

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.

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.

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.

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COMPLIANCE WITH STANDARDS

The Company's products undergo an impact assessment on human health and environmental safety and comply with the requirements of Russian and international standards and regulations: the customs union and the state standards of the Russian Federation. Marine fuel is produced according to the company's standard for its own design and complies with the requirements of the international standard ISO 8217. The quality attributes of the products meet the requirements of the standards of the international organizations API, ACEA, ILSAC, DIN, and ISO 8217, among others.

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.

QUALITY OF OILS

The Company took part in the work of the quality management system committee of the ATIEL Association of European Motor Oil Manufacturers and Suppliers.

The committee's work resulted in the development and introduction of the ATIEL Compliance Policy for European oil producers. An analysis of the Company's oils revealed the products fully comply with ACEA requirements.

113

FORMULATIONS

DEVELOPED BY THE COMPANY FOR PRODUCTS OF THE CURRENT PRODUCT RANGE

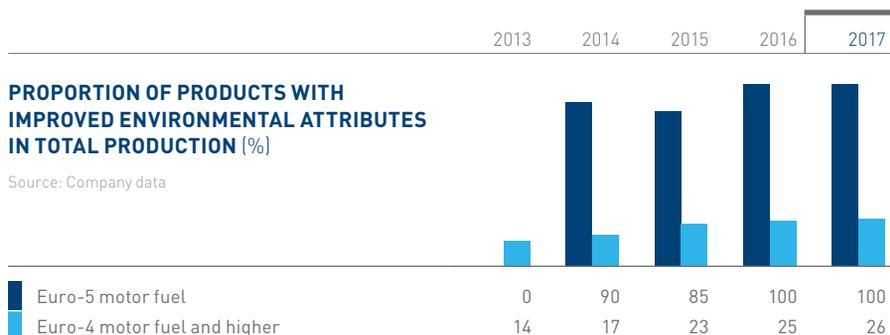
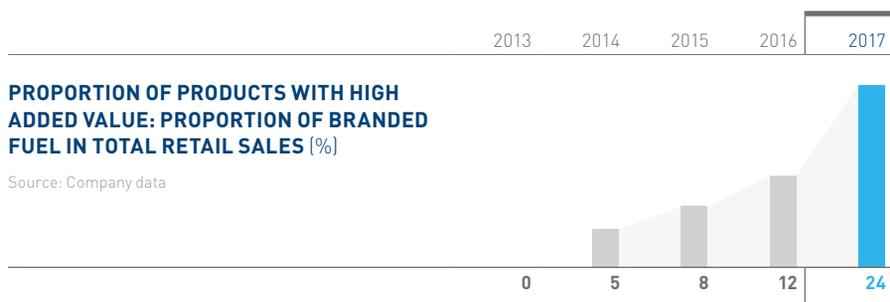
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NEW SYNTHETIC OILS
PUT INTO PRODUCTION

STAKEHOLDER ENGAGEMENT

- 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.



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