CONTENTS

2 ABOUT THE REPORT

6 MESSAGE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

8 ABOUT THE COMPANY

10 GAZPROM NEFT TODAY
12 STRATEGY IN ACTION
23 INNOVATIVE ACTIVITIES
28 PRODUCT QUALITY CONTROL AND IMPROVEMENT
31 ENGAGEMENT WITH CUSTOMERS
33 SUPPLY CHAIN
34 IMPORT SUBSTITUTION
35 GOALS AND OBJECTIVES FOR 2018

36 SUSTAINABLE DEVELOPMENT STRATEGY

38 MANAGEMENT APPROACH
40 SUSTAINABLE DEVELOPMENT PRIORITIES

44 SUSTAINABILITY MANAGEMENT AND STAKEHOLDER ENGAGEMENT

46 CORPORATE GOVERNANCE
50 INFORMATION DISCLOSURE
51 OBSERVANCE OF HUMAN RIGHTS
52 ETHICS AND ANTI-CORRUPTION ACTIVITIES
53 INTERNAL CONTROL AND RISK MANAGEMENT
56 STAKEHOLDER ENGAGEMENT
61 CORPORATE CULTURE
62 CORPORATE COMMUNICATIONS SYSTEM

THE ONLINE VERSION OF THE COMPANY’S SUSTAINABLE DEVELOPMENT REPORT FOR 2017 IS AVAILABLE AT:
csr2017.gazprom-neft.com
ABOUT THE REPORT

WE ARE PLEASED TO PRESENT YOU WITH THE COMPANY’S REPORT ABOUT ITS SUSTAINABLE DEVELOPMENT ACTIVITIES FOR 2017. THE REPORT HIGHLIGHTS THE COMPANY’S APPROACHES TO MEETING CHALLENGES RELATED TO SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY AS WELL AS THE MAIN FOCUSES AND RESULTS OF THIS WORK.

The key sections of the Report are devoted to the effectiveness of economic activities, ensuring industrial safety, supporting and developing staff, and promoting socioeconomic development in the regions where Gazprom Neft operates. The Company believes it is essential to regularly provide stakeholders with comprehensive information about aspects of its activities that are significant for them and obtain feedback about the Report.

The Report is prepared using the basic version of GRI Reporting Standards taking into account the provisions of ISO 26000:2010 (Guidance on Social Responsibility). The Report underwent independent public assurance with the Non-Financial Reporting Board of the Russian Union of Industrialists and Entrepreneurs (RUIE).

The Report presents information about Gazprom Neft PJSC and its subsidiaries and affiliates (hereinafter referred to as Gazprom Neft or the Company) for the 2017 calendar year. The Company’s financial position and operating results are presented using consolidated data from Gazprom Neft PJSC. Unless otherwise indicated in the text, data on the Company’s social and labour relations and its environmental performance include figures for Gazprom Neft PJSC and its subsidiaries and affiliates based in the Russian Federation and the Commonwealth of Independent States (CIS).

The Report details the Company’s medium- and long-term plans. This information is forward-looking in nature. The feasibility of the declared intentions depends on factors [economic, social, and legal] that are beyond the Company’s control or influence. The actual results may therefore differ from those indicated in the plans.

The Report is published in Russian and in English in hard copy and electronic form.

The document as well as previous sustainable development Reports may be viewed on the Company’s website.

1 — Hereinafter the Sustainable Development Report or the Report.
When determining the significant themes to be covered in the Report, Gazprom Neft analyses their relevance for both the Company's development as well as its stakeholders. We constantly monitor the scale and nature of the impact of the Company’s activities on the economy, social and natural environment as well as information requests from stakeholders. We also consider the importance of the themes of the Report in terms of the public context and the obligations of business, including those enshrined in Russian and international documents.

When determining significant themes and related indicators, the Company took into account:
- the provisions of the UN Global Compact and the Social Charter of Russian Business
- international and Russian standards in corporate social responsibility and sustainable development as well as the non-financial Report standards ISO 26000 and GRI
- studies on the industry-wide practice for the management of sustainable development and Reporting in this regard
- an analysis of the scope of the Company’s stakeholder engagement

The analysis of the Company’s engagement with stakeholders and the identification of significant themes focused on the following:
- materials from a survey of managers and specialists as part of the preparation of this Report
- the results of employee feedback
- the results of an annual study of the Company’s social and psychological climate, minutes of meetings between employees and management, and team meetings
- materials from Gazprom Neft’s regular interaction with investors, the federal and regional authorities, business partners, non-profit and public organizations, experts, and local communities
- materials from roundtables and public hearings in the regions (the participants and content of dialogues are presented in Appendix 2 to this Report)
- recommendations and comments received by the Company as part of the public assurance of its 2017 Sustainability Report by the Non-Financial Reporting Board of the RUIE

The topics identified are relevant for all of the Company’s subsidiaries.
<table>
<thead>
<tr>
<th>Themes and aspects</th>
<th>Priorities of internal stakeholders</th>
<th>Priorities of external stakeholders</th>
<th>Borders of significant themes</th>
<th>Chapter of the report in which the theme is covered</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ECONOMIC PERFORMANCE</strong></td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td>1 Company’s strategy</td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td>2 Investment programme</td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td>3 Financial stability</td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td>4 Production efficiency</td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td>5 Product quality</td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td>6 Innovative activities</td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td><strong>INDUSTRIAL SAFETY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Safety of production processes and emergency preparedness</td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td>8 Occupational health and care for employee health</td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td>9 Industrial environmental monitoring</td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td>10 Compliance with environmental legislation requirements</td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td>11 Environmental impact of the Company’s activities at Arctic fields</td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td>12 Utilizing energy and energy efficiency</td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td>13 Pollutant emissions</td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td>14 Greenhouse gas emissions</td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td>15 Use of water resources</td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td>16 Waste management</td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td>17 Protection of land resources and vegetation</td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td>18 Environmental performance of products</td>
<td></td>
<td></td>
<td>Exploration and production</td>
<td>Oil Refining</td>
</tr>
<tr>
<td>Themes and aspects</td>
<td>Priorities of internal stakeholders</td>
<td>Priorities of external stakeholders</td>
<td>Borders of significant themes</td>
<td>Chapter of the report in which the theme is covered</td>
</tr>
<tr>
<td>--------------------</td>
<td>-------------------------------------</td>
<td>-------------------------------------</td>
<td>-------------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td><strong>HUMAN CAPITAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19 Equitable remuneration and social support for staff</td>
<td>■</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>20 Employee training and development</td>
<td>■</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>21 Labour relations and employment</td>
<td>■</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td><strong>COMPANY’S IMPACT ON ITS REGIONS OF OPERATION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22 Local community development programmes</td>
<td>■</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>23 Import substitution programme</td>
<td>■</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>24 Local supplier development programme</td>
<td>■</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>25 Rights of indigenous peoples</td>
<td>■</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
</tbody>
</table>
Dear friends,

Gazprom Neft achieved excellent production and financial results in 2017. The Company had the largest increase in hydrocarbon production in the Russian oil industry at 4.1%, while also significantly expanding its resource base. Premium sales also grew by 3.8%. Major efforts were put into enhancing the efficiency of business processes and optimizing costs. As a result, Gazprom Neft generated the highest net profit in the Company’s history in 2017.

We view our employees as our most valuable asset. Today, Gazprom Neft employs more than 67,000 people. According to the international Randstad Award rating, the Company is one of the country’s most attractive employers. Gazprom Neft implements programmes involving financial and non-financial incentives, social support, and development for its employees and also puts together a talent pool. The Corporate University expanded the scope and quality of training and opened several new departments in 2017. Its innovative service platform model not only makes it possible to bring in external providers for training, but to also establish communication between employees who need to study and their colleagues who can teach them.

One of the Company’s top priorities is industrial safety. We are committed to our strategic ‘Goal – Zero’ of causing absolutely no harm to people, the environment, or property when performing work. The Company’s injury rate decreased by 19% in 2017 compared with the previous year, the number of major traffic accidents declined by 75%, and qualitative changes were made to the requirements and tools for the monitoring of major construction projects. The Company pays special attention to creating an industrial safety culture at all its assets.

While aiming for more, Gazprom Neft unwaveringly adheres to the principles of corporate social responsibility and sustainable development. The launch of the Biosphera treatment facilities at the Moscow Oil Refinery, in which the Company invested RUB 9 billion, was a major milestone for Gazprom Neft in 2017. The Biosphera facilities purify 99.9% of the refinery’s wastewater, which is consistent with best global practices and significantly exceeds the regulatory requirements. A similar project is currently being implemented at the Omsk Oil Refinery. During the Year of Ecology, which was held in Russia last year, the Company implemented more than 1,000 events, ranging from the completion of infrastructure for associated petroleum gas utilization at the Novoportovskoye field to the implementation of projects to preserve the biodiversity of the Arctic.

In 2017, Gazprom Neft moved forward with its ‘Native Towns’ social investments programme, whose main goal is to systematically improve the quality of life in the regions where the Company operates. The programme has resulted in positive changes in dozens of regions of the Russian Federation, where active residents have been given the opportunity to implement important social initiatives. Over 2,000 projects have been implemented in 35 regions as part of the ‘Native Towns’ programme over five years with total investment of more than RUB 20 billion.

Today, the Company’s success at the international level is measured not only by its production and financial performance, but also by the way it treats its employees, the territories where it operates, and the environment. For Gazprom Neft, investment in human capital, concern for the safety of all production processes, protecting nature, and developing social programmes are just as important tasks as the effective implementation of business projects.
ABOUT THE COMPANY

Gazprom Neft is a vertically integrated oil company whose principal activities include the exploration, development, production, and sale of crude oil and gas as well as the production and sale of petroleum products.
GAZPROM NEFT TODAY

GAZPROM NEFT IS ONE OF THE LEADING PLAYERS ON THE GLOBAL ENERGY MARKET AND IN RUSSIA. IN TERMS OF PROVEN HYDROCARBON RESERVES ACCORDING TO PRMS-SPE CLASSIFICATION, GAZPROM NEFT IS COMPARABLE WITH THE WORLD’S LARGEST OIL COMPANIES. IN RUSSIA, THE COMPANY RANKS AMONG THE TOP THREE RUSSIAN OIL COMPANIES IN TERMS OF OIL PRODUCTION AND REFINING.

The Company operates in Russia’s largest oil and gas regions and also has production projects outside of Russia in such countries as Iraq and Venezuela, among others. The Company’s primary refining facilities are located in Russia’s Omsk, Moscow, and Yaroslavl Regions in addition to Serbia.

Gazprom Neft produces and supplies a broad range of petroleum products for a number of industries both in Russia and abroad.

The Company’s common shares are traded in Russia on the main trading floors of the unified Moscow Stock Exchange PJSC. Dividends amounted to RUB 10.68 per share for 2016.

No. 1
IN FINANCIALS GROWTH RATES IN THE RUSSIAN OIL INDUSTRY

89.75
MN TOE
HYDROCARBON PRODUCTION IN 2017 – 3RD IN RUSSIA

RUB 1.16 TN
THE COMPANY’S CAPITALIZATION AS OF 31 DECEMBER 2017

REGIONS OF OPERATION

1. Russia
2. Angola
3. Belarus
4. Bulgaria
5. Bosnia and Herzegovina
6. Estonia
7. Iraq
8. Italy
9. Kazakhstan
10. Kyrgyzstan
11. Latvia
12. Romania
13. Serbia
14. Tajikistan
15. Venezuela
GAZPROM NEFT’S MISSION

To provide consumers with high-quality energy resources, conduct business honestly and responsibly, care for employees, and be a leader in efficiency, ensuring the Company’s long-term and balanced growth.

EXPLORATION AND PRODUCTION OF OIL AND GAS

Most of the Company’s crude oil production in Russia is carried out by its subsidiary operators: Gazpromneft-Noyabrskneftegaz, Gazpromneft-Khantos, Gazpromneft-Vostok, Gazpromneft-Denburg, Gazpromneft-Yamal, Gazpromneft-Shelf, and Messoyakhaneftegaz (a joint venture between Gazprom Neft and Rosneft), among others. The subsidiary NIS develops fields in Serbia, Angola, Bosnia and Herzegovina, Hungary, and Romania. The Company’s international assets also include hydrocarbon exploration and production projects in Iraq, Venezuela, and other countries. The Company has a share in the production of the following enterprises: Slavneft (50%), Tomskneft VNK (50%), Salym Petroleum Development N.V. (50%), SeverEnergia (46.67% since 1 July 2015¹), and Northgas (50%).

OIL REFINING

Gazprom Neft is one of the leaders in the Russian industry in terms of oil refining and continuously improves the efficiency of production processes. The Company refines oil at its three core oil refineries – the Omsk Oil Refinery, Moscow Oil Refinery, and NIS in Serbia. In addition, Gazprom Neft owns a stake in Slavneft-YANOS and utilizes part of its refining facilities and also has access to the facilities of the Mozyr Oil Refinery in the Republic of Belarus (on the conditions of customer-supplied raw materials).

SALE OF OIL AND PETROLEUM PRODUCTS

Gazprom Neft sells oil and petroleum products throughout Russia and in more than 70 countries. The Company operates its own network of filling stations in 40 regions of Russia as well as countries of the CIS (Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan) and Eastern Europe (Serbia, Bosnia and Herzegovina, Romania, and Bulgaria).

The Company has spun off its businesses into individual units to improve the effectiveness of petroleum product sales: the small wholesale and retail sale of motor fuels and the sale of petroleum products to industrial consumers, including the sale of aviation fuel and marine fuel, and the production and sale of lubricant materials and bitumen products. The Company’s specialized subsidiaries handle these types of operations.

Gazprom Neft is one of the leading suppliers of motor fuels to the domestic market of the Russian Federation and holds leading positions on the domestic retail aviation fuel market. The Company is developing its sales network and expanding its product range in order to steadily increase its share on the lubricants and bitumen materials markets in the Russian Federation.

¹ As of 31 December 2017.
STRATEGY IN ACTION

THE FOUNDATION OF THE COMPANY’S ACTIVITIES IS THE GAZPROM NEFT DEVELOPMENT STRATEGY UNTIL 2025, WHICH WAS APPROVED BY THE BOARD OF DIRECTORS IN 2013 AND UPDATED IN 2017. BY IMPLEMENTING THE PLANS OUTLINED IN THE STRATEGY, THE COMPANY AIMS TO CREATE THE HIGHEST ADDED VALUE IN THE OIL AND GAS INDUSTRY IN RUSSIA ON THE CAPITAL INVESTED BY ITS SHAREHOLDERS.

A focused strategy based on technological leadership and continuous improvements to operational efficiency and safety are the decisive factors in the Company’s success given the variability in the external environment and the challenges it poses.

In recent years, the Company has made significant progress in industrial safety and has become a leader in operating efficiency in Russia. Now the Company is committed to becoming one of the global leaders in terms of efficiency.

To this end, the Company has introduced an operational management system (OMS) that facilitates the overall development of the organization and encompasses such important areas as enhancing occupational safety, improving asset reliability, boosting efficiency, and optimizing the Company’s operations as a whole. The OMS is designed to integrate these activities into a unified system and strengthen the links between different systems, standards, and regulations.

KEY DEVELOPMENT PROJECTS

THE WORLD’S FIRST ARCTIC ICE-RESISTANT PLATFORM

The world’s first offshore ice-resistant fixed platform (OIRFP) for oil production on the Arctic shelf launched operations in 2013. A range of advanced technologies ensures industrial safety and the implementation of the ‘zero discharge’ principle with no industrial or consumer pollution entering the environment.

The Company is implementing a biodiversity conservation programme operates and conducts environmental monitoring around the platform.

1 — The national classification of reserves and resources of oil, gas, condensate and components contained therein, from the industrial value.
RUSSIA’S NORTHERNMOST CONTINENTAL FIELD

EAST MESSOYAKHA FIELD

RECOVERABLE RESERVES (100%)¹

353.3
MN T OF OIL

2.9
MN T OF CONDENSATE

119
BN M³ OF GAS

3.16
MN T OF OIL (100%)
PRODUCED IN 2017

Complex technical and logistical solutions were used to develop the field located beyond the Arctic Circle in order to minimize the impact on the Arctic ecosystem. The Company built special deer crossings when routing pipelines in areas of deer migration as well as underground crossings under the large Muduyahu and Indikyahu rivers. Modern equipment reduces water consumption by 25%.

The first stage of the East Messoyakha field was put into operation in 2016. Fishbone technology was used in the field’s development to build wells with multiple horizontal branches that lead to separate oil fields without without penetrating the layers containing gas or water.

THE WORLD’S ONLY ARCTIC OIL LOADING TERMINAL

GATES OF THE ARCTIC

NOVOPORTOVSKOYE FIELD

RECOVERABLE RESERVES³

490
MN TOE

5.95
MN T OF OIL

1.26
BN M³ OF GAS

PRODUCED IN 2017

PRODUCED IN 2017

The Novoportovskoye field is the northernmost and one of the largest oil and gas condensate fields on the Yamal Peninsula. Novy Port light crude oil is produced at the field with a low sulphur content (about 0.1%). The Gates of the Arctic, a unique marine terminal that is designed to operate at low temperatures, handles year-round shipments of crude oil. ‘Zero discharge’ technology prevents pollutants from entering the waters of Ob Bay. The Company is building its own fleet, including modern icebreakers and Arctic tankers, in order to transport oil along the Northern Sea Route.
The Bazhen formation consists of a bed of rocks that is 30-80 m thick in Western Siberia at depths of 2,000-3,000 metres over an area of more than 1 million square km. Its oil resources are classified as non-conventional: oil is located in small, disjointed pores with rock permeability that is 99.9% less than that of traditional deposits.

A scientific consortium consisting of Moscow State University, Moscow Institute of Physics and Technology, Gubkin Russian State University of Oil and Gas, the Skolkovo Technical Centre, and Gazprom Neft as a production partner was established to study the Bazhen formation. Gazprom Neft and its partners are setting up the Bazhen Technological Centre at the key test site – the Palyanovskaya area of the Krasnoleninskoye field in Yugra – as an open platform for the development of technologies. The project was granted national status in 2017.

For more on the Bazhen project, see the section ‘Regional policy and the development of local communities’, p. 114

Development of mature fields

The resource base of the Company’s current assets has been marked by a deterioration in the structure of the remaining industrial reserves as most fields enter into the late stage of development. Fields in the third and fourth stages of development accounted for more than 30% of the oil produced at Gazprom Neft’s current assets (100%) in 2017. However, due to the increased use of high-tech drilling and tertiary methods for boosting oil recovery, the Company is consistently enhancing the efficiency of the development of these reserves.

In addition, gas production increased by 1.2 billion cubic m in 2017 versus the previous year due to an additional programme involving geological and technical measures at mature fields.
MODERNIZATION OF OIL REFINERIES

INCREASED PRODUCTION EFFICIENCY

AT THE MOSCOW AND OMSK OIL REFINERIES BY 2025

99% REFINING DEPTH

UP TO 81% YIELD OF LIGHT PRODUCTS

In 2011, Gazprom Neft launched the large-scale modernization of the Moscow Oil Refinery for a total cost of more than RUB 250 billion in an effort to achieve the best production and environmental safety standards. The first stage of modernization resulted in the Moscow Oil Refinery transitioning to the production of high-class Euro-5 fuel in 2013 ahead of schedule. The second stage, which will last from 2016 to 2023, is designed to increase the operational and environmental efficiency of production while further increasing refining volumes and improving product quality. A key project of the second stage is the construction of a new combined Euro + oil refinery that will replace several existing previous generation installations and will reduce pollutant emissions by 11% per 1 tonne of refined oil. As part of the second stage of modernization, a deep oil refining complex will be built within the hydrocracking unit and delayed coking unit. Projects are also being implemented to modernize the primary refining unit of crude vacuum unit 6 and to rebuild the catalytic cracking complex G-43-107.

The successful implementation of the projects making up the first stage of the Omsk Oil Refinery’s modernization enabled the refinery to fully switch to the production of Euro-5 motor fuels and significantly increase energy efficiency and eco-friendliness. The second stage, which will run from 2015 to 2025, aims to increase the depth of oil refining to 99% and involves the construction of new facilities, the renovation of production facilities, and the improved eco-friendliness, reliability, and safety of production processes.

Projects to increase refining depth at the Omsk Oil Refinery shifted to the stage of practical implementation in 2016. A deep oil refining complex is being built at the refinery within hydrocracking units that have capacity of 2 million tonnes of vacuum gas oil per year. A delayed coking plant with capacity of 2 million tonnes per year is also under construction. These projects will increase the production of high-margin products and provide the market with raw materials for group 2 and 3 base oils as well as petroleum coke, a valuable raw material for the aluminium industry.

The most important project resulting from the ecological modernization of the Omsk and Moscow Oil Refineries was the construction of the Biosphera modern treatment facilities, which will ensure 99.9% efficiency for wastewater treatment. In 2017, Gazprom Neft completed the construction of treatment facilities at the Moscow Oil Refinery and began implementing a similar project at the Omsk Oil Refinery.

Gazprom Neft intends to invest over RUB 400 billion in the development of the Omsk and Moscow Oil Refineries over the next five years.

For more on the Biosphera project, see the chapter ‘Safe development’, p. 84

DIAGRAM OF THE MOSCOW OIL REFINERY AFTER STAGE II OF MODERNIZATION

Commissioning of new facilities (modernization and / or construction)
Gazprom Neft’s project to establish the high-tech production of modern and efficient domestic catalysts for secondary refining processes in Omsk transitioned to the practical implementation phase in 2017. The Russian Ministry of Energy granted national status to the Gazprom Neft project.

The project’s implementation will enable the Company to create a new high-intensity business line for the production and maintenance of catalytic cracking, hydrotreatment, and hydrocracking catalysts. In addition, a reactivation unit for regenerated hydrotreating catalysts is also to be built within the complex. The new complex is scheduled to be commissioned in 2020.

The Company is developing innovative catalysts and technologies for their production in cooperation with leading Russian catalytic process research centres. The Company successfully introduced the new catalysts and technological solutions for a number of industrial processes at its refineries in 2017.
### FULFILMENT OF 2017 GOALS AND OBJECTIVES

<table>
<thead>
<tr>
<th>Level of fulfilment</th>
<th>Goals and result</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXPLORATION AND PRODUCTION:</strong></td>
<td></td>
</tr>
<tr>
<td>- Effective development of the depleted resource base</td>
<td></td>
</tr>
<tr>
<td>- Maximizing the return on investment from new projects</td>
<td></td>
</tr>
<tr>
<td>- Preserving all resource base development options to ensure new production areas</td>
<td></td>
</tr>
<tr>
<td>The main factors that made it possible to increase the resource base were an improvement in geological exploration and production drilling technologies as well as the acquisition of new licensed sites. The goals have been achieved in full. For more, see below in this chapter of the Report.</td>
<td></td>
</tr>
<tr>
<td><strong>REFINING AND SALES:</strong></td>
<td></td>
</tr>
<tr>
<td>- The continued implementation of projects to increase oil refining depth and environmental projects, including the continued construction of primary oil refining complexes at the Omsk and Moscow Oil Refineries</td>
<td></td>
</tr>
<tr>
<td>- Implementation of programmes to boost oil refining efficiency and cost costs</td>
<td></td>
</tr>
<tr>
<td>- Maximizing sales of petroleum products via the Company’s premium sales channels</td>
<td></td>
</tr>
<tr>
<td>The goals are medium-term and the objectives for their implementation were fully implemented in 2017 in accordance with the plans. For more, see below in this chapter of the Report.</td>
<td></td>
</tr>
<tr>
<td><strong>IMPROVED PRODUCT QUALITY:</strong></td>
<td></td>
</tr>
<tr>
<td>- Conducting the next round of recertification for Gazprom Neft-Lubricants in accordance with the requirements of international standards</td>
<td></td>
</tr>
<tr>
<td>- Expanding the range of synthetic oils by developing compounds for key products based on market demand</td>
<td></td>
</tr>
<tr>
<td>- Launch of a homologation programme for synthetic oil compounds based on the Company’s own group 3 base oils</td>
<td></td>
</tr>
<tr>
<td>- Conducting a programme of operational testing in various industries where the Company’s products are consumed to confirm the quality attributes of premium products</td>
<td></td>
</tr>
<tr>
<td>- Implementing a programme for technical training sessions and industry conferences</td>
<td></td>
</tr>
<tr>
<td>- Introducing the new standards GOST 33133-2014 and GOST R 55420</td>
<td></td>
</tr>
<tr>
<td>- Holding the sixth inter-industry conference ‘Bitumen and PBB. Relevant Issues of 2017’ with the invitation of leading market players</td>
<td></td>
</tr>
<tr>
<td>- Performing the following work at the Gazpromneft-Bitumen Materials Research Centre:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>– Development of binders and asphalt concrete for specific regions taking into account the climatic operating features</td>
</tr>
<tr>
<td></td>
<td>– Assessment of the changes in the properties of binders as a function of storage temperature and evaluation of the properties of asphalt concretes on these binders</td>
</tr>
<tr>
<td>- Launching the production of new types (brands) of products that meet modern regulatory requirements for quality as requested by the market</td>
<td></td>
</tr>
<tr>
<td>- Conducting industrial pilot testing to assess the feasibility of obtaining new types of bitumen products</td>
<td></td>
</tr>
<tr>
<td>The goals were achieved in full. For details, see below in this chapter of the Report.</td>
<td></td>
</tr>
</tbody>
</table>

---

1. Homologation - the improvement of oil formulations in order to ensure their quality is consistent with the requirements of the standards of the Russian Federation and customer demand.
EXPLORATION AND PRODUCTION

STRATEGIC GOALS

Key performance indicators (KPI) for 2025

100 MN TOE HYDROCARBON PRODUCTION VOLUME
100% AT LEAST 15 YEARS AVAILABILITY OF PROVEN RESERVES (TP*/PRODUCTION)
100% ANNUAL REPLACEMENT RATIO OF PROVEN AND PROBABLE RESERVES (2P CATEGORY) EXCLUDING ACQUISITIONS

Gazprom Neft PJSC intends to increase hydrocarbon production to 100 million TOE per year by 2020 and continue to increase production until 2025. The Company plans to maintain a 15-year ratio of proven reserves to production. In order to achieve these goals, Gazprom Neft will strive to employ the most cost-effective methods to recover the remaining reserves from the current resource base by utilizing the best practices for optimizing field development, reducing the cost of proven technologies as well as acquiring and introducing new technologies. The strategy involves the establishment of a new production centre in the north of the Yamal-Nenets Autonomous District (YNAD). Gazprom Neft is considering unconventional reserves as a growth opportunity and will develop this class of assets as a key component of its portfolio.

MILESTONES OF 2017

- The Neptune field was discovered on the shelf of the Sea of Okhotsk
- The Company acquired a 25.02% stake (with the right to increase the stake to 50%) in Evrotek-Yugra, which owns seven licenses for the geological study, exploration, and production of minerals in the KMAD-Yugra
- The Otdelnoye field in YNAD was put into commercial operation
- Pilot oil production was launched from the Achimov deposits of the Severo-Samburgskoye field
- The Alexander Zhatkin (KMAD-Yugra), Novozarinskoye (Orenburg Region) as well as the Kumane and Begeytsi-X (Serbia) fields were discovered
- Total production at the new Prirazlomnoye and Novoportovskoye fields reached 8.6 million tonnes
- A project to build a multilateral fishbone well with five cased boreholes at the TAML-3 complexity level was successfully implemented for the first time in Russia at the East Messoyakha. Oil and gas industry experts describe the operation carried out by Gazprom Neft specialists unique
- Oil started being delivered from the Kuyumbinskoye field to the Kuyumba-Taishet oil pipeline
- Licenses for the right to use the subsoil resources of the Tazovskoye and Severo-Samburgskoye fields in the YNAD were obtained
- Gazpromneft-Orenburg obtained a license for the right to use the subsoil resources of the Novosamarskoye field in the Orenburg Region. Geological oil reserves exceed 8 million tonnes
- Gazprom Neft started exploratory drilling at the Ayashsky licensed area located on the shelf of the Sea of Okhotsk
- Licenses were obtained for the right to use the subsoil resources of the Parabelsky, South Kamennomyssky and West Chistinny subsoil sections

RESULTS OF 2017

The Gazprom Group increased hydrocarbon production by 4.1% YoY to 89.75 million TOE in 2017. Increased production at the Novoportovskoye, Messoyakha, and Prirazlomnoye fields as well as in Iraq enabled the Company to increase hydrocarbon production year-on-year.

The Group boosted oil and condensate production by 4.3% YoY to 62.43 million tonnes. The Company ranked third in Russia in terms of oil production behind Rosneft and LUKOIL in 2017.

Gas production grew by 3.7% versus 2016 to 34 billion m3 due to an increase in APG utilization and expanded natural gas production in the Noyabrsk region.

HYDROCARBON PRODUCTION (MN TOE)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>62.26</td>
<td>66.25</td>
<td>79.70</td>
<td>86.20</td>
<td>89.75</td>
</tr>
</tbody>
</table>

PROVEN HYDROCARBON RESERVES (PRMS-SPE) (MN TOE)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>TP</td>
<td>1,343</td>
<td>1,443</td>
<td>1,518</td>
<td>1,514</td>
<td>1,522</td>
</tr>
</tbody>
</table>

1 — TP (Total Proven) – proven reserves.
2 — 2P (Proven and Probable) – proven and probable reserves.
3 — Data does not include reserves and production volume at NIS.
Gazprom Neft reduced oil refining by 4% in 2017 as a result of planned overhauls and the reconstruction of production facilities at the Company’s Russian refineries.

The decrease in the production volume of high-octane petrol gasoline and diesel fuel by 6.3% and 4.7% YoY, respectively, is due to a general decrease in the volume of oil refining at the Omsk and Moscow Oil Refineries. The 27.2% YoY increase in bitumen production resulted from growing demand on the domestic market and the expanded geography of exports. Fuel oil production declined compared with 2016 because of a decrease in oil refining as well as increase bitumen production.
The Company has two main sales segments: the sale of motor fuels via the Gazpromneft filling station network and small-scale wholesale channels as well as the sale of petroleum products to industrial consumers. Specialized goals have been set for each segment. The target scale of Gazprom Neft’s sales business should ensure the ability to sell 100% of the petroleum products it manufactures on the market via its own sales channels for maximum coverage of the entire value chain in the oil business.

RESULTS OF 2017

SALE OF OIL AND PETROLEUM PRODUCTS

Oil sales increased by 16.8% in 2017 due to an increase in exports and international oil sales1. Exports to non-CIS countries increased by 41.1% compared with 2016. Gas sales grew by 7.8% to 14.43 billion m³.

The decrease in oil sales on the domestic market in 2017 is primarily the result of the diminished economic efficiency of trading operations.

The Company sold 43.48 million tonnes of petroleum products in 2017, a 0.3% decrease from the previous year. This is above all attributable to a decrease in fuel oil exports to non-CIS countries due to a reduction in its production volume. Petroleum product sales on the Russian market in 2017 exceeded the 2016 level by 3.1%. Sales increased for the entire range of petroleum products, except for marine fuel and petrochemical products.

1 — Sales by foreign subsidiaries of Gazprom Neft subsidiaries.
2 — Data changed taking into account adjustments to international sales (sales by NIS) that were previously included in the ‘Other petroleum products’ line.
Premium sales\(^3\) increased by 3.9% in the reporting period to 26.1 million tonnes. The Company’s success in developing premium sales channels and expanding the geography of supplies and the range of its premium products made it possible to increase its share at the end of the year on the retail markets of most petroleum products, including the markets for motor fuels, aviation kerosene, lubricants, and premium bitumen materials.

### SALES OF MOTOR FUELS

**STRUCTURE OF SALES BY REGION (MN T)**

Source: Company data

<table>
<thead>
<tr>
<th>Total petroleum product sales</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales in Russia</td>
<td>25.84</td>
<td>27.54</td>
<td>27.50</td>
<td>27.11</td>
<td>27.96</td>
</tr>
<tr>
<td>Exports to non-CIS countries</td>
<td>14.61</td>
<td>15.64</td>
<td>11.81</td>
<td>10.77</td>
<td>9.54</td>
</tr>
<tr>
<td>Exports to CIS countries</td>
<td>2.21</td>
<td>2.09</td>
<td>2.28</td>
<td>2.41</td>
<td>2.50</td>
</tr>
<tr>
<td>International sales</td>
<td>3.08</td>
<td>3.03</td>
<td>3.25</td>
<td>3.30</td>
<td>3.48</td>
</tr>
</tbody>
</table>

**SALES OF MOTOR FUELS**

**STRATEGIC GOALS**

- **KPI for 2025**
  - **19.6 MN T**
    - VOLUME OF MOTOR FUEL SALES IN RUSSIA AND CIS COUNTRIES
  - Gazprom Neft PJSC plans to increase the total volume of motor fuel sales in Russia and CIS countries by 2025 primarily due to growth in the retail sales channel. To this end, the Company plans to increase its filling station network in Russia and CIS countries.

**MILESTONE OF 2017**

- Retail motor fuel sales in Russia and the CIS increased by 6%
- Average daily sales at 1 filling station in the Russian Federation exceeded 20 tonnes per day
- New branded petrol is available on the market – G Drive 100, Opti 92 and Opti 95. The active promotion of Diesel Opti fuel has begun on regional markets

One of the key areas of the Company’s activities is the development of the small-scale wholesale and retail segment of petroleum product sales. Having its own national brand as well as a high level of awareness and trust in the quality of its product helps Gazprom Neft achieve one of its strategic goals of joining the leaders in Russia and the CIS in terms of the volume of retail sales and efficiency of the filling station network by 2025.

In Russia, the Company has one of the largest and most geographically diversified sales networks on the retail petrol market – filling stations under the Gazprom Neft brand are represented in 40 regions of the Russian Federation.
The Company plans to further increase sales, expand its market share, release new products on the market, and develop its sales capacity.

### KPI for 2025

<table>
<thead>
<tr>
<th>Metric</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>MN T Sales of Aviation Fuel in Russia and on the Global Market</td>
<td>5.5</td>
<td>5.91</td>
<td>6.16</td>
<td>6.45</td>
<td>7.04</td>
</tr>
<tr>
<td>MN T Sales of Marine Fuel in Russia and on the Global Market</td>
<td>2.7</td>
<td>3.38</td>
<td>3.61</td>
<td>3.94</td>
<td>4.12</td>
</tr>
<tr>
<td>MN T Sales of Bitumen in Russia and on the Global Market</td>
<td>2.3</td>
<td>2.47</td>
<td>2.61</td>
<td>2.84</td>
<td>3.14</td>
</tr>
<tr>
<td>MN T Sales of Petrochemical Products in Russia and on the Global Market</td>
<td>1.38</td>
<td>1.54</td>
<td>1.61</td>
<td>1.74</td>
<td>1.94</td>
</tr>
<tr>
<td>MN T Sales of Oils and Lubricants in Russia and on the Global Market</td>
<td>1.02</td>
<td>1.18</td>
<td>1.25</td>
<td>1.38</td>
<td>1.58</td>
</tr>
</tbody>
</table>

The Company sold 8.84 million tonnes of fuel via its own filling stations in 2017.

The Company increased sales of premium branded fuel at its own filling stations by 4% in 2017. The total volume of branded fuel sales in Russia and CIS countries amounted to 711,000 tonnes last year, or 7.4% of total motor fuel retail sales.

### Milestones of 2017

- The total number of airports in the aviation fuel sales network grew to 249
- The International Aviation Fuel Forum was held in Russia for the first time in partnership with the IATA
- Gazprom Neft was the first Russian vertically integrated oil companies to launch production of the eco-friendly marine fuel TAS-80 with sulphur content of <0.1% and oils under the Gazpromneft Driline brand, which is used as a synthetic basis for drilling fluids
- A line of marine oils under the Gazpromneft Ocean brand was introduced on the Russian and international markets
- The number of G-Energy Service branded service stations grew to 120
- Total bitumen sales increased by 22%

The retail aviation fuel market in Russia grew by 7.4% in 2017. Gazprom Neft remains the leader on this market with a share of 25.6%. The Company’s share on the Russian bunkering market totalled 16.6% in 2017. Gazprom Neft’s share of the oils and lubricant materials market in Russia increased by 1.3 percentage points in 2017 to 21.3%.

The Company is one of the largest producers and suppliers of bitumen products in Russia. Gazprom Neft is a major Russian manufacturer of a number of basic petrochemical products: aromatic hydrocarbons (benzene, paraxylene, orthoxylene, and toluene) and propane-propylene fraction products (propylene liquefied petroleum gas).
INNOVATIVE ACTIVITIES

ONE OF THE PRIORITIES FOR GAZPROM NEFT’S INNOVATIVE DEVELOPMENT IS TECHNOLOGY THAT ENSURES THE STRATEGIC GOALS OF A PROFITABLE INCREASE IN PRODUCTION AND ENHANCES THE TECHNOLOGICAL EFFICIENCY OF OIL REFINING.

The Company studies and creates effective solutions jointly with market leaders while adapting them to the conditions of its specific assets. At the same time, the Company is developing a technology market by encouraging partners to create new breakthrough solutions buyer. Unique solutions that are not available on the market are developed by the Company together with domestic and foreign partners.

The Company has an Innovative Development Programme whose foundation includes introducing technologies that enhance well productivity, developing the Bazhenov formation, improving tertiary methods for increasing oil recovery at depleted fields as well as developing and manufacturing catalysts for refining. Projects to digitize manufacturing in the oil production, refining, and sales segments are also an important part of the Innovative Development Programme.

MAIN COMPONENTS OF THE COMPANY’S INNOVATIVE INFRASTRUCTURE

EXPLORATION AND PRODUCTION

- Gazpromneft Science and Technology Centre LLC – provides analytical, methodological, scientific, and technical support for all key production and technical functions of the Upstream Division.
- Upstream Control Centre – manages hydrocarbon production using ‘digital twins’ of fields – virtual models that change based on regularly updated information from sensors at the sites. ‘Digital twins’ enable Gazprom Neft to foresee possible technical and technological complications that may occur, help to make optimal decisions concerning equipment repairs, and thus reduce the operating costs of facilities.
- GeoNavigator Drilling Control Centre – handles round-the-clock monitoring, control, and remote engineering support during the process of building high-tech wells at the Company’s fields.
- The Cognitive Geologist project involves the creation of a self-learning model for a geological site. This makes it possible to reduce the analysis time from two years to several months, create thousands of options for developing a field, and choose the best one.
- Cognitive Engineering project – using artificial intelligence to analyse big data allows for calculating optimal solutions in conditions of high geological, technical, and economic uncertainties.
- The Electronic Asset Development (EDA) system aims to develop IT projects in exploration and production. It is part of the technology strategy of Gazprom Neft and is one of its key focuses. The EDA currently includes more than 30 projects.
**REFINING AND SALES**

- **Digital Innovation Centre** – was established to search for and introduce technological solutions for work with big data, predictive management, and the creation of digital twins for infrastructure. The Centre’s job is to develop innovative digital products in order to further enhance Gazprom Neft’s unified technological platform in logistics, refining, and sales.

- **Gazprom Neft Industrial Automation Technopark** (Omsk) – a platform for the development and testing of high-tech solutions in oil refinery automation.

- **Downstream Efficiency Control Centre** – encompasses the management of the value chain, production, equipment reliability, and the oil control system and also supports the transition to a completely predictive model of production management.

- **Digital Refinery project** – part of a Gazprom Neft project to create Russia’s first unified digital platform for the logistics, production, and sales of petroleum products. The digital platform will integrate, store, and process data online by providing a visualization of changes in key production parameters.

- **Oil Control system** – provides analysts with up-to-date and reliable information about the production and movement of oil and petroleum products during all stages: from the refinery to the filling station, refuelling complex at the airport, or a berth.

- **Digital Filling Station project** – ensures the centralized management of the Company’s automated filling stations from a single dispatch centre in Yaroslavl, where all the parameters of equipment operation and quality of oil products are monitored in real time.

- **Digital Refuelling Complex project** – a pilot project to introduce automation during the aircraft fuelling stage was implemented at one of Europe’s largest airports – Moscow’s Sheremetyevo, which is currently testing the first tanker equipped with an automated commercial metering module. The refuelling process is also almost completely automated now. The operator of the refuelling truck signs in with a smart card and enters data about the required amount of fuel. All the necessary information about the fuel supply parameters and mode is displayed electronically online during the refuelling process. Once the required volume is reached, the system automatically stops fuelling, the printer prints out a receipt, and a refuelling report is sent to the Gazpromneft-Aero server using a GSM module. The automated commercial metering of aviation fuel will make it possible to send airlines an invoice and monitor receivables online. The installation of new modules will become an important component in the strategic project to establish full commercial metering, which will not only change the company’s IT landscape, but the very principles of how it does business in many respects.

- **Digital Sales project** – this helps to fine-tune the product and service offering for each customer in any of the sales channels, quickly create and bring new products and services to the market, and provide consumers with instant access to the necessary solution.

---

Gazprom Neft’s key partners in the development and introduction of technologies: Institute for Hydrocarbon Processing Problems and the Institute of Catalysis of the Siberian Branch of the Russian Academy of Sciences, Topchiev Petrochemical Synthesis Institute of the Russian Academy of Sciences, Skolkovo Institute of Science and Technology, the Engineering Centre of Moscow Institute of Physics and Technology, Gubkin Russian State University of Oil and Gas, Tyumen State University, National Intellectual Development Foundation, Yandex.Terra, and Shell.

---

**INTELLECTUAL PROPERTY ASSETS (IPA)**

Source: Company data

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total IPA</strong></td>
<td>13</td>
<td>16</td>
<td>28</td>
<td>40</td>
<td>54</td>
</tr>
<tr>
<td><strong>Patent law assets</strong></td>
<td>7</td>
<td>16</td>
<td>16</td>
<td>14</td>
<td>36</td>
</tr>
<tr>
<td><strong>Computer and database programmes</strong></td>
<td>6</td>
<td>0</td>
<td>12</td>
<td>26</td>
<td>18</td>
</tr>
</tbody>
</table>

1 — Opened in April 2018.
Digital transformation

One of the most important aspects of Gazprom Neft’s development strategy is the digital transformation of its business.

New generation production management systems are being created in all segments of the Company’s activities. They ensure the integrated management of all services to maximize the value of assets, the use of digital twins to optimize operating modes and maintenance plans, and the development of a corporate knowledge distribution system. Projects are being implemented at all stages of the value chain, from extracting enterprises to the sale of petroleum products.

“We have already established a digital ecosystem that encompasses all aspects of our work: from geology and extraction to the knowledge dissemination process within the company. Our priority is to create electronic advisers and cognitive assistants that will process information and perform calculations in order to offer engineers ready solutions to take further action”.

Mars Khasanov
Head of the Technology Directorate and CEO of the Gazprom Neft Science and Technology Centre

EXPLORATION AND PRODUCTION

The Company has employed a Technology Strategy in exploration and production since 2014 that consolidates its technological challenges in priority areas. Key technological challenges include incorporating hard-to-recover and unconventional hydrocarbon reserves into development, increasing oil recovery at mature fields, boosting drilling efficiency, and developing carbonate and fractured reservoirs. A long-term technology programme has been developed for each focus of the Technology Strategy and projects are being implemented to solve the technological challenges.

The Management Committee chaired by the Company’s First Deputy CEO is in charge of managing the implementation of the Technology Strategy.
MILESTONES OF THE YEAR

- The drilling of two horizontal wells with multi-stage hydraulic fracturing at the Palyanovskaya area in 2016 resulted in a commercial oil flow from the Bazhenov formation. The MSHF GROWTH software developed by the Company as part of a research consortium in 2017 was tested at the wells of the Bazhenov formation. This solution – the world’s first hydraulic fracturing simulator in the conditions of the Bazhenov formation – makes it possible to simulate the formation of cracks in the reservoir, predict the oil flow, and select the optimal hydraulic fracturing parameters.

- Gazprom Neft and the Government of the Khanty-Mansi Autonomous District agreed to establish a technology development centre for production from the Bazhenov formation in the Khanty-Mansi Autonomous District – the Bazhen Technological Centre. The centre, which is a new legal entity with the status of a technological testing site, is scheduled to open in 2018.

- The active phase of the pilot project for soda-surfactant polymer flooding at the West Salymskoye field is close to completion. The project resulted in a 15% increase in oil recovery, which indicates the new solution has a high level of technological efficiency.

- Gazpromneft-Khantos launched the Upstream Control Centre (UCC), which was established as part of the Digital Field programme. The Centre consolidated previously developed solutions to increase the efficiency of individual extraction processes into a unified integrated environment. The Centre will reduce operating costs by 15%.

- The Hydraulic Fracturing Scientific and Technical Support Centre was established in partnership with the Engineering Centre of Moscow Institute of Physics and Technology.

- The well design was optimized at the Tsarichanskoye field. A project was successfully implemented to utilize a dual-shaft design for the first time in Russia as well as a set of technological solutions [geomechanics, foam cementing] that made it possible to carry out drilling and cementing in conditions of disastrous drilling mud losses. Seventeen wells were drilled using this approach. Total savings exceeded the project’s cost by more than four-fold. Total drilling costs were reduced by more than RUB 840 million.

- The Company worked on creating a set of IT solutions for the ‘Cognitive Geologist Assistant’, which will boost the efficiency of preparing geological solutions by several times, more than double the speed of data processing, and reduce the cost of extracting information by a third.

THE FIRST IT PLATFORM FOR SEISMIC EXPLORATION

In 2017, Gazprom Neft, in collaboration with Yandex, Terra, Pangea, and the Moscow Institute of Physics and Technology, began building Russia’s first integrated platform for the processing and interpretation of seismic data that can accompany the whole cycle of seismic studies – from setting goals to completing projects. The software will be able to solve problems ranging from selecting promising sites and interpreting data to suggesting ideas for creating seismic geological models. In the future, the prototype will be supplemented with algorithms to process big data and make decisions. The new software products are being developed as part of the Electronic Asset Development (EDA) programme. The program encompasses all major areas of the Company’s operations in the upstream segment: exploration, drilling, development, production, and the development of fields.

“In today’s oil and gas industry, decision-making is based on data that is growing exponentially in volume. The Big Data paradigm allows for adapting business strategies for such explosive growth rates, while modern methods of data analysis, such as machine learning and convolutional neural networks, make it possible to take a fundamentally new approach to solving pressing problems”.

Timur Tavberidze
CEO of the Engineering Centre of Moscow Institute of Physics and Technology
OIL REFINING

The oil refining segment employs a long-term R&D strategy as part of which a portfolio of innovative projects has been established in the priority areas of technological development. Introducing their results at the Company’s refineries will increase the yield of high-margin products given the technological conditions of a particular refinery and also reduce operating costs.

MILESTONES OF THE YEAR

- The Downstream Efficiency Control Centre (ECC) was established within the Downstream Division. The Centre’s objective is to build a unified digital platform to manage the efficiency of the value chain from oil supplies to the refinery to the sale of petroleum products to the end user. A total of 250,000 automated monitoring sensors and dozens of production processes management system transmit information in real time about the demand for petroleum products, the state of equipment, and the quality of raw materials to the ECC. The Centre has created a ‘data lake’ where management decisions are made based on an analysis of the data. The Centre will have a significant economic impact by optimizing all processes and enhancing the reliability of production.

- Gazprom Neft successfully introduced its own catalysts and technological solutions as part of a project to develop the production of catalysts for oil refining:
  - catalytic cracking: the new brand of Avangard catalysts in which the catalytic cracking unit increases the yield of petrol by 3.7%;
  - oligomerization: the new KOB-1 catalyst increased service cycle duration by two-fold and the yield of the high-octane component of petrol by 30%;
  - isodewaxing: the new catalyst without precious metals ensured the production of winter and Arctic grade diesel fuel in accordance with the production programme;
  - new process for the reactivation of the diesel fuel hydrotreating catalyst: the Omsk Oil Refinery efficiently operated the reactivated catalyst for a year instead of the planned six months, thus reducing expenses on the purchase of a fresh catalyst by 55%.

- The Company concluded general agreements until 2025 on matters concerning the development catalysts for oil refining with its strategic scientific partners – the Boreskov Institute of Catalysis (Novosibirsk) and the Institute for Hydrocarbon Processing Problems of the Siberian Branch of the Russian Academy of Sciences (Omsk).

Solid acid alkylation

In 2017, the project committee under the Ministry of Energy of the Russian Federation approved Gazprom Neft’s project to create an environmentally safe solid acid alkylation technology – an innovative waste-free technology for the production of the high-octane component of Euro 5 petrol. The commercial introduction of the technology at the Moscow Oil Refinery will ensure the production of more than 100,000 tonnes of alkylbenzene per year. The Company completed construction on Russia’s first pilot plant for solid acid alkylation with capacity of 300 tonnes of products per year as part of a project in Elektrogorsk.

“The process proposed by Gazprom Neft specialists provides unique advantages in terms of working in a non-corrosive environment, obtaining a higher octane number, and lower capital costs than in plants with mineral acids”.

Yury Zlotnikov
Director of the Oil and Gas Refining Department, Russian Ministry of Energy
Gazprom Neft’s oil refineries have testing laboratories that provide product quality control at all stages of production, from analysing raw commodities and materials to shipments to consumers. The physical and chemical fuel parameters at filling stations are checked additionally at least once a month using mobile or stationary laboratories. Aviation fuel passes through several levels of quality control at Gazpromneft-Aero warehouses: when it is received, stored, prepared, and provided to aircraft for refuelling. The Gazpromneft-Bitumen Materials research centre also carries out additional quality control of bitumen products.

In an effort to achieve this goal, the Downstream Division’s enterprises employ an integrated quality management system that meets the requirements of the international standard ISO 9001. The system encompasses the Company’s refineries, Gazpromneft Marine Bunker, Gazpromneft-Lubricants, Gazpromneft Lubricants Italia SPA, Gazpromneft Shipping, Neftekhimia NPP, and Poliom LLC as well as Gazpromneft-Ryazan Bitumen Materials Plant for bitumen production. All the Company’s Russian refineries – the Omsk Oil Refinery, the Moscow Oil Refinery, and the Slavneft-YANOS – were re-certified for compliance with the requirements of this standard in 2017. The quality management system at the Company functions at all levels of the Company’s management.

The effectiveness of the quality management system is evaluated based on an independent internal and external audit, a satisfaction assessment for all customer groups, and an analysis of feedback from consumers.

Gazprom Neft’s oil refineries have testing laboratories that provide product quality control at all stages of production, from analysing raw commodities and materials to shipments to consumers. The physical and chemical fuel parameters at filling stations are checked additionally at least once a month using mobile or stationary laboratories. Aviation fuel passes through several levels of quality control at Gazpromneft-Aero warehouses: when it is received, stored, prepared, and provided to aircraft for refuelling. The Gazpromneft-Bitumen Materials research centre also carries out additional quality control of bitumen products.

The physical and chemical fuel parameters at filling stations are checked additionally at least once a month using mobile or stationary laboratories.

**PRODUCT QUALITY CONTROL AND IMPROVEMENT**

THE COMPANY WORKS CONTINUOUSLY TO ENHANCE THE EFFECTIVENESS OF CUSTOMER SUPPORT PROCESSES AND IMPROVE THE QUALITY OF ITS PRODUCTS AND THE RELIABILITY OF ITS SURVEILLANCE MODES. GAZPROM NEFT HAS A QUALITY POLICY THAT AIMS TO ENSURE THE EFFICIENT PRODUCTION AND SALE OF HIGH-QUALITY PRODUCTS THAT MEET CUSTOMERS’ REQUIREMENTS AND ARE COMPETITIVE ON BOTH THE DOMESTIC AND FOREIGN MARKETS.

**QUALITY CONTROL**

Gazprom Neft’s oil refineries have testing laboratories that provide product quality control at all stages of production, from analysing raw commodities and materials to shipments to consumers. The physical and chemical fuel parameters at filling stations are checked additionally at least once a month using mobile or stationary laboratories. Aviation fuel passes through several levels of quality control at Gazpromneft-Aero warehouses: when it is received, stored, prepared, and provided to aircraft for refuelling. The Gazpromneft-Bitumen Materials research centre also carries out additional quality control of bitumen products.

The physical and chemical fuel parameters at filling stations are checked additionally at least once a month using mobile or stationary laboratories.
IMPROVING PRODUCT QUALITY

MAIN FOCUSES OF THE COMPANY’S ACTIVITIES TO IMPROVE PRODUCT QUALITY IN 2017:

- the development, launch, and manufacturing of new products with improved quality and environmental attributes
- the standardization and certification of commercial products in accordance with Russian and international regulatory requirements
- the implementation of technical, technological, and management measures to improve the quality of products
- active cooperation with government agencies as well as Russian and international organizations that establish quality policies and standards
- the modernization and development of the laboratory base and supporting the reliability of testing equipment and measuring instruments

During the reporting year, the Company launched bitumen production in accordance with the requirements of the new interstate standard GOST 33133-2014 per the technical regulations of the Customs Union. All assets at which the Company issues standard bitumen products received declarations of conformity.

The Company conducted pilot trials of its premium bitumen products using the transport, housing, and utility infrastructure of the regions as part of agreements signed with the governments of constituent entities of the Russian Federation (the Tyumen Region, Yamalo-Nenets Autonomous District, Khanty-Mansi Autonomous District, and Kamchatka Territory). Gazprom Neft also performed work to develop formulas for and test bitumen products for supply to foreign markets.

In 2017, Gazprom Neft launched test sales of G-Drive petrol with an octane rating of 100 in Novosibirsk. This premium product is designed for modern engines, which in most cases are adapted to run on petrol with an octane rating of 95 or higher. G-Drive 100 petrol improves the performance of car engines, increases their power and acceleration dynamics, and ensures the cleaning and protection of engines against wear.

The Company has developed 113 formulas for current product range and launched the production of 10 new synthetic oils.

Neftekhimia NPP was the first in Russia to switch the production of polypropylene to phthalate-free catalysts in 2017, making it possible to manufacture products that are recommended for use in the production of medical goods.

Additional information about the launch of new products is presented in the 'Strategy in action' section, p. 12
Gazprom Neft is a permanent member of the Interdepartmental Working Group on Countering the Illegal Turnover of Petroleum Products under the State Commission for Countering the Illegal Turnover of Industrial Products. In 2017, Gazprom Neft experts were involved in drafting Methodological Recommendations for organizing and carrying out public control as well as developing partnerships and mutual cooperation on the fuel market as part of the working group under the auspices of the Federal Agency for Technical Regulation and Metrology.

During the reporting year, Gazprom Neft representatives were involved in preparations for a public discussion on motor fuel quality in Russia, which was held on 27 November and chaired by Russian Minister for Open Government Mikhail Abyzov.

Gazpromneft-Aero is a strategic partner of the International Air Transport Association (IATA). In 2017, the Company became the main partner of the IATA Aviation Fuel Forum, which was held in St. Petersburg, marking the first time it was held in Russia. The event was attended by more than 650 delegates from 61 countries.

The Company is actively involved in work to improve roads in the country and is a member of a working group under the Federal Road Agency (Rosavtodor) that is in charge of improving the regulatory framework for the use of road bitumen and asphalt concrete. It is also a member of the Science and Technology Council of the Avtodor Group of Companies and an associate member of the R.O.S. Asphalt Association.

In 2017, Gazprom Neft launched test sales of G-Drive petrol with an octane rating of 100 in Novosibirsk. This premium product is designed for modern engines, which in most cases are adapted to run on petrol with an octane rating of 95 or higher.
ENGAGEMENT WITH CUSTOMERS

GAZPROM NEFT BUILDS DIRECT AND LONG-TERM RELATIONSHIPS WITH ITS CUSTOMERS, ENGAGES IN DIALOGUES WITH THEM BASED ON THE PRINCIPLES OF TRANSPARENCY AND MUTUAL RESPECT, PROVIDES THEM WITH TIMELY AND RESPONSIBLE INFORMATION ABOUT ITS PRODUCTS AND SERVICES, AND IS ALSO IMPROVING THE CUSTOMER COMPLAINT SYSTEM. THE COMPANY CONSTANTLY STUDIES THE LEVEL OF CUSTOMER SATISFACTION WITH THE QUALITY OF ITS PRODUCTS AND SERVICE, ANALYSES THEIR KEY DEMANDS, AND OFFERS TAILORED CUSTOMER SERVICE.

CUSTOMER AWARENESS

The Company employs communication channels developed for each specific audience to generate awareness among different groups of consumers (retail, corporate, wholesale).

In 2017, the Company launched the “Quality Leader” communications project in an effort to raise awareness among retail customers about the quality of Gazprom Neft petrol and diesel fuel and strengthen Gazprom Neft’s image as an industry expert on quality control issues. The following large-scale media campaigns were held among motorists to promote Gazprom Neft’s fuel quality control system: an interregional campaign on open fuel quality testing in nine regions of the Russian Federation (World Quality Day) as well as the creation and demonstration of an immersive virtual reality film called “Fuel Path” that customers can watch using virtual reality glasses at filling stations. The Company shows off the reliability of its petroleum products as part of a fuel partnership with major automobile and motor events (Silk Road Rally, Top-5 Auto Award, Harley-Davidson Festivals, etc.) and also during international competitions as part of the G-Drive Racing project. Press tours are conducted at the Company’s industrial facilities for specialized journalists and bloggers who write about automotive themes.

In an effort to generate awareness among corporate and wholesale customers, the Company utilizes:

- industry-specific and expert events such as exhibitions, conferences, and round tables
- information letters, brochures, and booklets
- the placement of information on corporate websites and external online resources
- a direct dialogue between management and clients at training sessions and seminars for partners and consumers, meetings as well as information and technical sessions with representatives of the industry-based ministries of the regions of the Russian Federation
- branded packaging

RESPONSE TO CONSUMER DEMAND

The Company has a Unified Customer Support Centre (UCSC) to interact with retail customers – a 24/7 multi-channel service that promptly responds to customer requests. The service includes a number of traditional and digital tools for communication with customers: a call centre, IVR (intelligent voice menu), email, feedback forms, online consultants on the website www.gpnbonus.ru, instant messenger chats, and a mobile app for the filling station chain. All inquiries are recorded in the OTRS unified system for the registration and processing of inquiries (tickets) based on their type and subject. The current system promptly processes unconventional inquiries and complaints by sending them to the appropriate service of the Company in order to prepare a response and also stores the history of all inquiries. The quality of customer consultation via all communication channels is regularly monitored over the course of a month. If any violations are detected, corrective measures are taken to resolve the issue.

93,193
CUSTOMER INQUIRIES PROCESSED IN 2017
In 2017, comments from customers of the Gazprom Neft retail chain mainly focused on such issues as the functioning of filling stations and automated filling stations (prices, the scope and quality of service, and the operation of customer systems at filling stations, among other things), further developing service at filling stations, and improving the loyalty programme.

The Company engages with the commercial customers of its petroleum products through:

- responding to customer requests
- the procedure for collecting regular feedback from customers and suppliers
- interacting with retail and commercial customers on the basis of OES services (operational evaluation of situations) in which qualified technical opinions and consultations on equipment operation modes are given in response to incoming requests
- the process of recording transactions, petroleum product supplies, and claim work
- quality assessments to ensure parameters comply with the latest requirements of ISO 8217 and the expectations of counterparties
- conducting focus groups and creating working groups involving representatives of various consumer segments

ASSESSMENT OF CUSTOMER SATISFACTION

The Company assesses the satisfaction of retail consumers with the quality of motor fuel and service in regular sociological polls, studying feedback given at CRM system touch screens in the checkout area of filling stations, and analysing comments and inquiries sent via the Company’s Hotline and social media.

The NPS (Net Promoters Score) loyalty index of Gazpromneft-Bitumen customers scored 73 out of 100 points. Just over 82% of respondents noted the professionalism of employees, while almost 79% mentioned the high quality of products.

STUDY OF SATISFACTION AMONG CUSTOMERS OF THE GAZPROM NEFT RETAIL CHAIN IN THE RUSSIAN FEDERATION

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPS²</td>
<td>32</td>
<td>40</td>
<td>32</td>
<td>57</td>
<td>59</td>
</tr>
<tr>
<td>Satisfaction with service,³ %</td>
<td>41</td>
<td>49</td>
<td>46</td>
<td>64</td>
<td>68</td>
</tr>
</tbody>
</table>

CUSTOMER SATISFACTION INDEX (AGGREGATED SATISFACTION INDICATOR)⁴

<table>
<thead>
<tr>
<th>Companies</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gazpromneft-Lubricants</td>
<td>3.08</td>
<td>3.20</td>
<td>3.08</td>
</tr>
<tr>
<td>Gazpromneft Marine Bunker</td>
<td>3.8</td>
<td>3.4</td>
<td>3.7</td>
</tr>
</tbody>
</table>

¹ — Pumping per petrol station Pumping - sale of fuel at 1 petrol station over a period of time, in this case per day.

² — Net Promoters Score. NPS data and service are comparable within the periods 2013-2015 and 2016-2017 (the jump in 2015-2016 is due to a change in methodology).

³ — Percentage of customers who gave a maximum score of 9 and 10 in response to the question of satisfaction with service.

⁴ — The decrease in the indicator in 2017 is a result of business development processes as Gazpromneft-Lubricants actively expanded into foreign markets as well as instability on the domestic market.

THE COMPANY IS AVAILABLE TO COMMUNICATE WITH CUSTOMERS

24/7

THE COMPANY IS AVAILABLE TO COMMUNICATE WITH CUSTOMERS

20,100

T/DAY

PUMPING PER PETROL STATION¹

61.7%

PERCENTAGE OF POSITIVE REFERENCES TO THE COMPANY IN 2017

TNS STUDY

The research company TNS Russia has conducted a consumer survey since 2016 with the question ‘Choose a gas station which you believe can be rated as “excellent” in terms of the quality and availability of fuel’. In the survey conducted in the second half of 2017, the retail customers’ assessment of the quality and availability of fuel at the filling stations of the Gazpromneft network increased by 2 p.p. compared with 2016. A total of 71% of Gazpromneft customers gave an ‘excellent’ rating for the quality and availability of fuel.
SUPPLY CHAIN

GAZPROM NEFT DEVELOPS COOPERATION WITH CONTRACTORS WITH A FOCUS ON MARKET TRANSPARENCY, MARKET PRICING AS WELL AS LONG-TERM AND STRUCTURED RELATIONSHIPS. THE COMPANY IS COMMITTED TO UTILIZING LONG-TERM CONTRACTING, VARIOUS INCENTIVE TOOLS FOR CONTRACTORS, AND FLEXIBLE PRICING MECHANISMS.

COMPANY’S MATERIAL AND TECHNICAL SUPPLY CHAIN

An integrated management system is used to manage the choice of counterparties and work with them. The Materials and Equipment Procurement Unit of Gazpromneft-Supply underwent an annual audit using this system during the reporting year. The Company’s counterparties for the supply of goods, works, and services are selected in a unified manner based on the results of a competitive procedure for selecting counterparties.

In 2017, the Company launched the Supplier Management System, which provides a prequalification assessment of materials and equipment suppliers for compliance with corporate requirements prior to their involvement in competitive procedures.

The basic criteria for the selection of contractors are the cost and quality of and the timeframe for manufacturing and delivery / performance of work / rendering of services, the counterparty’s availability of the relevant technical and human resources, and the experience required to perform the work / render the services in the relevant area. One of the key selection criteria is the counterparty’s compliance with the Company’s industrial safety rules. The Company concludes an industrial safety agreement with the selected counterparties.

In 2017, the Company involved 4,553 suppliers of materials and equipment in competitive procedures and concluded contracts with 2,076 suppliers. Payments to suppliers amounted to RUB 124 billion.

The Company continued to have a consistently high level of small and medium-sized businesses involved in procurements. Small and medium-sized businesses made up more than 30% of centralized purchases of materials and equipment in 2017.

Payments to suppliers in 2017

RUB 124 BN

PRINCIPLES OF THE COMPANY’S WORK WITH SUPPLIERS:

- principle of transparency and openness
- principle of competitiveness
- principle of equality
- principle of confidentiality
- principle of awareness
Starting from 2015, the Company has identified 30 critical areas for import substitution for which it developed and is implementing Alternative Substitution Strategies to stimulate the Russian production of the required goods and services. The Company is also developing cooperation with stakeholders in order to more effectively meet the import substitution challenges.

Gazprom Neft is the moderator of five expert groups within an interdepartmental working group that was formed to address the import substitution objectives set by the Ministry of Industry and Trade of the Russian Federation jointly with the Ministry of Energy of the Russian Federation in such areas as equipment for the development of hard-to-recover reserves, catalysts and additives, software, and technologies for the manufacturing of spare parts, tools, and accessories. In 2017, Gazprom Neft initiated the establishment of a working group to introduce a methodology for organizing and conducting the qualified selection and accreditation of equipment from foreign licensors and EPC contractors. The group works to stimulate the process of accrediting domestic equipment manufacturers in an effort to increase the proportion of Russian equipment used in the process of modernizing oil refineries, oil and gas chemistry, and LNG from the current 30% to 80%. The group is to be set up in 2018.

Gazprom Neft concluded strategic partnership agreements on import substitution in 2017 with Rosatom State Corporation, St. Petersburg State Maritime Technical University, United Shipbuilding Corporation, and Siemens AG and continued its activities in the joint working groups of GPB Bank and the GMS Group with Russian enterprises that manufacture import-substituting products. Significant results of the Company’s cooperation with other organizations in 2017 included the testing of the first Russian complex for offshore seismic operations at the Dolginsky license area as well as an alpha version of the hydraulic fracturing simulation software package created by a consortium led by the Moscow Institute of Physics and Technology as part of the development of the Bazhenov formation. Information is also presented in the ‘Regional policy and development of local communities’ chapter of this Report about import substitution in the regions where Gazprom Neft operates.

1 The group was set up after the reporting period in 2018.
## GOALS AND OBJECTIVES FOR 2018

### EXPLORATION AND PRODUCTION

- Development of the resource base
- Maintaining the capability of achieving the strategic target for the production of 100 million TOE
- Managing the basic fund as well as geological and technical measures to comply with short-term restrictions with minimal negative long-term impact
- Maximizing financial performance indicators by increasing the share of high-margin hydrocarbon production
- Increasing production through the launch of new large-scale projects
- Maintaining production levels at mature fields as a result of technological solutions
- Improving drilling efficiency through the use of new technologies
- Hydrocarbon production in 2018 of 92.9 million tonnes of oil and oil and condensate of 63.3 million tonnes
- Ensuring that oil production in the Russian Federation grows at a pace no lower than that of 2017 (56 million tonnes)

### OIL REFINING AND SALES

- Continue implementing projects to increase the depth of oil refining and environmental projects, including the continued construction of deep oil refining complexes at the Omsk and Moscow Oil Refineries and the Pancevo Oil Refinery in Serbia
- Implementing programmes to improve the efficiency of oil refining and reduce costs
- Maximizing sales of oil products manufactured through the Company’s own channels

### IMPROVING PRODUCT QUALITY

#### Objectives of the oil refineries:

- Preparing and coordinating documentation for the production of fuel for RT brand jet engines in accordance with GOST 10227-86
- Launching the production of diesel fuel per Technical Specifications 38.301-19-155-2009
- Launching the production of unleaded petrol per GOST 32513-2013
- Launching the production of TS-1 fuel planned for production after the launch of the Euro+ installation (combined oil refining unit)

#### Objectives of the product business units:

- The development, introduction, and replication of targeted automated processes
- An increase in the sales of ULSFO 0.1 ultra-low sulphur fuels
- An increase in the share of the sale of branded products
- Compliance with the new planned MARPOL restrictions on the sulphur content in marine fuels (no more than 0.5% in international waters and 0.1% in emission control zones)
- The development of premium high-margin greases by Gazpromneft Grease
- An expansion in the range of synthetic oils through the development of formulas for key products with a focus on the use of internal base oil resources
- Maintaining and strengthening the Company’s technological leadership in the introduction of innovative technologies in the production of bituminous materials
- Preserving the Company’s market share in the volume of bitumen materials and premium bitumen production given the enhanced requirements for the quality of bitumen produced on CIS markets
Sustainable development and corporate social responsibility principles are integrated into Gazprom Neft’s strategy, decision-making processes, and operational activities.
**MANAGEMENT APPROACH**

**VALUE CHAIN**

**ADVANTAGES OF THE BUSINESS MODEL**

**A BALANCED PORTFOLIO OF PRODUCTION ASSETS**
The Company is able to meet the needs of the oil and gas market by increasing hydrocarbon production each year. Large-scale development and the introduction of innovations facilitate the growth in output. A balanced project portfolio helps to effectively manage production in rapidly changing market conditions.

**MODERN AND EFFICIENT OIL REFINERIES IN RUSSIA AND ABROAD**
An advantageous location, modernized production facilities, and ongoing projects to improve operational efficiency enable the Company to maintain its position as an industry leader in refining efficiency and meet the needs of the domestic market. Modernization programs not only improve the quality of products, but also improve the environmental performance of motor fuels and minimize the impact of refineries on the environment.

**DIRECT SALES NETWORK IN MOST RUSSIAN REGIONS AND TEN COUNTRIES**
Having an extensive sales network in Russia and around the world helps the Company to maximize the margin from the sale of oil and petroleum products and provide products to a wide range of customers – from retail customers to major traders.

**CREATING VALUE FOR STAKEHOLDERS**

**SOCIETY**
- Providing high-quality fuel
- Responsible production: preserving the environment and biodiversity

**SHAREHOLDERS AND INVESTORS**
- Long-term growth in the Company’s value
- A high level of dividend yield

**CONSUMERS AND CUSTOMERS**
Regular availability and the stable provision of petroleum products with excellent consumer and environmental attributes

**STAFF**
- Stable jobs
- A dignified compensation package
- Social support
- Ample opportunities for professional growth

**GOVERNMENT**
- Ensuring energy security
- Contribution to economic development
- Tax payments
- Technological development of the Russian oil and gas industry

**REGIONS OF OPERATION AND LOCAL COMMUNITIES**
- Contribution to the socioeconomic stability of the regions.
- Development of local production and suppliers
- Tax payments
- Creation of jobs and environmental conservation programmes
- Improving the quality of life of local communities
- Promoting growth in social activity and social entrepreneurship
THE COMPANY BELIEVES THAT SUSTAINABLE GROWTH IN BUSINESS AND THE PROSPERITY OF THE SOCIETY IN WHICH IT OPERATES ARE INEXTRICABLY LINKED. IN ACHIEVING ITS STRATEGIC GOALS, GAZPROM NEFT STRIVES TO CREATE VALUE FOR STAKEHOLDERS AT EACH STAGE OF ITS ACTIVITIES AND TO CONTRIBUTE TO THE COUNTRY’S SOCIOECONOMIC DEVELOPMENT.

### 2017 MILESTONES

<table>
<thead>
<tr>
<th>Category</th>
<th>Milestone</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hydrocarbon Production</strong></td>
<td>89.75 MN TOE</td>
</tr>
<tr>
<td><strong>Oil Refining</strong></td>
<td>40.11 MT</td>
</tr>
<tr>
<td><strong>Regions of Russia</strong></td>
<td>51</td>
</tr>
<tr>
<td><strong>Investment in Environmental Protection</strong></td>
<td>RUB 27.1 BN</td>
</tr>
<tr>
<td><strong>Company’s Capitalization</strong></td>
<td>RUB 1.16 TN</td>
</tr>
<tr>
<td><strong>Per Share Dividend Payments</strong></td>
<td>RUB 10.68</td>
</tr>
<tr>
<td><strong>Combined Income of Shareholders in 2017</strong></td>
<td>14.5%</td>
</tr>
<tr>
<td><strong>Oil Sales</strong></td>
<td>26.53 MN T</td>
</tr>
<tr>
<td><strong>Petroleum Products Sales</strong></td>
<td>43.48 MT</td>
</tr>
<tr>
<td><strong>Gazpromneft Filling Station Loyalty Programme Members</strong></td>
<td>12.4</td>
</tr>
<tr>
<td><strong>Employees Working at the Company</strong></td>
<td>67,882</td>
</tr>
<tr>
<td><strong>LTIFR Reduced</strong></td>
<td>0.326</td>
</tr>
<tr>
<td><strong>Employees Underwent Training</strong></td>
<td>55,891</td>
</tr>
<tr>
<td><strong>Average Salary</strong></td>
<td>RUB 112,900</td>
</tr>
<tr>
<td><strong>Oil Exports</strong></td>
<td>19.9 MN T</td>
</tr>
<tr>
<td><strong>Tax Payments</strong></td>
<td>RUB 721 BN</td>
</tr>
<tr>
<td><strong>Increased Service Life of Mature Fields Through the Use of Modern Technologies</strong></td>
<td>RUB 721 BN</td>
</tr>
<tr>
<td><strong>Social Projects Implemented</strong></td>
<td>221</td>
</tr>
<tr>
<td><strong>Social Investments</strong></td>
<td>RUB 4,313 BN</td>
</tr>
</tbody>
</table>
SUSTAINABLE DEVELOPMENT PRIORITIES

The company’s key sustainable development priorities are to maximize production safety, mitigate any environmental impacts, develop staff, promote the development of regions, and take stakeholders’ interests into consideration. These priorities and their respective goals are consistent with global trends and sustainable development goals, in particular the sustainable development goals (SDGs) adopted by the UN in 2015.

UN SUSTAINABLE DEVELOPMENT GOALS

1. No Poverty
2. Zero Hunger
3. Good Health and Well-being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace, Justice and Strong Institutions
17. Partnerships for the Goals

The full text of the document is available on the website.
SUSTAINABLE DEVELOPMENT GOALS OF GAZPROM NEFT AND THE UN SDG

Economy and manufacturing

**COMPANY’S GOALS:**

- attaining business targets: 100 mn TOE – production volume by 2025, 40 mn t of oil – oil refining volume in Russia, 95% – oil refining depth, 100% – products made by the Company’s oil refineries and sold through its own distribution channels by 2025
- enhancing the efficiency of core activities
- developing and introducing innovations

---

**COMPANY’S ACTIVITIES:**

- development of fields in Russia and abroad
- modernization of oil refining facilities and enhancing the efficiency of their operations
- introducing innovative technologies that increase the service life of mature fields and develop hard-to-recover oil reserves while increasing the depth of oil refining
- boosting labour productivity
- developing the sales network for business and end consumers
- improving the quality of products

For more on the business targets, see the About the Company chapter, p. 8
**Industrial safety**

**COMPANY’S GOALS:**
- increasing the level of industrial and occupational safety and reducing the rate of injuries, accidents, and occupational diseases
- mitigating the man-made burden and maintaining a favourable natural environment and human habitat
- preventing environmental damage from business activities
- the sustainable use, restoration, and protection of natural resources and the preservation of biodiversity
- introducing best practices in environmental safety
- energy conservation and energy efficiency

**COMPANY’S ACTIVITIES:**
- continuous improvements to industrial safety methods
- establishment and development of a safety culture at the Company
- protection of the atmosphere
- the sustainable use and protection of water resources
- waste management and the protection of land resources
- energy conservation and energy efficiency
- implementation of biodiversity conservation programmes
- enhanced industrial safety levels and the prevention of emergency situations
- modernization of emergency protection systems
- ensuring safe working conditions
- implementation of medical preventive programs and support for a healthy lifestyle

**Social development**

**COMPANY’S GOALS:**
- development of the Company’s human resources
- support for local communities in the regions where the Company operates and assistance with the socioeconomic development of regions

**COMPANY’S ACTIVITIES:**
- ensuring competitive remuneration and a social package for employees
- assessment, development, and training of staff
- establishment of a talent pool
- development of internal communications and a corporate culture
- support for the development of social infrastructure in the regions where the Company operates
- development of human capital in the regions and promoting increased social activism
- introduction of leading social practices
- development of cooperation with stakeholders
Gazprom Neft actively cooperates with key stakeholders when designing and implementing its sustainable development strategy, which enables the Company to improve the efficiency of its social and environmental activities and to achieve comprehensive and long-term positive changes.

The Company’s management systems cover all areas of these activities and are structured in accordance with international standards. The sustainable development efficiency indicators are included in the system of key performance indicators (KPIs) of Gazprom Neft managers and employees.

### SUSTAINABLE DEVELOPMENT MANAGEMENT STRUCTURE AT GAZPROM NEFT

#### Board of Directors
HR and Remuneration Committee and the Audit Committee under the Board of Directors

#### CEO, Management Board
Operational and Industrial Safety Management System (OISMS)
Committee under the Management Board
- Development of a sustainable development strategy
- Overall management of the implementation of the sustainable development strategy and activity programmes
- Review of the results of the strategy’s implementation

#### Core departments at the Corporate Centre and management in the units
- Strategic planning, identification of the goals of operations as well as monitoring and operational management in accordance with their business segment

#### Core offices in the units
- Identification of priority sustainable development focuses in terms of their activities
- Monitoring of sustainable development activities in their focus at subsidiaries

#### Core offices of subsidiaries
- Implementation of sustainable development programmes in terms of their focus
The standards and mechanisms of Gazprom Neft’s corporate governance system enable the Company to observe sustainable development principles at all levels of operations – from planning the corporate strategy to solving daily business tasks. The Company’s corporate governance system is one of the key factors in the continued growth of Gazprom Neft.
CORPORATE GOVERNANCE

GAZPROM NEFT’S CORPORATE GOVERNANCE SYSTEM ENABLES THE COMPANY TO ADHERE TO THE PRINCIPLES OF SUSTAINABLE DEVELOPMENT AT ALL STAGES – FROM DEVELOPING A CORPORATE STRATEGY TO OPERATING ACTIVITIES.

The Company’s corporate governance system complies with the standards and requirements of Russian legislation, the Gazprom Neft Charter, and its own internal standards. To this end, Gazprom Neft also focuses on the best global experience and most successful practices.

The principles and rules of the corporate governance system are enshrined in the Corporate Code and the Code of Corporate Governance Code.

Management efficiency

The Company constantly makes improvements to its corporate governance system and is committed to enhancing its efficiency. The Board of Directors reviews information about results on an annual basis.

Main initiatives of 2017:

- the ‘Shareholder User Account’ online service was established
- the practice of reviewing the Company’s key risks by the Board of Directors was introduced
- an external expert conducted an external independent assessment of the quality of internal audit activities and submitted the results to the Audit Committee
- the fundamental standard ‘Regulation on Corporate Procedures for Major Transactions and Related Party Transactions’ was approved
- the Board of Directors approved the External Audit Policy as well as updated versions of the Internal Control Policy, the Regulation on the Internal Audit Department, the Internal Audit Policy, the Regulation on Insider Information, and the Regulation on Information Policy
- the work of the committees of the Board of Directors was scaled up
**General Meeting of Shareholders**
The supreme governing body whose purview includes the most significant issues concerning the Company’s activities.

**Board of Directors**
Performs the general management of the Company’s operation, determines the Company’s strategy, policy and core operating principles. Subordinate to the General Meeting of Shareholders and acts in the interests of all shareholders.

**Executive bodies**
Manage the Company’s day-to-day operations and are subordinate to the General Meeting of Shareholders and the Board of Directors.

**Management Board**

**CEO**
Appointment based on a decision of the Board of Directors

**Secretary of the Board of Directors**
Handles effective regular interaction with shareholders and the coordination of the Company’s actions to protect the rights and interests of shareholders, and also supports the effective work of the Board of Directors.

**Audit Commission**
An elective body that exercises control over the Company’s financial and economic activities.

**Human Resources and Remuneration Committee**
Evaluates the effectiveness of the human resources policy and remuneration system, determines the criteria for selecting candidates for the Board of Directors, and conducts an evaluation of the effectiveness of the Board of Directors’ activities.

**Internal Audit Department**
Provides the Board of Directors (via the Audit Committee) and the Company’s Management (CEO and the Management Board) with independent, objective, reasonable, and substantiated guarantees and consultations that aim to improve the Company’s activities. The Department helps to achieve the Company’s goals by taking a systematic and consistent approach to assessing and improving the effectiveness of corporate governance, risk management, and internal control processes.

**Audit Committee**
Handles the monitoring of the Company’s financial and economic activities, is elected by the Board of Directors, and acts on the basis of the Charter and internal regulations.

**External auditor**
A professional audit organization approved by the General Meeting of Shareholders per a recommendation from the Board of Directors adopted based on an audit conducted by the Audit Committee. Conducts an independent audit of financial and economic activities.

**Secretary**
Handles effective regular interaction with shareholders and the coordination of the Company’s actions to protect the rights and interests of shareholders, and also supports the effective work of the Board of Directors.
The Board of Directors handles the day-to-day management of the Company’s activities. As part of its purview, the Board of Directors determines the strategy, policies, and main principles of the Company’s operations, including its investments and borrowings, risk management, and the management of property and other activities, and also monitors their implementation.

The Board of Directors includes 13 people: 10 non-executive directors who represent the interests of the controlling shareholder – Gazprom PJSC, two independent directors, and the Company’s CEO. Gazprom Neft is guided by the independence criteria that are enshrined in the Code of Corporate Governance of the Central Bank of the Russian Federation. Gazprom Neft ensures the members of the Board of Directors are elected via a transparent procedure. The Board of Directors is balanced insofar as its members possess the key skills that are essential for effective work. The members of the Board of Directors have skills in accounting, strategic management, corporate governance, corporate finance, and risk management as well as industry-based experience and knowledge.¹

When performing their functions, Board members actively interact with the Company’s management, structural units, the registrar, and the auditor.

The existing structure of the Board of Directors provides an appropriate level of independence from the Company’s management, which helps to ensure the proper monitoring of its work.

The Management Board and the CEO – the Company’s executive bodies – are accountable to the Board of Directors and the General Shareholders Meeting. The CEO of Gazprom Neft is Alexander Dyukov.

The analysis of the Board’s performance over the reporting period revealed improvements in the following areas: identification of strategic priorities, interaction with executive management, balanced membership, and the functioning of the Board of Directors. In addition, one of the issues that was deemed to need further improvement based on the assessment results was the increased awareness of members of the Board of Directors, including the timely provision of information and improvements to communication channels with management and other individuals.

¹ A list of the members of the Board of Directors, their specific skills as well as the number of meetings at which each member was present is presented in the Company’s Annual Report for 2017 on the Company’s website.

57 MEETINGS OF THE BOARD OF DIRECTORS IN 2017

112 ITEMS CONSIDERED AT MEETINGS

IN 2017, THE BOARD OF DIRECTORS CONSIDERED THE FOLLOWING MATTERS CONCERNING SUSTAINABLE DEVELOPMENT:

- the implementation of the Gazprom Neft PJSC Development Strategy until 2025
- the Gazprom Neft PJSC Offshore Development Programme
- the Gazprom Neft PJSC Innovative Development Programme until 2025
- the risk management system at Gazprom Neft PJSC and the results of an assessment and updating of key risks based on the results of 2016 and the first half of 2017
- plans for the development of catalyst production and meeting the needs of the Gazprom Group
- target environmental indicators of Gazprom Neft PJSC for 2017-2019
- the implementation of the Programme for the Utilization and Improved Efficiency of the Use of Associated Petroleum Gas based on the results of the first half of 2017 and the long-term plans for 2018-2020
- the approval of the Policy on Annual Bonuses for Gazprom Neft Group employees

BALANCE OF THE BOARD OF DIRECTORS BY AGE

Source: Company data

13 PERSONS

Under age 45 3
Age 46–55 5
Age 56–65 3
Age 66 and older 2

ASSESSMENT OF THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors conducts an annual assessment of its performance.

The analysis of the Board’s performance over the reporting period revealed improvements in the following areas: identification of strategic priorities, interaction with executive management, balanced membership, and the functioning of the Board of Directors. In addition, one of the issues that was deemed to need further improvement based on the assessment results was the increased awareness of members of the Board of Directors, including the timely provision of information and improvements to communication channels with management and other individuals.
MECHANISMS TO ELIMINATE A POTENTIAL CONFLICT OF INTERESTS

The Company strives to maintain a balance of interests between shareholders and management. The Company’s main shareholder has a sufficient number of votes to pass decisions on a significant number of issues that fall within the purview of the General Meeting of Shareholders and also to form the Board of Directors. Despite this, the Company seeks to utilize tools that feature a high concentration of equity to mitigate risks related to the specific nature of management.

Internal documents – the Corporate Code and the Code of Corporate Governance – serve as the foundation for resolving conflicts of interest. Gazprom Neft has created a Corporate Culture and Ethics Working Committee, which monitors compliance with the provisions of the Company’s Code. The Committee includes members of the Management Board.

In accordance with the Code of Corporate Governance, members of the Board of Directors must:
- refrain from taking actions that could lead to a conflict of interest
- refrain from voting on issues in which they have a personal interest in their decision-making
- not disclose or use confidential and/or insider information about the Company in their own personal interests or the interests of third parties

There were no conflicts of interests among members of the Gazprom Neft Board of Directors and Management Board in 2017.

REMUNERATION FOR MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT BOARD

The Company has a clearly structured and objective Remuneration Programme for top and senior executives that ensures a connection between short-term goals and the amount of bonus payments. In addition to bonuses tied to short-term results, the Company has a motivation system based on the dynamics of the Company’s market capitalization over a three-year period.

The remuneration system for members of the Company’s Management Board includes the base portion of remuneration, which is determined on an individual basis and fixed in the employment contract, an annual bonus and a long-term incentive programme.

The amount of the annual bonus for key senior executives is dependent on the degree to which they fulfilled a fixed set of KPIs and business initiatives. This list of KPIs includes performance indicators with respect to the Company’s strategic goals, corporate, financial, and performance targets as well as indicators demonstrating compliance with industrial safety standards.

In addition to the annual bonus, Gazprom Neft employs a long-term incentive programme based on the dynamics of the Company’s market capitalization over a three-year period. Members of the Management Board are not paid any additional remuneration for work in the management bodies of Gazprom Neft or its subsidiaries. Management Board members received total income of RUB 1.285 billion in 2017. Payments include work remuneration for the reporting period, taxes and other mandatory payments to relevant budgets and extra-budgetary funds, bonuses, the payment of annual work leave during the reporting period, and payment for medical treatment and services.

The amount of remuneration for members of the Board of Directors depends on the Company’s financial results and is annually approved by shareholders, which eliminates the risk of potential abuses of the remuneration programme.

A total of RUB 303.37 million in remuneration was paid to members of the Board of Directors in 2017 (remuneration includes personal income tax). Members of the Board of Directors did not receive compensation for expenses related to their participation on the Board of Directors in 2017.
INFORMATION DISCLOSURE

THE CORE PRINCIPLES OF THE GAZPROM NEFT INFORMATION POLICY ARE:

- the regular, consistent, and prompt provision of information
- ensuring all stakeholders have the opportunity for equal, free, and easy access to information disclosed by the Company
- the objectivity, accuracy, completeness, and comparability of all disclosed data
- the neutrality of information, i.e. eliminating the possibility of the preferential satisfaction of the interests of one group over those of another
- maintaining a reasonable balance between the Company’s transparency and its commercial interests

Gazprom Neft strives to ensure a high level of information openness and transparency. The Company promptly and regularly discloses up-to-date information about its activities, including information about:

- the structure of equity capital
- members of the Board of Directors and members of the Management Board
- the remuneration structure for members of the Board of Directors and the Management Board
- all the main forms of financial statements prepared in accordance with IFRS and RAS
- related party transactions
- controlled organizations
- information to be disclosed in the forms envisaged by existing legislation and the Company’s internal documents, including the annual reports of Gazprom Neft and others. The Company also publishes annual reports on sustainable development in accordance with the best global practices.

The Company discloses balanced and objective information and does not avoid disclosing negative information about itself.
OBSERVANCE OF HUMAN RIGHTS

THE COMPANY SUBSCRIBES TO THE FOLLOWING GENERAL PRINCIPLES:

- The UN Global Compact on Human Rights, Labour Relations, Anti-Corruption, and Environmental Protection
- The Universal Declaration of Human Rights
- The International Labour Organisation’s Declaration on Fundamental Principles and Rights at Work
- The Social Charter of Russian Business of the Russian Union of Industrialists and Entrepreneurs

Gazprom Neft strictly observes human rights and does not permit any discrimination based on nationality, gender, origin, age, or other grounds, recognizes the right of workers to form public associations and organizations to protect their rights and interests, and guarantees respect for the rights of indigenous peoples when organizing production operations in areas where they reside.

The Company utilizes a set of practical measures to observe these principles, which include:

- undertaking obligations to observe human rights and incorporating them into the Company’s regulatory documents
- assessing risks concerning the observance of human rights and developing preventive measures if they materialize
- interacting with stakeholders on matters concerning the observance of human rights
- developing feedback channels that enable stakeholders to express their opinion or a complaint in this regard
- monitoring the observance of human rights by the Company and its contractors

The Company’s principles in the observance of human rights are reflected in its fundamental corporate documents and include:

- Code of Corporate Governance
- Corporate Conduct Code
- Anti-Fraud and Anti-Corruption Policy
- Industrial, Environmental, and Occupational Safety and Civil Defence Policy
- HR Management Policy
- Regional Policy Concept
- Information Policy

The Company subscribes to the following general principles:
The Company has zero tolerance for possible risks of corruption and fraud. The Company’s primary regulatory document in this regard – the Anti-Corruption and Anti-Fraud Policy – includes the main requirements for implementing business processes in order to mitigate corruption risks and also prescribes anti-corruption rules and standards for all the Company’s employees.

The Company’s Deputy CEO for Security is responsible for anti-fraud and anti-corruption matters.

Gazprom Neft has developed an anti-corruption compliance system that includes a number of anti-corruption measures at all levels of internal corporate regulation:

- analysing and updating of one of the key corporate risks – the risk of fraud and corruption
- employing the principle of due diligence when selecting counterparties and the inclusion of the relevant obligations of the parties (anti-corruption reservations) in the contracts to be concluded
- checking of existing and hired employees for their affiliation to third-party commercial structures and whether there might be a conflict of interest
- a hotline to counter fraud, corruption, and other violations of the Corporate Code, which allows for the anonymous reporting of violations within the Corporate Centre and at subsidiaries
- conducting official investigations into any violations that are identified and holding the guilty parties responsible

The Company has developed the ‘Combating Fraud and Corruption’ online course, which each current and newly hired Gazprom Neft employee must take.

The Company’s Deputy CEO for Security is responsible for anti-fraud and anti-corruption matters.
INTERNAL CONTROL AND RISK MANAGEMENT

THE INTERNAL CONTROL POLICY OF GAZPROM NEFT PJSC, WHICH WAS APPROVED BY THE BOARD OF DIRECTORS IN FEBRUARY 2017, TOOK EFFECT AT THE COMPANY DURING THE REPORTING PERIOD. THE POLICY IS NOW THE MAIN DOCUMENT USED TO DEFINE THE GOALS, OBJECTIVES, COMPONENTS, AND PRINCIPLES FOR THE ORGANIZATION AND FUNCTIONING OF THE COMPANY’S INTERNAL CONTROL SYSTEM.

The Company employs an internal control system that ensures:
- the minimization of risks
- the development, introduction, proper implementation, monitoring, and improvement of control procedures at all levels of the Company’s business operations and management
- the continuity of the Company’s operations as well as the most effective performance of the Company’s activities, its sustainability, and development prospects, including the Company’s timely adaptation to changes in the internal and external environment
- a uniform and systematic methodological approach as well as high-quality information and analytical support for the management decision-making process at the Company
- the timely resolution of conflicts of interest that arise in the process of the Company’s activities

SUBJECTS OF INTERNAL CONTROL AT GAZPROM NEFT

The **Board of Directors** determines the principles and approaches used for the organization and operation of the Company’s internal control system (ICS) and conducts a high-level analysis and assessment of its effectiveness, including an annual review of the effectiveness of the ICS.

The **Audit Committee** prepares recommendations for the Board of Directors on matters concerning the organization, operation, effectiveness assessment, and improvement of the ICS, analyses the Company’s reporting and internal audit results for compliance with the legislation of the Russian Federation, IFRS, RAS, and other regulatory legal acts, and considers any established or alleged unethical practices by the Company’s employees.

The **Company’s executive bodies and senior management** are responsible for the effective operation of the ICS, introduce a culture of internal control, and support high ethical standards at all levels of the Company’s activities, and conduct a regular performance assessment of the Company’s employees and train staff on internal control.

The heads of structural units and the Company as a whole perform functions that aim to develop, document, introduce, fulfil, monitor (self-assessment), and improve control procedures within the framework of their relevant competencies and in the zone of their responsibility and also timely inform supervisors about incidents when it is impossible to perform control procedures for any reason and/or changes must be made to control procedures due to changes to the internal and external conditions of the Company’s operation.

The **Audit Commission** monitors the compilation of reliable financial statements and other information about the Company’s financial and business activities and property status.

The **Internal Audit Department** conducts an independent and objective assessment of the effective organization and functioning of the ICS and risk management, drafts and monitors the implementation of recommendations to eliminate shortcomings identified during audits, reports on the results of the ICS assessment, and offers suggestions for its improvement to the Company’s Audit Committee and executive bodies.

Information concerning the effectiveness of the internal control system is provided to shareholders within the Company’s annual report and also to the Company’s Board of Directors and executive bodies as part of the Gazprom Neft Internal Audit Department’s report on its performance results.

DEVELOPMENT OF INTERNAL CONTROL FOR FINANCIAL REPORTING

The Company continued to implement a project in 2017 to introduce a solution to automate internal control functions based on the SAP GRC Process Control system. The further development of this project extended coverage to risks involving the distortion of financial statements at all major subsidiaries. A project was also launched during the reporting year to develop the existing system of internal tax control taking into account the requirements of the Federal Tax Service for the Company’s internal control service. The project aims to identify and eliminate the risk of distortions to tax reporting.
The Company employs a Risk Management Policy that describes the goals and principles of risk management.

Gazprom Neft’s goal in risk management is to improve the effectiveness of management decisions by analysing the risks that accompany them and to maximize the effectiveness of risk management measures when implementing decisions that are adopted.

Risk management is managed using the appropriate tools that are integrated into key corporate processes. Responsibility for risk management and preparing reporting on risk management is determined in accordance with the system of linear and functional management. An owner is appointed for each risk and is responsible for managing it. Risk coordinators who promote and support the use of corporate risk management principles are selected from among managers at the level of each function and key business process.

This approach makes it possible to identify areas of responsibility for risk management and to monitor risks at all levels of the Company’s management as well as ensure the development of targeted plans for responding to significant risks at each subsidiary as well as Gazprom Neft as a whole.

In order to achieve this goal, the Company has developed and employs a unified approach to the risk management process, which forms the Integrated Risk Management System (IRMS) in conjunction with standardized risk analysis tools and methods.

The Company continuously expands the methodological framework of the IRMS, including general recommendations on the quantitative risk assessment of project and business planning as well as detailed methods for assessing the most substantial risks.

As of the end of 2017, the IRMS extended to all Gazprom Neft’s core assets. When starting new projects or acquiring existing assets, they are always incorporated into the IRMS.
The risk management system covers risks of a social and environmental nature, among other areas.

### MANAGEMENT OF SOCIAL AND ENVIRONMENTAL RISKS

#### RISKS ASSOCIATED WITH HUMAN RESOURCES

The company offers a safe working environment and competitive salaries, and also provides training for employees on specially created programmes. In addition, the company is improving its recruitment procedures and implementing measures that aim to reduce staff turnover and facilitate the personal development of its employees.

#### RISKS ASSOCIATED WITH INDUSTRIAL SAFETY

In an effort to mitigate these risks, the company is implementing a large-scale integrated programme that aims to ensure safe working conditions for employees and the safety of production processes. This programme is consistent with best practices around the world and is based on enhancing the role of production managers at all levels as regards ensuring work safety. The company effectively applies the experience of international oil companies while adapting it to the conditions of its own production sites. In particular, the company is introducing behavioural safety audits and conducts internal investigations of incidents in order to determine their causes and prevent them from recurring. Gazprom Neft is implementing its Transport Safety Programme, has introduced risk assessments for high-risk work, and is organizing large-scale educational and training sessions and seminars for all levels of the organization. The safety management system at production facilities is certified for compliance with the international standard OHSAS 18001, continuous improvements are being made, and priorities are being selected in this system for the coming years.

#### ENVIRONMENTAL RISKS

Gazprom Neft’s industrial safety policy aims to ensure compliance with the requirements of the existing environmental legislation of the Russian Federation by investing significant funds in environmental protection activities, including the use of technologies to mitigate any negative environmental impact. These activities have resulted in a significant reduction in the probability of risks associated with environmental pollution. The company also monitors changes in environmental legislation in the countries where it operates.

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Risk management measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RISKS ASSOCIATED WITH HUMAN RESOURCES</strong></td>
<td>The company offers a safe working environment and competitive salaries, and also provides training for employees on specially created programmes. In addition, the company is improving its recruitment procedures and implementing measures that aim to reduce staff turnover and facilitate the personal development of its employees.</td>
</tr>
<tr>
<td><strong>RISKS ASSOCIATED WITH INDUSTRIAL SAFETY</strong></td>
<td>In an effort to mitigate these risks, the company is implementing a large-scale integrated programme that aims to ensure safe working conditions for employees and the safety of production processes. This programme is consistent with best practices around the world and is based on enhancing the role of production managers at all levels as regards ensuring work safety. The company effectively applies the experience of international oil companies while adapting it to the conditions of its own production sites. In particular, the company is introducing behavioural safety audits and conducts internal investigations of incidents in order to determine their causes and prevent them from recurring. Gazprom Neft is implementing its Transport Safety Programme, has introduced risk assessments for high-risk work, and is organizing large-scale educational and training sessions and seminars for all levels of the organization. The safety management system at production facilities is certified for compliance with the international standard OHSAS 18001, continuous improvements are being made, and priorities are being selected in this system for the coming years.</td>
</tr>
<tr>
<td><strong>ENVIRONMENTAL RISKS</strong></td>
<td>Gazprom Neft’s industrial safety policy aims to ensure compliance with the requirements of the existing environmental legislation of the Russian Federation by investing significant funds in environmental protection activities, including the use of technologies to mitigate any negative environmental impact. These activities have resulted in a significant reduction in the probability of risks associated with environmental pollution. The company also monitors changes in environmental legislation in the countries where it operates.</td>
</tr>
</tbody>
</table>
STAKEHOLDER ENGAGEMENT

Gazprom Neft’s stakeholder engagement system aims to achieve sustainable development goals and harmonize the interests of all stakeholders. Engagement with all stakeholders is based on the principles of mutual respect, constructive cooperation, the information transparency of the Company’s activities, regular interaction, and compliance with the Company’s obligations.

The Company’s Corporate Conduct Code, Code of Corporate Governance, and Information Policy form the regulatory framework that governs the principles of the Company’s interaction with stakeholders.

SHAREHOLDERS AND INVESTORS

Gazprom PJSC is the largest shareholder in the Company with a 95.68% stake of its common shares. The rest of the common shares (4.32%) are distributed among minority shareholders, including both individuals and legal entities.

The procedures used to prepare for and hold General Meetings of Shareholders enable shareholders to review the necessary information, easily register as a participant in a General Meeting of Shareholders, and take part in voting. The Regulation on the General Meeting of Shareholders guarantees shareholders’ equal opportunity to express their opinion and ask any questions they might have (including to members of the Company’s Management Board).

The Company held its annual general meeting as well as an extraordinary general meeting of shareholders in 2017. At the annual meeting, shareholders decided to pay out dividends in the amount of RUB 50.64 billion at a rate of RUB 10.68 per common share – the highest dividends ever paid in the Company’s history. At the extraordinary meeting in December 2017, shareholders decided to pay interim dividends for the first 9 months of 2017 in the amount of RUB 47.41 billion (RUB 10.0 per common share).

ENGAGEMENT MECHANISMS:
- General Meeting of Shareholders
- Corporate reporting
- Meetings with Company management
- Conference calls for investors
- Quarterly publication of an analyst’s handbook and the monthly publication of a statistical compilation
- The Company’s participation in the conferences of investment and broker organisations
- The annual Investor Day involving Gazprom Neft senior executives
- Visiting meetings for investors at production and extraction sites
- Updating of information in the ‘Investors’ section on the Company’s website www.gazprom-neft.com

KEY ISSUES:
- Strategy implementation
- Financial stability
- Corporate governance and risk management
- Respect for shareholder rights
- Improving the efficiency of production and industrial safety levels
- Product quality
- The Company’s involvement in combating climate change

GAZPROM NEFT’S KEY STAKEHOLDERS:
- Shareholders and investors
- Employees
- Consumers
- The authorities
- Suppliers
- Local communities
- Public organizations
**Employees**

**Engagement mechanisms:**
- internal corporate communications system
- communications sessions among managers and employees
- meetings between work teams and managers at Gazprom Neft enterprises devoted to the current agenda of business and cooperation issues
- studies of the social and psychological climate at the Company’s enterprises
- corporate events: forums and conferences
- cultural and sporting events

**Key issues:**
- remuneration and social support for employees
- labour relations
- safe working conditions
- employee training and development
- the Company’s involvement in the development of local communities

The Company’s interaction with employees is governed by internal regulations, collective agreements, and the Corporate Code. In following the principles of social partnership, the Company actively interacts with trade union organizations representing the interests of workers.

Gazprom Neft works continuously to improve its internal corporate communications system with special attention paid to feedback tools and studies of the social and psychological climate while also developing new promising tools for a dialogue.

To attract potential employees – skilled and motivated professionals – Gazprom Neft develops its employer value proposition as well as cooperation with higher and secondary educational institutions.

Read more about employee engagement and the results of these activities in the ‘Human resource Development’ chapter, p. 64

**Federal, Regional, and Local Government Authorities**

**Engagement mechanisms:**
- agreement on socioeconomic partnership
- joint working groups, roundtables, and meetings
- corporate reporting
- participation in commissions and conferences

**Key issues:**
- improvements to regulation and stimulating the development of the oil and gas sector
- the Company’s strategic development
- the development of the raw materials base and fields
- compliance of the Company’s activities with the legislative norms of the Russian Federation
- the Company’s role in developing the regions where it operates
- industrial safety and readiness to respond to emergencies
- the environmental impact of the Company’s production activities
- product quality and the manufacturing of products with improved environmental attributes

Interaction with the state and local government authorities is based on the principles of an open dialogue and a partnership in meeting sustainable development challenges in the regions where the Company operates as a whole. Gazprom Neft experts are actively involved in the development and improvement of federal and regional legislation as well as the regulatory framework in the industry.

Meetings on a wide range of topical issues affecting bilateral cooperation in key regions where Gazprom Neft has a presence were introduced into the Company’s practices in 2017 as a new focus for cooperation.

The Company actively involves representatives of the state and local government authorities in the implementation of its social projects and corporate events. The Company implemented a number of joint educational projects aimed at promoting environmental topics as part of the Year of Ecology programme in 2017.

For more on the Company’s interaction with the state and local government authorities as well as the results of such activities in 2017, see the ‘About the Company’ and ‘Safe Development and Regional Policy and Development of Local Communities’ chapters of this Report.
SUSTAINABILITY MANAGEMENT AND STAKEHOLDER ENGAGEMENT

SUPPLIERS AND CONTRACTORS

Engagement mechanisms:
- competitive measures
- contracts and agreements
- the Company’s counterparty assessment system
- business meetings and Company forums
- external conferences and exhibitions
- corporate website, in particular the special section http://zakupki.gazprom-neft.com

Key issues:
- observance of mutual obligations
- import substitution and support for domestic manufacturers
- transparency, openness, and competitiveness in the selection of contractors
- observance of business ethics and anti-corruption

For more on the Company’s interaction with suppliers and the results of such activities, see the ‘About the Company’, ‘Safe Development’, and ‘Regional Policy and Development of Local Communities’ chapters of this Report.

Gazprom Neft’s interaction with its counterparties is based on the principles of ethical business practices, building long-term relationships, and market pricing.

Gazprom Neft is committed to providing comprehensive support to domestic producers in helping them to develop new types of products and technologies and promotes the development of a national production base and network of suppliers. When choosing services and equipment to implement its projects with all other conditions being equal, the Company gives preference to goods, work, and services of Russian origin.

The Company is actively involved in the work of inter-industry groups to support initiatives associated with the establishment of joint ventures and the localization of production capacity as well as the R&D of leading foreign producers working in Russia.

Gazprom Neft cooperates with contractors on issues concerning improvements to industrial safety. Contractors are included in the system of corporate safety training and take part in specialized corporate events.

CUSTOMERS

Engagement mechanisms:
- contracts
- feedback and service system
- complaint handling system
- customer evaluation system of the Company
- mass media
- external corporate communications system
- Gazprom Neft loyalty programme
- business meetings, including off-site meetings
- conferences and forums
- corporate reporting

Key issues:
- product quality
- improved customer service level
- transparent pricing
- ethical business practice

Gazprom Neft builds direct and long-term relations with its customers. The Company offers its clients individual customer service thanks to a deep understanding of their key needs. Gazprom Neft continues to develop a dialogue with consumers based on the principles of mutual respect, provide timely and responsible information about its products and services, make improvements to the system for the handling of complaints and claims, and examine the level of satisfaction among its private and commercial customers with the quality of its products and services.

DIGITAL COMMUNICATIONS WITH CLIENTS

The Company actively developed a multi-channel service for customers of the Gazpromneft filling station network in 2017. Gazprom Neft became the first player on the Russian retail fuel market that develops digital channels of communication with customers and the only one that is available to clients 24/7 in various communication channels, including digital ones. Gazprom Neft launched a mobile customer app that serves as a source of feedback thanks to its new functionality. In 2017, more than 2 million customers provided feedback following visits to the filling station and 90% of them gave the highest possible score – 5 points.

Online chat rooms were launched in the Gazpromneft filling station app as well as in the Telegram and Viber messenger services. The basic questions asked by the services are tallied using a bot computer programme, while complex customer cases are forwarded to the operator of the Unified Customer Support Centre.

For more on the Company’s interaction with customer and the results of such activities, see the ‘About the Company’ chapter, p. 8.
LOCAL COMMUNITIES IN THE REGIONS OF THE COMPANY’S OPERATIONS

Engagement mechanisms:
- social projects as part of the ‘Native Towns’ social investment programme
- public hearings, roundtables, and dialogues
- corporate and external media
- the Company’s reporting

Key issues:
- the Company’s contribution to the socioeconomic development of the regions where it operates and improvements to the quality of life of the local population
- the development of human capital in the regions and the stimulation of the population’s activity and competency in solving the socioeconomic development problems and objectives of their region
- transparency of the Company’s activities and decisions
- the Company’s financial stability
- the industrial and environmental safety of the Company’s activities and nature conservation measures

The Company develops constructive engagement with local communities to support the socioeconomic development of the regions, create a favourable environment for the activities of Gazprom Neft, and preserve cultural traditions as well as the environment of such regions.

In an effort to enhance the effectiveness of regional social programmes, the Company maintains an active dialogue with representatives of stakeholders by involving them in the implementation of projects. In particular, it holds consultations with representatives of the government authorities, opinion leaders, non-profit organizations, and urban activists, among others, as part of the development of regional social investment programmes.

When social facilities are built using Gazprom Neft’s funds in the regions, the projects are continuously monitored by local and regional authorities and reports are given at joint meetings. The Company sends reports on the implementation of social projects at the request of municipal administrations. In addition, regional governments are informed per socioeconomic agreements that the Company has signed.

During the implementation of social projects, the Company actively cooperates with local and regional media and provides any information that is needed. Journalists usually attend working meetings devoted to the implementation of social projects.

Summary annual reports that reflect information about the actual implementation of programmes are prepared as part of regional social investment programme.

Substantive and financial reporting is provided to the Company as part of social initiative grant competitions based on the results of the implementation of the winning projects.

For more on the Company’s interaction with local communities and the results of such activities, see the Regional Policy and Development of Local Communities chapter and the Dialogues in Regions of the Company’s Operations Appendix of this Report.
The Company is involved in different public and expert organizations, in particular the activities of the Russian Union of Industrialists and Entrepreneurs and the Chamber of Commerce and Industry of the Russian Federation, among others. These activities aim to promote the sustainable development of the country and the industry.

Gazprom Neft also enlists experts from public organizations to develop and implement social and environmental projects as well as to discuss the Company’s activities at roundtables and conferences in the regions.

Engagement mechanisms:
- conferences and exhibitions
- roundtables
- joint implementation of social projects
- reporting

Key issues:
- industrial safety of the Company’s activities and nature conservation measures
- the Company’s involvement in regional development
- information openness and transparency of activities

For more on the Company’s interaction with public organizations, see the ‘Safe Development’ and ‘Regional Policy and Development of Local Communities’ chapters of this Report.

‘Green Patrol’ at the Moscow Oil Refinery

The construction of the Biosphera treatment facilities was completed at the Moscow Oil Refinery in 2017.

Numerous stakeholders visited the refinery to assess its current level of environmental safety: leaders from the Moscow government and the country’s environmental authorities as well as journalists from leading media outlets. Experts from the national environmental organization ‘Green Patrol’ paid two visits to the refinery. The specialists took samples of treated wastewater from the Moscow Oil Refinery both before and after the launch of the Biosphera facilities.

“We were pleasantly surprised by the Moscow Oil Refinery. Such purification technologies with such high efficiency have never existed before in Russian oil refining practices. We analyse the samples we took and can tentatively confirm all the attributes declared by the refinery”.

Andrey Nagibin
Chairman of the Management Board of ‘Green Patrol’ and a member of the public council of the Federal Supervisory Natural Resources Management Service

Andrey Nagibin
CORPORATE CULTURE

GAZPROM NEFT’S VALUES FORM THE BASIS FOR ITS CORPORATE CULTURE. THE FOCUSES AND OBJECTIVES OF THE CORPORATE CULTURE ARE DETERMINED BY THE COMPANY’S STRATEGY AND THE CHALLENGES FACED BY THE OIL INDUSTRY.

VALUES OF GAZPROM NEFT

- **Safety and a Green Focus.** Our priority is the safety of people, the environment, and the Company’s property.
- **Integrity.** We are open and honest with respect for one another, the Company, our partners, competitors, and the public. We practice what we preach.
- **Leadership.** We take initiative and strive to be the best in everything we do; we set ambitious goals and bear personal responsibility for the result.
- **Winning mentality.** We are positive, believe in our success, are not afraid of difficulties, and develop skills to effectively meet major challenges.
- **Responsible owner’s mentality.** We are careful with the Company’s assets and resources, and care about safety and augmentation.
- **Mutual respect and trust.** We respect ourselves and others, solve complex problems together, trust each other’s professionalism, and help our colleagues to achieve success.

One of the key feedback tools that the Company can use to assess how satisfied employees are with different aspects of their work and identify the Company’s strengths as an employer and areas for improvement is the social and psychological climate study.

In 2017, 27,316 employees from 54 subsidiaries took part in the study. In addition, some 2,500 employees took part in focus groups and 249 managers were interviewed.

A new format of the report was prepared as part of the study to provide an opportunity to analyse data on various indicators of target audiences throughout the Company, a subsidiary, or unit. An additional analysis of data was conducted on professional burnout, groups of employees were identified, and recommendations on ways to prevent this phenomenon were generated.

The level of involvement of employees increased by 2 percentage points compared with 2016 and amounted to 74%.

**Key drivers of involvement:**
- trust in top management
- commitment to the Company
- a high level of awareness

The staff training system is among the important factors that contributed to the greater involvement of employees in the reporting year – estimates for this parameter increased significantly over the past year.

Employee engagement rate in 2017

74%

In 2017, took part in the study

27,316

EMPLOYEES

Based on the results of a social and psychological climate study, Gazprom Neft developed and implemented a corrective action plan to improve the social and psychological climate and boost the involvement of employees at the Company.
The internal corporate communications system supports the corporate culture and dialogue with employees. In order for the communications system to reach 100% of employees, the Company employs a broad range of communications formats and tools that allow for promptly providing information, managing this process, and trust from employees.

The main focuses of Gazprom Neft’s corporate communications in 2017 were identified based on the strategic priorities of corporate communications: safety and concern for the environment, technological effectiveness and innovativeness, efficiency and the employer brand.

Goals of internal communications in 2017:
- reaching all the Company’s employees with corporate media and other internal corporate communications tools
- integrating new assets and projects into Gazprom Neft’s communications system
- implementing a special internal communications programme with a focus on ‘Technological Leadership’, ‘Environmental Responsibility and Safe Working Conditions’, ‘Employer brand’, and ‘Efficiency’
- communication support for measures to correct the social and psychological climate and enhance the involvement of employees
- synchronizing the messages of external and internal communications
- development of corporate media formats

Results of this work:
- 21 issues of Neftegazeta were issued
- 10 issues of the Siberian Oil magazine and the final enclosure in the ‘Oil. Just the Complex’ series were released
- the Siberian Oil magazine is an effective platform for conveying the Company’s key priorities
- the Company’s employees have high praise for the internal communications system. According to the results of a social and psychological climate study, 85% of employees note that they receive sufficient information about the Company’s activities, while 82% are well informed about the current issues of their enterprises
The corporate publication Neftegazeta was recognized as the ‘Publication of the Year’ at the international competition PR Proba Awards 2017.

### EXTERNAL COMMUNICATIONS

<table>
<thead>
<tr>
<th>Publications</th>
<th>Subscribers</th>
</tr>
</thead>
<tbody>
<tr>
<td>35,658</td>
<td>365,000</td>
</tr>
</tbody>
</table>

**Press tours of production facilities**

In 2017, the Company showed off the unique Downstream Efficiency Control Centre to media representatives and arranged a visit for members of the international media to the Prirazlomnaya platform.

- Journalists also visited the northernmost continental oil field in Russia – the East Messoyakha field, viewed the infrastructure of the Novy Port asset, the Gates of the Arctic oil loading terminal, Gazprom Neft’s assets in Moscow and Omsk – the Moscow and Omsk Oil Refineries as well as the lubricants plant and industrial automation technopark in Omsk.

**Themes that generated the greatest interest among external audiences in 2017:**

- the implementation of the Technology Strategy
- the recognition of the Bazhen project as a national project and its progressive development
- the continuation of the modernization programme for Gazprom Neft refineries
- the discovery of the Neptune deposit in the Ayashsky licensed area on the shelf of the Sea of Okhotsk
- the commissioning of a gas plant at the Badra field in Iraq
- the start of construction on the deep conversion complex at the oil refinery of the Serbian asset NIS in Pancevo
- the completion of construction on the Biosphera modern treatment facilities at the Moscow Oil Refinery and the start of construction on a similar complex at the Omsk Oil Refinery

The Company develops an external communications system that aims to build a dialogue with outside audiences, inform stakeholders about significant events in the Company’s activities, foster the reputation of Gazprom Neft, and promote its brand.

In 2017, the Company developed a long-term communications strategy and identified the key aspects of Gazprom Neft’s positioning in the information realm. The focuses of the Company’s communications were determined based on an analysis of the annual reputation audit conducted in key regions where the Company operates.

The official website [http://www.gazprom-neft.com](http://www.gazprom-neft.com) is the Company’s key tool for disclosing information and feedback with external audiences. All requests received through the portal are analysed and forwarded to the relevant departments of Gazprom Neft for further processing. The Gazprom Neft Press Service promptly provides comprehensive and detailed information about corporate projects and comments on significant themes concerning the industry-wide information agenda at the request of media representatives.

Other important tools for external communications include the Gazprom Neft websites, which are united into a single integrated system, Gazprom Neft communities, Gazpromneft filling station networks, and the ‘Native Towns’ social investment programmes in the social networks Facebook, VKontakte, YouTube, and Instagram.

Gazprom Neft regularly holds press conferences and briefings attended by the Company’s senior management and leading national and industry-specific media outlets and organizes press tours of its production facilities for journalists.

During 2017, meetings were arranged for leading Russian and international media with Gazprom Neft Management Board Chairman Alexander Dyukov, Gazprom Neft First Deputy CEO Vadim Yakovlev, Director of the Company’s Research and Engineering Centre Mars Khasanov, Head of the Geological Exploration and Resource Base Development Directorate Alexey Vashkevich, and other senior managers.
Employees are Gazprom Neft’s key asset and strategic partners in achieving its sustainable development goals. The Gazprom Neft team includes professionals with a high level of involvement who share the Company’s values. Taking care of their well-being, providing them with the maximum opportunities for development, and attracting and retaining the best employees is a top priority for Gazprom Neft.
APPROACHES TO MANAGEMENT

THE GAZPROM NEFT HR MANAGEMENT POLICY SEEKS TO MEET THE BUSINESS AND SUSTAINABLE DEVELOPMENT GOALS TAKING INTO ACCOUNT THE EXPECTATIONS OF STAKEHOLDERS [EMPLOYEES, SHAREHOLDERS, AND TRADE UNIONS].

REGULATORY FRAMEWORK FOR COMPANY-EMPLOYEE RELATIONS:

- Constitution of the Russian Federation
- Gazprom Neft Corporate Conduct Code
- Agreement between Russian associations of unions, Russian associations of employers, and the Russian Government
- Collective bargaining agreements

The Company has adopted an HR Management Strategy for the period until 2020. It supports the overall strategy of Gazprom Neft and aims to achieve the Company’s key goals by providing it with the required number of skilled and motivated employees in the present and the future. In order to meet the Company’s needs for skilled specialists in the regions where it operates, Gazprom Neft develops incentive and social support programmes for its staff, provides training and development for employees, and creates a talent pool.

Since 2016, Gazprom Neft has been implementing the ‘Rotation of production staff and process improvement’ initiative as part of which employees have the opportunity to develop in new areas at the Company. Gazprom Neft works with higher and specialized secondary educational institutions to create training programmes and specialized departments based on the Company’s needs, including to train specialists in rare professions (as part of the programmes ‘Development of offshore oil and gas fields’, ‘Geological fundamentals for modelling fields with hard-to-recover hydrocarbon reserves and the assessment of geological reserves’, and ‘Chemical reagents and hydraulic fracturing technologies’, among others).

Key areas of the HR Management Strategy:
- systematic recruitment and rotation of staff
- talent management, competency development, and training
- development of an incentive system and culture of engagement
- growth in productivity and organizational efficiency
- improved efficiency of the HR function

OBSERVANCE OF HUMAN RIGHTS

The Company’s approaches to relations with its employees are based on the norms of Russian and international labour law as well as the corporate standards of Gazprom Neft.

Gazprom Neft guarantees equal opportunities and does not discriminate based on nationality, sex, origin, age, or any other grounds. The qualifications and professional qualities of employees as well as the requirements of business serve as the basis for solutions to HR issues. The Company recognizes the lawful right of employees to voluntarily create associations to protect their rights and interests, including the right to form and join trade unions. The Company does not use child or forced labour.

The Company did not receive any appeals or complaints related to discrimination or a violation of human rights during the reporting period.
HR enhances efficiency

In 2017, Gazprom Neft established the General Service Centre (GSC) for HR functions at the Company.

The GSC will handle administrative processes for the following functions: staff records management, reporting, staffing, and the administration of training contracts, among other things. The GSC will have a single call centre for employees on HR issues.

The GSC will help to enhance the efficiency of the Company’s HR specialists, who will be able to concentrate on processes with high added value while handing off operational functions to the GSC for execution. The Centre will set up offices in Yekaterinburg, Omsk, and St. Petersburg since these cities encompass the Company’s main time zones. In 2018, the GSC will start working with the Corporate Centre and five subsidiaries of Gazprom Neft. All enterprises will transition to a new model of HR work by 2020.

“The establishment of such centres is a world practice. Gazprom Neft could be described as a pioneer: we will be the first among vertically integrated companies in the Russian oil industry to introduce a system of HR service centres”.

Ksenia Politayeva
Deputy CEO and Executive Director for Human Resources Management Services at Gazpromneft Business Service

ORGANIZATIONAL STRUCTURE
OF HR MANAGEMENT AT GAZPROM NEFT

HR Department of the Corporate Centre (Organizational Affairs Unit)
- Development of HR management strategy
- Development of key HR management programmes and projects (incentive and training programmes, creating a talent pool) and monitoring their implementation
- Strategic management of labour relations

Production unit HR management office
- Implementing strategic programmes and all projects involving HR management at subsidiaries within the unit
- Day-to-day operations as part of the HR and social policy

Subsidiary HR management office
- Operating activities involving HR management at subsidiaries (staff records, administration of labour remuneration, compensation, and social benefits, and the planning of staff numbers and costs) in accordance with the Company’s strategy
A total of 17,184 employees joined Gazprom Neft in the reporting year, while 16,093 people left the Company. Staff numbers increased by almost 2% in 2017 compared with 2016, while the average staff numbers grew by 1.4%. The growth in staff numbers is due to an increase in the demand for staff as a result of changes in the production programmes of extractive assets, an increase in production volumes, and the expanded service areas of maintenance subsidiaries.

GAZPROM NEFT EMPLOYED MORE THAN 67,800 PEOPLE IN 2017 WITH BLUE-COLLAR WORKERS MAKING UP 50% OF ITS STAFF, AND EXECUTIVES, SPECIALISTS, AND OFFICE EMPLOYEES MAKING UP THE OTHER 50%.

STAFF PROFILE

A total of 17,184 employees joined Gazprom Neft in the reporting year, while 16,093 people left the Company. Staff numbers increased by almost 2% in 2017 compared with 2016, while the average staff numbers grew by 1.4%. The growth in staff numbers is due to an increase in the demand for staff as a result of changes in the production programmes of extractive assets, an increase in production volumes, and the expanded service areas of maintenance subsidiaries.

STAFF PROFILE

A total of 17,184 employees joined Gazprom Neft in the reporting year, while 16,093 people left the Company. Staff numbers increased by almost 2% in 2017 compared with 2016, while the average staff numbers grew by 1.4%. The growth in staff numbers is due to an increase in the demand for staff as a result of changes in the production programmes of extractive assets, an increase in production volumes, and the expanded service areas of maintenance subsidiaries.
# FULFILMENT OF 2017 GOALS AND OBJECTIVES

<table>
<thead>
<tr>
<th>Level of fulfilment</th>
<th>Goals and result achieved</th>
</tr>
</thead>
</table>
| **ENHANCE THE COMPANY’S APPEAL AS THE COUNTRY’S BEST EMPLOYER.**  
**INTRODUCE THE VALUE PROPOSITION INTO THE PRACTICE OF WORKING WITH EMPLOYEES AND OUTSIDE AUDIENCES.**  
**Training of lower- and mid-level managers on non-financial incentive tools:**  
A number of projects that aim to enhance the effectiveness of the remuneration system and, as a result, increase the loyalty, involvement, and productivity of employees  
**Integration of the value proposition into HR management processes and regular management practices:**  
The value proposition is built into the processes of recruiting and hiring staff as well as the adaptation and training of managers. The introductory block ‘Involving managers’ has been added to training on regular management practices for managers  
**Launch of a new career portal:**  
In April 2017, a career portal was launched [www.gazprom-neft.com/career](http://www.gazprom-neft.com/career) |
| **IMPROVE THE QUALITY AND EFFECTIVENESS OF STAFF RECRUITING. FURTHER DEVELOP THE OPERATING MODEL FOR ATTRACTING EXTERNAL CANDIDATES AND INCREASE THE NUMBER OF SUBSIDIARIES THAT UTILIZE THE SERVICES OF INTERREGIONAL AND REGIONAL RECRUITMENT CENTRES TO 18.**  
In 2017, a new recruitment model was introduced at the Corporate Centre and 27 subsidiaries. Regional recruitment centres were opened in Noyabrsk and Omsk |
| **ENHANCE THE PROFESSIONAL LEVEL OF THE COMPANY’S EMPLOYEES. DEVELOP THE CORPORATE UNIVERSITY.**  
**Opening of new departments at the Corporate University:**  
The departments ‘Licensing and Subsoil Use’, ‘Commerce’, ‘Risk Management’, ‘Production’, ‘Procurements’, and ten other departments were opened. Experts and trainers at these departments include more than 1,000 managers and specialists of Gazprom Neft  
**Improve the quality of targeted programmes for managerial and professional development:**  
Sessions on digital business transformation were held, modular targeted the ‘Partnership Management’ and ‘Leadership 3D’ programmes were launched, and a pilot project was held to provide personalized training on individual tracks for the development of employees and managers. A total of 29 targeted vocational training programmes were held and attended by more than 16,000 employees of the Company and its partner organizations  
**Introduce a regular assessment of training effectiveness:**  
An automated trainee questionnaire system was introduced on the knowledge portal via which more than 5,800 employees provided feedback. The average score was 90%. The Company developed a methodology and introduced an assessment of the quality of distance courses using NPS (loyalty indicator to the Corporate University’s educational programmes) and the average value of NPS in the distance courses was +54%  
**Support for the introduction of corporate programmes:**  
In order to support the operations management system, the Corporate University opened the Production Efficiency Department. Training programmes, courses, and mobile apps were developed to the introduction of a unified standard in the work of managers. More than 800 executives attended the programme |
| **ENHANCE THE EFFECTIVENESS OF HR MANAGEMENT FUNCTIONS.**  
**Establish the General Service Centre at the Company for HR function transactional processes:**  
A General Service Centre was established for HR function transactional processes – the HR Solutions Centre (HRSC). As part of the project, a model of the Centre’s organizational structure was developed, its IT infrastructure was deployed, a team of employees was put together, an investment budget was approved, and a schedule was created for subsidiaries to transition to obtaining their services at the Centre |
RECRUITING AND RETAINING STAFF

GAZPROM NEFT IS AMONG THE COUNTRY’S BEST EMPLOYERS. THE COMPANY HAS DEVELOPED AN EMPLOYER’S VALUE PROPOSITION THAT IS BASED ON THE DEMANDS AND EXPECTATIONS OF TARGET AUDIENCES TAKING INTO ACCOUNT THE COMPANY’S STRATEGIC PLANS AND ITS COMPETITIVE POSITION IN THE INDUSTRY.

The value proposition is built into the processes of recruiting and hiring staff as well as the adaptation and training of managers. The Company has been developing employee incentive tools based on the value proposition since 2016. More than 4,500 managers took the electronic course 'Value proposition as a tool for non-financial incentive' in 2017.

In an effort to enhance the effectiveness of work to attract highly qualified candidates, Gazprom Neft opened a Recruiting Centre, which includes the Interregional Recruiting Centre and regional recruiting centres. The Centre employs a new operating model to attract candidates based on the SAP platform that is integrated with the career portal of Gazprom Neft. The portal, which was updated in 2017, is the sole interface for the Company's interaction with applicants. By creating a personal account, candidates can respond to vacancies, track the status of their involvement in competitions for positions, and update their resumes. The SAP Success Factors model makes it possible to quickly obtain information about the labour market and communicate with candidates through standardization and automation in order to make the selection processes more transparent and effective.

"SAP Success Factors enables you to quickly and efficiently work with big data about applicants. Without such a system, it would be impossible to effectively hire over 10,000 people a year and process millions of responses and hundreds of thousands of resumes”.

Yelena Surmeyko
Head of the HR Management and Corporate Culture Relations Office at Gazprom Neft

THE LEADER IN EMPLOYER RATINGS

Gazprom Neft confirmed its status as one of the country’s best employers in 2017 by winning a number of awards.

The Company ranked first among Russian companies in the most prestigious sector for employment in the country – the oil and gas industry – based on the results of the International Randstad Award 2017, and finished second in the Employers of Russia rating compiled by the recruiting company HeadHunter. Gazprom Neft was also among the top three employers in Russia for engineering students according to the Universum Top 100 Russia rating.

Gazprom Neft established its own category ‘New Approaches’ for innovative projects in HR management in 2017 as part of HeadHunter’s HR brand award.
REMUNERATION AND SOCIAL SUPPORT FOR STAFF

The staff remuneration system is linked to the company’s overall strategy and aims to ensure competitive remuneration, retain and develop talented staff, and support the career and professional growth of employees.

Gazprom Neft employs an Employee Remuneration Policy that identifies the goals, main objectives, and principles of the remuneration system as well as benefits and non-financial incentives for employees.

Gazprom Neft conducts regular monitoring of the labour market in the regions where it operates, including special overviews of the HR market for certain highly skilled professions in key areas of the Company’s business. Gazprom Neft strives to make sure that all the components of its remuneration system remain competitive.

The Company regularly revises salaries in accordance with labour market dynamics in the oil and gas sector.
In 2017, updates were made to the standard that is used to determine basic remuneration for salaried employees. In an effort to enhance the effectiveness of the variable compensation system, a number of large-scale projects were launched: the annual bonus model within the management system was partially updated based on targets, initiatives were launched to unify quarterly and monthly bonuses for Gazprom Neft employees. The Upstream Division introduced an incentive program that aims to create a culture of efficiency and lean production, and the Downstream Division established a unified structure of base remuneration and developed a uniform wage scale that takes into account the complexity of work and the individual qualification levels of workers. The unified bonus system for production staff linked variable payments with the achievement of the targets of the units. The new incentive model reduced the number of compensation formulas and made them more transparent for employees.

**SOCIAL SUPPORT FOR STAFF**

All the Company’s subsidiaries employ a unified system of social benefits. Gazprom Neft maintains a balanced and competitive social package regardless of external economic conditions.

**STRUCTURE OF EXPENSES ON THE SOCIAL PACKAGE AND BENEFITS, 2017 [%]**

<table>
<thead>
<tr>
<th>Service</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>45,040</td>
<td>58,510</td>
<td>74,400</td>
<td>79,316</td>
<td>86,600</td>
</tr>
<tr>
<td>Social payments</td>
<td>3,186</td>
<td>2,097</td>
<td>2,432</td>
<td>3,260</td>
<td>3,177</td>
</tr>
</tbody>
</table>

**STAFF EXPENSES (RUB MN)**

Source: Company data

RUB 2,515 MN

32 Free and subsidised meals
44 Voluntary medical insurance
9 Payment of travel vouchers
5 Housing programme
10 Sport and cultural events for employees

**SYSTEM OF SOCIAL BENEFITS AT GAZPROM NEFT**

**BASIC BENEFITS**

- voluntary health insurance (including consultations and treatment at leading Russian clinics, if necessary)
- accident insurance
- supplemental payments exceeding the maximum disability benefits prescribed by the legislation of the Russian Federation, including based on hospitalization records for pregnancy and childbirth
- compensatory payments to employees on childcare leave
- compensation of travel expenses to vacation destinations for employees working in the regions of the Far North
- the provision of social leave related to family circumstances and other benefits

**ADDITIONAL BENEFITS**

- payment of health resort treatment for workers, subscriptions to health groups, and corporate discounts for subscriptions to sports clubs
- various types of financial assistance for family events
- housing programmes
- a private pension, among other benefits
Innovations for health

An innovative gym opened for employees at the Gazprom Neft Scientific and Technical Centre.

There are several analogues around the world for a gym of this sort, but none of them have ever been built for corporate use. The gym is managed by Pavygym PRAMA smart interactive fitness system, which offers serious functional training in a game-based format. A single 45-minute session at the PRAMA gym lets employees develop their cardiovascular and respiratory systems, exercise all their body muscles, and develop mobility, coordination, strength, and balance. A built-in system allows for testing and evaluating the individual progress of each visitor. The programme is designed for different levels of complexity.

“The whole Gazprom Neft team has committed itself to maintaining a culture of work safety while striving to achieve the ‘Goal – Zero’ programme. But we are well aware that a safe working culture not only consists of work in production. Everyone must be responsible for their health and the health of others. A healthy lifestyle and sport are an integral part of a culture of safety”.

Vadim Yakovlev
First Deputy CEO of Gazprom Neft

NON-FINANCIAL INCENTIVE

The non-financial incentive programme aims to increase the loyalty of staff and recognize the merits of the best employees.

The key programmes of the Gazprom Neft non-financial incentive programme are:

- Individual and team-based professional skills competitions: ‘Best in the Profession’ for production staff, ‘League of Professionals’, and ‘Battle of Merchants’ for managers, specialists, and employees, etc.
- Targeted programmes that celebrate the strong production results of Gazprom Neft units: ‘Achievement of the Year’ competitions among oil refinery teams in such areas as modernization, improved energy efficiency, and industrial safety the ‘Acknowledgement of the Best’ award, which is granted for achievements by enterprises, employees, and teams, including contractors, the Upstream Division, the Offshore Projects Development Division, and others
- mass sporting events: Summer and Winter Games
- leisure activities: intra-corporate humour clubs, etc.

The Downstream Division’s fourth ‘Best Result’ awards ceremony was televised and broadcast on radio for the first time on the лучшийрезультат.рф website, and an open studio was set up live on Nefteradio and on Aero FM through which Company employees could phone in and congratulate the winners. Awards were presented to 79 winners from the Division in seven categories in 2017.
Gazprom Neft takes part in the activities of the Industry Commission for the Regulation of Social and Labour Relations and discussions on the terms of the sectoral agreement on oil and gas industry organizations and the construction of oil and gas facilities in the Russian Federation.

Union representatives are actively involved in work to develop a culture of occupational safety at the Company, discussions concerning changes to the Company’s social benefits system, meetings of HR service executives, and activities to create safe work conditions. The Company has a Youth Commission that protects the interests of young workers and new young specialists taking part in adaptation programmes.

Gazprom Neft’s social obligations are enshrined in local regulatory acts (LRA) and collective bargaining agreements that govern social and labour relations between the employer and employees. These LRA and agreements reflect both health and safety issues as well as the obligations that the Company undertakes in this regard with respect to its employees. In accordance with the terms of the LRA, collective bargaining agreements, and labour legislation, Gazprom Neft provides a high level of social guarantees in cases when production is shut down/optimized and works to support the employment of staff at its subsidiaries.

No significant changes were made to collective bargaining agreements in 2017. A meeting of the Corporate Coordinating Council for Work with Unions provided a positive assessment of social and labour relations on the part of unions.

Trade union members in 2017 included more than 13,000 employees.

DEVELOPING A DIALOGUE

In 2017, the Company revived the Corporate Coordinating Council for Work with Unions, which includes representatives of the administration of Gazprom Neft and chairmen from the Company’s largest union organizations.

The Council participants will develop a direct dialogue on labour relations that require the settlement and harmonization of approaches. Creating the Council was Gazprom Neft’s next step in involving union leaders in the Company’s activities, enabling them to protect the long-term interests of employees while taking into account the balance of interests of all stakeholders.
STAFF TRAINING AND DEVELOPMENT

THE GAZPROM NEFT TRAINING AND DEVELOPMENT SYSTEM ENCOMPASSES ALL CATEGORIES OF EMPLOYEES AS WELL AS TARGETED GROUPS OF POTENTIAL WORKERS, INCLUDING SCHOOLCHILDREN AND UNIVERSITY STUDENTS. THE SCOPE OF TRAINING PROGRAMMES IS DETERMINED BY THE COMPANY'S STRATEGIC OBJECTIVES AND THE RESULTS OF AN EVALUATION OF THE MANAGERIAL AND PROFESSIONAL COMPETENCIES OF EMPLOYEES.

Training programmes encompassed 88% of Gazprom Neft employees in 2017. Investment in training and development totalled RUB 1.05 billion.

---

**Underwent training in 2017**

55,891 

EMPLOYEES

---

**For the training of one employee in 2017**

45.9 

HOURS

---

**Investment in development and training in 2017**

RUB 1.05 BN

---

**NUMBER OF EMPLOYEES TRAINED [HOURS]**

Source: Company data

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers and specialists</td>
<td>25,177</td>
<td>27,381</td>
<td>32,904</td>
<td>33,491</td>
<td>33,840</td>
</tr>
<tr>
<td>Workers</td>
<td>16,917</td>
<td>23,558</td>
<td>17,491</td>
<td>19,091</td>
<td>22,051</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TRAINING TIME PER EMPLOYEE [HOURS]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: Company data</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>29.5</td>
<td>35.7</td>
<td>35.7</td>
<td>36.3</td>
<td>45.9</td>
<td></td>
</tr>
</tbody>
</table>
CORPORATE UNIVERSITY

“To maintain leadership in the era of rapid changes, you need to run marathons at the speed of a sprinter. The Corporate University is like ‘sports nutrition’ for our Company”.

Kirill Kravchenko
Deputy CEO of Gazprom Neft for Organizational Affairs

The Corporate University of Gazprom Neft serves as the centre for knowledge management. It was established in 2016 and brought all training practices under one roof. The Corporate University went through a period of intensive development in 2017, increased the scope and quality of training, and gained recognition from the external expert community.

The university has a model that is unique for the corporate training market – the so-called marketplace or a services platform in a format that is similar to the services of Uber, Airbnb, and Amazon and operates based on modern IT solutions. Such an educational system format not only makes it possible to attract external providers for training, but also establish communication between employees who need to learn and employees who can teach. This model allows Gazprom Neft to implement strategic goals in HR management taking into account the challenges seen in the era of rapid changes and big data by creating a stimulating educational environment at a major geographically distributed company.

A leader in digital transformation

At the Crystal Pyramid awards ceremony held during the 18th Summit of HR Directors of Russia and the CIS in October 2017, the Corporate University of Gazprom Neft received two awards – first place in the ‘Digital Transformation’ category and third place in the ‘Best Corporate University’ category.

The SKOLKOVO Trend Award ceremony for the best corporate and state development projects was held as part of the Winning The Hearts Forum in November. Russian Deputy Prime Minister Arkady Dvorkovich presented Gazprom Neft with an award for its partnership in creating an educational platform that supports the digital transformation of business.

“Our Corporate University is structured as a network of professional communities, as a network of teams where experts, mentors, and internal trainers are united around the heads of departments. This is what makes it possible to teach what is important for the company and blurs the boundaries between training and work, between the corporate centre and subsidiaries”.

Nikolay Dolgov
Head of the Staff Development and Training Office and Director of the Corporate University
The University’s model envisages the training and active involvement of internal trainers in educational activities – highly qualified and motivated specialists from the Company who are ready to act as experts, speakers, internal trainers, and leaders of departments. The internal trainer movement underwent active development in 2017 and Gazprom Neft employed 743 certified internal trainers. Gazprom Neft holds special forums and a competition for the best trainer and also carries out an incentive programme for their development and training.

The Corporate University creates an educational environment within the Company that allows managers and employees to develop managerial and vocational skills and also supports the implementation of the Company’s biggest organizational projects in digital transformation, changing the corporate culture, and improving operational activities.

The departments and faculties are structured according to functional attributes and cover virtually all of the Company’s activities. Each department consists of a community of internal trainers and experts working in one or more related functions and serves as a tool for identifying, preserving, and disseminating the knowledge required to solve production problems. The faculties work according to a competency-based approach – each faculty training programme is tied to a specific professional or managerial competency. The competency-based approach enables the faculty to plan training in accordance with actual functional needs, which are determined during the evaluation of employees. The evaluation is carried out annually and serves as a reference point when compiling the targeted programme for staff development.

The University’s portal launched in 2017 serves as its technological platform. Using the portal, employees can search for and obtain knowledge, pass e-courses, and communicate with colleagues and experts. A total of 85,000 courses were taken on the portal over the course of the year, pilot courses were conducted using augmented reality technologies, mobile and apps were put into operation.

**FACULTIES OF THE CORPORATE UNIVERSITY**

**Upstream Faculty**

**Downstream Faculty**

**Corporate Functions Faculty**

**Production Safety and Efficiency Faculty**

**Management and Corporate Competencies Faculty**

**UPSTREAM FACULTY**

The faculty develops the professional and technical competencies of its employees based on the projected business requirements in the short and medium term. Training takes place within the targeted modular programmes ‘PRO Movement’, ‘Master School’, and ‘Best Practices in Offshore Field Development’, among others. A key partner of the faculty is the Professional Growth Centre, a part of the Research and Technology Centre of the Upstream Division.

The faculty provides cross-functional training of employees. In 2017, the Company launched ShelfProject, a similar development programme for the management of offshore projects and offshore field development technologies, which includes distance courses, full-time working sessions, sessions to exchange experience with foreign experts, case studies, and business simulations. Fifty specialists from different functions and focuses completed the pilot course.


“**The Upstream Faculty seeks to perfect the professional and managerial skills of our employees and train unique world-class specialists for the Company**”.

**Natalya Kayzer**

Head of the Staff and Organizational Development Office within the Gazprom Neft Upstream Division
DOWNSTREAM FACULTY

“The Corporate University creates a platform on which our employees can go beyond the usual understanding of expertise and create an environment of constant development”.

Lyudmila Voronina
Head of the Downstream Division’s HR Relations Office

In 2017, the Downstream Faculty carried out a large-scale assessment of the professional skills of employees in competencies they had previously studied. The assessment was conducted on more than 1,200 employees of different levels of management. Based on the results of the assessment, the faculty implemented training programmes that aim to develop competencies that are important for the Company’s business in the future.

The Strategic Competencies Department opened within the Downstream Faculty during the reporting year. The Department aims to model knowledge and practical skills that will be relevant to operational activities in the future. This work is carried out jointly with the Efficiency Control Centre and the Operations Management System Development Centre.

The faculty has a career planning system that includes professional clusters and career atlases. Any employee from the division can get on the portal, select a cluster, the competence that he/she wants to develop, and the system will offer a list of training courses for which an application can be submitted.

CORPORATE FUNCTIONS FACULTY

The Corporate Functions Faculty implements programmes for employees of the corresponding unit as well as employees from all throughout Gazprom Neft in a number of areas: risk management, procurements, business process standardization, finance, and new technologies, among other areas.

A number of departments opened within the faculty in 2017. The Department of Information Technologies, Automation, and Telecommunications (ITAT) promotes new technologies and provides employees with training on the skills required to introduce such technologies into their operational activities.

The Risk Management Department develops a culture of risk management and decision-making mentality that takes into account their analysis. In the reporting year, the department conducted 38 training programmes as well as a conference on risks.

The Procurements Department has created a complex system of employee development called the ‘Procurement Institute’ in partnership with Russia’s leading oil and gas industry universities.

In the 2017, the department conducted 38 training programmes.

INDUSTRIAL SAFETY AND EFFICIENCY FACULTY

The faculty’s activities encompass all the Company’s employees and contractors. The content of the department’s training programmes is developed in accordance with the specifics of Gazprom Neft’s business and practices. Experts from different units are involved in creating the programmes. In 2017, the faculty employed more than 400 internal trainers and experts.

The faculty also provides mandatory training on legislative requirements in occupational safety and focuses on standardizing this type of training throughout the Company.

In 2017, the Production Efficiency Department launched new areas of work: training on lean manufacturing and the ‘Regular Management Practice’ programme for managers, which helps managers to involve staff in work to improve industrial safety and efficiency. More than 800 managers took part in the department’s programme.
“Our department was established in the spring of 2017. We decided that we will not have long training programmes, but will have so-called training before practice in which practical application follows immediately after theoretical knowledge is obtained until the proper result is produced”.

Alexander Proskurin
Director of Production Optimization Programmes
and Head of the Production Efficiency Department

MANAGERIAL AND CORPORATE COMPETENCIES FACULTY

The faculty’s key tasks are to develop managerial competencies among managers, create targeted programmes for business tasks at the request of the leaders of functions and unit managers, develop internal training, and provide educational activities on topics that are important to the Company.

One of the most important areas of work for the Managerial and Corporate Competencies Faculty and for the Corporate University as a whole is the digital transformation of business. Above all, this is due both to the strategic needs of the business and the fact that the Corporate University’s business model relies heavily on digital technologies.

In 2017, the Company continued work to develop management and corporate competencies on the basis of the Lominger model, which is based on the world’s best management practices. Gazprom Neft continued cascading competencies in accordance with this model and integrating it into the processes of selecting, evaluating and developing staff as well as creating a talent pool.

Educational sessions

In February 2017, the Company held a series of educational sessions for key executives on digital business transformation, one of the key focuses for the development of Gazprom Neft.

The session speakers included teachers from the Spanish business school IESE, Skolkovo Moscow School of Management, and Accenture. The sessions culminated in the release of educational films for employees that provide an introduction to the future large-scale business changes related to the intensive development of IT. The educational work carried out in 2017 enabled the Company to position digital transformation as a strategic focus for business development and introduce a unified language and terminology in this field at the Company.

“The trend towards digital business transformation has been picked up by almost all the leading companies, and this is a hot new topic. The projects ‘Cognitive Geologist’, ‘Project Management Centre’, ‘Cognitive Engineering’, ‘Digital Drilling’, and ‘Production Management Centre’ are examples of initiatives in Gazprom Neft’s portfolio, each of which will lead to a fundamental change in business efficiency”.

Maxim Shadura
Head of the Department of Information Technologies, Automation, and Telecommunications within the Upstream Division
The Company launched a targeted modular training programme titled ‘Managing Partnerships’, which was developed based on orders from an internal client and focuses on executives who are responsible for working with strategic partnerships/joint ventures. The importance of this task is associated with a powerful trend – joint work by major market players on complex projects. This form of business organization and interaction with other companies requires the creation of new key competencies and the systematization of processes. The ‘Managing Partnerships’ programme is a solution to this problem. Each of the programme’s modules corresponds to the stages of the partnership’s life cycle and the theory is linked to team-based project work on real challenges, which makes it possible to identify the problematic issues in corporate processes related to partnerships and to develop practical approaches to eliminating them.

The Managerial and Corporate Competencies Faculty launched a project during the reporting year for individual development tracks. As part of the project, an employee can independently develop a competency he/she chooses by solving production tasks and studying developmental materials. Some 600 employees from the Company took part in the pilot project.

**REGIONAL SALES DIRECTORATE**

The Regional Sales Directorate manages a chain motor fuel sales outlets in Russia, the CIS, and Eastern Europe. The petrol stations employ roughly 20,000 employees. They are trained at a licensed training centre that includes classroom training and mobile training as part of which a specially equipped training vehicle travels to remote gas stations and conducts practical training and an assessment of the professional skills of employees. All training centres have been equipped with mobile devices for online training since 2016.

Filling station employees annually undergo an assessment of their professional skills after which the employees who demonstrate the best results take part in a professional skills competition. Some 5,000 specialists took part in the competition in 2017.

The Directorate also organizes the ‘Battle of Merchants’ professional skills competition, which was held in a hackathon format in 2017 and enabled participants to fine tune their skills in the establishment of start-ups. The competition resulted in the creation of 8 digital products that solved real business problems.

**Corporation Lecture Hall**

In 2017, the Regional Sales Directorate and the Corporate University launched the Lecture Hall educational project, which consists of a platform that addresses topics that are important for business and are determined by the employees themselves. Lecture Hall speakers include specially invited external and internal experts. The seven lectures held last year were attended by 1,400 Company employees, while another more than 7,000 employees watched video lectures on the in-house portal.

“The Lecture Hall Project is essentially an actual start-up, which over five months has transformed from an idea with minimal efforts and funds to the most popular new training format. Employees from all Gazprom Neft units took part in it”.

**Olga Muzaleva**

Head of the Staff Training and Development Department in the Regional Sales Directorate
DEVELOPMENT OF THE TALENT POOL

GAZPROM NEFT’S TALENT POOL FORMATION SYSTEM AIMS TO MEET THE COMPANY’S DEMAND FOR SKILLED EMPLOYEES IN THE PRESENT AND FUTURE.

19,000 EMPLOYEES COVERED BY THE ANNUAL PERFORMANCE ASSESSMENT

157 YOUNG PROFESSIONALS TOOK PART IN A RESEARCH AND TECHNOLOGY CONFERENCE

‘GAZPROM CLASSES’

The first specialized Gazpromneft-Class took place at Lyceum No. 82 in St. Petersburg during the reporting year. In addition to the core programme with an in-depth study of natural sciences, students studied specialized subjects, such as the fundamentals of geology and materials science, mathematical modelling in the oil industry, applied physics, time management, and the theory of inventive problem-solving. Students worked with case studies that develop creative and research potential.

Gazpromneft-Class joined the ‘Gazprom Class’ programme in 2017, which enabled students to take part in projects managed by the Gazprom Group. One such project was a powwow of ‘Gazprom Classes’ held in Sochi. The powwow programme included scientific, educational, sports, cultural, excursion, and team-building blocks.

SUPPORT FOR THE BALTIC SCIENCE AND ENGINEERING COMPETITION

In 2017, Gazprom Neft served as the general sponsor for the Baltic Science and Engineering Competition.

The largest scientific competition among schoolchildren, which has been held in St. Petersburg since 2005. The final round of the competition included 368 students from Russia, Belarus, Ukraine, and Kazakhstan. The winners of the competition joined the Russian team that took part in the Intel International Science and Engineering Fair (Intel ISEF). Twelve participants (8 projects) were winners at the world finals and were awarded certificates by the Intel ISEF scientific jury.

Each year more than 200 scientists – doctors and candidates of sciences, university teachers, and post-graduate students – take part in the competition’s jury.

GAZPROM NEFT’S TALENT POOL FORMATION SYSTEM

High school students

- Vocational guidance work with schoolchildren
- Profession-oriented classes held by Gazprom Neft
- ‘Multiplying Talents’ tournament and support for other scientific and technical Olympiads and championships

College and university students

- Creation of master’s programmes jointly with universities
- Support for the targeted education of promising students: grants and scholarships

Young professionals

- ‘3 milestones’ adaptation programmes
- Young professionals development programmes
- Research and technology conference for young specialists

Company employees

- System for selecting employees with high potential and their inclusion in the talent pool
- Individual career planning and development programmes for professional and managerial skills
“Gazprom Neft has become one of the leaders in the Russian oil and gas industry today in terms of the level of technological effectiveness. The conditions for field development get more complex with each passing year and the industry constantly needs new solutions and approaches, so we try to find talented kids who are still in school and encourage their interest in obtaining an engineering education and studying exact sciences”.

Mars Khasanov
Gazprom Neft Technology Director and General Director of the Research and Technology Centre

**CORE DEPARTMENTS AND MASTER’S PROGRAMMES AT UNIVERSITIES**

The Company’s experts are involved in forming and developing standard and special programmes and courses that are created in accordance with corporate objectives at core departments and master’s programmes at universities. This helps students to develop the necessary skills and to attract young professionals with relevant knowledge for the Company. The Company organizes extended (up to six months) internship programmes at its enterprises, which facilitate the further deepening of specialized knowledge among young professionals.

The Company cooperates on an ongoing basis with industry-focused universities in St Petersburg (St Petersburg Mining University, St Petersburg Polytechnic University and St Petersburg State University) and Moscow (Gubkin Russian State University of Oil and Gas, Moscow Institute of Physics and Technology), and also with regional universities (Tyumen and Omsk State Technical Universities, Tomsk Polytechnic University).

**GAZPROM NEFT RESEARCH AND TECHNOLOGY CONFERENCE OF YOUNG PROFESSIONALS**

The conferences for young professionals who are working their way through the Company’s production units aim to develop innovative thinking and involve young professionals in rationalization activities. The 7th Research and Technology Conference of the Upstream Division was held in a new format in 2017 with participants defending reports in seven sections, including the ‘Capital Construction’ and ‘Gas and Energy’ sections for the first time. A total of 86 young professionals took part in the conference and presented 77 reports to the jury commissions. The Research and Technology Conference of the Upstream Division was held in an open format for the first time and included representatives of Lukoil, Rosneft as well as leading oil and gas industry universities. The best works by the students were awarded with a RUB 2-million grant named after Honoured Oil Refining Worker Alexander Sannikov for the first time. In total, 71 participants gave presentations at the conference, which is twice as much as the previous year. The ‘HSE’ and ‘Digital Technologies and Business Support’ sections made their debut in the conference programme.

**TALENT COMMITTEE**

One of the key tools used to select candidates for the talent pool are meetings of the Talent Committee at which key functional managers consider and take decisions about promoting employees based on the results of an annual assessment of their activities and potential. In 2017, the regular performance assessment encompassed 19,000 employees, a 50% increase from the previous year. The assessment results serve as a basis for planning the development goals of employees, impact the size of annual bonuses and salary reviews, and serve as a starting point for the formation of the talent pool.

**PARTICIPATION IN WORLDSKILLS**

At the WorldSkills Hi-Tech Championship in 2017, the Company’s employees finished among the top five in the ‘Chemical Analysis Laboratory’ skill, while another Gazprom Neft employee took third place in the ‘Network and System Administration’ category.
TALENT POOL DEVELOPMENT PROGRAMMES

Updates were made in 2017 to the manager development programmes: ‘First Step’ and ‘Growth Manager’ for line managers at subsidiaries, ‘Professional Management’ for line managers at the Corporate Centre, ‘Bachelor of Management’ for the Company’s mid-level management, and ‘Master of Management’ with strict criteria for selecting experienced executives who hold high positions and have significant influence on the Company’s business. The new programmes aim to solve business problems, including the analysis of internal cases, and cover modern economic and technological trends such as digitalization, robotics, the fourth industrial revolution, the economy of joint consumption, and continuing education, among others. The Company’s senior executives are the supervisors of the programmes.

“The over the six months of the programme, the participants had to solve unconventional problems. In addition to their professional skills, they were required to demonstrate the ability to respond quickly to changing external factors. So they not only obtained the knowledge they will need in their everyday work, but also got an understanding of the principles of personal growth”.

Nikolay Dolgov
Head of the Gazprom Neft Staff Development and Training Department

The ‘Growth’ career planning portal became accessible to all the Company’s employees in 2017, providing each of them with the opportunity to take part in the management of their professional and career development. The portal allows employees to envision themselves as professionals, select a career path using this resource, assess their skills, and get recommendations for further development.

GOALS AND OBJECTIVES FOR 2018

<table>
<thead>
<tr>
<th>STAFF MOTIVATION</th>
<th>STAFF TRAINING AND DEVELOPMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop a unified model of comprehensive incentives that aims to balance out the compensation package for different groups of staff and synchronize it with other HR management tools</td>
<td>Improve the quality and expand the coverage of targeted development programmes and executive development programmes at the Corporate University</td>
</tr>
<tr>
<td>Launch a project to upgrade the bonus system based on the integrated performance evaluation process for departments and employees</td>
<td>Further develop professional communities and internal training</td>
</tr>
<tr>
<td>Update the bonus programme for long-term and major projects involving the construction and reconstruction of facilities in accordance with the current operating models</td>
<td>Develop personal educational trajectories</td>
</tr>
<tr>
<td>Update of the system of compensation and benefits for the Downstream Division and switch the Division’s subsidiaries to a unified wage scale</td>
<td>Provide comprehensive support to transform the corporate culture of Gazprom Neft, develop skills to manage changes at the Company, and offer methodical support to the teams that are implementing the transformation projects</td>
</tr>
<tr>
<td></td>
<td>Evaluate the activities of the Corporate University’s departments, select the most effective approaches, and introduce them as best practices at the Company</td>
</tr>
<tr>
<td></td>
<td>Further develop the Corporate University’s portal and introduce artificial intelligence technologies in distance learning programmes</td>
</tr>
</tbody>
</table>
SAFE DEVELOPMENT: INDUSTRIAL AND ENVIRONMENTAL SAFETY, OCCUPATIONAL HEALTH AND SAFETY, ENERGY EFFICIENCY, AND ENERGY CONSERVATION

The lives and health of employees are a key priority for Gazprom Neft. The Company’s strategy in industrial, environmental, and occupational safety is guided by the ‘Goal – Zero: No Harm to People, the Environment, or Property When Performing Work’. Gazprom Neft is committed to becoming one of the world’s leading oil and gas companies in this regard.
APPRAoches to management

To achieve ‘Goal – Zero’, Gazprom Neft is improving the risk management system in occupational safety, investing in advanced technologies that strengthen the reliability of its assets, and enhancing its safety culture.

The Company has identified five key areas in its activities to achieve the ‘Goal – Zero’. Within these areas, each manager of Gazprom Neft has committed to enhancing the level of safety at the Company. These commitments are reflected in the performance targets of managers.

The fundamental corporate document that describes the principles of the Company’s activities and obligations is the General Corporate Policy on Industrial, Fire, Transport, Environmental, and Occupational Safety and Civil Protection.

Goals of the Industrial Safety Policy:
- reduce work-related injuries, occupational diseases, accidents, and the negative environmental impact
- establish safe production based on the analysis, management, and minimization of production risks
- introduce the best global practices in this field

Priorities of the Industrial Safety Strategy:

<table>
<thead>
<tr>
<th>LEADERSHIP AND CULTURE</th>
<th>Main aspects of safe conduct and a leading role by all levels of executives in achieving this goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>RISK MANAGEMENT</td>
<td>Further integration of industrial safety risks and environmental aspects in the Company’s overall risk management system and developing risk management and assessment skills among staff</td>
</tr>
<tr>
<td>ASSET RELIABILITY</td>
<td>Ensuring the safe operation of existing assets and their reconstruction as well as the safe design and construction of new facilities</td>
</tr>
<tr>
<td>TRANSPORT SAFETY</td>
<td>Ensuring the accident-free operation of all types of transport at the Company</td>
</tr>
<tr>
<td>ORGANIZATIONAL MODEL</td>
<td>Supporting all work by developing industrial safety functions as well as the relevant skills of employees</td>
</tr>
<tr>
<td>CONTRACTOR MANAGEMENT</td>
<td>Improving the effective management of contract execution with contractors in occupational safety matters</td>
</tr>
</tbody>
</table>

1 — Industrial safety includes industrial, environmental, and occupational safety and civil defence.
The safety management system is integrated with the Company’s operational management system (OMS). In 2017, Gazprom Neft launched the joint OISMS Committee, which includes members of the Management Board, directors of production units, and department heads. Industrial safety, occupational safety, and civil defence committees were also established in each division and at subsidiaries.

When developing industrial and occupational safety programmes, Gazprom Neft relies on an occupational safety risk map. The list of such risks is regularly updated. The Company uses advanced international methods to assess man-made risks. The goal of such methods is to ensure employees do not start work if they are not confident that it can be safely performed. To minimize safety risks, Gazprom Neft is introducing effective methods of production control and is developing a safety culture.

### INDUSTRIAL SAFETY MANAGEMENT STRUCTURE

#### Company’s Management Board, Operational and Industrial Safety Management System (OISMS) Committee
- Review of the implementation results of the Industrial Safety strategy
- Review of incident and accident analyses
- Analysis of best safety practices

**Responsible: Company CEO Alexander Dyukov**

#### Industrial safety department of the Corporate centre
- Identifying the policy, strategy, and goals of industrial safety activities
- General management and monitoring of the industrial safety system at the Company
- Interaction with third parties in matters concerning industrial safety

#### Industrial safety departments of the Upstream Division, Downstream Division, and offshore project development division
- Identifying priority areas of development
- Monitoring industrial safety activities at subsidiaries
- Performing operational tasks

#### Industrial safety services of subsidiaries
- Operating activities in industrial safety
SAFETY CULTURE

IN AN EFFORT TO DEVELOP A SAFETY CULTURE, THE COMPANY EMPLOYS THE FOLLOWING SET OF MEASURES: PHASED MANDATORY AND ADDITIONAL TRAINING AND ASSESSMENTS, ESTABLISHING AWARENESS AND ACTIVISM AMONG GAZPROM NEFT AND CONTRACTORS AS WELL AS STRENGTHENING LEADERSHIP AND THE COMMITMENT OF LEADERS TO SAFETY VALUES.

As part of the ‘Goal – Zero’ programme, a number of the Company’s managers have become leaders in initiatives that aim to minimize the number of accidents. Such initiatives include ‘Risk assessment training for staff’, ‘Water transport’, ‘Railway transport safety’, and ‘Operation of existing facilities’, among others. Each of these initiatives encompasses one of the specific areas in which the leader and the team that the leader has assembled are developing and implementing various projects to improve safety.

These projects include safety audits in a specific area, identifying areas for improvement, and developing action plans using best practices.

An industrial safety training system based on the requirements of the legislation of the Russian Federation, corporate standards, and best practices ensure the establishment of a safety culture at the Company. The Corporate University of Gazprom Neft has an Industrial Safety Department whose curriculum is developed by both external experts and internal trainers. Internal coaching plays a key role in achieving the ‘Goal – Zero’. Internal coaches trained more than 7,000 of the Company’s employees internally in 2017, while roughly 20,000 employees took part in communication sessions.

Another project that was launched in 2017 was the ‘Agents of Change Team’ in which the production staff is involved in improving industrial safety as experts and ‘overseers’ of the state of safety at their site.

The Company is developing distance learning and has introduced and offers the courses ‘Occupational safety in the office’, ‘Procedure for ensuring and managing fire safety’, ‘Electrical safety’, ‘Anti-alcohol policy’, and ‘Safe driving’, among others.

“When granting employees the status of an internal trainer, the Company affirms the high level of their qualification and offers them new opportunities for professional development. In turn, it is extremely convenient for their colleagues that there is always a trainer nearby who is ready to answer difficult production questions”.

Alexey Ovechkin
CEO of Gazpromneft-Yamal
**SUPPLY CHAIN RESPONSIBILITY**

The company’s industrial safety strategy includes contractors. Compliance with corporate security requirements is a key criterion for the selection of Gazprom Neft’s counterparties.

**STAGES OF THE ‘STEPS’ PROGRAMME**

- **Assessment and selection of candidates, training, and conclusion of a contract**
- **Performance of work. Management of the effective activities of the contractor**
- **Conclusion of the contract and the final rating of the contractor**

Interaction with contractors is dictated by the corporate standard: ‘Procedure for managing and organizing interaction with contractors on industrial safety issues’, which was updated in 2017. The standard establishes Gazprom Neft’s requirements for contractors during the stages of selecting the contractor as well as managing and analysing the effectiveness of its work. The compliance of contractors with legislative and corporate requirements concerning industrial safety is recorded in contracts.

The ‘Steps’ corporate programme for work with contractors allows for monitoring the fulfilment by contractors of industrial safety requirements and consistently improving the level of safety culture at contractor organizations.

Gazprom Neft works closely with contractors on matters concerning industrial safety during all stages of cooperation.

Contractors are part of the corporate training system on industrial safety: Gazprom Neft organizes regular specialized forums and meetings with contractors to exchange experience and improve efficiency. The Company is developing the practice of top-level supervision of contractors by Gazprom Neft managers. In 2017, representatives of contractors underwent roughly 12,000 courses in occupational safety and 61,000 courses as part of cascading communications on basic safety rules.

The Company is developing programmes to provide financial and non-financial incentives to contractors for proactive measures to enhance the industrial safety culture. Starting in 2016, Gazprom Neft has introduced a rating system as part of the ‘Steps’ programme for contractors in matters concerning industrial safety. The system aims to increase the level of motivation and involvement among contractors and effective interaction between the parties. In 2017, the rating’s key performance indicator for industrial safety grew to 40%.

**SAFETY SUPERVISORS**

Gazpromneft-Khantos held a pilot training course in 2017 for industrial safety supervisors. The main objective of the course was to transition from a model of strict control over the fulfilment of safety rules by oversight specialists to their proactive work to establish a culture of safe behaviour. The first course was attended by 314 people of which 85% were representatives of contractors.

**‘GOOD DEED’**

The ‘Steps’ programme was awarded the ‘Good Deed’ prize in 2017 in the ‘Responsible interaction with suppliers’ category. The prize has been a joint initiative of the Russian Union of Industrialists and Entrepreneurs and the Business Russia and Opora Rossii organizations since 2017.
# STAKEHOLDER ENGAGEMENT

THE COMPANY DEVELOPS AND IMPLEMENTS ITS INDUSTRIAL SAFETY AND ENVIRONMENTAL PROTECTION STRATEGY IN COOPERATION WITH KEY STAKEHOLDERS.

<table>
<thead>
<tr>
<th>Formats of engagement</th>
<th>Examples of engagement in 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOVERNMENT AUTHORITIES</strong></td>
<td>In 2017, the Company was involved in the drafting and revision of a number of standards, including: the Federal Law “On the Industrial Safety of Hazardous Production Facilities”, the Federal Standards “Rules for the Safe Operation of Field Pipelines” and “Safety Rules for the Hazardous Production Facilities of Underground Gas Storage Facilities”, and “Safety Rules for Offshore Oil and Gas Facilities”, among others.</td>
</tr>
<tr>
<td>- Involvement in work to develop existing industrial safety and environmental legislation standards and draft new bills</td>
<td></td>
</tr>
<tr>
<td>- Involvement in work of the Industrial Safety Committee of the Russian Union of Industrialists and Entrepreneurs</td>
<td></td>
</tr>
<tr>
<td><strong>EMPLOYEES</strong></td>
<td>The Gazprom Neft conferences during National Occupational Safety Week were attended by 150 specialists from the Company in 2017. A set of solutions was drawn up based on their work to prevent incidents, accidents, and injuries and improve interaction with contractors. More than 6,000 people took part in 100 Saturday volunteer clean-up days with the support of Gazprom Neft as part of the Year of Ecology</td>
</tr>
<tr>
<td>- Corporate forums and seminars for the ecologists of subsidiaries</td>
<td></td>
</tr>
<tr>
<td>- Participation in specialized industry-specific events.</td>
<td></td>
</tr>
<tr>
<td>- Organization of environmental actions involving employees</td>
<td></td>
</tr>
<tr>
<td>- Support for the environmental projects of Gazprom Neft volunteers</td>
<td></td>
</tr>
<tr>
<td><strong>EXPERT COMMUNITY, NON-PROFITS</strong></td>
<td>The Company implemented a biodiversity conservation programme during the reporting year in conjunction with the Severtsov Institute for Ecology and Evolution</td>
</tr>
<tr>
<td>- Joint development of environmental programmes and the creation and introduction of new safety technologies</td>
<td></td>
</tr>
<tr>
<td>- Involvement of experts in the research and evaluation of the effectiveness of the Company’s environmental programmes</td>
<td></td>
</tr>
<tr>
<td><strong>LOCAL COMMUNITIES</strong></td>
<td>In 2017, public discussions were held and public approval was secured for 16 Gazprom Neft projects, including the major overhaul of the Prirazlomnaya platform, seismic exploration within the Dolginskoye oil field, and the construction of the Biosphera biological treatment plants at the Omksk Refinery, among others. Artem Borovik Park in Moscow hosted the Ecotochka lecture hall with the Company’s support in 2017 at which experts and representatives of public organizations held master classes and open lectures for anyone wishing to attend</td>
</tr>
<tr>
<td>- Organization of public hearings for Environmental Impact Assessments (EIA) when developing new projects</td>
<td></td>
</tr>
<tr>
<td>- Education and involvement of local communities in environmental activities</td>
<td></td>
</tr>
<tr>
<td><strong>PARTNERS AND COMPANY OF THE INDUSTRY</strong></td>
<td>A visit to the infrastructure facilities of Gazprom Neft-Logistics in Omsk was arranged for representatives of the Austrian company OMV Aktiengesellschaft. The working meetings were held as part of an exchange of experience in matters concerning industrial safety in the operation of railway transport facilities and railway infrastructure. Gazprom Neft specialists had also previously visited OMV refineries in Romania and Austria</td>
</tr>
<tr>
<td>- Exchange of experience at industry events and visits to partner production sites</td>
<td></td>
</tr>
</tbody>
</table>
INDUSTRIAL SAFETY

- **RUB 54 BN**  
  INVESTMENT IN IMPROVING INDUSTRIAL SAFETY

- **0**  
  ACCIDENTS AND MAN-MADE EMERGENCY SITUATIONS

- **19%**  
  REDUCTION IN THE LTIFR IN 2017

FULFILMENT OF 2017 GOALS AND OBJECTIVES

<table>
<thead>
<tr>
<th>Level of fulfilment</th>
<th>Goals and result</th>
</tr>
</thead>
</table>
| ▶️ | PREVENT ACCIDENTS AT HAZARDOUS PRODUCTION FACILITIES  
  No accidents occurred at hazardous production facilities. |
| ▶️ | REDUCE EQUIPMENT ACCIDENTS (INCIDENTS) BY 10%  
  The number of equipment accidents (incidents) decreased by 8.5%. |
| ▶️ | REDUCE THE FATAL ACCIDENT RATE (FAR) BY 30%  
  The goal was achieved in part because of the number of fatal injuries at contractors in the same period of 2016. The number of accidents with a fatal outcome among the Company’s employees decreased from 3 to 1. |
| ▶️ | PREVENT MAN-MADE EMERGENCIES AT PRODUCTION FACILITIES  
  No man-made emergencies occurred at production facilities. |
| ▶️ | ESTABLISH AN INDUSTRIAL SAFETY DEPARTMENT AT THE CORPORATE UNIVERSITY  
  The goal was achieved and now external and internal trainers provide training on various aspects of safety at the department. |
| ▶️ | TRAIN DRIVERS ACCORDING TO THE REQUIREMENTS OF THE ‘TRAFFIC SAFETY CONTROL SYSTEM’ STANDARDS FOR DEFENSIVE/WINTER DRIVING  
  Drivers were trained according to the requirements of the standard and on defensive/winter driving. |
| ▶️ | IMPLEMENT A CORRECTIVE ACTION PLAN TO REDUCE THE RISK OF FIRES AT POWER-GENERATING PLANTS  
  The corrective action plan was implemented. |
| ▶️ | FURTHER IMPLEMENT THE UPDATED ‘BASIC SAFETY RULES’  
  A communications campaign was conducted to re-launch the ‘Basic Safety Rules’. |
| ▶️ | FURTHER INTRODUCE THE ‘FIVE STEPS’ RISK ASSESSMENT TOOL  
  The Company’s subsidiaries implemented a training programme for employees using the methodology. |
| ▶️ | DEVELOP A METHODOLOGY TO RECORD ACCIDENTS AS WELL AS HAZARDOUS ACTIONS AND WORKING CONDITIONS  
  The methodology for recording accidents as well as hazardous actions and working conditions was developed. |
| ▶️ | IMPLEMENT AN INCENTIVE PROGRAMME TO PROVIDE TIMELY INFORMATION ABOUT VIOLATIONS OF INDUSTRIAL SAFETY REQUIREMENTS  
  The incentive programme to provide timely information about violations of industrial safety requirements was implemented. |
| ▶️ | CREATE A MOBILE APP FOR INDUSTRIAL SAFETY SERVICE EMPLOYEES  
  The mobile app is being introduced on a pilot basis at a number of the Company’s subsidiaries. The app allows employees to record dangerous actions and conditions. A message is sent to the responsible specialist who begins working on eliminating the violation. |

1 — Data given without joint and foreign assets.
In 2017, the number of accidents involving equipment (incidents) decreased by **8.5%**

Gazprom Neft’s main programmes for enhancing the level of industrial safety in 2017 included:
- an expert assessment of equipment safety and harmonizing production facilities with the requirements of industrial safety standards and rules
- the modernization of emergency shutdown systems
- the prevention and management of emergency situations
- monitoring compliance with industrial safety requirements
- ensuring safe work conditions
- measures to protect workers’ health
- training of employees

When developing plans for industrial and occupational safety programmes, the Company relied on a safety risk map and continued introducing production control methods based on an assessment of these risks.
The corporate health protection and disease prevention system includes:
- disease prevention (accreditation of clinics, thorough medical examinations, the formation and monitoring of risk groups for cardiovascular diseases, and Health Awareness Days for employees)
- emergency response (first aid/medical assistance, transportation to clinics, and first aid training)
- promotion of a healthy lifestyle – organizing vaccinations, promoting a healthy lifestyle, preventing alcohol and drug use, and an insurance system

The Company is implementing a long-term strategy to prevent occupational diseases. One of its priorities is to assess the risk of cardiovascular disease and provide a thorough examination of high-risk group employees.

As it develops responsibility throughout the entire supply chain, the Company is introducing a new health safety focus – ‘Contractor management’ – in which the Company monitors medical examinations by employees of contractors and organizes effective emergency medical responses for them, among other things. This project received a gold medal at the Health and Safety 2017 national competition.

The number of accidents involving equipment (incidents) decreased by 8.5% in 2017. To the Company’s deepest regret, fatal accidents were not eliminated entirely, but their number decreased from three to one. The Company is doing everything possible to prevent tragedies from repeating. A special commission was created to investigate the fatal incident and it conducted a detailed analysis, identified its causes, and took action to minimize the risk of such an incident reoccurring. The results of the investigation were considered at a meeting of the OISMS Committee.

The checklist includes an extensive list of basic workplace safety principles. It is a simple and understandable tool through which an employee or a contractor’s representative can conduct a risk assessment before starting and when performing work. The checklist does not require any special training and is available to all employees.

The contents of the checklist will be updated in accordance with the evolving requirements for the high-tech construction of the Company’s facilities.

**A FOUNDATION OF SAFETY**

A new tool for monitoring compliance with safety rules has been introduced into the capital construction function of the Upstream Division – a checklist for the safe performance of work that is drawn up based on a factor analysis of occupational injuries.

The Company has developed the first samples of improved work wear for offshore projects. Antistatic materials with an enhanced fire resistance rating that can protect a person against heat and flame were used to manufacture the work wear. The work wear is appropriate for complex offshore working conditions and industrial safety requirements.
READINESS TO RESPOND TO EMERGENCIES

In an effort to ensure civil defence, the Company is improving the sustainability of its production facilities when emergencies arise and training employees in actions to take in the event of emergencies, including work in challenging climatic conditions.

The Company conducted 370 civil defence and emergency situation exercises in 2017 (a 14% increase from 2016) while devoting special attention to:
- assessing the reality of current action plans to prevent and respond to emergencies and eliminate oil and petroleum product spills
- organizing interaction in emergency response
- implementing priority measures to support and evacuate staff

The themes of the exercises and training were determined in accordance with the specific nature of production activities in the region.

Virtual reality

Gazpromneft-Logistics introduced virtual simulators on which employees simulate actions in the event of emergency situations at petroleum product loading and unloading platforms.

During the training, employees respond to a simulated emergency situation by choosing a particular sequence of actions. The simulator is totally immersive. In the event of a mistake or sequence error, trainees will see a simulation of the accident that occurred. If they take the correct actions, they successfully pass the training and get a better idea of the actions to take in a stressful situation.

‘ARCTIC 2017’

Gazprom Neft Shelf took part in the ‘Arctic 2017’ complex exercises that were organized by the Ministry of Natural Resources of the Russian Federation.

The exercises aimed to improve the level of preparation for the clean-up of an oil spill over an area of 5,000 m² near the Prirazlomnaya platform.

- During the exercises, the participants went over the scenario for an oil spill as a result of a tanker collision with the support vessel and ensured the protection of the coastal strip of Varandey village from an oil spill in icy conditions.

- The results of the exercises demonstrated the Company’s readiness to cope with oil spills at sea and in the coastal area.
FIRE AND TRANSPORT SAFETY

The Gazprom Neft transport safety programmes include production control, safe driving training, on-the-job training and instructions on safety issues, and monthly ‘Stopwatches’, or meetings on industrial safety issues. The Company employs project teams whose job is to improve safety in priority focuses for Gazprom Neft such as air, water, and motor transport. A development roadmap through the end of 2019 has been created for each focus.

The Company began introducing the updated ‘Traffic Safety Control System’ standard during the reporting year. Drivers working for Gazprom Neft and contractors underwent training on the requirements of the standard as well as defensive/winter driving. In 2017, the number of major traffic accidents decreased by 54%, significant accidents declined by 20%, the accident rate plummeted by 88%, and the number of fires edged down by 8%.

An automated fire extinguishing system was introduced at the drilling sites of the Kuyumba field in the Krasnoyarsk Territory. Drilling operations at Kuyumba have an extremely fire hazard due to the use of oil-based drilling mud that exits the well at temperatures of up to 60 degrees. An automated system was introduced to eliminate the human role of assessing the risk of fire and its suppression: residential and industrial premises were equipped with sound and light alarms from which signals are transmitted wirelessly, the drilling equipment is equipped with automatic fire extinguishing modules (powder and foam generators), and SMS notifications are sent out when the system is triggered. Uninterruptible power supplies ensure the system can function for 24 hours after a power outage.

IT technologies for extinguishing fires

The Upstream Division introduced an IT monitoring system for vehicles at the Company’s production assets. The system contains information about drivers, vehicles, and permits and generates reports on the quality of driving similar to those used by major transport companies: tracking rapid acceleration, braking, and aggressive driving, among other things. The IT solution helps to monitor the fulfilment of safety obligations by the Company’s road transport contractors. The system was launched at five Gazprom Neft subsidiaries in 2017.
MITIGATING NEGATIVE ENVIRONMENTAL IMPACTS AND THE EFFECTIVE USE OF RESOURCES

THE COMPANY’S STRATEGIC GOALS IN ENVIRONMENTAL SAFETY:

- to reduce its environmental footprint and support a favourable natural and living environment
- to prevent environmental damage from business activities
- to introduce best practices in environmental safety
- the sustainable use, restoration, and protection of natural resources and the preservation of biodiversity

The careful and sustainable use of natural resources and minimizing environmental risks are key priorities in Gazprom Neft’s activities. As it seeks to achieve its ‘Goal – Zero’ environmental damage, the Company consistently reduces its environmental footprint, introduces best practices, inventions, and technologies for nature protection, and improves the environmental training system for its employees.

The Company’s environmental activities are based on risk management and the introduction of risk prevention measures. Gazprom Neft ensures constant environmental monitoring and industrial environmental control. An analysis of the environmental impact of production activities is carried out at all stages of the production life cycle, starting with front-end engineering. An assessment of the potential environmental impact, an analysis of the results of environmental monitoring, and an independent expert examination are mandatory when making the appropriate managerial and investment decisions.

When planning new projects, Gazprom Neft enterprises assess the environmental impact of the planned activities. Based on the results of the analysis, the best available technologies (BAT) that aim to mitigate any negative impact are introduced during all stages of the project.

The Company’s environmental management system complies with the requirements of the international standard ISO 14001. Gazprom Neft has regularly conducted audits for compliance with the standard since 2013. An independent audit confirmed the compliance of the Gazprom Neft PJSC environmental management system with the requirements of ISO 14001:2015 in 2017. Certificates of compliance of the environmental management systems with ISO 14001 have been issued to Gazprom Neft Shelf; Gazpromneft-Sakhalin; Gazpromneft-Moscow Oil Refinery; Gazpromneft-Omsk Oil Refinery; Gazpromneft-Ryazan Bitumen Materials Plant; Gazpromneft-Lubricants, Omsk Lubricants Plant branch; Gazpromneft-Moscow Lubricants Plant; and Gazpromneft Shipping.

The Company spent RUB 6.9 billion on environmental services and operating costs to ensure environmental safety and protection in 2017.

Total investment in environmental protection amounted to RUB 27.1 billion in 2017, or almost double the amount invested in 2016 (RUB 14.3 billion).

In 2017 the Year of Ecology featured 1,100 measures.
MAIN ENVIRONMENTAL PROGRAMMES OF GAZPROM NEFT

<table>
<thead>
<tr>
<th>Environmental aspect</th>
<th>Key programmes</th>
<th>Indicators</th>
</tr>
</thead>
</table>
| ATMOSPHERE           | ■ Target gas programme  
■ Oil refinery modernization programmes using BAT  
■ Recovery and purification systems for emissions from petroleum product facilities | ■ Reduction in specific pollutant emissions into the atmosphere  
■ Reduction in specific greenhouse gas emissions  
■ Increase in the level of APG utilization |
| WATER RESOURCES      | ■ Construction of new biological treatment facilities as part of the modernization of oil refineries  
■ Wastewater quality control | ■ Reduction in the consumption of river water  
■ Reduction in the load on urban treatment facilities  
■ Increase in the reuse of recycled water |
| LAND RESOURCES       | ■ The 'Clean Territory' project [corrosion diagnostics and monitoring and the reconstruction and replacement of pipelines]  
■ Programmes for the reclamation of oil contaminated lands  
■ Reclamation of disturbed lands by sludge pits and sludge collectors  
■ Pilot testing of treatment technologies for saline land | ■ Reduction in pipeline failure indicators  
■ Restoration of soil fertility in the ecosystems of production areas  
■ Introduction of new technologies for the reclamation of saline lands |
| PRODUCTION WASTE     | ■ Programme for the disposal/neutralization of oily waste  
■ Programme for the disposal of daily drilling waste | ■ Increase in the proportion of waste shipped off for disposal and utilization |
| PRESERVING BIODIVERSITY | ■ Programme for the preservation of the biodiversity of marine ecosystems in the Arctic zone of the Russian Federation  
■ Programmes for the preservation of biodiversity in the regions where the Company operates | ■ Reduction in the impact on the biodiversity of regions of operations  
■ Preservation of the natural abundance and dynamics of biological species |

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXPENSES ON ENVIRONMENTAL SERVICES AND ENSURING ENVIRONMENTAL PROTECTION (RUB MN)</td>
<td>6,162.2</td>
<td>6,159.7</td>
<td>6,377.6</td>
<td>6,875.6</td>
<td>6,908.1</td>
</tr>
</tbody>
</table>

Source: Company data

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAYMENT FOR NEGATIVE ENVIRONMENTAL IMPACT (RUB MN)</td>
<td>1,927.5</td>
<td>545.6</td>
<td>837.1</td>
<td>270.8</td>
<td>210.9</td>
</tr>
</tbody>
</table>

Source: Company data

1 — Excluding expenses on the capital construction, reconstruction, and repair of fixed assets that have a positive environmental effect.
FULFILMENT OF 2017 GOALS AND OBJECTIVES

In 2017, the Company continued progressing towards its medium-term goals as part of work to implement industrial programmes for the modernization and construction of infrastructure by 2020 taking into account the requirements to reduce the man-made environmental impact. The environmental target set for 2017 were met in full.

<table>
<thead>
<tr>
<th>Level of fulfilment</th>
<th>Goals and result</th>
</tr>
</thead>
</table>
| **ACHIEVE TARGETED SPECIFIC AIR EMISSIONS** | Specific air emissions in 2017 totalled:  
- 3.17 kg/t for extracted hydrocarbons  
- 1.09 kg/t for refined hydrocarbons |
| **ACHIEVE TARGETED SPECIFIC GREENHOUSE GAS EMISSIONS** | Specific greenhouse gas emissions amounted to:  
- 219,540 tonnes/million tonnes of extracted hydrocarbons  
- 222,990 tonnes/million tonnes of refined hydrocarbons |
| **REDUCE THE DISCHARGE OF CONTAMINATED AND INSUFFICIENTLY TREATED WASTEWATER INTO THE GROUND, SURFACE WATER BODIES, AND CENTRALIZED WATER DISPOSAL SYSTEMS** | The discharge volume decreased by 19% compared with 2016 |
| **INCREASE THE PROPORTION OF DISPOSED AND RECYCLED WASTE** | The proportion of waste shipped off for disposal and recycling increased by 4.93% compared with 2016 and amounted to 83.51% |
| **ACHIEVE THE TARGET FOR ABOVE-LIMIT PAYMENTS FOR NEGATIVE ENVIRONMENTAL IMPACT** | The proportion of above-limit payments in the overall payment for negative environmental impact was 0.23%. |
| **MEDIUM-TERM GOAL. ACHIEVE THE TARGET LEVEL FOR THE UTILIZATION OF ASSOCIATED PETROLEUM GAS (APG) (95%)** | This is a medium-term goal. The level of APG utilization was 76.16% in 2017. The action programme to achieve the medium-term indicator was fully implemented during the reporting year |
| **CONDUCT TECHNICAL AND COMMUNICATION MEASURES THAT AIM TO MITIGATE THE NEGATIVE ENVIRONMENTAL IMPACT AND DEVELOP ENVIRONMENTAL CONSCIOUSNESS AS PART OF THE YEAR OF ECOLOGY** | A comprehensive programme including more than 1,100 events was implemented as part of the Year of Ecology. Investment in the programme amounted to more than RUB 17.5 billion |
YEARS OF ECOLOGY

Russia declared 2017 the Year of Ecology. As part of the implementation of a decree of the Russian President “On the Year of Ecology in the Russian Federation” and instructions from Chairman of the Gazprom PJSC Management Board Alexey Miller, the Company developed and implemented a special environmental action plan that aims to address key environmental issues.

MAIN FOCUSES OF THE YEAR OF ECOLOGY PROGRAMME AT THE COMPANY

| ENVIROMENTAL EDUCATION OF EMPLOYEES | ■ Introduction and relaying of environmental rules  
■ Corporate seminars and training sessions on ecology |
| INDUSTRIAL MEASURES | ■ Modernization of production facilities  
■ Development and implementation of eco-friendly technologies  
■ Mitigating negative environmental impact indicators  
■ Commissioning of environmental facilities  
■ Implementation of energy conservation programmes |
| NON-INDUSTRIAL MEASURES | ■ Environmental monitoring  
■ Preserving biodiversity  
■ Providing support for federal and international environmental campaigns |
| ENVIRONMENTAL COMMUNICATIONS | ■ Creating platforms for communication and interaction with stakeholders such as NGOs, the state authorities, schoolchildren, and students |
| ‘GREEN TERRITORY‘ SPECIAL PROJECT | ■ Creating infrastructure for the separate collection of waste at the Company’s filling stations and offices  
■ Landscaping and other improvements |

KEY RESULTS:

■ Construction was completed on a gas treatment unit (1st stage) and a cluster of inverted wells at the Novoportovskoye field of Gazpromneft-Yamal for the injection of associated petroleum gas in order to maintain reservoir pressure  
■ Construction work was completed on the Biosphera biological treatment facilities at the Moscow Oil Refinery and construction work started on treatment facilities at the Omsk Oil Refinery. The project was among the federal projects implemented as part of the Year of Ecology  
■ A landfill was opened at the Taylakovskoye field for the disposal and processing of industrial and household waste at Slavneft-Megionneftegaz  
■ 36 million fish were released into water bodies  
■ 100 Saturday volunteer work days were held in the regions with the participation of over 6,000 people, resulting in the clean-up of more than 1.5 hectares of land and the removal of more than 670,000 tonnes of garbage  
■ More than 298,000 shrubs and trees were planted as part of public campaigns

More than 1,100 events were held as part of the Year of Ecology in which Gazprom Neft invested over RUB 17.5 billion.

After implementing the Year of Ecology state programme, the Company received an award from the Ministry of Natural Resources and Environment of the Russian Federation ‘For an Active Environmental Policy during the Year of Ecology’.
PROTECTING THE ATMOSPHERE

The Company made progress in 2017 in addressing one of its main environmental objectives – reducing air pollutant emissions.

Key projects that made it possible to reduce gross emissions by 26% compared with 2016 included:

- APG utilization programmes
- an increase in APG consumption for oil treatment through the increased extraction of production fluid
- the commissioning of external gas transmission systems at gas processing plants
- repairs to the first process flow at the Omsk Oil Refinery
- the continuation of the modernization programme for the Moscow Oil Refinery: major repairs to the Big Ring installations, the reconstruction of the catalytic cracking unit (G-43-107), and the completion of the modernization of primary oil refining unit furnaces (crude vacuum unit-6) with conversion to eco-friendly gas fuel

Specific air pollutant emission indicators in 2017 amounted to 3.17 kg/tonne for extracted hydrocarbons (TOE) and 1.09 kg/tonne for refined hydrocarbons (TOE).

Products with improved environmental attributes

The Omsk Oil Refinery produced the first batch of new marine fuel with improved environmental attributes.

Thanks to minimum sulphur content – no more than 0.1% – the product is suitable for use in emission control zones identified by the International Convention for the Prevention of Pollution from Ships (MARPOL). The new fuel is certified in accordance with the requirements of the technical regulations of the Eurasian Economic Community.
GREENHOUSE GAS EMISSIONS

Gazprom Neft supports the implementation of the Paris Climate Agreement, which aims to combat climate change, and the Concept to Form a System of Monitoring, Reporting, and Verifying Greenhouse Gas Emission Volumes in the Russian Federation and also adheres to national legislation on a reduction in greenhouse gas emissions and manages the quantitative determination of the volume of greenhouse gas emissions. The Company is developing risk management system associated with hydrocarbon regulation and also assesses and monitors greenhouse gas emissions generated by its operations. Emissions are assessed based on the following aspects:

- direct greenhouse gas emissions related to the flaring of hydrocarbon fuel and substances, the operation of production facilities, and process losses
- indirect energy emissions related to the consumption of third-party electricity, heat, steam, or cooling

Gazprom Neft is developing a programme to increase the use of associated petroleum gas use at all its production assets. The Company’s key goal is to increase the level of APG utilization to 77.7% in 2018, 90.2% in 2019, and 95% by 2020. The Company used 76.16% of its APG in 2017.

### GREENHOUSE GAS EMISSIONS

**[MN T OF CO₂-EQUIVALENT]***

Source: Company data

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>13.3</td>
<td>12.4</td>
<td>12.7</td>
<td>16.2</td>
<td>19.2</td>
</tr>
<tr>
<td>Direct emissions</td>
<td>11.8</td>
<td>11.1</td>
<td>10.7</td>
<td>13.8</td>
<td>13.9</td>
</tr>
<tr>
<td>Indirect emissions</td>
<td>1.5</td>
<td>1.3</td>
<td>2</td>
<td>2.4</td>
<td>5.3</td>
</tr>
</tbody>
</table>

### APG PRODUCTION AND USAGE

**[MN m³]**

Source: Company data

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>6,779</td>
<td>7,604</td>
<td>8,134</td>
<td>9,439</td>
<td>11,434</td>
</tr>
<tr>
<td>Use</td>
<td>5,387</td>
<td>6,128</td>
<td>6,498</td>
<td>7,583</td>
<td>8,708</td>
</tr>
<tr>
<td>Flaring</td>
<td>1,392</td>
<td>1,476</td>
<td>1,636</td>
<td>1,853</td>
<td>2,726</td>
</tr>
</tbody>
</table>

1 — Agreement as part of the United Nations Framework Convention on Climate Change, which regulates measures to reduce carbon dioxide in the atmosphere starting from 2020. The agreement was signed on 29 April 2016.

2 — Volume of APG utilization at the Company’s own assets excluding joint ventures. Gazprom Neft Shelf was included in this calculation for the first time in 2017.

3 — The increase in indirect greenhouse gas emissions in 2017 was due to a change in the Company’s assets included in the calculation in connection with the enactment of Order No. 330 of the Ministry of Natural Resources and Environment of the Russian Federation dated 29 June 2010 “On the Approval of Methodological Guidelines for the Quantitative Measurement of the Volume of Indirect Energy Emissions of Greenhouse Gases”. Accounting had previously included a limited number of the Company’s subsidiaries that are certified according to ISO 14001. Starting from 2017, accounting has been carried out for all enterprises of the Gazprom Neft Group.

### KEY PROJECTS FOR APG UTILIZATION IN 2017:

- the commissioning of fuel gas units to meet the fuel needs of a gas turbine power plant at the East Messoyakha deposit
- an increase in APG consumption for oil treatment due to an increase in the extraction of production fluids at Messoyakhaneftegaz JSC and the transition of the gas turbine power plant’s fuel supply from natural gas to APG
- the commissioning of a 96 MW gas turbine power plant and an APG compression unit at the facilities of the Novoportovskoye field to support the injection of APG into the formation
- the commissioning of compressor stations at the Shinginskoye and West Luginetskoye fields

The higher amount of flared APG is due to an increase in oil production at the East Messoyakha, Novoportovskoye, and Urmano-Archninskoye fields. The construction of infrastructure for APG utilization at these assets is in the final stage.
USE OF WATER RESOURCES

When using water resources, Gazprom Neft seeks to reduce water consumption and discharges in wastewater as well as improve the environmental attributes of water bodies and their coastal areas.

The Company regularly monitors water protection zones as well as surface water, groundwater, and wastewater and assesses the bottom sediment conditions of surface water bodies in the areas where it operates. Scientists from the Polar Research Institute of Marine Fisheries and Oceanography are carrying out comprehensive studies of the water environment as well as key hydrological and hydro-chemical indicators of the water condition near the Prirazlomnaya offshore platform.

Key water resource conservation projects in 2017 included two major projects implemented by the Company as part of the Year of Ecology federal action plan in Russia: the completion of construction on the ‘Biosphera’ treatment plants at the Moscow Oil Refinery and the start of construction on similar facilities at the Omsk Oil Refinery. Investment in the treatment facilities at the Moscow Oil Refinery amounted to RUB 9 billion. The complex consists of a multi-stage wastewater treatment system that

99.9%
DEGREE OF WATER TREATMENT AT THE MOSCOW OIL REFINERY

5%
REDUCTION IN TOTAL WATER CONSUMPTION IN 2017

“'The Moscow Oil Refinery is implementing an ambitious programme, which should result in a roughly 75% reduction in the enterprise’s environmental impact. With the introduction of treatment facilities, the refinery will reduce the intake of water from the Moskva River by 60% due to the recycling of treated waters within a closed cycle. This is good news for all residents of the capital and the suburbs”.

Sergey Sobyanin
Moscow Mayor

WATER USAGE [MN M³]
Source: Company data

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use in water recycling systems</td>
<td>396.7</td>
<td>406.5</td>
<td>393.7</td>
<td>403.1</td>
<td>341.6</td>
</tr>
<tr>
<td>Transfer to other consumers without use</td>
<td>179.3</td>
<td>180.3</td>
<td>107.1</td>
<td>184.9</td>
<td>19.3</td>
</tr>
<tr>
<td>Use in water reuse systems</td>
<td>17.8</td>
<td>18.0</td>
<td>18.1</td>
<td>18.6</td>
<td>165.4</td>
</tr>
</tbody>
</table>

1 — The withdrawal of water from surface sources has increased due to heightened requirements for reservoir pressure maintenance systems.
2 — The decrease in the use of recycled water is due to a stoppage in the first process flow at the Omsk Oil Refinery for repairs and the reconstruction of process units (consumers of recycled water).
The efficiency index of the multistage water treatment system at the refinery exceeds 99.9%. During the first stage, water passes through a pressure flotation unit, where an air flow knocks out mechanical impurities and petroleum products. Then the water passes into the membrane bioreactor where the wastewater is mixed with silt, which contains microorganisms that are specially grown for Biosphera and are capable of absorbing and processing residual petroleum products. After it does its job, the silt is filtered by membranes whose pore diameter is smaller than that of human hair. In the final stage, the purified water passes under pressure through 200 tonnes of activated carbon and 1,440 reverse osmosis membranes in which the size of the cells does not exceed that of a water molecule. The purified water then is put back into production and the filtered petroleum products are used for refining. Some of the purified water is transmitted directly by pipes to the municipal sewage treatment facilities. The refinery has no open sewage to the Moskva River.

In 2017, experts from the Green Patrol national public organization presented the Moscow Oil Refinery with a certificate recognizing the quality of the sewage treatment system’s modernization – ‘Green Certificate – Modernization Carried Out’. The decision was made based on an analysis of samples that environmentalists selected before and after the launch of the innovative Biosphera treatment facilities.

The Biosphera project was among the winners of the annual Ecoworld 2017 International Ecological Award in the category ‘Environmental Developments, Resource Conservation, and Non-Waste Technologies’.

“Purification using a membrane bioreactor is more expensive than other options, but this is the only technology that is promising for domestic and industrial wastewater, especially in urban conditions. There are only a few examples of this technology being used in Russia. In oil refining it is quite unique”.

**Alexander Kuznetsov**

Associate Professor in the Biotechnology Department at Mendeleev University of Chemical Technology
WASTE MANAGEMENT

Gazprom Neft is developing an industrial waste management system that aims to optimize waste flows, mitigate the environmental impact, reduce the economic cost of waste generation, and maximize the possible use of waste.

In 2017, the subsidiaries of the Upstream Division introduced a concept for the utilization of drilling waste in order to mitigate environmental risks and unify waste management requirements. The concept takes into account the infrastructure of the fields under development, the existing technologies for neutralizing drilling waste, key performance indicators, well construction methods, and the injection of waste into the reservoir.

In 2017, the subsidiaries of the Upstream Division introduced a concept for the utilization of drilling waste in order to mitigate environmental risks.

---

WASTE MANAGEMENT

The Omsk Lubricants Plant has opened a site to store oil sludge. It will help to minimize the risks of soil contamination at the production site and ensure compliance with legal requirements for the accumulation of oily waste.

---

PROTECTION OF LAND RESOURCES AND VEGETATION

Gazprom Neft reclaims disturbed and contaminated land and sludge pits by introducing advanced technologies for pipeline monitoring and diagnostics and restoring soil taking into account the soil and climatic conditions of the regions.

As part of the ‘Clean Territory’ project, the Company conducts diagnostics and monitors corrosion in an effort to reduce pipeline failure rates and the area of contaminated land. One of the focuses of the project is the reclamation of polluted “historical heritage” land.

---

The increase in waste generation during the reporting year is due to higher drilling volumes.
Gazprom Neft and Tyumen State University launched cooperation in conducting chemical and analytical quality control of the environmental restoration work being carried out by Gazprom Neft. Independent laboratories at Tyumen State University will analyse soil samples in reclaimed areas of oil contaminated lands, drilling waste, oily waste, and products generated from their utilization. Independent control is a proactive measure that allows for promptly identifying and correcting deviations when performing environmental restoration work.

In 2017, the Company continued to replicate the ‘Green Seismics’ technology at its enterprises, which saves trees from being cutting down during seismic operations. The conventional approach requires creating wide clearings that are needed for heavy all-terrain vehicles to pass through. Thanks to cable-free recording equipment, which can be installed using light technology, ‘Green Seismics’ allows for significantly narrowing the clearings or not making them at all. The technology is already being utilized at Gazpromneft-Noyabrskneftegaz, Gazpromneft-Khantos, Slavneft-Megionneftegaz, and Gazpromneft-Vostok.

### SPECIFIC LAND PROTECTION INDICATORS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of area of contaminated land at the end of the year vs. at the start of the year, ha/ha</td>
<td>0.0046</td>
<td>1.44</td>
</tr>
<tr>
<td>Specific amount of spilled oil, condensate, and petroleum products as a result of accidents and leaks, kg/t of extracted hydrocarbons (TOE)</td>
<td>0.0033</td>
<td>0.0010</td>
</tr>
</tbody>
</table>

### PRESERVING BIODIVERSITY

Gazprom Neft is implementing a perpetual corporate programme to preserve biodiversity based on a list of flora and fauna that serve as indicators of the stable condition of the marine ecosystems in Russia’s Arctic zone. The programme was developed by the Company jointly with leading scientific research institutes, Russian Arctic National Park, and the Marine Mammal Council taking into recommendations from the UN Development Programme, the Global Environment Facility, the Ministry of Natural Resources and Environment, and the World Wildlife Fund in Russia.

The Company carries out environmental monitoring of its impact on the Arctic ecosystems in the area of its operations. Studies conducted in 2017, including toxicological and genetic analyses of biological samples, did not reveal any significant changes.

Starting in 2017, the Company introduced action programmes to preserve biodiversity for all its assets located in Russia. The implementation of these programmes will be continued in full in 2018.

A programme to reproduce aquatic biological resources is a key component of the Company’s field development projects.

The Company’s enterprises released 36 million valuable young fry into reservoirs during the reporting year as part of the programme to reproduce aquatic biological resources. Gazpromneft-Khantos, Gazpromneft-Yamal, Messoyakhneftegaz, Gazpromneft-Muravlenko, and Gazpromneft-Omsk Oil Refinery took part in the programme.

### NEW RECLAMATION METHODS

In 2017, Gazpromneft-Noyabrskneftegaz conducted the pilot testing of recultivation technologies for saline lands. Washing the soil layer with water and using agronomic and biological methods of reclamation revealed it was possible to accelerate the adaptation and purification of soils. Based on the testing results, the technology will be introduced at the Company’s facilities.
ENERGY CONSUMPTION AND ENERGY EFFICIENCY

THE STEADY GROWTH RATES IN THE COMPANY’S PRODUCTION HAVE RESULTED IN INCREASED CONSUMPTION OF ENERGY RESOURCES IN RECENT YEARS. AWARE OF THE HUMAN IMPACT OF THESE PROCESSES, GAZPROM NEFT HAS INCREASED THE ENERGY EFFICIENCY OF ITS PRODUCTION ASSETS AND IS WORKING TO REDUCE THE CONSUMPTION OF ENERGY RESOURCES.

THE MAIN GOALS OF GAZPROM NEFT IN ENERGY CONSERVATION AND EFFICIENCY ARE:

- to enhance the energy efficiency of the Company’s enterprises while maintaining or improving reliability, safety, and performance
- to mitigate adverse impacts on the environment
- to reduce the consumption of non-renewable energy resources

The Company adheres to the Gazprom Neft Energy Policy, which serves as the foundation for the Energy Management System (EMS). The EMS meets the requirements of ISO 50001: 2011. The EMS has been gradually introduced at the Company’s facilities.

The Energy Conservation and Energy Efficiency Programme serves as the main tool for achieving the Company’s planned energy efficiency indicators. Gazpromneft-Yamal, the Messoyakhaneftegaz JV, Slavneft-Megionneftegaz (Upstream Division), Slavneft-YANOS, and the Omsk Lubricants Plant (Downstream Division) joined the EMS in 2017. The Corporate Centres of the Upstream and Downstream Divisions, Gazpromneft-Noyabrskneftegaz, Gazpromneft-Muravlenko, Gazpromneft-Khantos, Gazpromneft-Vostok, Gazpromneft-Orenburg, and the Omsk and Moscow Oil Refineries confirmed that the EMS complies with the requirements of the standard.

COOPERATION WITH STAKEHOLDERS

The Company continued its cooperation with the authorities during the reporting year in an effort to improve energy efficiency.

Experts from the Upstream Division joined a Russian Energy Agency working group that is drafting a national methodology for benchmarking energy efficiency in oil and gas production processes. Representatives of the Downstream Division served as experts on specialized working groups, committees, and commissions of the State Duma and the Ministry of Energy of the Russian Federation for the drafting and discussion of targeted programs and strategies of the Russian Federation as well as the creation of legislative, regulatory, and technical bases for energy conservation and energy efficiency.
### FULFILMENT OF 2017 GOALS AND OBJECTIVES

<table>
<thead>
<tr>
<th>Level of fulfilment</th>
<th>Goals and result</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TARGETS OF THE UPSTREAM DIVISION</strong></td>
<td>Implement the energy conservation and improved energy efficiency programmes (466 mn kWh). Achieve the planned specific electricity consumption indicators for the Upstream Division (29.98 kWh/TJ). The goal was achieved, the programme exceeded the targets, and specific electricity consumption was 1.4% lower than the plan for the year taking into account normalization.</td>
</tr>
</tbody>
</table>
| **TARGETS OF THE DOWNSTREAM DIVISION** | Implement the Downstream Division’s energy conservation programme and conserve the following main fuel and energy resources:  
- heat energy – 171,500 Gcal  
- fuel – 57,300 TOE  
- electricity – 15.2 mn kWh  
The goal was achieved and the programme exceeded the targets. |
| **UPSTREAM DIVISION** | Focuses for energy conservation in terms of machinery and technology:  
- use of high efficiency electric submersible pump units  
- introducing electric submersible pump units with an expanded work area  
- conducting geological and technical measures to reduce water produced and pump it into the formation  
- installation of variable frequency drives on pumping equipment  
- replacement of submersible cables with cables that have an enlarged cross-section  
- pilot testing of pump equipment with improved performance and efficiency indicators  
- reconstruction/modernization of pump units  
- installation of LED lighting fixtures and the introduction of infrared electric heaters  
The goal was achieved and these measures were implemented in full. |
| **DOWNSTREAM DIVISION** | Key focuses in improving energy efficiency and energy conservation management:  
- improve work efficiency and optimize the processing behaviour of energy and technological equipment  
- reduce the fuel and energy intensity of technological processes  
- reduce losses of fuel and energy resources  
- increase the proportion of steam condensate returned by process units  
- increase the efficiency of heat exchange processes and the generation and use of thermal energy in core and auxiliary processes  
- improve the infrastructure level of core and auxiliary production processes at enterprises with metering devices  
- introduce the energy management system  
- introduce and expand the perimeter of the Energy Management System in accordance with the requirements of the international standard ISO 5000  
The goal was achieved and these measures were implemented in full. |
| **DOWNSTREAM DIVISION** | Improve the reliability of power supplies (medium-term objectives):  
- search for, adapt, and replicate new technologies, methods, and best practices, establish a new functionality, and increase the use and effectiveness of the system’s existing resources (material resources and staff)  
- strengthen and centralize the functional vertical of energy management  
- expand the functions of the Main Control Room as regards the real-time assessment and monitoring of energy equipment reliability indicators  
- systematic work to improve the skill and motivation level of staff  
- perform additional targeted research work in matters concerning reliability  
The goal was achieved and these measures were implemented in full. |
UPSTREAM DIVISION

**ENERGY SAVINGS IN 2017**

<table>
<thead>
<tr>
<th>MN KWH</th>
<th>+7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>466</td>
<td></td>
</tr>
</tbody>
</table>

**ECONOMIC EFFECT**

<table>
<thead>
<tr>
<th>RUB</th>
<th>BN</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.5</td>
<td>1.5</td>
</tr>
</tbody>
</table>

UPSTREAM DIVISION’S ENERGY EFFICIENCY PROGRAMME IN 2017

**FOCUS**

**TECHNICAL**

- Mechanical boost
- Maintaining reservoir pressure
- Treatment and transportation of oil and gas
- Electricity and heat supply
- Geological and engineering activities

**ORGANIZATIONAL**

- Use of high-efficiency electric centrifugal pump units
- Replacement of asynchronous submersible motors with ac motors
- Transition of wells into short-term/periodic operation mode
- Reduce produced water and pump it into the formation
- Modernization of pumping units and the introduction of energy efficient rotors and frequency-controlled drives for them
- Installation of energy-efficient lamps and heaters

- Introduction and certification of the EMS in accordance with the requirements of ISO 50001 and internal audits of the system
- Construction of a system to monitor the energy efficiency of oil production facilities and a mandatory energy audit
- Optimization of the cost of electricity from external networks
- Replacement of diesel engine power stations with gas turbine stations (cost optimization)

The Upstream Division’s energy efficiency programme exceeded the targets in 2017. Energy savings amounted to 466 mn kWh (RUB 1.5 billion).

The Division drafted and implemented a programme to improve the reliability and modernize electrical equipment and networks, which included 102 measures, during the reporting year. The measures made it possible to significantly reduce oil shortages during emergency power outages compared with 2016.

The Division’s key energy efficiency indicator – specific electricity consumption for fluid produced – totalled 28.98 kWh/t.\(^1\)

ENES 2017 AWARDS


\(^1\) — The increase in specific electricity consumption in 2017 by 0.07 kWh/t is due to an increase in the proportion of production at assets with a greater depth of oil-containing liquid.
TOTAL ENERGY CONSUMPTION IN UPSTREAM DIVISION

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity consumption (purchased + generated), mWh</td>
<td>6,032,738</td>
<td>6,177,164</td>
<td>6,419,919</td>
<td>6,298,276</td>
<td>6,064,268</td>
</tr>
<tr>
<td>Change vs. previous period, %</td>
<td>6.0</td>
<td>2.4</td>
<td>3.9</td>
<td>(1.9)</td>
<td>(3.7)</td>
</tr>
<tr>
<td>Thermal energy consumption (internally produced and purchased from third-party suppliers), GJ</td>
<td>1,218,555</td>
<td>1,064,758</td>
<td>982,015</td>
<td>996,644</td>
<td>1,124,180</td>
</tr>
<tr>
<td>Change vs. previous period, %</td>
<td>1</td>
<td>13</td>
<td>8</td>
<td>1</td>
<td>12.8²</td>
</tr>
</tbody>
</table>

CONSUMPTION OF PURCHASED ENERGY

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased electricity (minus electricity transferred to third parties), MWh</td>
<td>5,180,370</td>
<td>5,183,377</td>
<td>5,356,476</td>
<td>5,218,287</td>
<td>4,857,536</td>
</tr>
<tr>
<td>Purchased thermal energy (minus electricity transferred to third parties), GJ</td>
<td>133,000</td>
<td>117,000</td>
<td>96,000</td>
<td>113,000</td>
<td>97,000</td>
</tr>
</tbody>
</table>

SPECIFIC ELECTRICITY CONSUMPTION FOR FLUID PRODUCED (KWH/T)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>29.00</td>
<td>28.94</td>
<td>28.66</td>
<td>28.91</td>
<td>28.98</td>
</tr>
</tbody>
</table>

² — The growth in heat energy consumption is due to the introduction of new boiler houses at Gazpromneft-Vostok and boiler houses at the major Messoyakha field and Novy Port projects.

New technologies in the Arctic

In 2017, Gazpromneft-Yamal launched the pilot testing of the YURTA combined wind-solar power plant with capacity of 47.5 kW, which is designed to supply power to a group of line-to-line consumers.

The hybrid technology will significantly reduce the cost of power supplies to long-distance and remote sites from network infrastructure facilities due to the lack of a need to build power lines.

The Russian-produced equipment for the power plant is designed to operate at temperatures as low as -60°C. The vertical shape of the wind generators makes it possible to generate electricity regardless of which way air is blowing.

“...In the future, the company will be able to provide power to facilities that are located dozens of kilometres from main networks. Moreover, the introduction of a wind-solar power plant is entirely safe for the Arctic environment”.

Sergey Devyatyarov
Chief Engineer and First Deputy CEO of Gazpromneft-Yamal
In 2017, the enterprises of the Downstream Division continued implementing the activities of the integrated Energy Conservation and Improved Energy Efficiency Programme. Gazpromneft-Aero and Gazpromneft-BM have joined the programme, which as a result now includes the energy conservation activities of 49 production assets in the Downstream Division.

Main activities of the programme:
- replacing and modernizing process furnaces to increase their efficiency
- optimizing the recuperation system and using secondary energy resources in technological processes
- increasing the efficiency of fuel use in process furnaces by utilizing modern technologies
- optimizing condensate collection and return systems
- optimizing the operation of compressor equipment
- increasing the efficiency of heat and steam supply systems
- modernizing lighting systems
- replacing turbo drives and steam pumps with electric drives

As a result, the savings of fuel and energy resources within the Division exceeded the targets and amounted to:
- thermal energy – by 279,400 Gcal
- fuel – by 137,500 tonnes of natural fuel
- electricity – by 18.9 mn kWh

The biggest contribution to the reduction in fuel consumption came from the modernization of the technological furnaces of crude vacuum unit-6, which accounts for 19% of the refinery’s total energy consumption, and the completion of a project to switch the furnaces from liquid to eco-friendly gas fuel. The installation of modern energy-efficient equipment and the transfer of the entire refinery’s lighting system to energy-saving technologies also helped to conserve energy.

### Moscow Oil Refinery Improves Energy Efficiency

The modernization and repair of key units at the Moscow Oil Refinery in 2017 reduced the refinery’s fuel consumption by 2.1% and thermal energy consumption by 0.9%.

#### Consumption of Purchased Energy Within the Downstream Division

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased electricity [minus electricity transferred to third parties], MWh</td>
<td>3,322,147</td>
<td>3,262,669</td>
<td>3,340,550</td>
<td>3,400,210</td>
<td>3,236,805</td>
</tr>
<tr>
<td>Change vs. previous period, %</td>
<td>6.4</td>
<td>[1.8]</td>
<td>2.4</td>
<td>1.8</td>
<td>[4.81]</td>
</tr>
<tr>
<td>Purchased thermal energy [minus electricity transferred to third parties], GJ</td>
<td>17,373,245</td>
<td>16,581,709</td>
<td>16,081,895</td>
<td>15,186,997</td>
<td>15,531,129</td>
</tr>
<tr>
<td>Change vs. previous period, %</td>
<td>3.1</td>
<td>[4.6]</td>
<td>[3.0]</td>
<td>[5.6]</td>
<td>2.27</td>
</tr>
</tbody>
</table>
"The results of the energy conservation programme are a kind of indicator of the success and coordination of the work performed by a large team of specialists. Our further work in this area is consistent with the main trends in the industry’s development and is based on the digitization of business processes with the active use of components of predictive analytics and progressive IT solutions and technologies”.

Vladimir Andreyev
Head of the Energy Department of the Downstream Division

The implementation of measures contained in the integrated programme to improve the reliability of power supply to refineries has reduced the number of power failures at refineries by 15% compared with 2016.

In general, energy conservation activities made it possible to save 7.8 TJ of thermal energy, electricity, and fuel. The economic effect exceeded the targets and amounted to RUB 929.7 million.

The increase in specific energy consumption in 2017 is due to a decrease in refining volumes and the utilization rate of secondary processes in accordance with the production program as well as the reconstruction and commissioning of new units at the Moscow and Omsk Oil Refineries and the start of the production of Group III oils at Slavneft YANOS OJSC.

The Energy Conservation and Energy Efficiency Programme combines energy-saving measures at 49 production assets of the Downstream Division.

---

**ENERGY INTENSITY INDEX OF THE COMPANY’S OIL REFINERIES**

<table>
<thead>
<tr>
<th>Enterprise</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Omsk Oil Refinery</td>
<td>123</td>
<td>117</td>
<td>114</td>
<td>110</td>
<td>107</td>
</tr>
<tr>
<td>Moscow Oil Refinery</td>
<td>123</td>
<td>122</td>
<td>114</td>
<td>113</td>
<td>111</td>
</tr>
<tr>
<td>YANOS</td>
<td>110</td>
<td>108</td>
<td>108</td>
<td>107</td>
<td>105</td>
</tr>
<tr>
<td>NIS</td>
<td>–</td>
<td>126</td>
<td>122</td>
<td>118</td>
<td>113</td>
</tr>
</tbody>
</table>

1 — Calculated according to the methodology of the company Solomon. The Energy Intensity Index (EI) allows for a quantitative comparison of the energy efficiency of a specific oil refinery with another refinery that is similar in terms of production units and work conditions. The index shows the ratio of actual energy consumption versus the enterprise’s standard energy consumption. The smaller an enterprise’s EI value is, the better its energy efficiency level is.
GOALS AND OBJECTIVES FOR 2018

**INDUSTRIAL SAFETY**
- reduce the specific injury frequency rate with a fatal outcome by 20% from the average level of 2015-2017
- reduce the specific accident rate by 5% from the average level of 2015-2017
- reduce the specific number of traffic accidents by 10% from the average level of 2015-2017

**ENERGY EFFICIENCY AND ENERGY CONSERVATION**

**UPSTREAM DIVISION**

**Targets:**
- implementation of the Upstream Division's energy conservation and improved energy efficiency programmes for 2018-2020 (502 million kWh)
- achieving the targets for specific electricity consumption at the Upstream Division in 2018 (29.57 kWh/TJ)

**Focuses of energy conservation in machinery and technology:**
- use of high-performance electric centrifugal pumps
- conducting geological and technical measures to reduce produced water and inject it into the formation
- reconstruction/modernization of pump units
- modernization of lighting systems and optimization of electric heating systems

**Main objectives for energy conservation management:**
- introduction and certification of energy management for compliance with the requirements of the international standard ISO 50001 at Gazpromneft-Yamal and Messoyakhneftegaz
- staff training as part of the introduction of the EMS
- improving the Company’s regulatory framework in matters concerning energy conservation and energy efficiency
- organizing the exchange of experience with companies in the industry

**MITIGATING NEGATIVE ENVIRONMENTAL IMPACTS AND EFFECTIVELY UTILIZING RESOURCES**
- achieving the targets for specific harmful (pollutant) air emissions
- achieving the targets for specific greenhouse gas emissions
- increasing the share of disposed and recycled waste
- reducing the share of above-limit payments for negative environmental impacts
- continuing to achieve the medium-term goal of increasing the APG utilization level to 95%
- further implementing environmental safety programmes

**SAFE DEVELOPMENT: INDUSTRIAL AND ENVIRONMENTAL SAFETY, OCCUPATIONAL HEALTH AND SAFETY, ENERGY EFFICIENCY, AND ENERGY CONSERVATION**
DOWNSTREAM DIVISION

Targets:
- Implementation of the Downstream Division’s Energy Conservation Programme with the following savings of the main fuel and energy resources:
  - thermal energy – by 109,400 Gcal
  - fuel – by 38,300 tonnes of natural fuel
  - electricity – by 3.9 mn kWh
- Total economic effect – RUB 460.7 mn

Main focuses of energy conservation in machinery and technology:
- replacing and modernizing process furnaces to increase their efficiency
- optimizing the recuperation system and using secondary energy resources in technological processes (using heat from product flows to heat raw materials as well as water and heat flows)
- increasing the efficiency of fuel use in process furnaces by utilizing modern technologies (ceramic coating of heating surfaces, ultra-thin thermal insulation coating, and improved burner devices)
- optimizing condensate collection and return systems
- optimizing the operation of compressor equipment
- increasing the efficiency of heat and steam supply systems
- modernizing lighting systems
- replacing turbo drives and steam pumps with electric drives

Main objectives for energy conservation management:
- expanding the perimeter of the Downstream Division’s Unified Energy Management System with the bitumen and lubricants enterprises Gazpromneft-Ryazan Bitumen Materials Plant and Gazpromneft-Moscow Lubricants Plant
- expanding the perimeter of the Downstream Division’s Energy Conservation Programme with the new production enterprises: NOVA-Brit LLC, Polyom LLC, Sovkhimtekh PJSC, POLYEFIR LLC, and BSV-CHEM LLC
- conducting internal energy audits (checks) of energy intensive technological installations at enterprises as part of the fulfilment of energy conservation targets and objectives at enterprises in 2018
- the development and replication of best practices for energy conservation and improved energy efficiency as part of the Energy Efficiency Network Group at the Energy Competence Centre
- conducting internal and supervisory audits of the EMS at subsidiaries and the Corporate Centre of the Downstream Division with the involvement of auditors from an international certification body
- organizing the training and advanced training of employees of the Corporate Centre and Downstream Division enterprises on the Energy Management System
- developing corporate standards and methodologies in matters concerning energy conservation energy efficiency
- continuing energy efficiency meetings between Gazprom Neft enterprises and Russian oil companies
Gazprom Neft’s geographic footprint encompasses more than 30 regions of Russia, six former Soviet republics as well as six other countries. The Company’s production, economic, social, and environmental activities make a comprehensive contribution to the sustainable development of these territories.
MANAGEMENT APPROACHES

GAZPROM NEFT’S ROLE IN REGIONAL DEVELOPMENT

INVESTOR AND TAXPAYER

- Creation and modernization of assets
- Exploration of new deposits
- Development of road infrastructure and roadside service facilities
- Tax payments to local budgets
- Social investments

EMPLOYER

- Creates and maintains jobs at its enterprises, contractor organizations, and companies that are local suppliers of goods and services
- Healthcare and the professional development of Gazprom Neft staff

SUPPLIER AND CUSTOMER

- Supplies high-quality petroleum productions (petrol, diesel fuel, marine and aviation fuel, lubricants, bituminous materials and materials for road construction and repair, and liquefied hydrocarbons)
- Supplies petroleum products to remote areas of northern Russia
- Subsidized petroleum product supplies for agricultural producers
- Orders Russian-made import-substituting products for oil production and refining
- Participates in regional import substitution programmes in the Tyumen and Tomsk Regions

PARTICIPANT IN REGIONAL SUSTAINABLE DEVELOPMENT PROGRAMMES

- Socioeconomic cooperation with regional and local authorities
- Implementation of the Native Towns social investment programme
- Implementation of environmental programmes
- Participation in biodiversity conservation projects
- Programmes to modernize refining assets and minimize the manmade impact on the environment
- Participation in assessments of the regulatory impact of regional regulations and improvements to the legal environment for the oil and gas industry
- Participation in the drafting of regulatory legal acts that aim to enhance the investment appeal of the regions and improve administrative processes in the oil and gas industry

The Regional Policy Concept is the key document that specifies the objectives and principles of Gazprom Neft’s interaction with the regions.

DISTRIBUTION OF GAZPROM NEFT STAFF BY REGION (PEOPLE) (STAFF NUMBERS AS OF THE END OF 2017)

Source: Company data

<table>
<thead>
<tr>
<th>Region</th>
<th>Staff Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>St. Petersburg and Leningrad</td>
<td>13,275</td>
</tr>
<tr>
<td>YNAD</td>
<td>10,624</td>
</tr>
<tr>
<td>Omsk Region</td>
<td>9,555</td>
</tr>
<tr>
<td>Moscow and Moscow Region</td>
<td>8,077</td>
</tr>
<tr>
<td>Novosibirsk Region</td>
<td>4,627</td>
</tr>
<tr>
<td>Sverdlovsk Region</td>
<td>3,231</td>
</tr>
<tr>
<td>KMAD-Yugra</td>
<td>1,803</td>
</tr>
<tr>
<td>Tyumen Region</td>
<td>1,685</td>
</tr>
<tr>
<td>Ivanovo Region</td>
<td>1,148</td>
</tr>
<tr>
<td>Orenburg Region</td>
<td>963</td>
</tr>
<tr>
<td>Tomsk Region</td>
<td>750</td>
</tr>
<tr>
<td>Other Russian regions</td>
<td>1,415</td>
</tr>
<tr>
<td>Former Soviet republics</td>
<td>3,804</td>
</tr>
<tr>
<td>Serbia</td>
<td>5,955</td>
</tr>
<tr>
<td>Iraq</td>
<td>841</td>
</tr>
<tr>
<td>Other countries</td>
<td>129</td>
</tr>
</tbody>
</table>

67,882 PEOPLE
PRIORITIES OF GAZPROM NEFT IN INTERACTION WITH THE REGIONS:

- Ensuring environmental safety and minimizing the Company’s environmental impact
- Cooperation with the governments of the regions of the Russian Federation and municipal administrations to ensure the sustainable development of the territories and improve people’s quality of life
- Creating a competitive environment on regional labour markets
- Creating stable and favourable financial, economic, and legal conditions for the activities of Gazprom Neft
- Expanding cooperation with stakeholders
- Ensuring information transparency for all stakeholders

REGIONAL POLICY MANAGEMENT STRUCTURE

Management Board
Development of a strategy and overall management of the implementation of the regional policy and an assessment of the results and activities of functional management

Responsible: Member of the Management Board and Gazprom Neft Deputy CEO for Corporate Communications Alexander Dybal

Corporate Communications Unit
- Preparation of performance standards to implement the approved regional policy
- Organizing and coordinating events as part of the regional policy in the regions where the Company operates
- Providing support for the Company’s investment projects at the level of the regional authorities
- Collecting and processing regional information that affects the regional policy and preparing the relevant reports, reviews, and background information
- Administrative support for socioeconomic agreements
- Conducting an annual audit of the relations of the Company and its subsidiaries with the regional authorities
- Overall coordination of the Company’s regional policy activities
- Development of social projects as part of the Native Towns programme
- Expert evaluation of the social investment programmes of subsidiaries
- Evaluation of the effectiveness of the Company’s social investments
- Communication support for social programmes

Core departments of Corporate Headquarters
- Preparing proposals to implement the regional policy
- Preparing proposals on the development of the Company’s business in the regions and the content of social projects
- Implementing the decisions of the Regional Policy Commission

Subsidiaries
- Preparing proposals to implement the regional policy and develop business in the regions
- Implementing the decisions of the Regional Policy Commission
- Interaction with representatives of the regional and municipal authorities
- Planning social activities in the region:
  - preparation of a list of potential social projects based on engagement with stakeholders and compilation of the budgets of regional social investment programmes;
  - development, implementation and monitoring of the progress of projects and an assessment of their effectiveness

Regional Policy Commission
- Collecting and considering proposals on the implementation of the regional policy and social investment programmes from the Company’s structural units and its subsidiaries
- Drafting recommendations on the implementation of the proposed initiatives
“Together with Gazprom Neft, we are ready to turn a new page in the development of Russian technologies. It is essential that the new structure becomes a place for uniting the research and production potential of all the project’s participants. This will give a boost to fundamental scientific work in the development of hard-to-recover reserves and help us avoid duplicate studies, excessive spending, and the long chain of testing innovations”.

Natalya Komarova
Governor of KMAD-Yugra

The following major projects were implemented in 2017 to support regional development:

- **Launch of the Bazhen project in KMAD-Yugra.** In 2017, Gazprom Neft and the region’s government launched a project that was granted national status to build a facility that will use domestic technologies and high-tech equipment to develop the Bazhenov formation. The Bazhen Technological Centre will develop cost-efficient methods for the extraction of hard-to-recover oil reserves using the Company’s advanced technologies and competencies. The new technologies and equipment will be tested at the Palyanovskaya area of the Krasnoleninskoye field.

- **Signing of road maps with the governments of the Tomsk and Tyumen Regions to expand the use of high-technology products, including import-substituting products, at organizations in the regions.** The programmes aim to support Russian producers and facilitate the manufacturing of high-tech products. At the end of the year, the Company held meetings with regional suppliers and sent them updated strategies and road maps of Gazprom Neft PJSC for the import substitution of technologies and equipment. A total of 226 enterprises from the Tyumen Region and 93 enterprises from the Tomsk Region joined the pool of the Company’s suppliers. Six projects from residents of the Tyumen Technopark were selected and will undergo an assessment for their potential introduction at the Company’s enterprises.

The effectiveness of the regional policy’s implementation is assessed through:

- **an internal audit:**
  - an assessment of the quality of service during interaction with the regional authorities
  - an assessment of the existence and emergence of problematic situations during interaction with the regional authorities

- **an external audit:**
  - feedback from representatives of stakeholders (letters and addresses to Company management, etc.)
  - satisfaction surveys by conducting sociological surveys about the Company’s social investment programme
  - organizing a dialogue with stakeholders, including roundtables on corporate social responsibility and sustainable development in key regions of the Company’s operations (such events took place in Tomsk and Omsk in 2017)
■ Expanded cooperation with the Omsk Region government as part of a strategy to develop the region and its petrochemical cluster. In 2017, the Company continued to implement a national project in the region to develop the production of catalysts for secondary refining processes. A new enterprise – Gazpromneft-Catalytic Systems – was established for this purpose. As part of this new focus in the Omsk Region, design work began on a new catalyst production plant whose products and solutions will be in high demand among players in the Russian oil refining industry. The plant is scheduled to open in 2020. The Company also continued a modernization programme at the Omsk Refinery that aims to increase the depth of oil refining.

■ Signing of agreements to expand the import substitution of lubricants and technical fluids at utility service and industrial enterprises with the governments of seven regions: the Bryansk, Sverdlovsk, Sakhalin, Tomsk, Tyumen, and Ulyanovsk Regions and Krasnodar Territory.

■ Inclusion of nine new regions in the programme for the supply of Gazprom Neft’s innovative bituminous materials to the regions: the Tyumen, Tomsk, Sakhalin, Orenburg, Omsk, Sverdlovsk, and Ryazan Regions, the Republic of Bashkortostan, and Khanty-Mansi Autonomous District-Yugra. The programme aims to improve the quality of Russian roads and includes the development of bituminous materials individually for each region based on the region’s climatic and operational conditions.

Interaction with indigenous peoples of northern Russia

The Company engages in production activities in areas where indigenous peoples of northern Russian (IPNR) reside in the KMAD-Yugra and YNAD. Gazprom Neft takes special care to maintain a balance between the implementation of its strategic plans and the interests of indigenous people as well as to preserve their cultural heritage and the environment.

When exploring and developing fields, the Company strictly observes the rights of IPNR and engages in a dialogue with them. Gazprom Neft provides financial support to families and agricultural communities of indigenous peoples and works to preserve the national identity of these northern people, establish cultural ties between different communities and families, and draw public attention to the preservation of traditional arts and crafts.

In order to establish a unified approach to interaction with indigenous peoples, Gazprom Neft in 2017 approved the Corporate Policy for Interaction with Indigenous Peoples of the North, Siberia, and the Far East* and a methodological document that describes the mechanisms and focuses for interaction with them.
The Company has been implementing its Native Towns social investments programme to support regional development since 2013. The programme was drafted in accordance with the Company’s development strategy and takes into account the social problems that people currently face in the regions where it operates. The Native Towns programme was initiated as a response to requests from local communities that were made during a large-scale audit that the Company conducted in 2012 to examine the effectiveness of its social activities and analyse the expectations of local residents.

The main areas requiring further development that were identified as a result of the audit included:
- closer interaction between the Company and local communities and the development of partnerships and tools to engage in social activism
- the integration of a system for selecting and supporting projects with the business development strategy to achieve the Company’s sustainable development goals
- the introduction of innovative tools to resolve urgent social problems and improve the quality of the urban environment and social services
- a transition from responding to emerging socioeconomic problems to a system that aims to prevent them in order to improve the effectiveness of projects
Based on these guidelines, Gazprom Neft has shifted from a “donor-based” model of social investment to a “partnership-based” model in which the key principle is to actively involve local communities in social activities and engage all stakeholders who are ready to take part in joint efforts to address the challenges of developing these territories. Thus, instead of being a sponsor, Gazprom Neft has become a driver of positive changes at the local level by providing active residents with tools, opportunities, and guidelines for development. To maximize its social impact, the Company actively involves external experts and NGOs in such cooperation.

**Thinking systematically**
For us, social investment is a professional activity for which we demand effectiveness. What sets us apart is a systematic approach and the desire to achieve measurable results. The key to the programme’s success is long-term strategic planning, a well-established reporting system, and constant monitoring of the progress of our initiatives. Our investments are productive.

**Examining context**
We use only verified data in our work. Regular surveys of local communities, sociological expeditions, and statistical analysis enable us to carry out the initiatives needed for a city or region. Our research results in specific recommendations for the development of territories that are not only used in our activities, but can also be useful in decision-making by regional and city administration officials.

**Forming communities**
Projects must have public support to be a success. We are guided by the position of communities, the authorities, business, experts, and the media, and also engage activists and opinion leaders. Successful events are the ones that are organized together with citizens. We are not only working on implementing urban development ideas, but also joining existing projects and supporting the initiatives of local residents.

---

**KEY OBJECTIVES OF THE NATIVE TOWNS PROGRAMME:**

- develop basic social infrastructure in the regions where the Company operates
- improve the quality of the urban environment
- create conditions for the development of education, culture, and sports
- develop urban communities
- support the initiatives of local communities
- preserve the unique culture and traditional way of life of peoples of the North
- integrate peoples of the North into the modern economic landscape

---

**NEW HORIZONS**

Establishment of equal education opportunities for children from large and small cities

**CULTURAL CODE**

Development of the cultural potential of the regions

**KEEPING TRADITIONS**

Support for the traditional ways of life of indigenous peoples of the Russian north and facilitating their integration into the modern economic and social landscape
ANNUAL CYCLE OF THE IMPLEMENTATION OF SOCIAL PROJECTS

1 EXAMINING CONTEXT

Stages:
- monitoring the development of territories
- engaging in dialogue with stakeholders
- identification of urgent social problems
- assessment of the feasibility of initiatives in these areas
- assessment of the level of efficiency and degree of demand for the Company’s existing social initiatives
- identification of opportunities for stakeholder involvement in projects

2 SELECTION OF SOCIAL PROJECTS FOR IMPLEMENTATION IN THE REPORTING YEAR

Selection criteria:
- connection of projects with the Company’s strategic priorities
- compliance of a territory’s current social problems with the interests/needs of stakeholders
- impact on the solution of a social problem and the potential for systemic reforms
- extent of involvement of stakeholder representatives in the project’s development and implementation
- long-term effect from the project’s implementation
- uniqueness of the project

3 DETERMINATION OF THE PROJECTED SOCIAL EFFECT AND EFFICIENCY INDICATORS

Key social effectiveness criteria:
- coverage of target audiences
- sustainability of the effect over time
- creating the basis for systemic reforms

4 ESTABLISHMENT OF A SET OF PROJECTS FOR A SPECIFIC TERRITORY

Development and approval of social investment programmes for each specific region

5 MONITORING OF A PROGRAMME’S IMPLEMENTATION AND ADJUSTMENTS AS NEEDED

Tools to monitor and assess the effectiveness of a social project:
- monitoring the achievement of the stated objectives and performance indicators
- opinion polls
- focus groups of city residents
- expert surveys
- sociological and marketing research
- online voting
- feedback form on the website of the Native Towns programme
- open competitions for the public

6 PERFORMANCE ASSESSMENT

As a result of the assessment, projects with the best indicators are stored in the library of successful social practices with the ability to be adapted and scaled to other regions.

The assessment results are discussed with internal stakeholders at meetings of Gazprom Neft senior management and with external stakeholders at public hearings in the regions where the projects are being implemented. The opinions of stakeholders are taken into account when planning the social investment programme for the next calendar year.

See Appendix No. 1 of this report for information about dialogues with stakeholders on issues concerning the Company’s corporate social responsibility that were held in Omsk and Tomsk in 2017, p. 142
“Over the course of five years, the Native Towns programme has become a powerful organizing force aimed at the establishment and evolution of a progressive and harmonious urban environment in the regions where Gazprom Neft operates. It’s our aim to improve the quality of people’s lives and ultimately to create favourable conditions for the development of the Company itself.”

Alexander Dybal
Deputy CEO of Gazprom Neft for Corporate Communications

---

**SOCIAL INVESTMENTS OF THE COMPANY**

<table>
<thead>
<tr>
<th>Year</th>
<th>RUB MN</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>3,943.1</td>
</tr>
<tr>
<td>2014</td>
<td>4,543.9</td>
</tr>
<tr>
<td>2015</td>
<td>3,966.0</td>
</tr>
<tr>
<td>2016</td>
<td>4,107.3</td>
</tr>
<tr>
<td>2017</td>
<td>4,312.9</td>
</tr>
</tbody>
</table>

Source: Company data

---

**NATIVE TOWNS PROGRAMME**

**SINCE 2013:**

- **35** regions
- **>2,100** projects
- **100** partner organizations
- **>RUB 20 BN** invested
- **358** initiatives of local residents supported
- **144** infrastructure facilities built

---

**Energy of Positive Changes**

In 2017, the Native Towns programme got a new slogan (‘Energy of Positive Changes’) and a visual design of its brand.

They reflect the main goals and vision of the Company’s model for social activities in the regions. The new visual style depicts two major social objects: branches of the Avangard hockey academy in Muravlenko and Noyabrsksk and 11 key projects of the programme: ‘Mathematical Progression’, ‘Spirit of Fire’, and the Native Towns festival, among others.
# FULFILMENT OF 2017 GOALS AND OBJECTIVES

<table>
<thead>
<tr>
<th>Level of fulfilment</th>
<th>Goals and result</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXPAND EFFECTIVE COOPERATION WITH THE AUTHORITIES IN THE RUSSIAN REGIONS AND HOLD AT LEAST ONE COMPREHENSIVE MEETING ON THE COMPANY’S BUSINESSES</strong>&lt;br&gt;In 2017, the Company introduced a new tool for interaction with the regional authorities – meetings in key regions where the Company operates on a wide range of topical issues that affect bilateral cooperation. Such meetings were held in KMAD-Yugra and the Orenburg, Tyumen, Sverdlovsk, and Omsk Regions and were chaired by the heads or deputy heads of the regions. The format proved to be highly effective both in terms of quickly solving current problems involving cooperation as well as working out medium-term and long-term outlooks. Talks were held at international and Russian forums with government representatives from a number of regions of the Russian Federation on cooperation issues and joint solutions were developed for the comprehensive development of the regions.</td>
<td>![Goal fully achieved]</td>
</tr>
<tr>
<td><strong>DOCUMENTATION OF THE COMPANY’S POLICY TOWARDS INDIGENOUS PEOPLES OF NORTHERN RUSSIA</strong>&lt;br&gt;The Company approved the Policy for Interaction with Indigenous Minorities of the North, Siberia, and the Far East and the methodological document ‘Mechanisms and Main Focuses of Interaction with Indigenous Minorities of the North, Siberia, and the Far East’. A public presentation of the Policy was given at a joint meeting of the RUIE Committee on Corporate Social Responsibility and Demographic Policy and the RUIE Committee on Ecology and Nature Management.</td>
<td>![Goal fully achieved]</td>
</tr>
<tr>
<td><strong>CONCLUSION OF AGREEMENTS ON THE IMPORT SUBSTITUTION OF LUBRICANTS AND PROCESS FLUIDS WITH THE GOVERNMENTS OF AT LEAST FIVE REGIONS OF THE RUSSIAN FEDERATION</strong>&lt;br&gt;Agreements were concluded with the governments of seven regions: the Bryansk, Sverdlovsk, Sakhalin, Tomsk, Tyumen, and Ulyanovsk Regions and Krasnodar Territory.</td>
<td>![Goal fully achieved]</td>
</tr>
<tr>
<td><strong>CONCLUSION OF AGREEMENTS ON THE SUPPLY OF INNOVATIVE BITUMINOUS MATERIALS PRODUCED BY GAZPROM NEFT WITH THE GOVERNMENTS OF AT LEAST FIVE REGIONS OF THE RUSSIAN FEDERATION</strong>&lt;br&gt;Nine new regions were included in the cooperation programme for bitumen materials: the Tyumen, Tomsk, Sakhalin, Orenburg, Omsk, Sverdlovsk, and Ryazan Regions, as well as the Republic of Bashkortostan and KMAD-Yugra.</td>
<td>![Goal fully achieved]</td>
</tr>
<tr>
<td><strong>STIMULATION OF HIGH-QUALITY SYSTEMIC REFORMS OF THE SOCIAL ENVIRONMENT, MAINTAINING AND DEVELOPING INNOVATIVE SOLUTIONS IN THE SOCIOECONOMIC DEVELOPMENT OF TERRITORIES, AND INVOLVING THE AUTHORITIES, BUSINESS COMMUNITY, NGOs, AND THE LOCAL POPULATION IN THE REFORM PROCESS</strong>&lt;br&gt;Reforms are stimulated as part the Native Towns social investments programme. All stakeholders are involved in the process of reforming the social environment: government representatives, the business community, NGOs, and the local population. For more on the results of the programme, see the chapter ‘Results of Social Activities in 2017’ of this report.</td>
<td>![Goal fully achieved]</td>
</tr>
<tr>
<td><strong>DEVELOPMENT OF THE AVANGARD HOCKEY ACADEMY INTERREGIONAL PROJECT, INCLUDING THE OPENING OF TWO BRANCHES OF THE ACADEMY IN THE YNAD (THE CITIES OF MURAVLENO and LABYTNANGI)</strong>&lt;br&gt;Medium-term goal. In progress. Construction continued on the central complex of the Avangard Hockey Academy in Omsk in 2017. The complex is scheduled to be completed in September 2018. The academy’s branch in Muravlenko has been put into operation. The branch in Labytnangi is scheduled to open in 2018.</td>
<td>![Goal fully achieved]</td>
</tr>
<tr>
<td><strong>SCALING THE NATIVE TOWNS PROGRAMME AT 13 OF THE COMPANY’S SUBSIDIARIES</strong>&lt;br&gt;Regional social investment programmes have been implemented by 13 of the Company’s subsidiaries.</td>
<td>![Goal fully achieved]</td>
</tr>
<tr>
<td><strong>SCALING OF SUCCESSFUL SOCIAL PROJECTS IN THE REGIONS, INCLUDING THE ‘MULTIPLYING TALENTS’ TOURNAMENT AND THE ‘STENOGRAffIA’ FESTIVAL</strong>&lt;br&gt;The ‘Stenograffia’ street art festival was first held in Tomsk in 2017. Schoolchildren from the Orenburg Region and Omsk took part in the ‘Multiplying Talent’ tournament on oil and gas subjects for high school students for the first time.</td>
<td>![Goal fully achieved]</td>
</tr>
<tr>
<td><strong>GRANT COMPETITIONS FOR SOCIAL INITIATIVES IN SIX REGIONS WHERE THE COMPANY OPERATES (OMSK, TOMSK, ORENBURG, AND TYUMEN REGIONS, YNAD, AND KMAD-YUGRA) WITH A GRANT FUND OF MORE THAN RUB 20 MILLION AND AT LEAST 85 COMPLETED PROJECTS</strong>&lt;br&gt;Grant competitions for social initiatives are held in all the listed regions. The grant fund totalled RUB 26 million and 112 projects were implemented.</td>
<td>![Goal fully achieved]</td>
</tr>
<tr>
<td><strong>THIRD VOLUNTEER PROJECT CONTEST WITH AT LEAST 30 INITIATIVES IMPLEMENTED</strong>&lt;br&gt;The competition was held and 58 initiatives were implemented as a result.</td>
<td>![Goal fully achieved]</td>
</tr>
</tbody>
</table>
# RESULTS OF SOCIAL ACTIVITIES IN 2017

## IMPLEMENTATION OF SOCIOECONOMIC AGREEMENTS

### MAJOR PROJECTS IMPLEMENTED AS PART OF THE AGREEMENTS

#### YNAD

- Construction of branches of the Avangard Hockey Academy [Labytnangi and Muravlenko]
- Construction of the Polyarny sports and recreational complex [Labytnangi]
- Construction of apartment buildings [Novy Port village]
- Construction of daycare facilities [Muravlenko and Noyabrsk]
- Construction of a school for 400 people [Tarko-Sale].
- Construction of a sports complex Yamal Arena [Salekhard]

#### KMAD-YUGRA

- Construction of a residential building with 120 apartments in the city of Khanty-Mansiysk
- Construction of an indoor hockey rink [Novoagansk village]
- Construction of a playing field [Russkinskaya village]
- Construction of a modular rural cultural centre [Repolovo village in the Khanty-Mansiysk district]

#### OMSK REGION

- Support for the Avangard children’s sports school
- Construction of a playing field and sports complex to comply with the government’s ‘Fit for Labour and Defence’ athletic requirements standards at School No. 106 in Omsk
- Construction of training grounds in Beregovoye village
- Construction of an area with weightlifting benches in Omsk (joint project with Shlemenko school)
- Reconstruction of the Smena ice hockey centre in Omsk
- Repairs at Koltyugin school
- Repairs at Daycare No. 9 in the city of Tara
- Repairs at Sever Cultural and Leisure Centre in Tara

#### ORENBURG REGION

- Improvements to the Lastochka daycare facility in Berdyanka village [Orenburg]
- Repair of cultural centres in Berdyanka village [Orenburg] and Mryasovo village
- Construction of a sports complex in Samorodovo [Orenburg]
- Modernization of a library in Blagoslovenka village

#### TOMSK REGION

- Reconstruction of the Teremok daycare facility in Novy Vasyugan village
- Construction of a family recreation park in Parabel village

---

In 2017, the Company implemented socioeconomic agreements with the governments of 21 regions of the Russian Federation and the administrations of 20 municipalities. Under the agreements, funds were spent on the construction, repair, and reconstruction of social facilities as well as the modernization and maintenance of infrastructure in rural areas.

**RUB 3.34 BN**

**INVESTMENT AS PART OF AGREEMENTS**

“Economic cooperation agreements remain the best way to implement major infrastructure projects. However, here we adhere to the principles of investment, not sponsorship. Along with the regional authorities, we study the real needs of the territories. This helps to be sure that every rouble invested is being used for real improvements in the quality of life in the regions”.

**Sergey Bilkey**

Head of the Gazprom Neft Regional Development Department
GRANT COMPETITIONS FOR SOCIAL INITIATIVES

Grant competitions are one of the key tools for involving stakeholders in the transformation of their regions and developing skills in social design.

Gazprom Neft utilizes such competitions to support initiatives aimed at systemic, innovative, and effective social reforms that are consistent with the key focuses of the ‘Native Towns’ programme. Public, charitable, and non-profit organizations along with state and municipal institutions can participate in such competitions, and groups of local residents have also had this opportunity since 2017. The winners of the competitions receive financial, methodological, and expert support from the Company.

The Company analyses the results of past years and takes them into account when developing new projects. Competitions held in 2013-2016 resulted in pilot grant competitions being held for initiative groups of citizens in 2017.

Gazprom Neft regularly analyses the sustainability of winning projects. Sustainable projects are recognized as ones that continue in full or expand following the end of grant support.

GRANT COMPETITIONS FOR SOCIAL INITIATIVES IN 2017:

<table>
<thead>
<tr>
<th>Applications</th>
<th>Winning Projects</th>
<th>Of Projects Are Sustainable</th>
<th>Grant Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>530 (+15.2%)</td>
<td>112 (+33.3%)</td>
<td>69.9%</td>
<td>RUB 25.7 MN (+6.5%)</td>
</tr>
</tbody>
</table>

REGIONS:
- YNAD (Noyabrsk and Muravlenko)
- KMAD-Yugra (Khanty-Mansiysk and Khanty-Mansiysky District)
- Tyumen Region (Uvatsky District)
- Omsk Region (Omsk and Tarsky District)
- Orenburg Region
- Tomsk Region

‘KM Picnic’

Khanty-Mansiysk held its KM Picnic – a citywide holiday with an extensive entertainment programme and free master classes – for the third time in 2017. The picnic is organized by energetic residents of the city.

Starting out in 2015 with a low-key event, in 2016 event was organized by one the winners of the Native Towns grant competition. Today, KM Picnic is a free creative space where guests are greeted by more than ten thematic zones: sports, educational, tourism, and children’s, among others. The festival programme also includes various contests, concerts, and numerous master classes. In 2017, the project’s guests included artists from the Stenograffia street art festival, who conducted a master class and created street art.

Gazprom Neft has been a general partner of the KM Picnic since 2017 as part of the social investment programme.

“A few years ago, I attended a festive city celebration in Omsk. I went back home and told my friend, and she got extremely excited. I realized that putting together a team wouldn’t be a problem. We prepared for the first celebration in two months. We wanted to create a festival for everyone – a celebration where you can come with the whole family”.

Valentina Kiseleva
Author of the idea and head of the festival
The oil- and gas-themed tournament aims to increase the popularity of engineering and technical professions among schoolchildren in regions where Gazprom Neft operates, help them to form research skills, and in doing so facilitate the establishment of the Company’s future talent pool for further development and the introduction of innovations.

The tournament’s format is designed taking into account current best practices around the world and features individual and team competitions among schoolchildren in grades 8-11 on ways to solve complex research problems in the oil and gas industry, present solutions in a convincing manner, and defend them in scientific discussions. The tournament is implemented in two stages, and the final is held in St. Petersburg.

“Unconventional and attractive solutions and the ability to apply them in production situations are highly valued”.

Ramil Yaubatyrov
Employee at the Gazprom Neft Scientific and Technical Centre and a contest judge

On-site training sessions and seminars to develop communication and presentation skills were held for the first time during the reporting year as part of the tournament for schoolchildren. Gazprom Neft experts prepared a special tutorial to help the tournament participants, and video training tutorials were published in the tournament’s online classroom.

In 2017, the tournament picked up an academic partner – Peter the Great St. Petersburg Polytechnic University (Polytech).

The tournament provided me with new acquaintances, invaluable experience, and a lot of positive emotions. I realized what I really want to do”.

Darya Paramoshina
Participant in the two tournaments
The goal of the project is to provide new opportunities for the development of gifted youth from the regions (winners and medallists of the All-Russian Olympiads) at St. Petersburg State University as well as support students and young scientists who conduct research in applied and theoretical mathematics.

**IMPLEMENTATION STAGES:**

| Schoolchildren | Projects to promote mathematics in the regions  
<table>
<thead>
<tr>
<th></th>
<th>Organization of lectures by prominent scientists</th>
</tr>
</thead>
</table>
| Students       | Scholarships for mathematics students at St. Petersburg State University who demonstrate impressive results over the entire course of their studies  
|               | Travel grants to leading global mathematics schools  
|               | Organization of lectures by foreign scientists at St. Petersburg State University |
| Young scientists | Support for research work and the provision of applied mathematical knowledge  
|               | Organization and support of high-profile conferences  
|               | Personalized prizes |
| Chebyshev Laboratory at St. Petersburg State University | Support for fundamental research and the laboratory’s scientific and educational activities |

The prize winners are annually determined by a competitive commission of employees from Chebyshev Laboratory at St. Petersburg State University and corresponding members of the Russian Academy of Sciences.

In 2017, personalized scholarships and grants were awarded to 48 mathematics students at St. Petersburg State University and two young scientists for their achievements in research work. One of the scholarship recipients of the project was a laureate of the Clay Mathematics Institute who received the world’s second most significant award in mathematics. Eleven mathematics students received travel grants. The Gazprom Neft Scientific and Technical Centre, along with scientists from the Chebyshev Laboratory at St. Petersburg State University, has launched a three-year project to study the properties of oil reservoirs.

“Business support is an important part of the university system throughout the world. Thanks to Gazprom Neft’s support, among other things, our laboratory has become one of the country’s key centres for the development of mathematical science and attracts young scientists and talented school graduates from all over the country. It is essential that leading business structures invest in science for Russia’s future”.

**Stanislav Smirnov**

Head of the Chebyshev Laboratory at St. Petersburg State University
‘CREATIVE PRACTICES’

The ‘Creative Practices’ programme, which is implemented jointly with the Creative Industries Support Fund, aims to study the creative environment of the Russian regions, including the regions in which the Company operates (predominantly Siberian regions), and to utilize the potential of young people in developing new sectors of the economy related to creativity and innovative activities.

The project involves:
- researching the main problems and developmental focuses of the creative environment in a particular region
- conducting educational programmes (open lectures, seminars, etc.) to train enterprising citizens on how to develop creative industries in their regions. The programme content is generated based on the needs of the residents as determined by survey results. The programme speakers include Russian and international experts in economics, urban studies, the media, and culture. The project is implemented in Omsk, Tyumen, Orenburg, Tomsk, Muravlenko, Khanty-Mansiysk, and Noyabrsk

Intensive educational courses on the development of the urban environment were held in 2017 in Tyumen, St. Petersburg, Tomsk, Orenburg, and Noyabrsk. Gazprom Neft became a partner of the International Creative Industries Forum, which was held in Tyumen on 10-11 November 2017. Calvert Forum Siberia, which was organized with the Company’s support, served as a platform for discussing the development prospects of the creative and entrepreneurial environment of Siberian cities, including cities in which Gazprom Neft operates.

Calvert Forum Siberia brought together 250 Russian and international experts: architects, urban studies specialists, entrepreneurs, government representatives, and educational and cultural institutions. The participants discussed the prospects of creative industries in cities of Siberia as a strategically significant territory with enormous human potential.

The conference kicked off the ‘Masters of Siberia’ project – an online platform that brought together the region’s best projects in various fields: from clothing design to IT projects and Siberian crafts. A highlight of the forum was the announcement of the ‘Masters of Siberia’ large-scale programme to support youth entrepreneurship in 2018. The project was presented by Chairman of the Board of the Centre for Strategic Research Alexey Kudrin and the Chairman of the Gazprom Neft Management Board Alexander Dyukov. The key goal of the project is to provide young entrepreneurs with access to the best Russian and international practices in strategic management, marketing, and the promotion of goods and services created by young entrepreneurs on the Russian and foreign markets.

“Each year, more and more young specialists are getting involved in the new economy, where creativity and innovation take centre stage. The job of representatives of government, business, and culture is to contribute to this process with all they have. I am confident that the combination of professional research and practical steps in creative industries will provide an additional impetus to Russia’s economic development”.

Alexey Kudrin
Chairman of the Board
of the Centre for Strategic Research
‘STRELKA’ WEEK

From 30 September to 9 October, St. Petersburg hosted ‘Strelka’ Week with Gazprom Neft’s support – an intensive educational course for residents on the theme of environmental reform. The overall goal of ‘Strelka’ Week was to build a dialogue between international experts, local specialists, and local residents and to search for opportunities that might not be overly obvious for tapping into the potential of St. Petersburg.

Lectures, workshops, and discussions on new approaches to studying and developing the urban environment were attended by more than 5,000 people. The speakers during ‘Strelka’ Week included global experts on urban studies and new technologies. Attendees of a series of workshops supervised by experts from the Strelka Institute came up with five projects for the development of St. Petersburg’s Primorsky District.

“We often talk about St. Petersburg’s legacy and past while saying almost nothing about its future. But we should talk about this and discuss the problem of the outflow of young specialists, who often leave after graduating from universities. How can the northern capital compete for human capital? The potential for the development of St. Petersburg is the main theme of ‘Strelka’ Week.

Olga Polishchuk
Executive Director
of the Strelka Institute
‘Stenograffia’ is an annual street art project that brings together leading Russian and foreign street artists. The aim of the project is to make a monochrome urban environment more friendly and creative using street art. The festival has the status of a major street art festival in Russia and is the only street art festival whose work extends beyond the Arctic Circle.

“‘Stenograffia’ gets more and more interesting each year. This year ‘mega-objects’ have been created in almost every region. A five-story postage stamp in Noyabrsk. A ‘Moskvich’ carved out of reality in Yekaterinburg. A new form is developing that gives an impetus to the development of the entire street art community. More and more people are joining ‘Stenograffia’, and we inspire them to fight for good. This is the main goal for us”.

Andrey Kolokolov
Art Director of the agency Streetart, a co-founder of the ‘Stenograffia’ Festival

In 2017, the festival was held in Noyabrsk, Yekaterinburg, Khanty-Mansiysk, Omsk, the towns of Novy Port and Cape Kamennaya in the YNAD, Orenburg, and Muravlenko as well as Tomsk for the first time. ‘Stenograffia’ has developed substantively: without being limited to certain topics, artists are asked to create works that reflect the uniqueness of a particular region. The focuses of the ideas were based on fundamental research of problems that are relevant to each city. For northern regions (Noyabrsk, Cape Kamenny, Novy Port, and Khanty-Mansiysk), a proposal was made to create drawings that are designed to “warm them up” and emphasize the warmth of human relations. Ideas for eastern territories (Ekaterinburg, Omsk, Orenburg, and Tomsk) were based on the unique features of these cities. In honour of the Year of Ecology, the theme ‘Visual Ecology. Thinking about the Future While Acting in the Present’ was proposed for all regions.

‘Stenograffia 2017’ provided cities with new unique street art: murals, 3D-drawings, exhibits, and even the first graffiti for the blind in Russia for which Braille was used.
NATIVE TOWN URBAN FESTIVAL IN YAMAL

In 2017, the Native Town festival was held in Noyabrsk and Muravlenko in a new format of three thematic days: 'City of Creativity' (master classes and concerts with subcultural focuses), 'City of Technology' (informative family celebration), and 'City of Science' (popular science lectures). Science was the focus of festivals held during the reporting year: schoolchildren presented their research projects, scientific and educational platforms for experiments were organized at the event, and residents were able to take part in 'What? Where? When?' games.

"Many of the infrastructure and event projects that are being implemented as part of the Native Towns programme are making our city a truly comfortable place to live from year to year. I would like to express my gratitude to Gazpromneft-Muravlenko for organizing a festival specifically on the theme of science".

Andrey Lukyanov
First Deputy Head of the Muravlenko Municipal Administration

‘WHERE ART IS BORN’ FESTIVAL

In 2017, Gazprom Neft provided support for the 'Where Art Is Born' national festival held by the Yuri Rozum International Charitable Foundation. The festival has been supported by the Russian Ministry of Culture for more than 10 years. Events took place in Noyabrsk, Muravlenko and Khanty-Mansiysk. During the festival, well-known Russian musicians hosted creative meetings and master classes. In addition, the subject of support for musically gifted children and adolescents was discussed. The festival came to a close with a concert in each host city performed by students from local music institutions, along with their teachers and invited guests.

"At one of the meetings, I read the phrase: ‘Yamal isn’t the edge, but the beginning of the Earth’. And indeed it is. Following the meetings, master classes, and joint performances of the Noyabrsk and Muravlenko children and their teachers, I was amazed at how much is being done for the cultural development of such small cities”.

Yuri Rozum
Professor at the Gnessin Russian Academy of Music and the Schnittke Moscow State Institute of Music and a People’s Artist of Russia
GAZPROM NEFT CUP

The Gazprom Neft Cup international tournament of children’s hockey teams is the official tournament of the Kontinental Hockey League, one of the biggest children’s hockey tournaments in Europe, and Gazprom Neft’s key project in the development of children’s sports.

In 2017, teams from Russia, Belarus, Kazakhstan, Latvia, and Finland competed in the tournament at arenas in Sochi and Omsk. The competitions were attended by 32,000 spectators. The Match TV channel is the general partner of the event, which was won by CSKA.

“The Gazprom Neft Cup is growing and has long been a major international children’s tournament in Europe. Our goal is to inspire young hockey players by giving them an opportunity to play in front of thousands of fans and the motivation to continue their hockey careers. I’m certain that this sort large-scale tournament is a very important event in the lives of everyone coming here from different countries to play in the Cup.”

Alexander Dybal
Chairman of the tournament’s organizing committee, member of the Management Board of Gazprom Neft PJSC

‘PEOPLE NEED YOU’ CONTEST OF STUDENTS’ SOCIAL PROJECTS

In 2017, Gazprom Neft provided support for the first time to the ‘People Need You’ national inter-university competition of social projects. The competition is organized by the Student Volunteer Centre of ITMO University. Participants will have the opportunity to fulfil their potential in order to solve social problems in the region, exchange experience, obtain an assessment of their project from federal experts, and undergo training at an NGO. During the competition, participants learn about project management, fundraising, developing business plans, and attracting partners, among other things.

The competition’s educational programme resulted in 47 student teams from different regions preparing projects that are ready to be presented to investors under the guidance of experts.

With Gazprom Neft’s support, start-ups have been established in the ‘Digital Technologies’ category, including:
- an innovative system to assess the quality of services at recreation and retreat centres
- a system for converting text files into audio files (to expand access among the visually impaired to fiction and educational literature)
- a channel to explain homework assignments to students of VideoGDZ
THE FOLLOWING PROJECTS WERE ALSO IMPLEMENTED AS PART OF THE SOCIAL INVESTMENT PROGRAMME IN 2017:

- construction continued on the central complex of the Avangard Hockey Academy in Omsk, and the academy’s branch in Muravlenko was put into operation
- the ‘Courtyard Sport’ project (children’s and adult tournaments in mini-football, hockey, volleyball, and hockey in valenki boots) and the ‘Drug-Free Courtyard’ project (a mini-football tournament involving courtyard-based teams in Novosibirsk) were held and Omsk hosted the Alexander Shlemenko mixed MMA children’s tournament
- the company supported the 15th ‘Spirit of Fire’ International Cinematographic Debut Festival, which was attended by teams from 25 countries and 32,000 spectators and showed 100 films
- along with the Maritime Council, Gazprom Neft continued setting up specialized marine classes and children’s maritime and shipbuilding associations
- support was provided for national holidays and measures to preserve the national identity of the indigenous minorities of the north
- the Company continued to provide assistance to cultural institutions as well as scientific, non-profit, sports, and educational organizations

For more, see the Regional Policy and Development of Local Communities chapters of the sustainable development reports for 2014-2016

Public recognition

- The Company’s social programmes received five awards at the tenth annual Corporate Philanthropy Leaders contest, which was founded by the Donors Forum association
- ‘DIY City’ took second place in the category ‘Best project contributing to the development of non-profit organizations, charities, and volunteering in a region of operation’
- Gazprom Neft’s ‘Mathematical Progression’ project was recognized in the category ‘Best programme promoting the development of education in Russia’
- ‘Stenograffia’ won second place in the category ‘Best programme supporting contemporary art and culture in Russia’. Gazprom Neft was also a laureate in the categories ‘Information transparency of organizations’ and ‘Evaluation of social projects’

CORPORATE VOLUNTEERING

IN 2017:

<table>
<thead>
<tr>
<th>GAZPROM NEFT EMPLOYEES</th>
<th>EVENTS</th>
<th>WINNERS OF VOLUNTEER PROJECT CONTEST</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,567 +60%</td>
<td>282</td>
<td>58 +107%</td>
</tr>
</tbody>
</table>
The corporate volunteering programme aims to involve employees in the Company’s social activities.

**STRUCTURE OF THE CORPORATE VOLUNTEERING PROGRAMME:**

- implementation of corporate and regional volunteer projects, which are developed by the Company together with NGO partners and local communities
- a contest of volunteer projects via which the Company encourages and supports the social initiatives of employees that aim to solve urgent social problems. The contest is held annually and may involve employees of all the Company’s enterprises
- the intra-corporate mutual aid fund, which was created to provide material and organizational assistance to workforce members and their relatives who are in difficult straits. The fund operates based on the principles of co-financing from employees and the Company

In 2017, the volunteer project contest was held for the third time and received 118 applications. Projects from of the winners were implemented with the support of Gazprom Neft, and 928 volunteers took part in them.

**JOINT SOCIAL INITIATIVES**

Gazprom Neft actively involves its business partners and consumers of the Company’s products in the implementation of social initiatives. Along with the Kaliningrad Sea Fishing Port, the Company holds ‘Fisherman’s Day’ for port workers, sailors, and local residents each year. Gazprom Neft regularly organizes charity and volunteer events with the participation of employees of airfields and airports at which the Company manages aircraft. Such events include Saturday volunteer work days, visits to orphanages, Victory Day events, and donor initiatives.

**KEY VOLUNTEER PROJECTS OF GAZPROM NEFT IN 2017:**

- In conjunction with the ‘Anton’s Right Here’ Centre for Social Habilitation, Learning, and Creativity for Adults with Autism. Over the course of the year, the Company’s volunteers and students from the centre create souvenirs, which are exhibited at a charity Christmas auction at Gazprom Neft.
- In conjunction with the Raul charitable foundation. Volunteers advise young people leaving orphanages and boarding schools in St. Petersburg and the Leningrad Region about employment and life issues by helping them with their social adaptation. In 2017, Gazprom Neft volunteers helped 120 children from orphanages in St. Petersburg and the Leningrad Region, many of whom have disabilities. Volunteers from the Company taught children how to cook and use public transport and provided assistance in the development of the school curriculum, finding a job, and writing a resume. In some cases, volunteers spent the first working day with their clients to help them adapt. As of the end of the year, 48 out of 94 young people leaving orphanages had found permanent or temporary work.
- ‘Donor Day’. Participants in the Company’s traditional promotional event included 1,061 people from eight cities where the Company operates during the reporting year.
- The mutual aid fund. The assistance programme for Gazprom Neft employees in difficult straits has been implemented since 2010. In 2017, the fund raised RUB 11.53 million with 100% of the funds coming from request for aid.
- Over the course of 2017 – the Year of Ecology in Russia – Gazprom Neft volunteers took part in a large number of federal, regional, and local ecological promotional events and implemented their own environmental projects in the regions where the Company operates. Such projects included garbage collection at the Novoorlovsky Nature Reserve in St. Petersburg, the planting of three green alleyways in Omsk and larch trees in 850th Anniversary of Moscow City Park, repairs to aviaries at the Young Naturalists Station in Khanty-Mansiysk, and environmental classes with children from the Harmony Centre for Social Assistance to Families and Children in Moscow, among others.

During the reporting year, Gazprom Neft’s volunteer programmes received a number of awards in the ‘Good Deed Champions’ contest, which was held as part of the 6th Moscow International Forum ‘Corporate Volunteering: Business and Society’. The ‘Discovering the World Together’ project won first place in the ‘Skills Volunteering’ project. The ‘Art of Being Kind’ project won a silver medal in the ‘Local Communities’ category. Complex environmental projects implemented by Gazpromneft-Muravlenko in the YNAD won first place in the ‘Best Environmental Project’ category.

---

1 — Habilitation is a system of medical and/or social activities that aim to help people with developmental disabilities with adapting to the social environment or any kind of activity.
SOCIAL ACTIVITIES ABROAD

SERBIA

Gazprom Neft is a major investor in Serbia’s economy and implements large-scale social projects in the country. In 2016–2017, as part of a programme to support humanitarian projects in the field of culture and to preserve Serbia’s historical heritage, unique work was carried out to make a mosaic for the dome of the Church of St. Sava in Belgrade. Making the ornamentation for the dome was one of the most ambitious projects in the world in terms of decorating a curvilinear space: the total area of the mosaic covers 1,248 square metres. The church is an architectural monument of Serbia and one of the largest Orthodox churches in the world.

In addition, Gazprom Neft has been a partner of Serbia’s largest classical music festival, the Bolshoi, since 2013. The festival is aimed at supporting young musicians from Serbia and Russia and developing social and cultural cooperation between the two countries.

Bolshoi Festival

One of the most significant social projects carried out by the Company in Serbia is the Russian-Serbian Bolshoi Festival of Classical Music.

Established by Serbian film director Emir Kusturica and Gazprom Neft, the festival is held every year in the Serbian village ofDrvengrad in Mokra Gora National Park.

Among the 62 participants in 2017 were young musicians from Gazprom Neft’s key regions of operations: St Petersburg, Tyumen, Omsk, Orenburg, Tomsk, Khanty-Mansiysk and Muravlenko. For many of them, this was their first time at an international festival. Kusturica has created a unique atmosphere for creativity: this ethnographic village in the mountains has been transformed into a platform where young musicians can mingle with global stars. A number of famous Russian and Serbian musicians have performed in Drvengrad, including Denis Matsuev, Yuri Rozum, Nemanja Radulović and Alena Baeva. In 2017, Valery Gergiev, Artistic Director of the Mariinsky Theater, was an honoured guest at the festival.

“I try not to forget how I took my first steps in art. It wasn’t easy. And here I am giving young people a chance to take their first steps. After this, they will be able to find opportunities and gain more confidence in themselves so as to go further.”

Emir Kusturica
Director, musician, festival founder

REPUBLIC OF IRAQ

The Company is implementing a social programme for the development of the Badra field region together with its partners in the project. The programme focuses on stabilizing electricity supplies, providing medical equipment, and developing the educational system in the region.

In 2017, Gazprom Neft completed the modernization of power networks in areas adjacent to the field, which included the construction of new power lines in the city of Badra, the villages of Zurbatiyah and Gassan, and surrounding settlements.

The Badra training centre, which the Company opened to train specialists for a gas plant from among the local population, produced the first specialists during the reporting year. After completing training, the trainees will transition to the category of interns and commence the production practice in the workplace.

A total of USD 9 million was invested in the social development of Badra.
KURDISH AUTONOMOUS REGION OF THE REPUBLIC OF IRAQ

Gazprom Neft is implementing an extensive social programme in the region with total investment of more than USD 3 million. Social projects are being implemented in close cooperation with the local authorities at different levels and are approved by the Ministry of Natural Resources of the Kurdish Autonomous Region.

In 2017, Gazprom Neft conducted a socioeconomic study of the Garmian region, which is adjacent to the Company’s operating area. A five-year programme for social projects in the region was developed based on the results of this study with a focus on sports, the environment, education, medicine, cultural heritage, and support for children and youth.

The Company also continued to implement social projects based on the current needs of the local population, which included the supply of fuel to residents of surrounding villages and emergency assistance to victims of natural disasters in 2017.

GOALS AND OBJECTIVES FOR 2018

INTERACTION WITH THE REGIONS

- Carry out the measures stipulated in the socioeconomic cooperation agreements with the regions. Hold at least one meeting with the regional authorities to review the implementation of agreements and to adjust the action plan
- Conduct an expert examination of 100% of the existing local regulatory legal acts or legislative initiatives that have been published and may have an impact on the Company’s operations published in order to assess their regulatory impact
- Increase the number of regions of the Russian Federation that cooperate with the Company in the import substitution of lubricants and process fluids to 17 territories
- Conclude agreements on the supply of innovative bitumen materials produced by Gazprom Neft to the governments of at least five regions of the Russian Federation
- Introduce the Policy on Interaction with Indigenous Peoples of the North, Siberia, and the Far East in KMAD-Yugra and YNAD and implement a plan for interaction with indigenous peoples
- Continue the practice of holding meetings chaired by the heads of regions on a range of issues of bilateral cooperation in key regions where the Company operates; expand the geography of meetings

SOCIAL ACTIVITIES

- Continue the implementation of the Avangard Hockey Academy project, including launching a branch of the Academy in Labytnangi in the YNAD
- Continue the implementation of key projects as part of the Native Towns social investment programme
- Conduct grant competitions for social initiatives in six regions where the Company operates (Omsk, Tomsk, Orenburg, and Tyumen Regions, YNAD, KMAD-Yugra). Support at least 100 initiatives, including at least 20 projects from initiative groups of citizens. Introduce the practice of holding contests for citizens’ initiative groups in all regions
- Continue the development of the Company’s volunteer movement, including the organization of distance education for volunteers and the fourth contest of volunteer projects in which at least 50 initiatives of employees should be supported
## APPENDIX 1.
### INDICATORS OF THE COMPANY’S SUSTAINABLE DEVELOPMENT ACTIVITIES

### INDICATORS OF THE COMPANY’S ENVIRONMENTAL ACTIVITIES

#### EXPENSES ON ENVIRONMENTAL SERVICES AND ENSURING ENVIRONMENTAL SAFETY AND PROTECTION [RUB MN]

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protecting the atmosphere</td>
<td>1,017.1</td>
<td>1,464.3</td>
<td>665.5</td>
<td>496.3</td>
<td>614.1</td>
</tr>
<tr>
<td>Wastewater collection and treatment</td>
<td>2,163.5</td>
<td>1,834.3</td>
<td>2,430.3</td>
<td>2,720.6</td>
<td>2,768.9</td>
</tr>
<tr>
<td>Waste management</td>
<td>775.4</td>
<td>753.7</td>
<td>1,538.9</td>
<td>1,363.8</td>
<td>2,069.1</td>
</tr>
<tr>
<td>Protection and rehabilitation of land, surface water, and groundwater</td>
<td>2,169.1</td>
<td>1,312.4</td>
<td>1,434.5</td>
<td>1,461.7</td>
<td>650.3</td>
</tr>
<tr>
<td>Environmental radiation protection and environmental protection against noise, vibration and other types of physical impacts</td>
<td>3.1</td>
<td>23.8</td>
<td>6.2</td>
<td>1.9</td>
<td>1.8</td>
</tr>
<tr>
<td>Biodiversity conservation and protection of natural areas</td>
<td>0.6</td>
<td>16.3</td>
<td>89.7</td>
<td>51.6</td>
<td>144.3</td>
</tr>
<tr>
<td>Research and development to reduce negative environmental impacts</td>
<td>16.2</td>
<td>42.2</td>
<td>9.8</td>
<td>7.9</td>
<td>13.4</td>
</tr>
<tr>
<td>Other environmental protection activities</td>
<td>17.2</td>
<td>712.7</td>
<td>202.7</td>
<td>771.8</td>
<td>646.2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>6,162.2</td>
<td>6,159.7</td>
<td>6,377.6</td>
<td>6,875.6</td>
<td>6,908.1</td>
</tr>
</tbody>
</table>

#### STRUCTURE OF PAYMENT FOR NEGATIVE ENVIRONMENTAL IMPACT [RUB MN]

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions to the atmosphere</td>
<td>1,828.7</td>
<td>406.3</td>
<td>783.2</td>
<td>196.1</td>
<td>150.5</td>
</tr>
<tr>
<td>Discharges to the environment</td>
<td>0.8</td>
<td>1.8</td>
<td>0.7</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Production waste disposal</td>
<td>98.0</td>
<td>137.5</td>
<td>53.2</td>
<td>74.5</td>
<td>60.3</td>
</tr>
</tbody>
</table>

#### STRUCTURE OF WATER CONSUMPTION [MN m³]

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Including from underground sources</td>
<td>133.65</td>
<td>135.90</td>
<td>141.00</td>
<td>133.00</td>
<td>122.6</td>
</tr>
<tr>
<td>From surface sources</td>
<td>32.90</td>
<td>33.65</td>
<td>32.70</td>
<td>36.40</td>
<td>40.2</td>
</tr>
<tr>
<td>From other organizations</td>
<td>7.55</td>
<td>7.65</td>
<td>0.7</td>
<td>8.10</td>
<td>6.7</td>
</tr>
<tr>
<td>WATER CONSUMPTION – TOTAL</td>
<td>174.10</td>
<td>177.20</td>
<td>174.40</td>
<td>177.50</td>
<td>169.5</td>
</tr>
</tbody>
</table>

1 — Excluding expenses on the capital construction, reconstruction, and repair of fixed assets that have a positive environmental effect.

2 — Water intake from surface sources increased due to the needs of reservoir pressure maintenance systems.
## Dynamics of Key Waste Management Indicators (1,000 T)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class I hazard</td>
<td>0.03</td>
<td>0.025</td>
<td>0.024</td>
<td>0.028</td>
<td>0.03</td>
</tr>
<tr>
<td>Class II hazard</td>
<td>0.01</td>
<td>0.01</td>
<td>0.636</td>
<td>0.011</td>
<td>0.02</td>
</tr>
<tr>
<td>Class III hazard</td>
<td>80.91</td>
<td>93.00</td>
<td>168.19</td>
<td>72.50</td>
<td>60.96</td>
</tr>
<tr>
<td>Class IV hazard</td>
<td>398.70</td>
<td>486.20</td>
<td>818.94</td>
<td>757.50</td>
<td>1,015.66</td>
</tr>
<tr>
<td>Class V hazard</td>
<td>50.50</td>
<td>78.00</td>
<td>116.72</td>
<td>76.70</td>
<td>55.47</td>
</tr>
<tr>
<td><strong>Waste Generation – Total</strong></td>
<td>530.90</td>
<td>657.20</td>
<td>1,104.51</td>
<td>906.70</td>
<td>1,132.24</td>
</tr>
<tr>
<td>Class I hazard</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Class II hazard</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Class III hazard</td>
<td>0.09</td>
<td>0.92</td>
<td>0.10</td>
<td>0.28</td>
<td>0.21</td>
</tr>
<tr>
<td>Class IV hazard</td>
<td>5.57</td>
<td>4.92</td>
<td>5.01</td>
<td>0.015</td>
<td>0.00</td>
</tr>
<tr>
<td>Class V hazard</td>
<td>0.00</td>
<td>0.03</td>
<td>0.00</td>
<td>0.08</td>
<td>0.08</td>
</tr>
<tr>
<td><strong>Waste Received from Other Organizations – Total</strong></td>
<td>5.66</td>
<td>5.88</td>
<td>5.12</td>
<td>0.375</td>
<td>0.29</td>
</tr>
<tr>
<td>Class I hazard</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Class II hazard</td>
<td>0.01</td>
<td>0.01</td>
<td>0.005</td>
<td>0.004</td>
<td>0.00</td>
</tr>
<tr>
<td>Class III hazard</td>
<td>19.89</td>
<td>17.15</td>
<td>15.71</td>
<td>8.40</td>
<td>6.32</td>
</tr>
<tr>
<td>Class IV hazard</td>
<td>153.24</td>
<td>273.22</td>
<td>613.37</td>
<td>365.50</td>
<td>713.15</td>
</tr>
<tr>
<td>Class V hazard</td>
<td>20.48</td>
<td>34.46</td>
<td>60.53</td>
<td>41.50</td>
<td>20.19</td>
</tr>
<tr>
<td><strong>Waste Utilization – Total</strong> (including transfer to other organisations for use)</td>
<td>193.61</td>
<td>324.84</td>
<td>689.62</td>
<td>415.40</td>
<td>739.99</td>
</tr>
<tr>
<td>Class I hazard</td>
<td>0.03</td>
<td>0.03</td>
<td>0.02</td>
<td>0.03</td>
<td>0.03</td>
</tr>
<tr>
<td>Class II hazard</td>
<td>0.00</td>
<td>0.00</td>
<td>0.63</td>
<td>0.01</td>
<td>0.02</td>
</tr>
<tr>
<td>Class III hazard</td>
<td>61.11</td>
<td>59.57</td>
<td>153.69</td>
<td>71.10</td>
<td>59.15</td>
</tr>
<tr>
<td>Class IV hazard</td>
<td>322.53</td>
<td>389.28</td>
<td>199.99</td>
<td>378.40</td>
<td>209.85</td>
</tr>
<tr>
<td>Class V hazard</td>
<td>24.92</td>
<td>37.26</td>
<td>50.89</td>
<td>40.10</td>
<td>32.90</td>
</tr>
<tr>
<td><strong>Waste Neutralization and Disposal – Total</strong> (including transfer to other organisations for neutralization and disposal)</td>
<td>408.58</td>
<td>486.13</td>
<td>405.22</td>
<td>489.64</td>
<td>302.60</td>
</tr>
<tr>
<td>Class I hazard</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Class II hazard</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Class III hazard</td>
<td>0.00</td>
<td>12.17</td>
<td>12.01</td>
<td>7.40</td>
<td>3.10</td>
</tr>
<tr>
<td>Class IV hazard</td>
<td>218.72</td>
<td>47.34</td>
<td>62.74</td>
<td>55.60</td>
<td>148.26</td>
</tr>
<tr>
<td>Class V hazard</td>
<td>6.16</td>
<td>12.47</td>
<td>14.04</td>
<td>0.60</td>
<td>3.06</td>
</tr>
<tr>
<td><strong>Accumulated Waste as of the End of the Year – Total</strong></td>
<td>224.88</td>
<td>77.02</td>
<td>88.79</td>
<td>63.60</td>
<td>154.42</td>
</tr>
</tbody>
</table>
## HR INDICATORS

### TOTAL STAFF AS OF 31 DECEMBER 2017 (PEOPLE)

<table>
<thead>
<tr>
<th>Staff</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>57,398</td>
<td>61,465</td>
<td>66,497</td>
<td>66,561</td>
<td>67,882</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>men</td>
<td>33,851</td>
<td>36,968</td>
<td>37,216</td>
<td>40,835</td>
<td>40,254</td>
</tr>
<tr>
<td>women</td>
<td>23,547</td>
<td>24,497</td>
<td>29,281</td>
<td>25,726</td>
<td>27,628</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>workers</td>
<td>34,553</td>
<td>36,181</td>
<td>36,881</td>
<td>34,232</td>
<td>33,873</td>
</tr>
<tr>
<td>managers, specialists, and employees</td>
<td>22,845</td>
<td>25,284</td>
<td>29,616</td>
<td>32,329</td>
<td>34,009</td>
</tr>
</tbody>
</table>

### AVERAGE STAFF NUMBERS (PEOPLE)

<table>
<thead>
<tr>
<th>Staff</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>55,974</td>
<td>57,515</td>
<td>61,862</td>
<td>62,998</td>
<td>63,897</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>workers</td>
<td>33,150</td>
<td>32,471</td>
<td>33,881</td>
<td>32,400</td>
<td>31,885</td>
</tr>
<tr>
<td>managers, specialists, and employees</td>
<td>22,824</td>
<td>25,044</td>
<td>27,981</td>
<td>30,598</td>
<td>32,012</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in the Russian regions</td>
<td>44,940</td>
<td>46,609</td>
<td>50,541</td>
<td>52,410</td>
<td>53,732</td>
</tr>
<tr>
<td>in CIS countries</td>
<td>4,127</td>
<td>4,651</td>
<td>4,927</td>
<td>4,201</td>
<td>3,530</td>
</tr>
<tr>
<td>in non-CIS countries</td>
<td>6,907</td>
<td>6,255</td>
<td>6,394</td>
<td>6,387</td>
<td>6,635</td>
</tr>
<tr>
<td>EMPLOYEES HIRED – TOTAL</td>
<td>25,959</td>
<td>17,457</td>
<td>17,694</td>
<td>14,841</td>
<td>17,184</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in the Russian regions</td>
<td>23,620</td>
<td>15,244</td>
<td>15,492</td>
<td>12,912</td>
<td>15,708</td>
</tr>
<tr>
<td>in CIS countries</td>
<td>1,864</td>
<td>1,705</td>
<td>1,727</td>
<td>1,104</td>
<td>881</td>
</tr>
<tr>
<td>in non-CIS countries</td>
<td>475</td>
<td>508</td>
<td>475</td>
<td>825</td>
<td>595</td>
</tr>
<tr>
<td>RETIRED EMPLOYEES – TOTAL</td>
<td>26,344</td>
<td>15,133</td>
<td>16,684</td>
<td>14,335</td>
<td>16,093</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in the Russian regions</td>
<td>22,143</td>
<td>12,864</td>
<td>13,811</td>
<td>11,960</td>
<td>14,548</td>
</tr>
<tr>
<td>in CIS countries</td>
<td>1,317</td>
<td>1,549</td>
<td>2,000</td>
<td>1,902</td>
<td>1,056</td>
</tr>
<tr>
<td>in non-CIS countries</td>
<td>2,884</td>
<td>720</td>
<td>873</td>
<td>473</td>
<td>489</td>
</tr>
<tr>
<td>Including on their own volition</td>
<td>10,592</td>
<td>9,006</td>
<td>10,047</td>
<td>9,600</td>
<td>9,674</td>
</tr>
<tr>
<td>Turnover rate (retired on their own volition), %</td>
<td>18.9</td>
<td>15.7</td>
<td>16.2</td>
<td>15.2</td>
<td>15.1</td>
</tr>
<tr>
<td>in the Russian regions</td>
<td>49.3</td>
<td>27.6</td>
<td>27.3</td>
<td>22.8</td>
<td>27.1</td>
</tr>
<tr>
<td>in CIS countries</td>
<td>31.9</td>
<td>33.3</td>
<td>40.6</td>
<td>45.3</td>
<td>29.9</td>
</tr>
<tr>
<td>in non-CIS countries</td>
<td>41.8</td>
<td>11.5</td>
<td>13.7</td>
<td>7.4</td>
<td>7.4</td>
</tr>
</tbody>
</table>
### SOCIAL PACKAGE AND BENEFITS EXPENSES (RUB 1,000)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free and subsidised meals</td>
<td>522,774</td>
<td>526,988</td>
<td>711,380</td>
<td>764,480</td>
<td>793,176</td>
</tr>
<tr>
<td>Voluntary medical insurance</td>
<td>650,709</td>
<td>719,561</td>
<td>698,542</td>
<td>847,477</td>
<td>1,100,348</td>
</tr>
<tr>
<td>Payment of travel vouchers</td>
<td>115,705</td>
<td>166,522</td>
<td>121,041</td>
<td>183,817</td>
<td>239,280</td>
</tr>
<tr>
<td>Housing programme</td>
<td>121,329</td>
<td>181,038</td>
<td>215,405</td>
<td>142,069</td>
<td>133,119</td>
</tr>
<tr>
<td>Sport and cultural events for employees</td>
<td>317,599</td>
<td>125,537</td>
<td>129,136</td>
<td>197,154</td>
<td>249,102</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,728,116</strong></td>
<td><strong>1,719,646</strong></td>
<td><strong>1,875,504</strong></td>
<td><strong>2,134,997</strong></td>
<td><strong>2,515,025</strong></td>
</tr>
</tbody>
</table>

### STAFF TRAINING (PEOPLE)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PEOPLE TRAINED – TOTAL</strong></td>
<td>42,094</td>
<td>50,939</td>
<td>50,395</td>
<td>52,582</td>
<td>55,891</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>managers and specialists</td>
<td>25,177</td>
<td>27,381</td>
<td>32,904</td>
<td>33,491</td>
<td>33,840</td>
</tr>
<tr>
<td>workers</td>
<td>16,917</td>
<td>23,558</td>
<td>17,491</td>
<td>19,091</td>
<td>22,051</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>men</td>
<td>25,677</td>
<td>31,073</td>
<td>30,741</td>
<td>32,075</td>
<td>32,976</td>
</tr>
<tr>
<td>women</td>
<td>16,417</td>
<td>19,866</td>
<td>19,654</td>
<td>20,507</td>
<td>22,915</td>
</tr>
<tr>
<td><strong>TYPE OF TRAINING:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>advanced training</td>
<td>11,035</td>
<td>16,940</td>
<td>20,861</td>
<td>22,269</td>
<td>23,639</td>
</tr>
<tr>
<td>training in accordance with the occupational safety and industrial safety requirements</td>
<td>31,059</td>
<td>33,999</td>
<td>29,534</td>
<td>30,313</td>
<td>32,252</td>
</tr>
<tr>
<td><strong>LOCATION OF TRAINING:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>trained at training centres (stations, plants)</td>
<td>15,530</td>
<td>17,080</td>
<td>14,767</td>
<td>15,329</td>
<td>19,747</td>
</tr>
<tr>
<td>at third-party organizations</td>
<td>26,565</td>
<td>33,940</td>
<td>35,628</td>
<td>37,253</td>
<td>36,144</td>
</tr>
<tr>
<td><strong>TOTAL DURATION OF TRAINING – TOTAL, HOURS</strong></td>
<td><strong>1,651,514</strong></td>
<td><strong>2,054,092</strong></td>
<td><strong>1,927,478</strong></td>
<td><strong>2,289,437</strong></td>
<td><strong>2,930,760</strong></td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>managers and specialists</td>
<td>805,664</td>
<td>876,192</td>
<td>1,052,928</td>
<td>1,145,836</td>
<td>1,404,960</td>
</tr>
<tr>
<td>workers</td>
<td>845,850</td>
<td>1,177,900</td>
<td>874,550</td>
<td>1,143,601</td>
<td>1,525,800</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>men</td>
<td>1,007,424</td>
<td>1,252,996</td>
<td>1,175,762</td>
<td>1,396,557</td>
<td>1,729,148</td>
</tr>
<tr>
<td>women</td>
<td>644,090</td>
<td>801,096</td>
<td>751,716</td>
<td>892,881</td>
<td>1,201,612</td>
</tr>
</tbody>
</table>
APPENDIX 2.
PUBLIC HEARINGS IN REGIONS WHERE THE COMPANY OPERATES

Roudntable ‘Activities of Gazprom Neft and the Sustainable Development of the Regions Where It Operates’

Tomsk, 25 October 2017

Participants: representatives of the management of Gazpromneft-Vostok LLC, the Tomsk administration, the Tomsk Duma, the Tomsk Region administration, the administrations of the Parabelsky and Kargasoksky Districts, municipal institutions, public organizations, universities, and commercial organizations operating in the Tomsk Region.


THEMES:

- the Company’s adherence to the principle of sustainable development when doing business in the Tomsk Region
- developing interaction with universities in the city of Tomsk
- effective social investment mechanisms of Gazprom Neft-Vostok LLC: implementation methods and results of supporting local initiatives

SUGGESTIONS MADE BY THE MEETING PARTICIPANTS:

- to develop interaction between Gazprom Neft-Vostok LLC and local suppliers
- to expand cooperation in the training of employees at local universities to other subsidiaries of Gazprom Neft
- to develop cooperation with higher education institutions on dual education and to consider the feasibility of cooperation on elite training programmes for specialists in capital construction and road construction
- to develop cooperation in an effort to intensify career guidance work for the further training of staff, primarily management staff
- to devote more attention to developing the skills of employees of non-profit organizations (NPO) who are executing grant projects, including involving them in training as part of programmes at the Corporate University or other educational platforms used by the Company
- to develop a volunteer programme in which Gazpromneft-Vostok employees directly interact with residents of the areas where its enterprises operate. Personal communication is essential in remote areas
- to continue cooperation in the implementation of environmental and ethnographic projects
- to continue the joint implementation of a project for the sports-oriented collection of garbage and expand its scope by involving residents of the Tomsk Region
- to continue implementing a corporate volunteering programme and convey the experience of the programme throughout the Tomsk region, including to other companies operating in the area
- to discuss partnership opportunities/prospects for cooperation concerning the employment of people with disabilities, including taking into account the draft law on quotas for jobs for people with disabilities

Upon conclusion of the roundtable, representatives of Gazprom Neft took all the proposals into consideration.

Omsk, 15 November 2017

Participants: representatives of the management of Gazpromneft-Omsk Oil Refinery JSC, the Omsk administration, the Omsk City Council, the Ministry of Labour and Social Development of the Omsk Region, the Public Chamber of the Omsk Region, public organizations, and educational institutions operating in Omsk and the Omsk Region. Moderator: Yelena Feoktistova, Managing Director for Corporate Responsibility, Sustainable Development, and Social Entrepreneurship at the RUIE. A total of 19 representatives of stakeholders took part in the roundtable.

THEMES:

- the Company’s adherence to the principle of sustainable development when doing business in the Omsk Region
- implementing the ‘Native Towns’ social investments programme and the effectiveness of the Company’s social investments in the Omsk Region: implementation methods and results of supporting local initiatives
- social investments in the Omsk Region: a map of social responsibility for Omsk business

SUGGESTIONS MADE BY THE MEETING PARTICIPANTS:

- for the winners of the grant competition to hold roundtables upon completion of the projects that were funded in order to exchange experience as well as to identify and promote the best projects as illustrative examples that could become a unifying factor for involving other enterprises in social investment and to get society to actively participate in public activities
- to expand the theme of the ‘Native Towns’ programme by incorporating a focus on supporting social entrepreneurship in cooperation with interested organizations and agencies
- to develop a volunteer program, including for the provision of pro bono services to social entrepreneurs and socially oriented NPOs. To focus on cooperation opportunities with the Regional Resource Centre of Socially Oriented NPOs, which could serve as an intermediary by connecting organizations that need pro bono services and the specialists who can provide them
- to consider the possibility of supporting talented students as well as teachers of natural and technical disciplines at universities and schools as part of a programme for cooperation with universities in order to secure the best human resources in the region
- to organize a joint project or programme for conducting professional diagnostics at schools with which the Company works in order to enhance the effectiveness of career guidance work
- to get involved in preparing the Action Plan as part of the ‘10 Years of Childhood’ presidential programme in order to improve the synergy of the ‘Native Towns’ programme and the presidential programme in an effort to make the region comfortable for families with children

Upon conclusion of the roundtable, representatives of Gazprom Neft took all the proposals into consideration.
APPENDIX 3.
CERTIFICATION OF THE REPORT
BY THE NON-FINANCIAL REPORTING
BOARD OF THE RUSSIAN
UNION OF INDUSTRIALISTS
AND ENTREPRENEURS
APPENDIX 4. INDEX OF STANDARD DISCLOSURES

In accordance with the new basic version of GRI Standards, the Report primarily focuses on the issues that are most relevant to the Company and its stakeholders and that were identified in the materiality assessment process. The index includes ‘Basic performance indicators’ that are developed by the Russian Union of Industrialists and Entrepreneurs for use in corporate social reports.

PRINCIPLES USED TO DETERMINE THE CONTENTS OF THE SUSTAINABLE DEVELOPMENT REPORT:

- materiality
- coverage of stakeholders
- context
- completeness
- balance
- comparability
- accuracy
- timeliness
- clarity
- reliability

<table>
<thead>
<tr>
<th>GRI component</th>
<th>GRI indicator</th>
<th>Report page/ reference to Annual Report</th>
<th>RUIE Indicator No.</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNIVERSAL DISCLOSURES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 101</td>
<td>REPORTING PRINCIPLES</td>
<td>1–2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 102</td>
<td>ORGANIZATIONAL PROFILE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-1</td>
<td>Name of the organization</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-2</td>
<td>Activities, brands, products, and services</td>
<td>10–11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-3</td>
<td>Location of headquarters</td>
<td></td>
<td>Ul. Pochtamtskaya, 3-5 Saint Petersburg, 190000, Russian Federation</td>
<td></td>
</tr>
<tr>
<td>102-4</td>
<td>Location of operations</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-5</td>
<td>Nature of ownership and legal form</td>
<td>9–11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-6</td>
<td>Markets served</td>
<td>10–11, 20–22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-7</td>
<td>Scale of the organization</td>
<td>10–11, 68, 116</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-8</td>
<td>Information on employees and other workers</td>
<td>68</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-9</td>
<td>Supply chain</td>
<td>33, 89</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-10</td>
<td>Significant changes to the organization and its supply chain</td>
<td></td>
<td>No significant changes occurred during the reporting period</td>
<td></td>
</tr>
<tr>
<td>102-11</td>
<td>Precautionary principle or approach</td>
<td></td>
<td>The precautionary principle is a fundamental principle by which the Company is guided when planning and implementing its activities. For an extensive explanation, see the Sustainable Development for 2010, p. 99</td>
<td></td>
</tr>
</tbody>
</table>

1 — See the ‘About the Report’ section of this Report
<table>
<thead>
<tr>
<th>GRI component</th>
<th>GRI indicator</th>
<th>Report page/reference to Annual Report</th>
<th>RUIE Indicator No.</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>102-12</td>
<td>External initiatives supported by the organization</td>
<td>1.1</td>
<td>At present, the Company has not formally joined any of these initiatives. At the same time, the Company is guided by the principles set out in the ISO 26000 international standard (Guide to Social Responsibility) and publishes sustainable development reporting guided by the Guidelines of the Global Reporting Initiative (GRI)</td>
<td></td>
</tr>
<tr>
<td>102-13</td>
<td>Membership of associations</td>
<td></td>
<td>The Company is a member of the Union of Oil Exporters of Russia, the Association of Managers, and the ATIEL Technical Association of the European Lubricants Industry (Association Technique de l’Industrie Européenne des Lubrifiants)</td>
<td></td>
</tr>
<tr>
<td>102-14</td>
<td>Statement from senior decision-maker</td>
<td>6–7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-16</td>
<td>Values, principles, standards, and norms of behaviour</td>
<td>46, 48, 51–52, 61, 66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-17</td>
<td>Mechanisms for advice and concerns about ethics</td>
<td>49, 51</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-18</td>
<td>Governance structure</td>
<td>47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-19</td>
<td>Delegating authority</td>
<td>47, 53–54, 67, 87, 117</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-20</td>
<td>Executive-level position(s) with responsibility for economic, environmental, and social topics</td>
<td>42, 47, 53–54, 67, 87, 117</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-22</td>
<td>Composition of the highest governance body and its committees</td>
<td>47–48</td>
<td>3.1.12</td>
<td></td>
</tr>
<tr>
<td>102-23</td>
<td>Chair of the highest governance body</td>
<td></td>
<td>The chairman of the highest governance body does not concurrently serve as an executive director</td>
<td></td>
</tr>
<tr>
<td>102-25</td>
<td>Conflict of interests</td>
<td>49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-26</td>
<td>Role of highest governance body in setting purpose, values, and strategy</td>
<td>42, 47–48, 52, 53, 54, 86, 117</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-27</td>
<td>Measures taken to develop and enhance the highest governance body’s collective knowledge of economic, environmental, and social topics</td>
<td>46</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-28</td>
<td>Evaluating the highest governance body’s performance</td>
<td>48</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-29</td>
<td>Highest governance body’s role in identifying and managing economic, environmental, and social impacts</td>
<td>42</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI component</td>
<td>GRI indicator</td>
<td>Report page/ reference to Annual Report</td>
<td>RUIE Indicator No.</td>
<td>Comments</td>
</tr>
<tr>
<td>---------------</td>
<td>--------------</td>
<td>----------------------------------------</td>
<td>-------------------</td>
<td>----------</td>
</tr>
<tr>
<td>102-30</td>
<td>Effectiveness of risk management processes</td>
<td>53–55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-31</td>
<td>Frequency of the highest governance body’s review of economic, environmental, and social impacts, risks, and opportunities</td>
<td>53–55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-32</td>
<td>Highest committee or position that formally reviews and approves the organization’s sustainability report and ensures that all material topics are covered</td>
<td>Gazprom Neft PJSC Management Board Chairman Alexander Dyukov</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-33</td>
<td>Process for communicating critical concerns to the highest governance body</td>
<td>For more, see the Gazprom Neft Annual Report for 2017 on the website: <a href="http://ir.gazprom-neft.com/news-and-reports/%E2%80%98Management">http://ir.gazprom-neft.com/news-and-reports/‘Management</a> System’ chapter</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-34</td>
<td>Nature and total number of critical concerns</td>
<td>48</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-35</td>
<td>Remuneration policies for the highest governance body and senior executives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-36</td>
<td>Process for determining remuneration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-37</td>
<td>Stakeholders’ involvement in remuneration</td>
<td>For more, see the Gazprom Neft Annual Report for 2017 on the website: <a href="http://ir.gazprom-neft.com/news-and-reports/%E2%80%98Management">http://ir.gazprom-neft.com/news-and-reports/‘Management</a> System’ chapter</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-38</td>
<td>Ratio of the annual total compensation for the organization’s highest-paid individual to the median annual total compensation for all employees</td>
<td>Not disclosed due to considerations for the protection of personal information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-39</td>
<td>Ratio of the percentage increase in annual total compensation for the organization’s highest-paid individual to the median percentage increase in annual total compensation for all employees</td>
<td>Not disclosed due to considerations for the protection of personal information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-40</td>
<td>List of stakeholder groups</td>
<td>56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-41</td>
<td>Percentage of total employees covered by collective bargaining agreements</td>
<td>74</td>
<td>3.1.4</td>
<td></td>
</tr>
<tr>
<td>102-42</td>
<td>Basis for identifying and selecting stakeholders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-43</td>
<td>Approach to stakeholder engagement</td>
<td>56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-44</td>
<td>Key topics and concerns that have been raised by stakeholders</td>
<td>56–59, 74, 91, 119, 142–143</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-45</td>
<td>Entities included in the consolidated financial statements</td>
<td>For more, see the Gazprom Neft Annual Report for 2017 on the website: <a href="http://ir.gazprom-neft.com/news-and-reports/">http://ir.gazprom-neft.com/news-and-reports/</a></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-46</td>
<td>Process for defining the report content and the topic boundaries</td>
<td>3–5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI component</td>
<td>GRI indicator</td>
<td>Report page/ reference to Annual Report</td>
<td>RUIE Indicator No.</td>
<td>Comments</td>
</tr>
<tr>
<td>---------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>----------------------------------------</td>
<td>--------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>102-47</td>
<td>List of material topics</td>
<td>3–5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-48</td>
<td>Effect of any restatements of information given in previous reports, and the reasons for such restatements</td>
<td></td>
<td></td>
<td>The Report does not contain restatements of information provided in previous reports</td>
</tr>
<tr>
<td>102-49</td>
<td>Significant changes from previous reporting periods in the list of material topics and topic boundaries</td>
<td>3–5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-50</td>
<td>Reporting period</td>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-51</td>
<td>Date of most recent report</td>
<td>May 2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-52</td>
<td>Reporting cycle</td>
<td>Calendar year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-53</td>
<td>Contact point for questions regarding the report</td>
<td></td>
<td></td>
<td>Contact information: Corporate Communications Unit. Mailing address: Ul. Pochtamtskaya, 3-5 Saint Petersburg, 190000, Russian Federation. Tel: +7 (812) 363-31-52. Fax: +7 (812) 363-31-51. Email: <a href="mailto:bkk@gazprom-neft.ru">bkk@gazprom-neft.ru</a></td>
</tr>
<tr>
<td>102-54</td>
<td>Claims of reporting in accordance with the GRI Standards: core or comprehensive</td>
<td>Core</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-55</td>
<td>GRI content index</td>
<td>145–153</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-56</td>
<td>Policy and current practice with regard to seeking external assurance for the report</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GRI 103 MANAGEMENT APPROACH**

| 103-1         | Explanation of the material topic and its boundary                            | 3–5                                    |                    |                                                                                                                                         |
| 103-2         | Management approach and its components                                        | See below in the 'Management approach’ column of each GRI |                    |                                                                                                                                         |
| 103-3         | Evaluation of the management approach                                         |                                        |                    |                                                                                                                                         |

**ECONOMIC TOPICS**

**GRI 201 ECONOMIC PERFORMANCE**

| 201-1         | Direct economic value generated and distributed                              | 10–11, 18–19, 20–22, 33, 72–73         | 1.2, 1.3, 1.4, 1.6, 1.7 | For more on information about the Company’s capital, see the Gazprom Neft Annual Report for 2017 on the website: http://ir.gazprom-neft.com/news-and-reports/, ‘Consolidated financial statement’ appendix |
| 201-2         | Financial implications and other risks and opportunities due to climate change | 55, 96–97, 101                          |                    |                                                                                                                                         |
| 201-3         | Defined benefit plan obligations and other retirement plans                  |                                        |                    | The Company fulfills its obligations by making deductions to the Pension Fund in accordance with the legislation of the Russian Federation |
| 201-4         | Financial assistance received from government                                |                                        |                    | The Company did not receive financial assistance from the government during the reporting period |
## GRI 202 MARKET PRESENCE

<table>
<thead>
<tr>
<th>Management approach</th>
<th>10–11, 20–21</th>
<th>The level of wages at the Company corresponds to the average level on the labour market throughout the industry</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>202-1</strong> Ratios of standard entry level wage by gender compared to local minimum wage in significant regions of the organization’s operation</td>
<td>71</td>
<td></td>
</tr>
</tbody>
</table>

## GRI 203 INDIRECT ECONOMIC IMPACTS

<table>
<thead>
<tr>
<th>Management approach</th>
<th>10–11, 33, 38, 41, 42–43, 116</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>203-1</strong> Infrastructure investments and services supported</td>
<td>123</td>
<td></td>
</tr>
<tr>
<td><strong>203-2</strong> Significant indirect economic impacts</td>
<td>18–19, 72–73, 123</td>
<td></td>
</tr>
</tbody>
</table>

## GRI 204 PROCUREMENT PRACTICES

<table>
<thead>
<tr>
<th>Management approach</th>
<th>33</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>204-1</strong> Proportion of spending on local suppliers</td>
<td>32–33</td>
<td></td>
</tr>
</tbody>
</table>

## GRI 205 ANTI-CORRUPTION

<table>
<thead>
<tr>
<th>Management approach</th>
<th>52</th>
<th>The Company has a corporate risk management system that covers all its divisions and enterprises. Risk assessment is performed regularly</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>205-1</strong> Total number and percentage of operations assessed for risks related to corruption and significant risks identified</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>205-2</strong> Communication and training about anti-corruption policies and procedures</td>
<td>52</td>
<td></td>
</tr>
<tr>
<td><strong>205-3</strong> Confirmed incidents of corruption and actions taken</td>
<td></td>
<td>No cases of corruption were identified during the reporting year</td>
</tr>
</tbody>
</table>

## GRI 206 ANTI-COMPETITIVE BEHAVIOUR

<table>
<thead>
<tr>
<th>Management approach</th>
<th>52</th>
<th>The Company does not discourage competition. The Company’s management has approved the Policy on Compliance with Antimonopoly Legislation. The Company consistently implements measures that aim to prevent and minimize antimonopoly risks. In 2017 the Federal Antimonopoly Service did not initiate any antimonopoly cases against Gazprom Neft PJSC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>206-1</strong> Number of legal actions against the organization regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation and their results</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## ENVIRONMENTAL TOPICS

## GRI 302 ENERGY

<table>
<thead>
<tr>
<th>Management approach</th>
<th>86–87, 106</th>
<th>No accounting due to a lack of legislative requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>302-1</strong> Energy consumption within the organization</td>
<td>108, 110</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>302-2</strong> Energy consumption outside of the organization</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>302-3</strong> Energy intensity</td>
<td>108–111</td>
<td>2.2.1</td>
</tr>
<tr>
<td><strong>302-4</strong> Reduction of energy consumption</td>
<td>108–111</td>
<td></td>
</tr>
<tr>
<td><strong>302-5</strong> Reductions in energy requirements of products and services</td>
<td>108–111</td>
<td></td>
</tr>
<tr>
<td>GRI component</td>
<td>GRI indicator</td>
<td>Report page/ reference to Annual Report</td>
</tr>
<tr>
<td>---------------</td>
<td>--------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>GRI 303 WATER</td>
<td>Management approach</td>
<td>86–87, 96–97</td>
</tr>
<tr>
<td>303-1 Water withdrawal by source</td>
<td>102</td>
<td>2.3</td>
</tr>
<tr>
<td>303-2 Water sources significantly affected by withdrawal of water</td>
<td></td>
<td></td>
</tr>
<tr>
<td>303-3 Water recycled and reused</td>
<td>102</td>
<td>2.4</td>
</tr>
<tr>
<td>GRI 304 BIODIVERSITY</td>
<td>Management approach</td>
<td>86–87, 96–97</td>
</tr>
<tr>
<td>304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>304-2 Significant impacts of activities, products, and services on biodiversity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>304-3 Habitats protected or restored</td>
<td>105</td>
<td></td>
</tr>
<tr>
<td>304-4 Total number of International Union for Conservation of Nature Red List species and national conservation list species with habitats in areas affected by the operations of the organization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 305 EMISSIONS</td>
<td>Management approach</td>
<td>86–87, 96–97</td>
</tr>
<tr>
<td>305-1 Gross direct (Scope 1) GHG emissions</td>
<td>101</td>
<td></td>
</tr>
<tr>
<td>305-5 Reduction of GHG emissions</td>
<td>101</td>
<td></td>
</tr>
<tr>
<td>305-6 Emissions of ozone-depleting substances (ODS)</td>
<td>100–101</td>
<td></td>
</tr>
<tr>
<td>305-7 Nitrogen oxides (NO\textsubscript{X}), sulphur oxides (SO\textsubscript{X}), and other significant air emissions</td>
<td>100–101</td>
<td></td>
</tr>
<tr>
<td>GRI 306 EFFLUENTS AND WASTE</td>
<td>Management approach</td>
<td>86–87, 96–97</td>
</tr>
<tr>
<td>306-1 Water discharge by quality and destination</td>
<td>98, 103, 138</td>
<td>2.7 2.7.2</td>
</tr>
<tr>
<td>306-2 Total weight of waste with a breakdown by type and disposal methods</td>
<td>104, 139</td>
<td>2.8</td>
</tr>
<tr>
<td>306-4 Transport of hazardous waste</td>
<td></td>
<td></td>
</tr>
<tr>
<td>306-5 Water bodies affected by the organization’s water discharges and/or runoff</td>
<td>100–101</td>
<td></td>
</tr>
<tr>
<td>GRI component</td>
<td>GRI indicator</td>
<td>Report page/ reference to Annual Report</td>
</tr>
<tr>
<td>---------------</td>
<td>--------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>GRI 307</td>
<td>ENVIRONMENTAL COMPLIANCE</td>
<td>Management approach</td>
</tr>
<tr>
<td>307-1</td>
<td>Monetary value of significant fines and total number of non-monetary sanctions imposed for non-compliance with environmental laws and the number of environmental impact complaints submitted, processed, and resolved through official mechanisms for their submission</td>
<td>138</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SOCIAL TOPICS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 401</td>
<td>EMPLOYMENT</td>
<td>Management approach</td>
</tr>
<tr>
<td>401-1</td>
<td>New employee hires and employee turnover</td>
<td>140–141</td>
</tr>
<tr>
<td>401-2</td>
<td>Benefits provided to full-time employees that are not provided to temporary or part-time employees</td>
<td>72–73</td>
</tr>
<tr>
<td>GRI 402</td>
<td>LABOR/MANAGEMENT RELATIONS</td>
<td>Management approach</td>
</tr>
<tr>
<td>402-1</td>
<td>Minimum notice periods regarding operational changes and whether they are defined in the collective bargaining agreement</td>
<td></td>
</tr>
<tr>
<td>GRI 403</td>
<td>OCCUPATIONAL HEALTH AND SAFETY</td>
<td>Management approach</td>
</tr>
<tr>
<td>403-1</td>
<td>Workers representation in formal joint management–worker health and safety committees</td>
<td>74</td>
</tr>
<tr>
<td>403-2</td>
<td>Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities</td>
<td>92–93</td>
</tr>
<tr>
<td>403-3</td>
<td>Workers with high incidence or high risk of diseases related to their occupation</td>
<td>92–93</td>
</tr>
<tr>
<td>403-4</td>
<td>Health and safety topics covered in formal agreements with trade unions</td>
<td>74</td>
</tr>
<tr>
<td>GRI component</td>
<td>GRI indicator</td>
<td>Report page/ reference to Annual Report</td>
</tr>
<tr>
<td>---------------</td>
<td>---------------</td>
<td>--------------------------------------</td>
</tr>
<tr>
<td>GRI 404</td>
<td>TRAINING AND EDUCATION</td>
<td>Management approach</td>
</tr>
<tr>
<td>404-1</td>
<td>Average hours of training per year per employee</td>
<td>75</td>
</tr>
<tr>
<td>404-2</td>
<td>Programmes for lifelong skill and educational development</td>
<td>75–80</td>
</tr>
<tr>
<td>404-3</td>
<td>Percentage of employees receiving regular performance and career development reviews</td>
<td>81</td>
</tr>
<tr>
<td>GRI 405</td>
<td>DIVERSITY AND EQUAL OPPORTUNITY</td>
<td>Management approach</td>
</tr>
<tr>
<td>405-2</td>
<td>Ratio of basic salary and remuneration of women to men</td>
<td></td>
</tr>
<tr>
<td>GRI 406</td>
<td>Absence of discrimination in the workplace</td>
<td>51</td>
</tr>
<tr>
<td>GRI 407</td>
<td>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</td>
<td>Management approach</td>
</tr>
<tr>
<td>407-1</td>
<td>Operations and suppliers in which workers’ rights to exercise freedom of association or collective bargaining may be violated or at significant risk and the actions taken to support these rights</td>
<td></td>
</tr>
<tr>
<td>GRI component</td>
<td>GRI indicator</td>
<td>Report page/ reference to Annual Report</td>
</tr>
<tr>
<td>---------------</td>
<td>---------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>GRI 410</td>
<td>SECURITY PRACTICES</td>
<td>Management approach</td>
</tr>
<tr>
<td>410-1</td>
<td>Security staff trained in human rights policies or procedures</td>
<td>51–52</td>
</tr>
<tr>
<td>GRI 411</td>
<td>Rights of indigenous peoples</td>
<td>51, 119</td>
</tr>
<tr>
<td>GRI 413</td>
<td>LOCAL COMMUNITIES</td>
<td>Management approach</td>
</tr>
<tr>
<td>413-1</td>
<td>Percentage of operations with implemented local community engagement, impact assessments, and development programmes</td>
<td>3.3.3</td>
</tr>
<tr>
<td>413-2</td>
<td>Operations with significant actual and potential negative impacts on local communities</td>
<td>117, 119</td>
</tr>
<tr>
<td>GRI 414</td>
<td>SUPPLIER SOCIAL ASSESSMENT</td>
<td>Management approach</td>
</tr>
<tr>
<td>414-1</td>
<td>Number of new suppliers that were screened using social criteria</td>
<td>33, 89</td>
</tr>
</tbody>
</table>
## APPENDIX 5. DEFINITION OF KEY TERMS AND ACRONYMS

### A

**APG**  
associated (petroleum) gas, a mixture of various gaseous hydrocarbons that are dissolved in oil and released during its extraction

**ASSETS, ENTERPRISES**  
subsidiaries and affiliates of Gazprom Neft PJSC in the context of the Report

**ASP**  
a method for increasing oil recovery based on the idea of injecting a three-component mixture (anionic surfactant, soda and polymer) into the reservoir

### B

**BAZHENOV FORMATION, BAZHENOV RESERVES**  
a formation of rocks found in Western Siberia

### C

**CNG**  
compressed natural gas

**CORPORATE COMMUNICATIONS**  
interaction, including through the exchange of information, between the Company and its stakeholders

**CO₂**  
carbon dioxide

**CSR**  
corporate social responsibility

### D

**DOWNSTREAM**  
Logistics, Processing, and Sales Unit

### E

**EBITDA**  
earnings before interest, taxes, depreciation, and amortization

**EMS**  
energy management system

**FEI**  
fuel and energy industry

### G

**GRI (Global Reporting Initiative)**  
an international organization whose main goal is to develop and implement an authoritative and credible reporting system in the area of sustainability that can be used by organizations regardless of their size, type of activity, or location

**GRI (Guidelines)**  
internationally recognized methods for sustainability reporting developed by the Global Reporting Initiative (GRI)

**GRI Standards**  
the new version of the internationally recognized methods for sustainability reporting developed by the Global Reporting Initiative (GRI)

### H

**HEAD OFFICE / CORPORATE CENTRE**  
the management company – Gazprom Neft PJSC

### I

**IAS**  
internal audit system

**IFRS**  
International Financial Reporting Standards

**IRMS**  
integrated risk management system (risk management is a continuous streamlined process that involves identifying, assessing, monitoring, and responding to risks at all levels of the Company)

**IS**  
industrial safety (industrial, occupational, and environmental safety and civil defence)

**ISO 26000**  
the international standard of social responsibility for organizations of all sectors and types adopted in 2010. ISO 26000 is the standard guideline that defines the general concepts and principles for organizing activities
KIMS
knowledge and innovation management system

KMAD-Yugra
Khanty-Mansi Autonomous District-Yugra

LPG
liquefied petroleum gas

LTIFR (Lost Time Injury Frequency Rate)
the number of cases involving the loss of work time versus the total amount of time worked and standardised per 1 million man-hours worked

MOTOR FUEL CLASS
the environmental standard established by the Technical Regulation of the Russian Federation “On requirements for automobile and aviation petrol, diesel and marine fuel, jet fuel, and fuel oil” that is similar to European standards. For example, Class 5 of the Technical Regulation complies with the Euro-5 standard

MSHF
multi-stage hydraulic fracturing

‘NATIVE TOWNS’
Gazprom Neft’s social investment programme that aims to solve important problems and meet socioeconomic development challenges faced by the regions where the Company operates, including by involving representatives of the local community in the implementation of projects. The key focuses of the programme are the development of the urban environment [construction of housing and the improvement of urban areas], the creation and development of infrastructure for children and grassroots sports, support for sports institutions and sporting events, the support and development of education, the preservation and development of the cultural potential of the regions, and cooperation with indigenous minorities.

NON-FINANCIAL REPORTING
see ‘Reporting on sustainable development’

NOx
nitrogen oxide

NPO
non-profit organization

0. E.
oil equivalent, a conventional type of fuel measurement

OILFIELD SERVICE
oil and gas field service: drilling of wells, installation of drilling rigs, construction of well pads, repair of wells, repair of drilling equipment, etc.

OIL SLUDGE
multi-component physicochemical systems [mixtures] consisting of water, petroleum products, and mineral additives [clay, metal oxides, sand, etc.]

OIRFP
offshore ice-resistant fixed platform

OMS
operations management system

PRMS-SPE
(Petroleum Resources Management System and Society of Petroleum Engineers) – the international standard for the assessment and management of subsoil hydrocarbon reserves that takes into account the probability of the existence of hydrocarbon resources and the economic efficiency of their extraction

2P (PROVEN AND PROBABLE)
proven and probable hydrocarbon reserves
**APPENDICES**

<table>
<thead>
<tr>
<th>R</th>
<th>S</th>
<th>T</th>
</tr>
</thead>
</table>
| **RAS** | **SLUDGE PIT** | **TSF**
| Russian Accounting Standards | storage place for drilling waste | tonne of standard fuel |
| **R&D** | **SOCIAL INITIATIVE GRANT COMPETITION** | **TP (Total Proved)**
| research and development | a social investment tool used by the Company to select on a competitive basis and provide financial support for projects that aim to solve key social problems in the areas where the Company operates. It is utilized as part of the ‘Native Towns’ social investments programme | proven hydrocarbon reserves |
| **RENEWABLE ENERGY SOURCES** | **SO2** | **UN SDR**
| types of energy that are continuously renewed in the Earth’s biosphere (energy from the sun, wind, tides, waves, etc.) | sulphur oxide | Sustainable Development Goals adopted by UN member nations in 2015 |
| **RUIE** | **STAKEHOLDERS** | **UPSTREAM**
| Russian Union of Industrialists and Entrepreneurs | all individuals and legal entities that are interested in and affect or are affected by the Company’s activities | Exploration and Production Unit |
| **SUSTAINABILITY** | **SUSTAINABILITY REPORTING (NON-FINANCIAL REPORTING)** | **VIOC**
| considering economic, environmental, and social impacts that cross a threshold in affecting the ability to meet the needs of the present without compromising the needs of future generations (this definition is provided by the report Our Common Future, which was issued by the World Commission on Environment and Development at the United Nations. Quoted from: Sustainability Reporting Guidelines. Version 3.0., GRI, 2006). | a set of systems and processes for collecting, consolidating, analyzing, and reporting information that demonstrates a balance between the financial, operational, social, and environmental aspects of the Company’s operations. It also includes the principles and mechanisms for considering the interests of a wide range of stakeholders, and managing interactions with them in order to solve problems that are important to the Company and society | Vertically integrated oil company |
| **VOC** | **VOLATILE ORGANIC COMPOUNDS** | **YNAD**
| volatile organic compounds |  | Yamalo-Nenets Autonomous District |
| **Y** | |  |
Contact information and feedback

We look forward to your feedback on this Sustainability Report. Your assessment of the information disclosed in this report will help the Company to improve the quality of future reports and its overall performance.

If you would like to express your opinion or ask questions, you can contact us any way you prefer using the contact information below.

All the questions and options the Company receives will be taken into consideration when preparing the next Gazprom Neft Sustainability Report.

CORPORATE COMMUNICATIONS DIVISION

bkk@gazprom-neft.ru

POSTAL ADDRESS

PJSC Gazprom Neft
3–5 Pochtamtskaya St., St. Petersburg, Russia, 190000
Tel.: +7 (812) 363-31-52, 8 (800) 700-31-52
Fax: +7 (812) 363-31-51, 8 (800) 700-31-51

LINK TO CONTACT INFORMATION ON THE COMPANY’S WEBSITE

www.gazprom-neft.com/company/contacts

COMPANY’S FEEDBACK PAGE FOR SENDING MESSAGES

www.gazprom-neft.com/company/contacts/feedback