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
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.
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

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

4. ESTABLISHMENT OF A SET OF PROJECTS FOR A SPECIFIC TERRITORY

Development and approval of social investment programmes for each specific region

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

"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.