

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

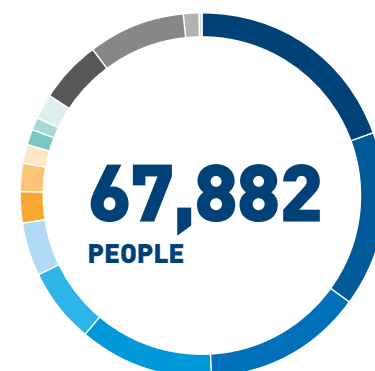


PARTICIPANT IN REGIONAL SUSTAINABLE DEVELOPMENT PROGRAMMES

- 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

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

Source: Company data



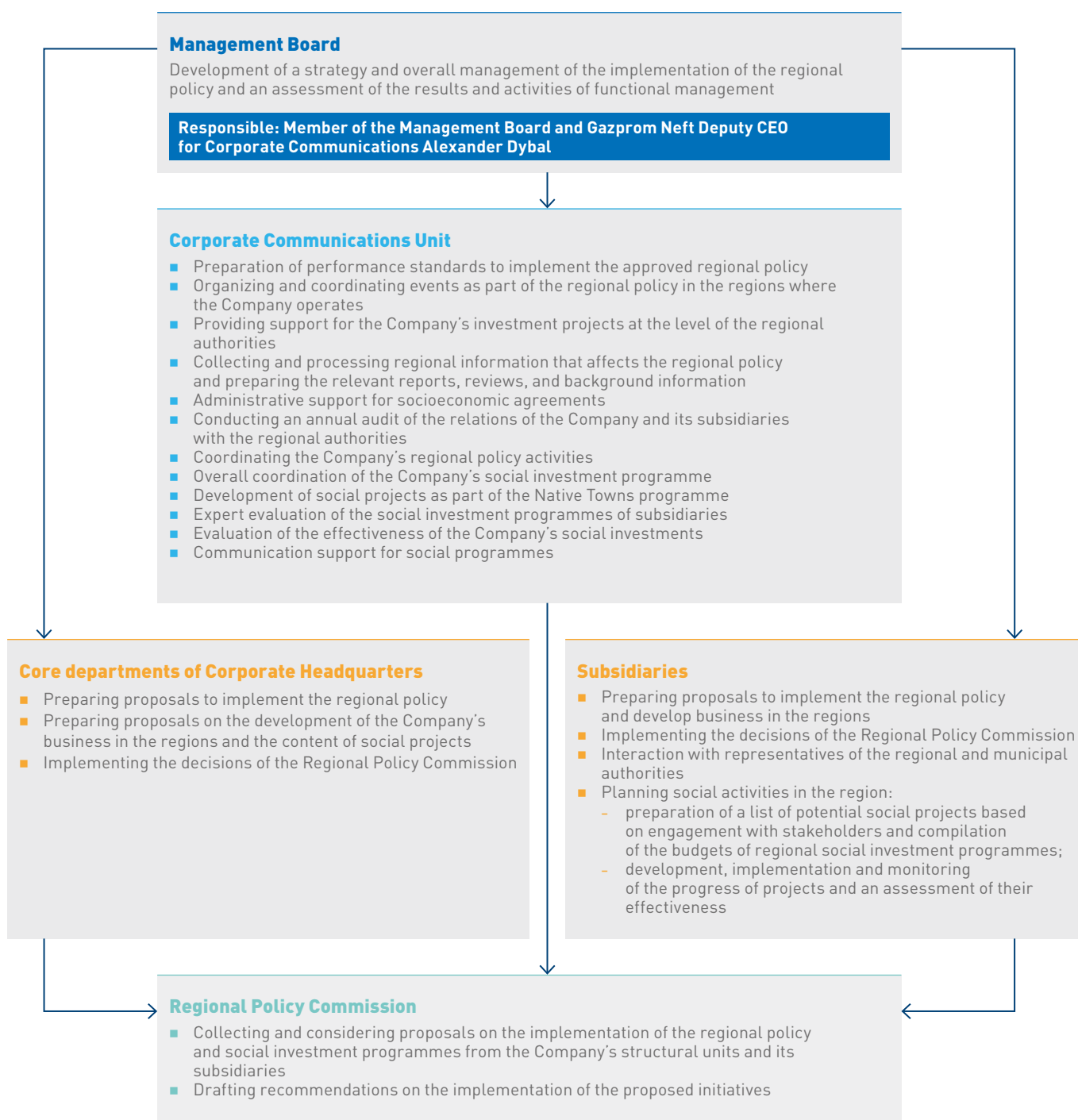
13,275	St. Petersburg and Leningrad Region
10,624	YNAD
9,555	Omsk Region
8,077	Moscow and Moscow Region
4,627	Novosibirsk Region
3,231	Sverdlovsk Region
1,803	KMAD-Yugra
1,685	Tyumen Region
1,148	Ivanovo Region
963	Orenburg Region
750	Tomsk Region
1,415	Other Russian regions
3,804	Former Soviet republics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

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

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



“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 full text of the document is available on the website