



API Voting Recommendations for Extraordinary General Meeting

Company: **Rosneft Oil Company (ROSN)**

Meeting date: **September 29, 2017**

Record date: **August 28, 2017**

Company Overview

Rosneft is the leader of Russia's petroleum industry and the world's largest publicly traded petroleum company. The Company's main activities include prospecting and exploration of hydrocarbon deposits, oil, gas and gas condensate production, upstream offshore projects, crude processing, as well as marketing of oil, gas, and refinement products in Russia and abroad.

The authorized capital of Rosneft Oil Company is 105,981,778.17 Russian rubles. It consists of 10,598,177,817 ordinary registered uncertificated shares with a nominal value of RUB 0.01 each.

As of August 1, 2017, the Company's shareholding structure was as follows:

JSC ROSNEFTEGAZ (a wholly state-owned company): 50%;

BP Russian Investments Limited: 19.75%

QHG Oil Ventures Pte. Ltd.: 19.50%

National Settlement Depository (nominal holder central depository): 10.37%

Other legal entities: 0.01%

Individuals: 0.37%

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No.	EGM agenda item	API recommendation
1.	Establishing the procedure for the conduct of the Extraordinary General Shareholders Meeting	FOR
2.	Approval of amendments to the corporate Charter	FOR
3.	Early termination of the powers of the Company's Board of Directors members	FOR
4.	Election of members of the Company's Board of Directors	
5.	Amount, time and form of payment of dividends for the first half of 2017	FOR

Given that Rosneft Oil Company is on the EU / US sanction lists (the list made up by the U.S. Department of the Treasury's Office of Foreign Assets Control / OFAC), the API does not rule out refusals of the leading international custodians to enable their clients' voting at the Extraordinary General Meeting.

[In-depth EGM agenda review:](#)

No.	EGM agenda item	API recommendation
1.	Establishing the procedure for the conduct of the Extraordinary General Shareholders Meeting	FOR

AGENDA ITEM 1 DETAILS:

The item was put on the shareholders meeting agenda by the Board of Directors of Rosneft Oil Company.

According to clause 4.13 of the Regulations on additional requirements for the procedure of preparation, convening and conduct of the general shareholders meeting approved by Order 12-6/pz-n of the Federal Financial Markets Service dated February 2, 2012, voting on establishing the rules for the conduct of the extraordinary general shareholders meeting is a matter of procedure preceding the consideration of the other agenda items.

DRAFT RESOLUTION ON AGENDA ITEM 1:

Establish the following procedure for the conduct of the Extraordinary General Shareholders Meeting of Rosneft Oil Company on September 29, 2017 (hereinafter also referred to as the GSM):

- 1.1. Opening of the Rosneft Extraordinary General Shareholders Meeting, announcement of a quorum on the GSM agenda items.
- 1.2. Presentation on agenda Item 1: up to 15 minutes.
- 1.3. Q&A on agenda Item 1: up to 5 minutes.
- 1.4. Voting on agenda Item 1: 20 minutes.
- 1.5. Counting of votes on agenda Item 1, announcement of the resolution adopted by the Rosneft Extraordinary General Shareholders Meeting on agenda Item 1.
- 1.6. Presentations on agenda items 2, 3, 4, and 5: up to 15 minutes for each item.
- 1.7. Q&A on GSM agenda items: up to 5 minutes for each GSM agenda item.
- 1.8. Time to engage in discussions of the agenda items is provided to the GSM attendees upon completion of the presentations and Q&A sessions related to the agenda items. The time limit is 10 minutes for the first contribution, 3 minutes for the second contribution on the same item.
- 1.9. Completion of the discussion on the last GSM agenda item (the last item on the General Meeting agenda for which a quorum is available) and termination of registration of persons entitled to attend the General Shareholders Meeting.
- 1.10. Time for voting on agenda items – the voting begins at the moment the General Meeting opens and closes when the counting of votes on the agenda items starts, except for voting on agenda item 1 of the General Meeting.
- 1.11. The voting on GSM agenda Item 4 (Election of the members of the Company's Board of Directors) will be in respect of two draft resolutions depending on the proposed number of Rosneft Board members (9 and 11 people, respectively).
- 1.12. The time between the end of discussion on the last GSM agenda item (the last agenda item for which a quorum is available) and the termination of acceptance of completed voting ballots on all agenda items, except item 1, shall be 1 hour.
- 1.13. Counting of votes on agenda Items 2, 3, 4, and 5: 1 hour.
- 1.14. Announcement of the voting results and resolutions adopted by the Rosneft Extraordinary General Meeting of Shareholders on agenda items 2, 3, 4 and 5.
- 1.15. If the meeting continues for 2 consecutive hours, a break of between 15 and 30 minutes shall be announced.
- 1.16. Adjournment of the Rosneft Extraordinary General Shareholders Meeting.

No.	EGM agenda item	API recommendation
2.	Approval of amendments to the corporate Charter	FOR

AGENDA ITEM 2 DETAILS:

The item was put on the shareholders meeting agenda at the initiative of the Company's Board of Directors. The shareholders are asked to decide to increase the size of the Board of Directors to 11 (eleven) from today's 9 (nine) members.

The API traditionally supports proposals to expand the Boards of Directors (Supervisory Boards) of Russian PJSCs seeing as the higher number of Board members means higher election opportunities for candidates nominated and supported by minority shareholders.

It should also be noted that the report on the research of corporate governance at major Russian state-owned public joint-stock companies which the API conducted jointly with Russia's Higher School of Economics in 2016 (hereinafter referred to as the 2016 CG research) refers to the expansion of the Rosneft Board of Directors to 11 members as one of the preferred options for preserving at least three independent directors on the Board following the sale of a 19.5% stake in the oil producer to a consortium of investors including Glencore and Qatar Investment Authority.

In consideration of the above, the API recommends voting FOR on this agenda item.

DRAFT RESOLUTION ON AGENDA ITEM 2:

Approve the amendments to the Charter of Rosneft Oil Company as follows:

Article 10 clause 10.3 sub-clause 10.3.4 shall be amended to read as follows: "10.3.4. The Board of Directors shall be elected by cumulative voting and shall be composed of eleven (11) members.

No.	EGM agenda item	API recommendation
3.	Early termination of the powers of the Company's Board of Directors members	FOR

AGENDA ITEM 3 DETAILS:

The item was put on the shareholders meeting agenda at the initiative of the Company's Board of Directors. Given that the issue is related to the proposed change in the size of the Board of Directors (agenda item 2), we recommend voting FOR on this agenda item.

DRAFT RESOLUTION ON AGENDA ITEM 3:

Terminate the powers of the Rosneft Board of Directors members before time.

No.	EGM agenda item	API recommendation
4.	Election of members of the Company's Board of Directors	ABSTAINED on all candidates

AGENDA ITEM 4 DETAILS:

The item was put on the shareholders meeting agenda at the initiative of the Company's Board of Directors.

Given that one of the issues included in the meeting agenda concerns increasing the size of the Board of Directors and the result of voting on this issue is unknown, the persons entitled to participate in the EGM are asked to fill in sheet 1 and sheet 2 of the voting ballot on EGM agenda item 4 "Election of members of the Company's Board of

Directors" as follows:

- sheet no. 1 of the voting ballot for a Board of Directors consisting of 11 persons (in case the resolution on agenda item 2 of the EGM is passed);
- sheet no. 2 of the voting ballot for a Board of Directors consisting of 9 persons (in case the resolution on agenda item 2 of the EGM is not passed);

Besides, the meeting agenda includes the early termination of powers of the Company's Board of Directors members (agenda item 3); by virtue of clause 4.26 of the Regulation on additional requirements to the procedure for the preparation, convening and conduct of a general shareholders meeting approved by Order no. 12-6/pz- n of Russia's Federal Financial Markets Service dated February 2, 2012, the votes cast on EGM agenda item 4 "Election of members of the Company's Board of Directors" shall not be counted if no positive resolution on meeting agenda 3 "Early termination of the powers of the Company's Board of Directors members" is passed.

The list of candidates for election to the Board of Directors contains eleven candidates, including nine current Board members (italicized below):

No.	Name	Candidate's employer / position (as of nomination date)	Nominated by / shareholding, %	Status
1.	<i>Faisal Alsuwaidi</i>	President of Research and Development, Qatar Foundation	QHG Oil Ventures Pte. Ltd./19.50	non-executive director
2.	<i>Andrey Belousov</i>	Assistant to President of the Russian Federation	JSC ROSNEFTEGAZ/50	non-executive director
3.	<i>Matthias Arthur Warnig</i>	Director, Interatis AG (Switzerland), Chief Executive Officer, Nord Stream 2 AG (Switzerland)	JSC ROSNEFTEGAZ/50	independent director
4.	<i>Oleg Viyugin</i>	Professor, Finance Department, Economic Science Faculty, federal independent educational establishment for higher vocational education "National Research University Higher School of Economics"	JSC ROSNEFTEGAZ/50	independent director
5.	<i>Ivan Glasenberg</i>	Chief Executive Officer, Glencore International AG; Chief Executive Officer, Glencore plc	QHG Oil Ventures Pte. Ltd./19.50	non-executive director
6.	<i>Robert Warren Dudley</i>	Director, member of the Board of Directors, Chief Executive of BP Group	BP Russian Investments Limited/19.75	non-executive director
7.	<i>Guillermo Ordonez Quintero</i>	Director, GQO Consultants Ltd	BP Russian Investments Limited/19.75	non-executive director
8.	<i>Alexander Novak</i>	Minister of Energy of the Russian Federation	JSC ROSNEFTEGAZ/50	non-executive director
9.	<i>Igor Sechin</i>	Chairman of the Management Board, Chief Executive Officer, Rosneft Oil Company	JSC ROSNEFTEGAZ/50	executive director
10.	<i>Donald Humphreys</i>	Candidate does not hold an office as of the nomination date	JSC ROSNEFTEGAZ/50	independent director

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11.	Gerhard Schröder	Candidate does not hold an office as of the nomination date	JSC ROSNEFTEGAZ/50	independent director
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The Board of Directors shall be elected by cumulative voting.

If a positive resolution is passed on the proposal to increase the size of the Board of Directors, all the nominated candidates will be elected to the Board. However, the API recommends voting "Abstained" on all the candidates as it is unable to recommend voting FOR on any of the candidates.

The independent candidates Gerhard Schröder and Matthias Warnig are simultaneously affiliated with the Company's competitor PJSC Gazprom (Rosneft Oil Company runs its own gas business) and the Russian Federation through Nord Stream AG 2, a company controlled by Gazprom where Gerhard Schröder serves as Chairman of the Board of Directors and Matthias Warnig as CEO. In this regard, there are serious doubts that these candidates are actually independent.

The API also thinks it necessary to highlight the refusal of the independent candidates Oleg Viyugin and Donald Humphreys to meet with API representatives during the above-mentioned 2016 GC research at PJSCs (unlike many other independent directors contributing to the research), which prevented the API from making a well-reasoned in-depth review of the level of corporate governance at Rosneft Oil Company.

Details on the API liaison with independent directors are provided on the API website at: <http://api-russia.org>.

DRAFT RESOLUTION ON AGENDA ITEM 4:

Draft resolution no. 1:

Elect 11 members to the Rosneft Board of Directors:

1. Faisal Alsuwaidi
2. Andrey Belousov
3. Matthias Arthur Warnig
4. Oleg Viyugin
5. Ivan Glasenberg
6. Robert Warren Dudley
7. Guillermo Ordonez Quintero
8. Alexander Novak
9. Igor Sechin
10. Donald Humphreys
11. Gerhard Schröder

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Draft resolution no. 2:

Elect 9 candidates from the following list to the Rosneft Board of Directors:

1. Faisal Alsuwaidi
2. Andrey Belousov
3. Matthias Arthur Warnig
4. Oleg Viyugin
5. Ivan Glasenberg
6. Robert Warren Dudley
7. Guillermo Ordonez Quintero
8. Alexander Novak
9. Igor Sechin
10. Donald Humphreys
11. Gerhard Schröder

No.	EGM agenda item	API recommendation
5.	Amount, time and form of payment of dividends for the first half of 2017	FOR

AGENDA ITEM 5 DETAILS:

The item was put on the shareholders meeting agenda at the initiative of the Company's Board of Directors.

On June 5, 2015, the Board of Directors of the Company approved the Dividend Policy of Rosneft Oil Company drafted according to the Russian legislation, the Company's Charter and the Code of Corporate Governance of Rosneft Oil Company. The changes to the Dividend Policy of Rosneft Oil Company were approved by a resolution of the Board of Directors dated December 7, 2016.

The decision to pay dividends (including the amount of dividends and the form of payment) is taken by the General Meeting of Shareholders of Rosneft based on recommendations from the Board of Directors. According to the Company's Dividend Policy Regulation, the Board decides on the recommended amount of dividends in reliance on the level of net income, as reflected in the financial statements of Rosneft Oil Company prepared according to the Russian Accounting Standards and consolidated financial statements of Rosneft Oil Company prepared according to the International Financial Reporting Standards (IFRS). Recommendations by the Board of Directors on the amount of dividends payable are based on the Company's financial results for the year. The target dividend payout ratio is at least 50% of the Company's net income under IFRS. Target frequency of dividend payments by Rosneft Oil Company is at least twice a year.

According to the interim consolidated financial statements of Rosneft Oil Company for the 6-month period of 2017 prepared under IFRS, net profit attributable to Rosneft's shareholders amounted to RUB 81 billion. The amount of dividends proposed for approval by the shareholders will be approximately 50.1% of this year's 6-month net profit attributable to the Company's shareholders. We recommend voting FOR on this agenda item.

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DRAFT RESOLUTION ON AGENDA ITEM 5:

Pay dividends for the first half of 2017 in cash in the amount of 3 rubles 83 kopecks (three rubles eighty three kopeks) per outstanding share.

Set October 10, 2017 as the dividend record date (i.e. the date when the shareholders entitled to dividends will be determined). Dividends shall be paid on or before October 24, 2017 to nominee shareholders and trustees qualifying as professional securities traders registered as the Company's shareholders, on or before November 15, 2017 to other holders of shares included in the register of shareholders.

The EGM Voting Recommendations are based, among other things, on the Extraordinary General Meeting reference materials published on the Company's website. For questions and/or comment, please contact us at: +7 (495) 510-5306 or via email: polovnev@api-russia.org.