

STRATEGY FOR SOCIAL ACTIVITIES

GAZPROM NEFT IMPLEMENTS ITS SOCIAL PROGRAMMES ON THE BASIS OF A SYSTEMATIC AND STRATEGIC APPROACH IN WHICH THE MAIN GOAL IS TO ENSURE THAT THE COMPANY'S INVESTMENTS HAVE A LONG-TERM SOCIAL AND BUSINESS IMPACT.

TOOLS FOR IMPLEMENTING THE NATIVE TOWNS PROGRAMME

Agreements on socioeconomic cooperation with the regional and local authorities

- The Company's own social projects
- Grant competitions for social initiatives
- Corporate volunteering
- Targeted corporate charity

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

MAIN FOCUSES OF THE NATIVE TOWNS PROGRAMME



TOWNS FOR PEOPLE

Creation of a high-quality urban environment that is competitive with the opportunities offered by major towns and cities, and expanded prospects for the personal fulfilment of residents



FIELDS OF VICTORY

Fostering a healthy generation and the establishment of prominent regional sports schools

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.

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.



Social investment
programme
of Gazprom Neft

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

4 ESTABLISHMENT OF A SET OF PROJECTS FOR A SPECIFIC TERRITORY

Development and approval of social investment programmes for each specific region

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

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.

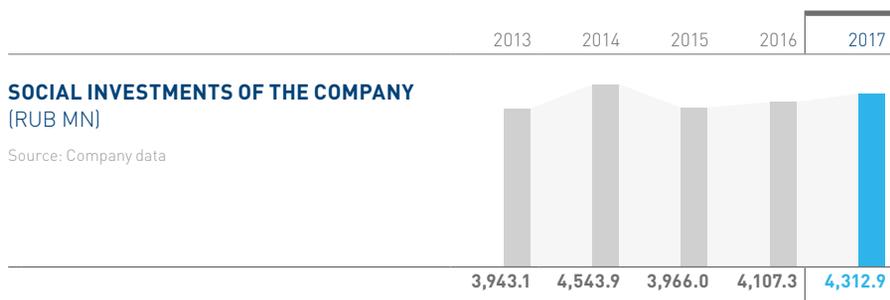
The assessment results are discussed with internal stakeholders at meetings of Gazprom Neft senior management and with external stakeholders at public hearings in the regions where the projects are being implemented. The opinions of stakeholders are taken into account when planning the social investment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



NATIVE TOWNS PROGRAMME SINCE 2013:

<p>35</p> <p>REGIONS</p>	<p>>2,100</p> <p>PROJECTS</p>	<p>100</p> <p>PARTNER ORGANIZATIONS</p>
<p>>RUB 20^{BN}</p> <p>INVESTED</p>	<p>358</p> <p>INITIATIVES OF LOCAL RESIDENTS SUPPORTED</p>	<p>144</p> <p>INFRASTRUCTURE FACILITIES BUILT</p>

NATIVE TOWNS SOCIAL INVESTMENT FORUM

The Native Towns Social Investment Forum was held for the fourth time in 2017. Over four years, the forum has grown from an intra-corporate event into an international platform at which social development trends in the Russian regions are discussed.

The key theme of the forum was social design tools for urban development and the role of business in the transformation process. Experts from the Calvert 22 and Creative Practices foundations and the Strelka Institute for Media, Architecture, and Design analysed the use of advanced social technologies in culture, urban planning, and economics.

The forum recapped the results of Gazprom Neft’s charity and volunteer activities in 2017. The winners of the third corporate competition of volunteer projects included 58 project teams of employees.

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 Noyabrsk and 11 key projects of the programme: ‘Mathematical Progression’, ‘Spirit of Fire’, and the Native Towns festival, among others.

