:
 - clear and transparent principles, open and transparent nature of procurement;
 - timely and complete fulfillment of obligations;
 - zero tolerance to any manifestations of corruption and other wrongdoings.
4. In its interaction with the employees the Company warrants:
 - compliance with the labor law, including safety and labor protection regulations;
 - having in place clear principles labor remuneration and incentives. Zero tolerance to discrimination or any forms of harassment;
 - observance of the employees' right to participate in trade union activities.
5. The relations with the public, government authorities, local self-government authorities and other stakeholders are built by the Company based on:
 - unconditional compliance with requirements to environmental protection;

need for creating additional jobs and social support of its regions of presence;
timely and complete payment of taxes and other mandatory payments;
compliance with all requirements to conducting business contemplated by the applicable law.

The organizational structure of Rosneft identifies officers and business units responsible for interaction with all groups of stakeholders and for disclosure of information sufficient for catering to their interests.

5. MANAGEMENT OF ROSNEFT BY THE EFFICIENT AND PROFESSIONAL BOARD OF DIRECTORS

Professional and efficient Board of Directors of Rosneft is one of the key elements of the Company's corporate governance system.

Rosneft's Board of Directors acts in accordance with the law of the Russian Federation, Rosneft's Articles of Association and Regulation on the Board of Directors of Rosneft, and reports to the General Meeting of shareholders of Rosneft.

Rosneft's Board of Directors ensures strategic management of the Company in accordance with the competence stipulated by Rosneft's Articles of Association, by:

- identifying the milestones of the Company's activities in the long-term perspective;
- setting and controlling the achievement of the main performance indicators and business objectives of the Company;
- approval of the development strategy and business plans by the line of activity of the Company;
- constitution of Rosneft's executive authorities and control of their activities;
- identifying lines of developments and organization of efficiency assessment of the performance of internal control and risk management system, including approval of the policy in the sphere of risk management and internal control;
- defining the Company policy in the sphere of remuneration of the members of Rosneft's Board of Directors, executive authorities and other key executives of Rosneft;
- defining the Company policy in the sphere of sustainable development, investments, corporate governance, disclosure of information, counteracting corruption, etc.;
- defining the key performance indicators and approval of annual bonuses of Rosneft's senior managers;
- making decisions as per implementation (completion) of the Company's most significant business projects (deals);
- control of the operation of the companies controlled by Rosneft to the extent of implementation by them of significant corporate measures and consummation of major transactions.

Rosneft's Board of Directors is entrusted with the function of managing any conflict of interest, in particular, between authorities, shareholders and employees of the Company.

The Company has put in place the system, which ensures detection of any conflict of interest and consummation of transactions involving a conflict of interest. The Regulation on Board of the Directors of Rosneft contemplates the following duties of a member of Rosneft's Board of Directors:

- inform Rosneft's Board of Directors of its affiliates in a timely manner;
- inform Rosneft's Board of Directors of any legal entities, in whose governance authorities he participates, in a timely manner;
- refrain from any activities that may result in a conflict of interests;

if a conflict of interests should (or may) arise between a member of Rosneft's Board of Directors and Rosneft, immediately notify Rosneft's Board of Directors of such conflict of interests (potential conflict of interests) and reasons for the advent of the same;

notify Rosneft's Board of Directors of any transactions of Rosneft and any companies controlled by Rosneft, in respect of execution whereof he may be deemed to be interested;

refrain from voting on approval of transactions, in which the member of Rosneft's Board of Directors is interested, and any other matters, if there is a conflict between the interests of such member of Rosneft's Board of Directors and the interests of the Company, and if necessary — refrain from being present during the discussion of such matter at the meeting of Rosneft's Board of Directors;

notify Rosneft's Board of Directors of the intention to execute any transactions in his own name with any Rosneft's securities or those of any companies controlled by Rosneft, as well as provide information on any transactions executed by him with such securities.

Rosneft's Board of Directors identifies the information policy of the Company, exercises control of due organization and efficient performance of the information disclosure system, observance of shareholders' rights in terms of access to information subject to taking into account the best commercial interests of the Company.

One of the key functions of Rosneft's Board of Directors is to control the conformity of Rosneft's corporate governance practice to the shareholders' interests, scope of the Company's business and the best corporate governance practices.

In order to discharge its functions and for the purposes of prior examination of the most important matters within the competence of Rosneft's Board of Directors and development of recommendations for making decisions on such issues, Rosneft's Board of Directors has formed the following permanent committees:

Audit Committee, whose main objective is to provide assistance to Rosneft's Board of Directors with protection of shareholders' interests by exercising control over completeness and veracity of financial and other statements of the Company, reliability and efficiency of the internal control and risk management system, compliance, corporate governance practices, as well as ensuring independence and efficiency of internal and external audit;

Human Resources and Compensation Committee, whose main objective is to provide assistance to Rosneft's Board of Directors with protection of Rosneft shareholders' interests through assessment of efficiency of the human resources policy and policy of succession, system of appointments and remuneration, development of methodology and assessment of the performance of Rosneft's Board of Directors, executive authorities of Rosneft and other senior managers of Rosneft;

Strategic Planning Committee, whose main objective is to provide assistance to the Board of Directors of the Company with protection of Company shareholders' interests by exercising control in the sphere of Company strategic development.

The committees submit their performance reports to Rosneft's Board of Directors on an annual basis.

The procedure for forming and organization of the proceedings of the committees of Rosneft's Board of Directors is contemplated by the regulations on committees of Rosneft's Board of Directors.

If necessary, Rosneft's Board of Directors may create other committees for prior examination of the issues within the competence of Rosneft's Board of Directors.

5.1. COMPOSITION OF ROSNEFT'S BOARD OF DIRECTORS

The number of the members of Rosneft's Board of Directors is stipulated by Rosneft's Articles of Association in accordance with the requirements of the law of the Russian Federation and makes up 9 people, which is in line with the scope of business of the Company and enables efficient organization of the activities of Rosneft's Board of Directors, in particular, to form committees of Rosneft's Board of Directors.

Election of the members of the Company Board of Directors is subject to a transparent procedure described in Rosneft's Articles of Association and Regulation on the Board of Directors of Rosneft, which conforms to the applicable law, enabling shareholders to obtain information about the candidates to be elected into Rosneft's Board of Directors, which is sufficient for understanding their personal and professional qualities.

Creation of the efficient and professional Board of Directors of Rosneft is ensured on account of nomination and election of candidates who possess qualifications, experience and competence required for implementation of development strategy of Rosneft, as well as ensuring a balanced representation of executive, non-executive and independent directors therein.

In order to ensure maximum objectivity in the course of decision making by Rosneft's Board of Directors, it must include at least three directors that meet independence criteria as stipulated by the Regulation on the Board of Directors of Rosneft (independent directors).

Rosneft's Board of Directors assesses the candidates nominated for election into Rosneft's Board of Directors and conducts analysis of conformity of such candidates (members of Rosneft's Board of Directors) to independence criteria. In exceptional cases, Rosneft's Board of Directors may recognize as independent a candidate (member of Rosneft's Board of Directors) despite any presence of formal criteria of his connection with the Company, major shareholder, competitor and (or) contractor, provided that such connection does not affect the ability of the person in question to make independent and unbiased judgments.

An independent director refrains from any activities as a result whereof he may lose independence. An independent director immediately notifies Rosneft's Board of Directors of the advent of any circumstances that may affect his independent status.

A person with immaculate business and personal reputation and substantial working experience in executive positions is elected to the position of the Chairman of Rosneft's Board of Directors.

The Chairman of Rosneft's Board of Directors contributes to the most efficient exercise by Rosneft's Board of Directors of the functions entrusted to him, including organization of the activities of Rosneft's Board of Directors, its committees and interaction with other governance and control authorities of Rosneft.

The Chairman of Rosneft's Board of Directors organizes the work of Rosneft's Board of Directors, convenes the meetings of the Board of Directors and presides thereat, ensures positive atmosphere at such meetings, free discussion of the matters and control of the compliance with the resolutions passed by Rosneft's Board of Directors.

The Chairman of Rosneft's Board of Directors organizes his work subject to the time required for communicating with the shareholders.

5.2. ORGANIZATION OF THE PROCEEDINGS OF THE BOARD OF DIRECTORS OF ROSNEFT

The proceedings of Rosneft's Board of Directors, including the procedure of preparation for and holding the meetings, rights and obligations of the members of Rosneft's Board of Directors are stipulated in the Regulation on the Board of Directors of Rosneft.

The meetings of the Board of Directors of Rosneft are held as scheduled. The plan of holding the meetings of Rosneft's Board of Directors is made pursuant to the instructions of Rosneft's Board of Directors, proposals received from the members of Rosneft's Board of Directors and other persons and authorities contemplated by the Regulation on the Board of Directors of Rosneft.

The meetings of Rosneft's Board of Directors are held on an as necessary basis, but at least once in 6 weeks. The meeting of Rosneft's Board of Directors dedicated to discussion of strategy issues, process of implementation thereof and updating is held at least once a year. The form of holding the meetings (in presentia, in absentia) is determined based on the importance and significance for the Company of the decisions proposed for discussion.

Rosneft's Articles of Association identify the circle of questions, in respect whereof Rosneft's Board of Directors may not pass resolutions by absentee ballot, as well as resolutions passed by a qualified majority.

In addition to the issues contemplated by Rosneft's Articles of Association, resolutions whereon may not be passed by absentee ballot, Rosneft's Board of Directors strives to consider the following at meetings in presentia:

1. prior approval of the annual report of the Company;
2. election of the Chairman of Rosneft's Board of Directors;
3. creation of Rosneft's executive authorities, termination of their powers;
4. putting of issues related to reorganization or liquidation of Rosneft for consideration of the General Meeting;
5. approval of major transactions;
6. approval of the registrar of Rosneft and terms of agreement with the same, as well as amendment/termination of the agreement with the registrar of Rosneft;
7. putting of the issue related to assignment of the powers of the sole executive authority of Rosneft to the managing organization or manager for consideration of the General Meeting;
8. examination of significant aspects of the activities of the companies controlled by Rosneft: identification of Rosneft's position with respect to transactions and business projects of the companies controlled by Rosneft with the cost of \$1.5 bln, liquidation and reorganization of the companies controlled by Rosneft, determining of the position with respect whereof is referred to the competence of the Board of Directors.
9. issues related to receipt by Rosneft of a mandatory or voluntary proposal as per acquisition of

- more than 30 percent of the shares of Rosneft;
10. considering financial activities of the Company for the reporting period (quarter, year);
 11. issues related to the listing and delisting of Rosneft shares;
 12. considering the results of efficiency assessment in respect of the work of the Board of Directors, of the executive authorities and key executives of Rosneft;
 13. making a decision as per remuneration of the members of the executive authorities of Rosneft and other key executives;
 14. approval of internal control and risk management policy;
 15. approval of the dividend policy of Rosneft.

The procedure of preparation and holding the meetings of Rosneft's Board of Directors existing in Rosneft provides for the opportunity for the members of Rosneft's Board of Directors to study the information and materials for the purposes of making balanced, informed and reasonable decisions in a timely manner.

Rosneft takes all the necessary measures in order to ensure the possibility of participation of all members of Rosneft's Board of Directors in the meetings:

notification of the meeting in accordance with the Regulation on the Board of Directors of Rosneft is sent to the members of Rosneft's Board of Directors within 10 days before the date of the meeting;

Rosneft's Articles of Association stipulate the possibility of taking into account the written opinion of the member of Rosneft's Board of Directors, who is absent at the meeting in presentia;

by ensuring the possibility of long-distance participation of the members of Rosneft's Board of Directors, who are absent at the place where the meeting is held, and the vote by conference and/or video communication.

In the course of exercise of their functions the members of Rosneft's Board of Directors act in good faith and reasonably for the benefit of the Company and its shareholders, with due standard of care and prudence, taking into account the interests of all stakeholders.

Rosneft's Board of Directors makes decisions taking into account all the available information, seeking to ensure that there is no conflict of interest within the limits of normal business risk and in accordance with the standards adopted in the Company.

For the purposes of making informed and weighted decisions, the members of Rosneft's Board of Directors may request additional information on the items put for consideration to Rosneft's Board of Directors. If the requested information is qualified as confidential information by the internal documents of the Company, such information is provided to Rosneft's Board of Directors in accordance with the procedure contemplated by the Company.

The members of Rosneft's Board of Directors may, in accordance with the procedure contemplated by Rosneft's internal documents, apply, at the expense of Rosneft within the limits of the Company budget contemplated for such purposes, for professional consultations on the items related to the competence of Rosneft's Board of Directors, subject to compliance with the requirements of the applicable law, internal documents of the Company and obligations of the

member of Rosneft's Board of Directors with respect to preserving the commercial secret of the Company and non-disclosure of any other confidential information of the Company.

For the avoidance of the possibility of exerting any influence and (or) pressure on the member of Rosneft's Board of Directors when it makes decisions on specific issues, the members of Rosneft's Board of Directors and their affiliates shall not accept any gifts from persons, who are interested in such decisions, nor shall they use any other direct or indirect benefits provided by such persons, with the exception of symbolic favors in accordance with generally accepted courtesy rules or souvenirs in the course of holding of official events.

Rosneft maintains insurance of the liability of the members of Rosneft's Board of Directors at its expense, so that in the event of any losses incurred by the Company or third parties as a result of any actions of the members of Rosneft's Board of Directors, such losses could be indemnified on account of the Company's insurance.

Rosneft's Corporate Secretary ensures the opportunity for the members of Rosneft's Board of Directors, including those elected thereto for the first time, to obtain information about the Company within the shortest time possible. Such information includes the strategy of Rosneft, applicable principles of corporate governance, policy with respect to risk management and internal control, finances and reporting management, investments, innovations, applicable standards in the sphere of labor and environmental and protection, human resources and social sphere, information on delineation of duties among Rosneft's executive authorities, etc. At the request of a member of Rosneft's Board of Directors, he may be provided with other information on the Company's activities subject to compliance with the conditions for the use of insider information and other confidential information.

Information on the activities of Rosneft's Board of Directors, including data on the individual members of Rosneft's Board of Directors, the meetings held, proceedings of the committees of Rosneft's Board of Directors is disclosed on the relevant pages of Rosneft's official web-site www.rosneft.ru / www.rosneft.com in the form of press releases, material facts disclosures, as well as within the framework of Rosneft's annual report, which ensures transparency of the activities of Rosneft's Board of Directors.

5.3. CORPORATE SECRETARY

Rosneft's Corporate Secretary appointed pursuant to the resolution of Rosneft's Board of Directors ensures organizational support of the activities of Rosneft's Board of Directors and its committees.

Rosneft's Corporate Secretary reports to Rosneft's Board of Directors and acts pursuant to the Regulation on the Corporate Secretary of Rosneft approved by Rosneft's Board of Directors.

A person who possesses knowledge, experience and qualifications sufficient to ensure interaction with the shareholders, coordination of Rosneft's activities with respect to protection of the rights and interests of shareholders, ensure the efficiency of the activities of Rosneft's Board of Directors, conformity of the Company practices to the requirements of the law in the sphere of disclosure of information and counteracting the use of insider information, may be appointed to the position of Rosneft's Corporate Secretary.

In order to fulfill its functions, Rosneft's Corporate Secretary may request and obtain

Rosneft's documents, make proposals as per consideration of the issues by the governance authorities of Rosneft within the limits of its competence, demand from the employees of Rosneft that they comply with Rosneft's Articles of Association and internal documents of Rosneft, liaise with the Chairman of Rosneft's Board of Directors and Chairmen of the committees of Rosneft's Board of Directors.

Information on Rosneft's Corporate Secretary is disclosed in the annual report at the Company's web-site.

5.4. ASSESSMENT OF THE ACTIVITIES OF THE BOARD OF DIRECTORS OF ROSNEFT

In order to maintain shareholders' confidence and investors' interest to the Company, increase the efficiency of the performance of the Board of Directors, Rosneft performs the assessment of the quality of the performance of Rosneft's Board of Directors, of the committees of Rosneft's Board of Directors and members of Rosneft's Board of Directors.

Performance of the assessment of the activities of Rosneft's Board of Directors is aimed at evaluating the degree of efficiency of the performance of Rosneft's Board of Directors and its committees, conformity of the performance of Rosneft's Board of Directors to the Company development needs, identification of the lines of the activities of Rosneft's Board of Directors, which require enhancement.

The assessment of the performance of Rosneft's Board of Directors is carried out on an annual basis by Rosneft's Board of Directors independently (self-assessment), and at least once in three years subject to retaining an independent external organization (external assessment).

Self-assessment is performed using the questionnaire completed by the members of Rosneft's Board of Directors, which questionnaire has been developed by the committee of Rosneft's Board of Directors for human resources and remuneration. The assessment criteria should contemplate assessment of professional and personal qualities of the members of the Rosneft's Board of Directors, their independence, degree of personal participation in the activities of Rosneft's Board of Directors and its committees, as well as other factors that affect the performance of Rosneft's Board of Directors.

Assessment of the performance of the Chairman of Rosneft's Board of Directors is carried out by the members of Rosneft's Board of Directors - independent directors, subject to the opinions of all members of Rosneft's Board of Directors.

The results of the self-assessment (external assessment) are first considered by the committee of Rosneft's Board of Directors for human resources and remuneration subject to subsequent submission thereof for consideration to Rosneft's Board of Directors.

Subject to the results of the assessment by the committee of Rosneft's Board of Directors for human resources and remuneration, with approval of the Chairman of Rosneft's Board of Directors, proposals on improvement of the performance of Rosneft's Board of Directors may be developed, recommendations may be given as per professional development of individual members of Rosneft's Board of Directors, individual training programs may be developed and implemented. The control of fulfillment of the developed proposals (programs) is exercised by Rosneft's Board of Directors for human resources and remuneration.

5.5. REMUNERATION OF THE MEMBERS OF ROSNEFT'S BOARD OF DIRECTORS

In order to engage, motivate and retain the persons with the experience and competence required by the Company in Rosneft's Board of Directors, the Company has developed and put in place the system of remuneration to the members of Rosneft's Board of Directors, which contemplates the level of remuneration sufficient for the above purposes.

The internal document governing remuneration and reimbursement of expenses to the members of Rosneft's Board of Directors is approved by Rosneft's Board of Directors subject to prior recommendation from the Board's HR and Compensation Committee.

The document sets forth the criteria and conditions for this remuneration as well as procedures for reimbursement of expenses incurred by a member of Rosneft's Board of Directors while performing his functions and subject to reimbursement by Rosneft.

No remuneration shall be paid to the members of Rosneft's Board of Directors if they are working for the government and also if there are limitations and bans imposed by the effective federal legislation on any payments to these persons coming from business entities, as well to persons holding sole executive body positions in Rosneft and to the members of collective executive body of Rosneft (Executive Director).

The decision to pay remuneration to the members of Rosneft's Board of Directors is made by the General Shareholders' Meeting following a recommendation of Rosneft's Board of Directors passed in view of the opinion of Rosneft's Board's HR and Compensation Committee.

5.6. THE SYSTEM OF REMUNERATION TO THE MEMBERS OF ROSNEFT'S EXECUTIVE AUTHORITIES

Rosneft's Board of Directors plays a key role in developing and ensuring an efficient system for motivation of the members of Rosneft's executive bodies and Rosneft's key executives.

Rosneft's Board of Directors approves Rosneft's internal documents stipulating the remuneration related policy for Rosneft's executive bodies, sets forth their performance indicators, approves the delivery of targets and the size of annual bonus to a senior manager of Rosneft to be calculated in view of each manager's personal input in the delivery of the Company key performance indicators.

Rosneft's current policy for remuneration to senior managers ensures a reasonable and justified proportion between the fixed and variable components of the remuneration.

According to the current remuneration system for Rosneft's senior managers, their remuneration is subject to Rosneft's performance and the input made by these executive in the delivery of this performance.

The policy for remuneration to senior managers is aligned with the global practices on motivation of executives and it ensures a justified proportion between the fixed and variable components of the remuneration.

The variable component of Rosneft's senior managers' remuneration is subject to delivery of collective and individual targets approved for the reporting period and these shall be assessed following the performance within the reporting period by Rosneft's Board of Directors in view of the opinion from the Board's HR and Compensation Committee.

In its operations Rosneft is guided by the information openness and transparency principles, including in relation to remuneration to the senior managers of Rosneft. Payments and remuneration to Rosneft's senior managers are listed in Rosneft's normative documents posted at Rosneft's official website: www.rosneft.ru / www.rosneft.com.

As per the effective legislation requirements, the Company makes a full disclosure of the remuneration paid to Rosneft's senior managers, including in the financial statements published by Rosneft.

The Company discloses all sources of income of Rosneft's senior managers related to fulfillment of their functions, including participation in the governance bodies of the entities controlled by Rosneft, as well as all potential benefits, compensations and privileges which might be paid to the members of Rosneft's executive bodies and key executives of Rosneft.

The Board's HR and Compensations Committee of Rosneft oversees disclosure of the policy and practices on remuneration and on Rosneft's shares held by the members of Rosneft's Board of Directors, members of Rosneft's executive bodies and other key executives of Rosneft in the annual report and at Rosneft's official web-site www.rosneft.ru / www.rosneft.com.

6. SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT. INTERNAL AUDIT

Rosneft seeks on an ongoing basis to improve the quality of corporate governance, important components whereof include efficient internal control and risk management system and internal audit.

6.1. INTERNAL CONTROL AND RISK MANAGEMENT

The Company has put in place and effectively applies the system of internal control and risk management (hereinafter referred to as the SIC&RM), which is aimed at ensuring reasonable certainty that the goals set before the Company will be achieved.

Rosneft's Board of Directors develops principles and approaches to the organization of SIC&RM, approves the main lines of development of SIC&RM, controls implementation thereof, organizes analysis and assessment of performance of SIC&RM in accordance with the powers stipulated in Rosneft's Articles of Association.

The existing SIC&RM enables the Company to detect, assess and respond to the risks in a timely manner, and it represents a totality of organizational measures, methods, procedures, corporate business ethics and the actions undertaken by the Company in order to achieve the optimal balance between the growth of the Company's value, profitability and risks, in order to ensure financial sustainability of the Company, efficient business performance, by ensuring the safety of the assets, compliance with the law, Rosneft's Articles of Association and internal documents of Rosneft, timely preparation of accurate statements.

SIC&RM encompasses different governance levels, including strategic and operational levels.

The aims of SIC&RM are listed in the relevant Company policy in the sphere of internal control and risk management approved by Rosneft's Board of Directors. The policy in the sphere of SIC&RM is developed subject to generally accepted concepts and work practices in the sphere of internal control and risk management of international professional organizations.

The executive authorities of Rosneft ensure implementation of the policy in the sphere of SIC&RM approved by Rosneft's Board of Directors, development of efficient internal control and risk management system.

The Company has created business units responsible for efficient performance and development of the internal control and risk management system, whose tasks include the following:

- planning of the main lines of development and integration of the components of SIC&RM into Company management processes;

- general coordination of risk management and internal control processes in the Company units and entities controlled by Rosneft;

- development of methodological documents in the sphere of supporting risk management and internal control processes;

organization of training of the Company's employees in the sphere of risk management and internal control;

assessment of the Company's risks using quantitative risk assessment models;

analysis of the portfolio of the Company's risks and development of proposals on the strategy of responding to and redistribution of resources with respect to management of the relevant risks;

assistance to the management with finalizing and raising the efficiency of business processes by developing and implementing the requirements to control procedures design and their composition in business processes, including standardization and optimization of control procedures; development and implementation of the mechanism for interaction and exchange of information on internal control and risk management among all business units;

development of consolidated reporting on the risks and internal control;

preparation and notification of Rosneft's Board of Directors and executive authorities of Rosneft of the efficiency of SIC&RM, as well as on other matters contemplated by the policy in the sphere of internal control and risk management.

Rosneft uses insurance as one of the risk management tools, which allows minimizing Company's financial losses from realization of insurable risks.

Within the framework of SIC&RM the Company contemplates a set of measures aimed at preventing corruption.

Rosneft's Board of Directors stipulates the Company policy in the sphere of counteracting involvement in corruption activities and in the sphere of counteracting corporate fraud, which contemplates measures aimed at developing the elements of corporate culture, organizational structure, regulations and procedures ensuring prevention of corruption, as well as mitigating reputational risks and risks of the Company being charged with liability for bribery of officials.

The Company has in place a Safety Hotline, which constitutes a tool for implementation of the policy aimed at counteracting theft at the Company's facilities, as well as counteracting corporate fraud and corruption. The Safety Hotline is a secure, confidential and convenient method of notification of the audit committee of Rosneft's Board of Directors and Internal Audit and Control Service of any violations of the law, internal procedures, of Rosneft's Corporate Code of Conduct by any of its employees and (or) any member of the governance authority or any authority for control of the Company's financial and business activities.

No retaliation measures, such as dismissal, withholding of a bonus or refusal to grant promotion may be used against a Company employee for disclosing in good faith any manifestations of corporate fraud, corruption, bribery, suspected violations of control procedures and other wrongdoings.

Rosneft's Board of Directors reviews the matters related to organization, functioning and efficiency of the internal control and risk management system at least once a year, and, if necessary, gives recommendations on improvement thereof. The information on the results of consideration by Rosneft's Board of Directors of the matters related to efficiency of the internal control system and risk management is provided to the shareholders within the framework of Rosneft's annual report.

6.2. INTERNAL AUDIT

For the purposes of systemic independent assessment of reliability and efficiency of the internal control and risk management system and of the corporate governance system, the Company has in place an internal audit function.

In accordance with the Company's policy in the sphere of internal audit, which is approved by Rosneft's Board of Directors, the internal audit function in the Company is exercised by the head of Rosneft's Internal Audit and Control Service and internal audit divisions at Rosneft and controlled companies.

The Head of Rosneft's Internal Audit and Control Service is appointed to and dismissed from his position by the sole executive authority of Rosneft pursuant to the resolution of Rosneft's Board of Directors. The Head of Rosneft's Internal Audit and Control Service reports to the sole executive authority of Rosneft in terms of administrative matters and reports to Rosneft's Board of Directors in terms of functional matters. Such reporting system ensures compliance with the principles of independence and objectivity of internal audit and conforms to examples of the best practices and professional standards in the sphere of internal audit.

The main tasks of internal audit include the following:

assistance to Rosneft's executive authorities and Company employees with development and monitoring of compliance with the procedures and measures at improving the internal control and risk management system, corporate governance system of Rosneft through efficiency assessment of SIC&RM, corporate governance system;

coordination of the activities with the external auditor, Rosneft's Audit Commission, with audit commissions of the entities controlled by Rosneft, as well as with persons who provide consulting services in the sphere of risk management, internal control and corporate governance of the Company;

performance of internal audit at Rosneft and entities controlled by Rosneft;

check of compliance by the members of Rosneft's executive authorities and its employees with the provisions of the law and internal documents concerning insider information and counteracting corruption, compliance with the requirements of Rosneft's Code of Corporate Conduct;

preparation and submission to Rosneft's Board of Directors and Rosneft's executive authorities of reports on the results of the internal audit activities (in particular, those including information on material risks, violations / drawbacks, results and efficiency of compliance with internal audit proposals subject to audit results to the extent of remediation of any detected violations / drawbacks, results of fulfillment of the plan of the internal audit activities, results of assessment of the actual condition, reliability and efficiency of SIC&RM and corporate governance system).

7. INFORMATION POLICY AND DISCLOSURE OF INFORMATION

Rosneft's information policy is aimed at ensuring maximum openness and transparency of the information about the Company and its activities for the shareholders, investors and other stakeholders.

Rosneft's information policy is developed by Rosneft's Board of Directors and is based on compliance with the principles of regularity, efficient response, consistency, objectivity, balance, completeness, relevance and veracity of information about the Company, availability and easy access to the information and documents of the Company.

Rosneft's information policy stipulates the goals and principles of information disclosure, sets forth the list of information, in addition to that contemplated by the law, which the Company undertakes to disclose, as well as the procedure for information disclosure (including information channels, via which such information is to be disclosed and forms of such disclosure), timeframes, within which access should be provided to disclosed information, procedure for communication between the members of governance authorities, officers and employees of the Company and the shareholders and investors, as well as mass media and other stakeholders and measures aimed at ensuring control of compliance with the information policy of Rosneft.

Rosneft's information policy is aimed at observance of the rights of shareholders, investors and other stakeholders to obtaining information about the Company and its activities to a maximum degree. Information is communicated to the shareholders, investors and other stakeholders within the scope required for them to make informed investment and management decisions or performance of other actions that may affect financial and business activities of the Company.

Rosneft's information policy is approved by the resolution of Rosneft's Board of Directors. Implementation of the information policy by the Company is ensured via Rosneft's executive authorities subject to requirements stipulated by the applicable law and internal documents of the Company in the sphere of disclosure of information. The control of compliance with the information policy of Rosneft is exercised by Rosneft's Board of Directors.

The Company has in place the procedure that ensures coordination of work of all its services and business units connected with information disclosure, or whose activities may result in the need for information disclosure.

The main source of disclosure of the information about the Rosneft's activities is the official web-site of Rosneft www.rosneft.ru / www.rosneft.com.

Furthermore, the Company discloses information at the page in the Internet provided by one of the disseminators of information in the securities market in accordance with the requirements of the regulatory acts in the sphere of financial markets.

The Company discloses information, which may materially affect the Company valuation and value of its securities within the shortest time possible. Such information is disclosed simultaneously and to the same extent in the Russian Federation and abroad.

The Company efficiently responds to and publishes its position in relation to any rumors or inaccurate data that give a distorted picture of the evaluation of the Company's performance and value of its securities and that jeopardize the interests of its shareholders and investors.

In addition to the information disclosed in accordance with the procedure contemplated by the law of the Russian Federation, other important information is disclosed at the official web-site of the Company, such as: information about the mission, strategy and corporate values, organization and principles of corporate governance at Rosneft, financial and operational indicators, information about the capital structure, information in the sphere of social and environmental protection; accountability, replies to frequently asked shareholders' and investors' questions, regularly updated calendar of the Company's corporate events, Company's objectives, policies adopted in the Company, as well as any other material information that is of use to investors, shareholders and other stakeholders.

The Company ensures free access to information, which it is obliged to disclose in accordance with the law of the Russian Federation, Rosneft's Articles of Association and Rosneft's internal documents in the Internet.

The final document that enables shareholders, investors and other stakeholders to evaluate Rosneft's performance in the reporting year is the annual report, which contains information contemplated by the law of the Russian Federation, operational, financial results and non-financial aspects of the Company's activities, as well as information recommended for disclosure in annual reports of business entities by the best standards of corporate governance. Moreover, the Company discloses the reporting on the Company's sustainable development made in accordance with internationally recognized standards.

Information is provided by Rosneft subject to shareholders' requests as stipulated by Rosneft's internal documents and in accordance with the principle of equal and unhindered access.

Rosneft ensures for the shareholders access to information subject to compliance with the rights and lawful interests of shareholders themselves and the Company, within the limits stipulated by the Russian Federation law on the government, commercial and other secret protected by the law.

The internal document of Rosneft on the provision of information to shareholders stipulates information availability regimes based on ensuring the balance of rights and lawful interests of shareholders and the Company.

Rosneft protects confidential and insider information in accordance with the procedure contemplated by the applicable law and relevant internal documents of the Company, in order to exclude the possibility of unauthorized use and access to such information in the course of accumulation, storage, processing, delivery and use thereof.

Confidential information of the Company includes any data that contain any information, which constitutes commercial secret, restricted information and insider information.

The list of confidential information, procedure for handling confidential information, procedure for interaction of the Company employees when ensuring protection of confidential information, establishing liability for disclosure of confidential information is stipulated by the Company's local regulatory documents on protection of confidential information.

Use, protection and procedure for handling any personal data are subject to the applicable law and internal documents of the Company.

Rosneft stipulates single rules for any use of insider information aimed at preventing and suppressing any improper uses of Rosneft's insider information in the course of execution of any transactions by Company insiders with its financial instruments.

Requirements to equal access and use of information referred to insider information of Rosneft, to the rules of protection of the confidentiality of insider information, keeping the list of Rosneft's insiders, as well as specifics of insider transactions with the Company's financial instruments are stipulated in the Company's internal documents on insider information.

8. MATERIAL CORPORATE ACTIONS

Any actions that may materially affect the Company's share capital structure and financial state, shareholders' situation (material corporate actions) are performed by the Company subject fair conditions that ensure observance of the rights and interests of all shareholders and other stakeholders.

Rosneft adheres to such procedure for performance of material corporate actions that ensures observance and adequate level of protection of shareholders' rights and interests, enables them to obtain complete information on such actions and influence performance thereof.

Material corporate actions include:

1. execution of major transactions;
2. execution of non-arms' length transactions;
3. amendment and supplement of Rosneft's Articles of Association or approval restated Articles of Association of Rosneft;
4. reorganization and liquidation of Rosneft;
5. increase or reduction of the authorized capital of Rosneft;
6. acquisition of 30 and more percent of the voting shares of Rosneft;
7. application for listing and delisting of Rosneft's shares;
8. other material corporate actions, which may result in significant modification of shareholders' rights and infringement on their interests.

Any issues related to the performance of the material actions as aforesaid are referred by Rosneft's Articles of Association to the competence of the General Meeting or of Rosneft's Board of Directors.

Rosneft's Board of Directors plays a key role in making decisions or developing recommendations in respect of material corporate actions.

When decisions as per exercising any material corporate actions are made by the General Meeting, all the necessary information on such actions is provided to shareholders, including substantiation of the need for performance thereof. Before laying the issues related to approval of material corporate actions before the General Meeting, Rosneft's Board of Directors examines the relevant materials and documents prior to such approval.

Information on exercise of any material corporate actions is disclosed by the Company in accordance with the procedure stipulated by the law and Rosneft's internal documents.

9. MISCELLANEOUS

This Code, any amendments and supplement hereto take effect after approval thereof by Rosneft's Board of Directors.

Amendments into this Code may be initiated by Rosneft's Board of Directors, executive bodies of Rosneft, by Rosneft's senior manager responsible for corporate governance issues and the Corporate Secretary of Rosneft.

Where changes in the law of the Russian Federation and/or Rosneft's Articles of Association result in the conflict with the provisions of this Code, the law of the Russian Federation and/or Rosneft's Articles of Association shall prevail.

The Code is published at Rosneft's official web-site www.rosneft.ru / www.rosneft.com.

The entities controlled by Rosneft shall adhere to the corporate governance principles set out in this Code.