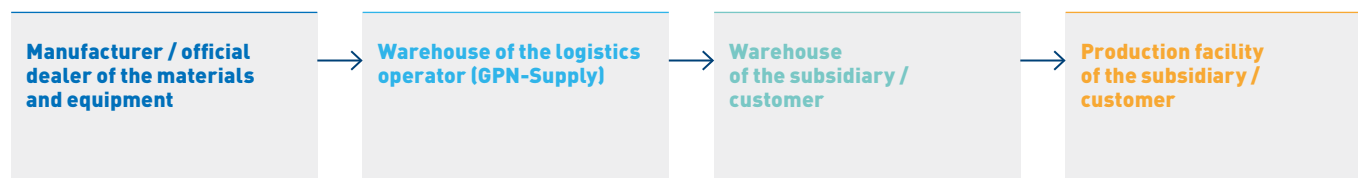


SUPPLY CHAIN

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