

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.

GAZPROM NEFT'S KEY STAKEHOLDERS:

- **shareholders and investors**
- **employees**
- **consumers**
- **the authorities**
- **suppliers**
- **local communities**
- **public organizations**

The Company develops engagement with key stakeholders on a wide range of important issues. The agenda of the dialogue is formed based on the Company's continuous analysis of the internal and external social environment while taking into account the strategic guidelines and priorities of stakeholders.



SHAREHOLDERS AND INVESTORS

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 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).



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', 'Safe Development' and 'Regional Policy and Development of Local Communities' chapters of this Report



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



PUBLIC ORGANIZATIONS

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

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.

 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