Letter from the Chairman of the Management Board

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About the Report

Dear readers,

We are delighted to present to you Gazprom Neft’s Sustainable Development Report 2020. This is the 13th non-financial public report, which details the company’s approaches to responsible business conduct and its contribution to sustainable development.

The Report discloses information about Gazprom Neft PJSC as well as its subsidiaries and controlled entities (referred to in this Report as “Gazprom Neft” or the “company”) for the calendar year 2020. Information on changes in the company’s structure that occurred in 2020 is presented in the “Governance system” section of Gazprom Neft’s Annual Report 2020.

The Report discloses the details of management approaches, activities and progress towards achieving economic efficiency, ensuring occupational and environmental safety, supporting and developing personnel, contributing to social and economic development throughout the regions in which the company operates and respecting human rights.

The Report contains forward-looking statements on the company’s mid and long-term plans, and their feasibility depends, among other things, on a number of economic, social and legal factors beyond the company’s control. Consequently, actual results may differ from those expressed in such statements.

All sustainable development reports on the company’s website

1 — Hereinafter referred to as the “Report”.
2 — Information on changes in the company’s structure that occurred in 2020 is presented in the “Governance system” section of Gazprom Neft’s Annual Report 2020.
# The Report’s material topics

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This Report has been prepared in accordance with the GRI Standards (Core option) and ISO 26000:2010 (Guidance on social responsibility), as well as the Reference Performance Indicators of the Russian Union of Industrialists and Entrepreneurs (RSPP) and Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Appropriate disclosure of qualitative and quantitative information prepared in accordance with the GRI Standards was assured in accordance with International Standard on Assurance Engagements (ISAE) 3000 (revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information. The Independent Limited Assurance Report is provided in the Appendix. PricewaterhouseCoopers Audit JSC acted as the independent auditor.

For more details on how the Report’s material topics were identified and prioritised, see Appendix 2.
Dear friends,

The new challenge of 2020 – the COVID-19 pandemic – again confirmed the extreme importance of sustainable development in today’s world. Preserving the unique nature of our planet – and continuing to protect this while securing a high standard of living for future generations – is the overriding challenge for everyone on Earth.

Gazprom Neft’s work has always been contingent upon the principle of sustainable development. 2020 saw us making several major steps towards maximum transparency and openness in sharing best practices in this area with the global community. The company became a signatory to the United Nations Global Compact – the largest international sustainable development initiative in the world. We were also involved in the 2020 CDP ratings (the leading business survey on companies’ performance in climate responsibility), receiving a CDP rating of B – the highest of all Russia’s oil companies.

Protecting the environment has always been – and remains – a priority for Gazprom Neft. Our effective environmental policy allowed the company to reduce its greenhouse gas emissions by 9.7% year-on-year in 2020. Every year sees us investing significant resources in environmental protection and nature conservation programmes, implemented throughout all areas of our business – from oil exploration and production to the refining and sale of petroleum products. Research into the unique ecosystem of the Arctic – and activities centred around preserving this – are always front of mind.

High standards in industrial safety form one of the key objectives in our development strategy. We are committed to becoming an industry leader in this area, relying on a risk-based approach and proactively engaging with our contractors in improving safety.

“B”

CDP score - the highest among Russian oil companies

Last year saw Gazprom Neft go all out to protect its employees, partners and clients from COVID-19, performing more than one million coronavirus tests in the past year alone and establishing more than 140 “buffer zones”, making it impossible for anyone to access our production facilities “green” zones without first clearing these. More than 70 safety “barriers” were put in place throughout the company in order to combat the spread of the virus.

Our employees are Gazprom Neft’s most critical asset. We are putting in place an employee-centred corporate culture, in which everyone can discover their personal potential, to the greatest possible extent, while working towards common goals. The company has a “talent pool” system in place, together with opportunities for training and professional development, including at Gazprom Neft’s Corporate University – an approach that seems to be highly appreciated by employees and jobseekers, with Gazprom Neft winning first place in the 2020 HeadHunter rankings of Russia’s best employers, as well as being ranked among the country’s top employers by international company Universum. Quite apart from this, however, I would like to highlight our employees’ commitment to changing the world for the better: around 6,000 Gazprom Neft employees are actively involved in volunteering initiatives.

The Company has always invested heavily in improving living standards in those locations in which we operate, through our “Home Towns” corporate social responsibility (CSR) programme. Activities in 2020 involved a major focus on supporting these regions in combatting COVID-19. More than 2.7 million pieces of personal protective equipment (PPE) for doctors, as well as medicines, sanitisers and medical equipment (including ventilators) were donated to medical institutions as part of the company’s corporate “Antivirus” programme. We provided free refuelling for medical and emergency vehicles, throughout a number of regions, and provided more than 200,000 litres of free fuel for volunteers. In addition to all of this, the company continued its active implementation of other CSR projects – in science, culture, education and sport.

Gazprom Neft celebrated 25 years in business in 2020. The company has come a long way in that time – from a regional operator to a player in the global market’s top league. Gazprom Neft is aware that big business plays a crucial role in working towards sustainable development goals. We remain fully committed to taking a proactive role in driving a sustainable future, going forward, joining forces with representatives from the community, government, partners, and all interested stakeholders,
2020 highlights

Gazprom Neft is a vertically integrated oil company, an important part of Russia’s energy industry and a significant player in the global energy market.

CONTINUOUS RESERVES GROWTH

Gazprom Neft continued to actively expand its resource base. The company is one of the world’s top 10 public companies by PRMS proved hydrocarbon reserves, and a leader in terms of reserves replacement.

2,123 mtoe of proved hydrocarbon reserves  34% year-on-year

STABLE HYDROCARBON PRODUCTION

Under the OPEC+ agreement, the company cut oil production but secured an increase in gas and condensate production.

96.06 mtoe of hydrocarbon production
Flat year-on-year

SUCCESSFUL REFINERY MODERNISATION PROGRAMME

Gazprom Neft continued implementing its programme to develop its refining facilities, aimed at increasing refining depth and efficiency, as well as further reducing the company’s environmental impact.

40.39 mt of refining throughput  2.6% year-on-year

FINANCIAL SUSTAINABILITY

Despite a difficult economic environment and lower demand for energy in 2020, Gazprom Neft remained profitable, allowing the Board of Directors to recommend paying an interim dividend to shareholders.

₽485.2 billion adjusted EBITDA

Gazprom Neft joined the UN Global Compact

The company joined the group of leaders by CDP score

1  — Petroleum Resources Management System.
Key priorities in sustainable development

Gazprom Neft is embedding sustainability in all current and future operations.

- Care for natural ecosystems
- Improving the quality of life in the regions of operation
- Safe production
- Customer care
- Protection of employee health

Reducing environmental impact

The company has committed itself to operate at zero harm to the environment.

- 9.7% reduction in greenhouse gas emissions (Scope 1 + Scope 2)
- 28% reduction in internal water consumption

Improved occupational safety

The company made considerable progress towards its Target Zero.1

- 0 fatalities among company employees
- 0 industrial accidents

Contribution to regional development

New social and economic agreements with the governments of constituent entities of the Russian Federation have been signed. Despite the difficulties of 2020, Gazprom Neft maintained spending on culture, sports and other events that improve quality of life. Many events were held online or postponed until 2021.

- ₽6.4 billion of social investments
- 37,000+ activists participating in company social projects

A team united by common values

The company’s achievements were brought about by its people. Gazprom Neft once again ranked among the top Russian employers thanks to its unique corporate culture and work environment, which empower its people to realise their potential.

- 82,960 people employed as at 31 December 2020
- Staff turnover down 3.1 percentage points

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1 Zero harm to people, the environment, or property in our operations.
Key challenges in 2020

In 2020 Gazprom Neft and the entire oil industry faced unprecedented challenges:
- COVID-19 pandemic;
- lockdowns and restricted mobility of populations;
- global decline in demand for energy;
- falling crude and petroleum product prices in the global and domestic markets; and
- OPEC+ production cuts.

Amid the COVID-19 pandemic, Gazprom Neft ensured the continuity of all operational processes. Its flexibility, human focus, new organisational approaches and active process digitisation helped the company protect the health of its employees across company offices and sites.

Gazprom Neft is in good shape, and ready for any market developments. Major new projects are yet to go into active development – which gives us some flexibility in decision-making. We went into this period of crisis financially secure, with a low debt burden.

ALEXANDER DYUKOV
Chairman of the Management Board,
CEO, Gazprom Neft PJSC

ANTIVIRUS, Gazprom Neft programme to fight COVID-19

Gazprom Neft’s Contribution to the Fight Against the Virus

Gazprom Neft was the first oil company in Russia to take an open and transparent stance on working under the COVID-19 pandemic. In March 2020, the company launched the ANTIVIRUS programme, with a package of measures to protect employee health and ensure the operational continuity and financial stability of its business. An important feature of the programme was the comprehensive support it provided to health workers and volunteers across Russian regions: Chelyabinsk Oblast, Irkutsk Oblast, Ivanovo Oblast, Kaliningrad Oblast, Kaluga Oblast, Kemerovo Oblast, Kurgan Oblast, Kursk Oblast, Leningrad Oblast, Lipetsk Oblast, Moscow Oblast, Nizhny Novgorod Oblast, Novgorod Oblast, Novosibirsk Oblast, Omsk Oblast, Penza Oblast, Pskov Oblast, Samara Oblast, Sverdlovsk Oblast, Tomsk Oblast, Tula Oblast, Tver Oblast, Tyumen Oblast, Vologda Oblast, Voronezh Oblast, Yaroslavl Oblast, Chuvash Republic, Republic of Khakassia, Republic of Mordovia, Altaiisky Krai, Perm Krai, Moscow, and St Petersburg.

The company set up new coordination bodies: the ANTIVIRUS Response Centre headed by Alexander Dyukov, Chairman of the Management Board, took the lead on Health, Production and Finance; while two functional corporate programmes covered Regions and Communications.

For more details on the Antivirus programme, see Gazprom Neft’s Annual Report 2020
A company committed to sustainable development

Gazprom Neft is consistently integrating sustainability into its strategy and operations. The goal of the Gazprom Neft Strategy to 2030 is to become a benchmark for global industry peers in terms of efficiency, safety and technological advancement.

We produce resources for the future, enriching the world with the energy, knowledge, and technology to advance.

The company generates economic and social benefits for a wide range of stakeholders, and makes a significant contribution to the economic development and improvement in the standard of living for people in Russia and abroad. In catering for the needs of society, Gazprom Neft assesses and seeks to minimise any current and future negative impact from its operations on the social and economic environment and on ecosystems.

We create new areas of growth in the regions in which we operate, and boost the quality of their development.

Sustainability values have become an integral part of the company’s corporate culture. The Gazprom Neft Corporate Code of Conduct, which is based on its Mission, Vision and Values, outlines the priorities for ethical and responsible business conduct.

We think in terms of responsible ownership and careful management of our resources.

ESG ratings

Gazprom Neft’s responsible business practices and proper information disclosure are reflected in expert agency ratings.

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<th>Agency</th>
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<tr>
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<td>B</td>
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<tr>
<td>MSCI</td>
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<tr>
<td>REFINITIV</td>
<td>B</td>
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<tr>
<td>BLOOMBERG</td>
<td>56.8</td>
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Human focus

Gazprom Neft’s sustainability is driven by its commitment to Collaboration and willingness to create value for all. In line with these principles, Gazprom Neft management reduced neither its headcount nor work week, and paid the same salaries during the pandemic as before.

The comprehensive Healthy Environment programme was actually launched across Gazprom Neft prior to the pandemic. We built on this to launch the online Caring About You project, combining the best practices in self-development for our remote workers.

1 — Environmental, Social, Governance. As at 30 April 2021.
### Key practices adopted by the company

<table>
<thead>
<tr>
<th>Category</th>
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| **HSE**                       | • Target Zero strategic priority: zero harm to people, the environment, or property in our operations  
                                | • Safety Framework, based on key risks and safety barriers  
                                | • Development of a safety culture  
                                | • Digital platform for operational risk management |
| **Environmental protection**  | • Environmental management system  
                                | • Biodiversity conservation programme  
                                | • Greenhouse gas emissions accounting and monitoring  
                                | • Increasing utilisation of associated petroleum gas (APG) |
| **Personnel development**     | • A single incentive model for employees  
                                | • Partnership with trade unions  
                                | • Training, leadership and career development programmes |
| **Customer care**             | • Integrated quality management system  
                                | • Comprehensive quality control solution (SMOTR)  
                                | • Gazprom Neft Neftekontrol digital system  
                                | • Integrated Customer Support Centre (ICSC)  
                                | • The Quality 360° integrated programme to engage with retail customers |
| **Well-being of local communities** | • Home Towns social investment programme  
                                       | • Support for health workers and volunteers amid the COVID-19 pandemic  
                                       | • Support for the indigenous minorities of the Russian Far North  
                                       | • Import substitution and local sourcing programmes  
                                       | • Corporate volunteering |
| **Corporate governance**      | • A corporate governance system comprised of the core elements intrinsic to public companies with good governance practices  
                                | • Compliance with legal requirements and the Listing Rules of PJSC Moscow Exchange  
                                | • Distribution of roles in managing sustainability and related risks among the company’s governing bodies |
| **Technological development** | • Adoption of safety and performance enhancing solutions  
                                | • Digitisation of core operating processes  
                                | • Systemic management through innovation centres  
                                | • Active development of import substitution |

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**Participant of the UN Global Compact**

In October 2020, Gazprom Neft joined the United Nations’ Global Compact – the largest international corporate social responsibility (CSR) and sustainable development initiative.

The company is aligning its business strategy, decision-making processes and operational activities with the Global Compact’s 10 principles on human rights, labour relations, environmental protection and fighting corruption, with a particular focus on developing partnerships and technological innovation.
Supporting initiatives and membership of associations

Gazprom Neft recognises the special role of business in sustainable development. The company contributes to a sustainable future by joining efforts with the public, government, partners and other stakeholders.

- Gazprom Neft is a signatory to the UN Global Compact supporting the UN Sustainability Development Goals (UN SDGs)
- The company supports the implementation of the Paris Agreement and the Concept to Form the System of Monitoring, Reporting and Verifying Greenhouse Gas Emission Volumes in Russia
- Gazprom Neft participates in the Carbon Disclosure Project (CDP)
- Gazprom Neft has joined the Anti-Corruption Charter of Russian Business
- Gazprom Neft and WWF have signed a Memorandum of Understanding
- The company has joined and actively supports the Scientific and Technical Council of the Russian Federal Service for Supervision of Natural Resources (Rosprirodnadzor)
- The company’s approach to sustainability and corporate social responsibility is based on ISO 26000 (Guidance on social responsibility)
- Gazprom Neft continues its engagements with RSPP and other NGOs

Highest CDP score among Russian oil companies

Gazprom Neft ranks among the leaders of the international Carbon Disclosure Project (CDP) rating – the world’s leading environmental disclosure and performance rating system. According to the results of an independent evaluation, Gazprom Neft received a rating of category “B” (on a scale from “A” to “D”) - the highest among Russian oil and gas companies.
**HYDROCARBON PRODUCTION**

- Condensate production, 1.40 mt
- Crude oil production, 59.12 mt
- Gas production\(^3\), 35.54 mtoe
- Crude oil purchases, 9.57 mt
- Oil inventories\(^4\), 0.04 mt
- Sales of oil, gas and condensate of JVs\(^5\), 19.84 mtoe
- Sales through Northgas and Arcticgas joint ventures.
- Including internal consumption and changes in inventories.
- Polymer-modified bitumens and bitumen derivatives.
- Including NIS.

**Crude oil sales, 24.94 mt**

**Gas sales, 11.03 mtoe**

**For refining, 40.39 mt of crude oil**

**Internal gas consumption, 9.39 mtoe**

**BALANCED PRODUCTION**

- Projects to boost APG utilisation
- Tree-saving Green Seismic technology
- Building infrastructure for safe waste management
- Biodiversity conservation programmes across production regions

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1. Billions cubic metres are converted into millions toe using the factor of 0.825.
2. Sales through Northgas and Arcticgas joint ventures.
3. Including internal consumption and changes in inventories.
4. Polymer-modified bitumens and bitumen derivatives.
5. Including NIS.
MODERN REFINING CAPACITY

- Refinery modernisation programme to reduce environmental footprint
- Enhanced energy efficiency
- Biosphere high-tech treatment facility
- Participation in the Clean Air federal project
- Converting refinery energy sources to renewables
- Digital monitoring of process safety and emissions

QUALITY PRODUCTS

- High-quality services
- Environmentally-friendly products that comply with the strictest standards
- A wide range of online digital services
Creating value for stakeholders

Gazprom Neft’s business is driven by its corporate mission and an understanding of its responsibility to current and future generations.

Strategy, forecasts and performance monitoring

Operating resources

Operating processes

Performance results

Resource management

- Efficient use of resources
- Care for the environment

Risk and opportunity management

- Climate change
- Health, safety and environment
- Talent management
- Impact on local communities

Our Mission

“Evolving, to change the world. Creating, to be proud of our creations.” We are producing resources for the future, enriching the world with the energy, knowledge, and technology to advance.

Our Objective

To become one of the world’s leading industrial companies, driving industry progressive transformation, making the impossible a reality, and inspiring our peers in Russia and beyond.
Company strategy and sustainable development

**Why ESG is growing in importance**

Society’s demand for businesses to be socially responsible continues to grow. Companies around the world are required to comply with an increasing number of requirements and guidelines from regulators to be environmentally and socially responsible. An increasing number of international institutional investors are applying responsible-investment principles and promoting the ESG agenda through participation in various initiatives (PRI, IIGCC, ClimateAction100+, etc.)

The COVID-19 pandemic has reaffirmed the need to join forces to support sustainability. Protecting the health of employees and customers has become more important for companies. The crisis caused by the pandemic has had an impact on corporate margins, with companies forced to optimise their costs or rethink their business models. Human rights topics such as equal access to healthcare, food, water, sanitation, work, education and entertainment have grown more important while climate change challenges remain crucial.

**Regulation and climate agenda**

The lower global energy consumption in 2020 is estimated to have reduced anthropogenic greenhouse gas emissions by 5%-7%. This offers an opportunity to get closer to the emission curve envisioned by the Paris Agreement, provided that other countries also make sustained efforts.

In 2020, the European Union announced that its carbon adjustment mechanism would come into force in the near future, to make sure that importers pay greenhouse gas (GHG) emission taxes comparable to those of European manufacturers. The mechanism is still being finalised, but, when adopted, this carbon border tax may not only restrict access of energy-intensive and high-carbon products to the EU market, but also set a precedent for the future development of the broader international trade system.

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1 — PRI – Principles for Responsible Investment.

2 — IIGCC – The Institutional Investors Group on Climate Change.
It was not only governments that embraced decarbonisation strategies in 2020. Some large corporations, including oil and gas companies, pledged to reduce GHG emissions and become carbon neutral in the long run. Banks and investment funds are curtailing investments in hydrocarbon energy and expanding the scope of ESG criteria to cover environmental and social aspects of business activities, as well as the quality of corporate governance.

Despite the irregular and inconsistent development of the low-carbon economy, it is gradually becoming an integrated long-term trend. For the oil and gas sector, this trend spells tighter environmental requirements for product standards and production chains, more intense competition in export markets, as well as a need for economically viable technologies and regulatory mechanisms to offset and reduce emissions.

**Renewable energy and transport development**

Despite the challenging environment in 2020, global investments in renewable energy remained flat at $300 billion, as in the past few years. In 2020, more solar and wind capacity was added in absolute terms, with per-unit costs gradually decreasing. Major new wind energy projects in Europe supported these figures amid sharply falling investments in the USA and China, the latter remaining the undisputed leader in renewable capacity additions.

The total size of the global low-carbon energy market, by some estimates, reached an all-time high of $500 billion, spearheaded by the growth in electric vehicles (EV).

Various incentives helped global EV sales grow by about 40% in 2020, while the overall vehicle market lost about 15% over the year. The share of EVs and hybrids on the new vehicle market grew from 2.5% to 4%, reaching approximately 1% of the global vehicle fleet. The further electrification of the automotive sector will depend on government support and the actions of carmakers, many of which announced plans to ramp up EV production or even stop producing internal combustion engine vehicles altogether.

**$500 billion** – the size of the low-carbon energy market
**Gazprom Neft’s Development Strategy to 2030** provides for a scenario-based approach that takes into account uncertainties around the future of global energy. The company assesses the resilience of its project portfolio under various scenarios and regularly updates its structure.

The company uses alternative energy development scenarios:

**Volatility**

In the Volatility scenario, oil glut and shortages alternate, leading to large swings in oil prices. The saturation of vehicle markets, competition between fuel types and improved fuel efficiency are leading to a gradual slowdown in oil demand growth.

**Expansion**

The Expansion scenario assumes a rapid global economic growth driven by the consumer goods sector. The growing demand for energy cannot be fully covered by renewables or offset by energy efficiency initiatives, which warrants a sustained increase in the consumption of conventional energy resources. Strong demand for oil will support consistently high prices and, accordingly, will make developing hard-to-recover reserves more viable.

**New World**

The New World scenario assumes a fast-track global transition to low-carbon and renewable energy, with peak oil consumption reached in this decade and oil prices declining over a long period of time.

The company updates the scenarios that will be available in the 2021 Sustainability Report.
The company’s key sustainability priorities include ensuring maximum operational safety, reducing the environmental footprint, developing employees and fostering regional development while catering for the interests of stakeholders.

SUSTAINABLE DEVELOPMENT GOALS

The UN SDGs guide governments, business communities and other stakeholders in advancing a sustainable development agenda. Gazprom Neft embraces the UN SDGs and strives to contribute to their achievements. The company’s activities contribute to all 17 UN SDGs, with Gazprom Neft capable of having a direct positive impact on some of them, or mitigating its negative impacts on others, given the nature of its business.

UN SDGs prioritised by the company:

1. **Good health and well-being**
   - In developing its HSE practices, Gazprom Neft is focused on reducing work-related injury, occupational disease and industrial accident rates and minimising its negative environmental impacts.

2. **Affordable and clean energy**
   - The company provides access to energy for consumers in Russia and in other countries, with a focus on driving energy efficiency across key business areas while maintaining reliability, safety and performance achieved through technology innovation. The company builds up renewable generation capacity at assets where it brings economic and environmental benefits.

3. **Decent work and economic growth**
   - Gazprom Neft is fostering a unique corporate environment and culture in which employees can unlock their full individual potential through working towards common goals. The company seeks to create a working environment free from bullying and harassment, and prohibits discrimination on the grounds of ethnicity, gender, age, background and so forth.

4. **Climate action**
   - Gazprom Neft embraces the goals of the Paris Agreement that supports action against climate change. The company acknowledges that if no decisive action is taken today, then dealing with the consequences of climate change will require significantly more effort and costs in future.

Gazprom Neft’s priorities and related targets are aligned with global trends and the UN SDGs adopted by the UN General Assembly and endorsed by world leaders as the global 2030 agenda for sustainable development.

The company goes beyond simply measuring its success through financial and operational performance and is always guided by sustainability principles in its operations. It sees an intrinsic and long-term value in these principles for both the company and its shareholders. The company has always been striving for more and will ensure it remains committed to making a meaningful contribution to the environment and to society.

ALEXANDER DYUKOV
Chairman of the Management Board, CEO, Gazprom Neft PJSC
Gazprom Neft has made remarkable progress in the last 25 years, and is now a major player in the global oil and gas sector. Adopted in 2018, the key objective of the company’s new Development Strategy to 2030 (Strategy 2030) is to build a next-generation company and to become a benchmark for both Russian and international industry peers.

For more details on Strategy 2030, see Gazprom Neft’s Annual Report 2020

### Strategy 2030

#### SAFETY

A responsible attitude to employees, partners and the environment

#### EFFICIENCY

Creating value under any external scenario. This is a key driver of competitiveness in a challenging external environment

#### TECHNOLOGICAL ADVANCEMENT

Seizing opportunities for growth and stronger operational efficiency by developing and implementing advanced technological solutions, and by continuously developing key competencies
Strategy 2030 is not confined to achieving financial and operational targets, but is also designed to make the company a leader in terms of safety and reliability, as well as environmental performance, efficiency and the use of advanced technological solutions in production processes.

As Gazprom Neft is working to become a leader in industrial safety, it is guided by its Target Zero, which means zero harm to people, the environment, or property in our operations.

Maximising the added value of every barrel in any oil market development scenario

**Strategic initiatives in upstream**
- improving efficiency in reserves growth;
- improving efficiency in production growth;
- improving efficiency in current production.

**Strategic initiatives in downstream**
- optimising the product portfolio and improving refinery operational efficiency;
- improving efficiency in sales and distribution.

**Developing technologies to drive future growth**
- developing multi-phase deposits and low-permeability reservoirs;
- improving the oil recovery factor at mature fields;
- safe and efficient shelf operations in ice conditions;
- developing the processes and catalysts for the Company’s refineries and third-party consumers.
Sustainable development management

Gazprom Neft takes a consistent approach to sustainability management, assigning respective roles to the company’s governance bodies. Key performance indicators (KPI) in sustainable development are included in the KPI system for Gazprom Neft managers and employees.

The company is implementing advanced HSE standards, reflecting approaches to sustainability in internal documents, participating in Russian and global sustainability initiatives, improving environmental, social and governance (ESG) disclosures, and assessing sustainability risks and opportunities, in particular those related to climate change.

The company’s personnel are united by a common set of values and mission, which are an inherent part of Gazprom Neft’s business and are reflected in its Corporate Code of Conduct.

The corporate values serve as guidelines for decision-making, shape the company’s reputation and determine the principles governing its operations.

GAZPROM NEFT’S RESPONSIBLE BUSINESS PRINCIPLES

- Safety of people, the environment and company property; responsible attitude to assets
- Corporate culture where colleagues respect and value each other
- Clear and equal requirements for all business partners, and compliance with business ethics standards
- Zero tolerance towards corruption, conflicts of interest and the use of insider information
- Compliance with antimonopoly legislation
- Government and community relations based on long-term and wide-reaching partnerships
Corporate governance

Gazprom Neft’s corporate governance is underpinned by sustainability and the mission to enhance the shareholder value in the long term. To achieve that, the company is focused on responsible engagement and building trust-based relations with its employees, suppliers, customers, and local communities.

Corporate governance principles

- Effective mechanisms to protect shareholder rights
- Protecting the rights of all stakeholders, including employees
- Strong business ethics
- Preventing corruption both within the company and when dealing with third parties
- High level of social responsibility
- Strategic management of the company’s business and effective oversight of the company’s executive bodies by the Board of Directors
- Timely and full disclosure of accurate information
- Reasonable and fair approach to management by executive bodies, development of an effective risk management and internal control system to provide assurance regarding the achievement of the company’s objectives
- No misuse of insider information

Gazprom Neft has a Corporate Governance Code in place which aims at building good communications between governance bodies and shareholders, ensuring the company’s stable, long-term development and growing shareholder and investor confidence. In December 2020, the Corporate Governance Code was revised to include new provisions on shareholder engagement, disclosure of information about the performance of governance and control bodies, and insider information.

The company’s corporate governance framework encompasses all key elements typical of public companies with established governance structures and is fully aligned with applicable legal requirements and the Listing Rules of Moscow Exchange.

Gazprom Neft PJSC is the Corporate Centre of the Gazprom Neft Group. As at 31 December 2020, the corporate structure of Gazprom Neft comprised 152 legal entities in Russia and abroad.

Corporate governance at Gazprom Neft is characterised by the fact that the company has a single majority shareholder, Gazprom PJSC, which owns 95.68% of company shares. The remaining shares are held by minority shareholders, which include both individuals and legal entities, representing the balance of power between various stakeholders involved in corporate relations.

FOCUS AREAS:
- establish and monitor the risk management (including ESG risks) and internal control system;
- annual review of sustainability reports by the Board of Directors;
- increase the level of integration of the ESG agenda into the company’s activities and the quality of compliance with respective practices;
- integrate ESG factors into the company’s long-term strategy.
In 2020, the main changes in corporate governance were related to the abolition of the Audit Commission and the Board of Directors’ increased role in internal control and risk management. The updated versions of the said internal regulations were brought into compliance with the current legislation and the company’s corporate governance practices.

In 2020, the Board of Directors approved the Risk Management and Internal Control Policy, which is designed to further develop and improve Gazprom Neft’s risk management and internal control system.

In 2020, the Board of Directors approved a new version of the company’s Dividend Policy Regulation, according to which the target level of dividend payments is set at no less than 50% of IFRS net profit.

A new Policy on Remuneration and Compensation of Expenses of Members of the Board of Directors was also approved in 2020 to replace the 2010 version, which no longer complied with the current legislation and the Corporate Governance Code.

The main element of the company’s high-level corporate governance is its highly competent and effective Board of Directors.

The Board of Directors determines the key principles and approaches to HSE matters, HR management, regional policy, risk management and internal control, and oversees Gazprom Neft’s executive bodies.

There are two Board committees, the Audit Committee and the Human Resources and Compensation Committee. The Audit Committee facilitates the Board’s involvement in overseeing the company’s financial and business operations by assessing the effectiveness of internal controls and monitoring the risk management and internal control system. The Human Resources and Compensation Committee reviews HR matters, executive succession planning and remuneration to members of the company’s governance bodies.

In constantly improving its corporate governance framework, the company closely monitors the development of corporate laws and best practices, both in Russia and globally.

50% of net profit – target dividend payout

In 2020, new versions of the following internal documents were approved:

- Company Charter;
- Regulation on the General Meeting of Shareholders;
- Regulation Governing the Board of Directors;
- Regulation on the Management Board;
- Regulation on the Chief Executive Officer;
- Corporate Governance Code;
- Dividend Policy Regulation;
- Risk Management and Internal Control Policy;
- Policy on Remuneration and Compensation of Expenses of Members of the Board of Directors.

For more details on the work of the Board of Directors in the reporting year, see Gazprom Neft’s Annual Report 2020.
**BOARD OF DIRECTORS**
- Oversees the implementation of the sustainable development strategy
- Approves sustainable development policies and initiatives

**HUMAN RESOURCES AND COMPENSATION COMMITTEE**

**AUDIT COMMITTEE**

**MANAGEMENT BOARD**
- Formulates the sustainable development strategy
- Manages the sustainable development strategy and the implementation of initiatives
- Evaluates results

**CEO**

**ETHICS COMMITTEE**

**RELEVANT DEPARTMENTS AND OFFICES AT THE CORPORATE CENTRE AND BUSINESS DIVISIONS**
- Determine sustainable development priorities
- Develop and update corporate programmes
- Manage the implementation of corporate programmes
- Oversee the performance of the Corporate Centre, business divisions and subsidiaries
- Stakeholder engagement

- HSE Directorate
- Departments of Energy at business divisions
- Corporate Communications Division
- Organisational Development and HR Management Directorate

- HSE Professional Board
- HSE Supervisory Board
- Regional Development Department

**RELEVANT OFFICES AT SUBSIDIARIES**
- Implement sustainable development programmes in relevant areas
Remuneration of members of the Board of Directors is governed by the Regulation on Remuneration and Compensation of Expenses of Members of the Board of Directors of Gazprom Neft PJSC, which provides transparent mechanisms for determining the amount of remuneration to be paid and regulates the term and procedure for such payment, as well as compensation for expenses incurred by members of the Board of Directors.

The Management Board’s key functions are to control the implementation of resolutions of the company’s General Meeting of Shareholders and the Board of Directors, and develop prospective plans and key activity programmes of Gazprom Neft, including in sustainability.

In 2020, Gazprom Neft’s Management Board held 28 meetings, including eight in person. It reviewed matters related to the company’s current operations, including progress on prospective plans and activity programmes covering corporate social responsibility and sustainability, and to improving corporate governance at the Gazprom Neft Group.

For more details on the corporate governance framework, and the composition, activities and remuneration of highest governance bodies, prevention of conflicts of interest, changes in the company structure, and corporate governance development, see “Corporate governance” of Gazprom Neft’s Annual Report 2020.
Sustainability risk management

The company’s approach to risk management is to integrate risk analysis and management tools into all key processes.

Responsibility for risk management and risk reporting is determined in accordance with the system of line and functional management. Risk coordinators among managers are identified at the level of each function and its key business process, with risk owners assigned to manage each specific risk.

This approach makes it possible to form areas of responsibility for risk management and to monitor risks at all levels of the company management.

The Board of Directors reviews updates to the company’s key risks, preliminarily approved by the Management Board.

Risk management process at Gazprom Neft

**IDENTIFICATION (REVIEW) OF RISKS**
At least once a year

**QUALITATIVE AND QUANTITATIVE ASSESSMENT OF RISKS**
At least once a year

**DEVELOPING RISK-MANAGEMENT ACTIVITIES**
At least once a year

**MONITORING OF ACTIVITIES**
At least once a quarter

When managing HSE risks, the company is guided by the precautionary principle¹

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¹ The precautionary principle is defined in international documents as follows: “Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation” (Rio Declaration on Environment and Development, 14 June 1992).

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**Gazprom Neft’s key document on risk management is**

- the Risk Management and Internal Control Policy approved by the Board of Directors (new version approved in March 2020).

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For more details on the risk management system, see Gazprom Neft’s Annual Report 2020
Health, safety and environment (HSE) risks

HSE risks include risks of non-compliance with HSE legislation that may result in a temporary suspension of operations at facilities and revocation of licenses, as well as risks of accidents (fatalities and health-related workplace incidents, fires/explosions/accidents, incidents with federal-level environmental impact).

Risk management measures

The company is fully aware of its responsibility to society for preserving the environment. It monitors its activities to ensure compliance with applicable requirements and standards, and implements initiatives in the area of industrial and workplace safety.

The philosophy behind industrial safety risk management is predicated on a risk-based approach and the principle of integrating the mitigation of industrial safety risks throughout the company’s key business processes.

The company implements the Safety Framework project to manage key industrial safety risks. Under this project, scenarios of possible catastrophic consequences have been identified, and risk mitigation measures (“barrier setting”) to prevent these consequences are selected and implemented at all Gazprom Neft production facilities.

As part of implementing the risk-based approach, the company focuses on the following solutions:
- basic barrier – to place barriers in the way of priority risks throughout the company’s assets and guarantee their reliability;
- competence barrier – to ensure that only competent personnel have been cleared to work;
- digital barrier management – eliminating the human factor where reasonable.

The company implements environmental protection measures, including the use of technologies to minimise adverse environmental impact. This work has resulted in a significant reduction in the likelihood of environmental pollution risks.

Human resources risks

The company’s business is predicated on highly-qualified key personnel, to which end the insufficient number of qualified workers, particularly in the engineering and technology areas, may give rise to understaffing risks. The company’s success depends to a large extent on the efforts and abilities of key employees, including qualified technical personnel, as well as the company’s ability to recruit and retain such personnel.

Competition for talent in Russia and abroad may worsen due to limited number of qualified specialists in the labour market. The inability to attract new qualified personnel and/or retain existing qualified personnel may adversely effect the company’s attractiveness as an employer. The demand and associated costs for qualified employees are expected to continue to grow, reflecting significant interest in them from other industries and public projects.

Risk management measures

The company offers safe workplaces and competitive salaries, participation in large-scale projects and interesting professional tasks, and provides employee training based on tailored programmes.

In addition, the company also improves recruitment procedures and implements initiatives aimed at reducing employee turnover and stimulating self-development of personnel.
Risks associated with the impact on local communities

The company’s operations entail environmental and health risks for local residents. Local communities may be negatively affected by the company abandoning or optimising its production projects and, consequently, downsizing employee headcount or relocating employees to other regions.

Risk management measures

To minimise environmental and health risks for local residents, the company takes measures to ensure industrial and environmental safety.

Risks associated with the possible spread of COVID-19 to company employees or contractors

Risk management measures

The management of this risk is carried out by selecting, implementing and monitoring, at a company-wide level, safety barriers designed to prevent and minimise the consequences of possible undesirable events relating to the spread of COVID-19 among company employees and contractors.

Climate change risks

Gazprom Neft identifies several key climate-related risks. The company accounts for both physical risks associated with extreme weather conditions or irreversible changes to the environment, and for transition risks (market, reputational, technology, political and legal).

For more details on the company’s key risks, see Gazprom Neft’s Annual Report 2020

For more details on climate-related risks, see “Climate change” on page 98
Ethics

Gazprom Neft conducts its business ethically and responsibly. The company expects all of its employees to follow the business norms and principles set out in the Corporate Code of Conduct. Our ethics policy applies to both interactions between colleagues and to relations with the company’s business partners.

Ethics Committee

Gazprom Neft has set up an Ethics Committee as a standing collegial body tasked with monitoring compliance with the provisions of the company’s Corporate Code of Conduct. The Committee reports to the CEO.

The Committee reviews employee reports involving the interpretation of the Corporate Code of Conduct. If necessary, the matter is investigated and a resolution is passed and communicated to the person who submitted the report. The Committee’s terms of reference include rewards and disciplinary measures related to compliance or non-compliance with the Corporate Code of Conduct.

The committee’s resolutions are recommendations for the relevant deputies of the CEO or the immediate senior and line managers of the employee whose behaviour was reviewed by the Committee.

The Ethics Committee’s roles

- enforcing a uniform corporate ideology and methodology for the interpretation and application of the Corporate Code of Conduct across the company and its subsidiaries;
- monitoring the application of the Corporate Code of Conduct and preparing reports on it, promoting the Code and its values, preparing proposals for the development of corporate culture, preventing and remediing the consequences of Code violations;
- reviewing submitted information and materials, giving recommendations on whether disciplinary action should be taken against employees who violate the Corporate Code of Conduct and rewarding the best performers;
- making decisions on whether company policies, procedures and local regulations may lead to violations of the Corporate Code of Conduct and require amendment;
- reviewing employee reports on conflicts of interest and advising on whether the conflict actually exists and further actions;
- reviewing and passing resolutions on cases of direct or functional subordination of employees to their close relatives;
- reviewing suggestions and recommendations for amendments to the Corporate Code of Conduct, as well as for improving corporate culture and employee engagement.

Due to the importance of matters under review, in July 2020, the Ethics Committee was reshuffled to include members of the company’s Management Board. In October 2020, the new Committee held its first in-person meeting to review employee reports and the results of the first half of the year and to decide on the format of its future work.

47 reports received by the Ethics Committee

22 reports led to identified violations of the Corporate Code of Conduct
KEY TYPES OF MATTERS REPORTED:

• relations among employees and between employees and their seniors;
• interpersonal communication etiquette;
• relatives working together;
• unfair bonus allocation.

Should any violations of the Corporate Code of Conduct be identified by employees, the Committee may order the following disciplinary actions:

• recommending relevant corporate bodies and the employee’s supervisor to take the matter into account when performing an annual performance evaluation;
• recommending relevant corporate bodies and the employee’s senior to take the matter into account when deciding on promotions, changes to compensation or inclusion in or exclusion from a talent pool;
• recommending the HR function and the employee’s senior to take disciplinary action against the employee in accordance with applicable labour law and company standards;
• escalating the matter to the Chairman of the Management Board or an executive meeting;
• discussing the matter with the employee;
• ordering extra training on specific areas of the corporate rules of behaviour; and
• recommending that the individual is restricted from representing the company in the governance and control bodies of its subsidiaries and other organisations, the media as well as official, business and public events.

Anti-corruption

The company has zero tolerance for any form of corruption, including extortion and bribery.

Gazprom Neft has approved a publicly available Anti-Fraud and Anti-Corruption Policy. This Policy defines the concept of fraud and other terminology, and shapes the approach of the company’s senior management, who have put in place a single and cohesive ethical standard for zero-tolerance for any type or form of corruption. The Policy lists the key principles of combatting fraud and corruption, as well as the methods and procedures used by the company, in particular, the company hotline, internal investigations, and prosecution of identified fraud cases.

The Policy contains a section setting out the basis for implementing those of the company’s business processes that are most exposed to fraud risks, including interaction with officials, receiving and giving gifts, charitable and sponsorship activities, and financial affairs with third parties.

The Anti-Fraud and Anti-Corruption Policy includes training for company employees in the zero-tolerance approach to fraud and covers the underlying applicable legislation.

The following courses have been developed and are used in the corporate training system: Preventing and Combating Corporate Corruption; Corruption Prevention; Combating Corruption and Fraud. These courses are mandatory for all employees newly hired by the company.

1 — Applicable Russian laws stipulate that investigations into corruption be conducted by law enforcement agencies. Therefore, if any evidence of corruption is found, the relevant materials must be handed over to law enforcement agencies. The investigation of reports received via the company hotline in 2020 showed no need to contact law enforcement agencies.
Human rights and anti-discrimination

Gazprom Neft upholds and respects internationally recognised human rights and complies with applicable laws.

Gazprom Neft embraces the principles of:

- UN Global Compact
- Universal Declaration of Human Rights
- International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work
- Social Charter of Russian Business of the Russian Union of Industrialists and Entrepreneurs (RSPP)

The company follows a principle of men and women receiving equal pay for equal work.

Gazprom Neft does not use child or forced labour. The company acknowledges the legal right of its employees to form voluntary associations to protect their rights and interests, including the right to form or join trade unions.

Gazprom Neft assesses human rights risks and develops measures to prevent them.

Corporate training includes materials on human rights protection, with 1,087 courses on human rights were held in 2020.

For more details on our partnerships with trade unions, see “Employee development” on page 128

In particular, the company promotes equal opportunities, creates a working environment free from bullying and harassment, prohibits discrimination on the grounds of race, ethnicity, religious belief, gender, background, age or on any other grounds, and expects its employees to treat each other with respect and dignity.

The company’s position on human rights is formalised in the following corporate documents:

- Corporate Code of Conduct;
- Anti-Fraud and Anti-Corruption Policy;
- Policy on Industrial, Fire, Transport, Environmental and Occupational Safety, and Civil Defence;
- Policy for Interaction with Indigenous Minority Peoples of the North, Siberia and the Far East;
- Information Policy Regulation.
Grievance mechanisms

Stakeholders may express their views or submit grievances against human rights violations using a range of feedback channels.

One of these channels is a hotline for countering corruption, fraud and non-compliance with the law and the Corporate Code of Conduct. This hotline is used to share information within the company and receive feedback from external stakeholders.

Several functions in the company are involved in investigating reports:
- human resources;
- legal;
- HSE.

Gazprom Neft encourages its employees and partners to actively use the hotline and makes sure they are aware of this channel. The results of the hotline operation, including statistics on received (processed) reports and identified violations, are reviewed by the Board of Directors on a regular basis.

Anti-fraud and anti-corruption hotline

Reports can be submitted via several channels: post, e-mail, telephone, suggestion boxes, the intranet portal or the corporate website. All information reported via the hotline remains confidential.

Phone: 8 800 700 6500, free calls within Russia
E-mail: hot-line@gazprom-neft.biz
Mail: PO box 516, Saint Petersburg, 190121, Russia

Anyone can submit a report via the hotline, and it can be anonymous. All reports are handled on a case-by-case basis, and feedback is then provided based on results of the review.
Technology and innovation

Technological development is a core pillar of Gazprom Neft’s 2030 Strategy. Technology advancements will enable the company to efficiently deliver its large-scale upstream projects and consolidate leadership in strategic areas, including the environmentally safe and reliable operation of equipment.

Priority areas of technological development

- Improving oil recovery factor at mature fields
- Production from low-permeability reservoirs
- Efficient and safe offshore development in ice conditions
- Multiphased fields development
- Effective catalysts and processes for refineries

For each focus area, the company is implementing projects to develop, test and deploy the necessary technologies.

The company is currently running an Innovative Development Programme. At the core of the programme are technology projects to enhance oil recovery from brownfields, develop hard-to-recover hydrocarbon reserves, continually improve well productivity, as well as an initiative to develop and produce cat-cracking and hydrogenation catalysts.

The Board of Directors approved the updated Innovative Development Programme in 2020. The focus area list has been significantly expanded by adding digital transformation projects, including cognitive geology, production project management centres, the Asset of the Future programme, integrated planning and operations and reliability management at refining, logistics and sales enterprises.

Upstream Technology Strategy

The Upstream Technology Strategy covers all focus areas of the Upstream Division, including:

- exploration and resource expansion technologies;
- well drilling and completion technologies;
- enhanced oil recovery and well stimulation;
- development of unconventional reserves;
- development of oil rims;
- electronic asset development (EAD), etc.
Downstream R&D strategy

R&D in oil refining follows a long-term R&D strategy. Over 30 projects are being implemented across the following focus areas:
- increasing oil conversion rate (refining depth);
- improving operational efficiency;
- new product development, including new cat-cracking, hydrotreatment and hydrocracking catalysts.

30+ R&D projects underway in oil refining

Gazprom Neft partners with the Skolkovo Foundation’s GreenTech Startup Booster

Gazprom Neft has partnered with the Skolkovo Foundation’s GreenTech Startup Booster – Russia’s first accelerator for tech startups in environmental protection and sustainable development, set up by the Skolkovo Foundation in conjunction with industry leaders and supported by relevant Russian ministries.

Thanks to its involvement in the programme, Gazprom Neft has been able to put together an up-to-date database of startups offering environmental technologies, and to select the most interesting solutions to develop and implement in collaboration with their developers.

Technology projects in environmental protection and industrial safety

Key focus areas:
- minimising non-productive associated petroleum gas flaring;
- upgrading infrastructure and equipment to improve energy efficiency and prevent leaks;
- implementing processes to make more environmentally friendly products;
- effective waste utilisation and preservation of natural ecosystems;
- reduction of water consumption;
- environmental footprint monitoring.

Technology development at Gazprom Neft is focused on improving industrial and environmental safety
The most important technology projects in environmental protection and industrial safety in 2020

- Miscible gas displacement projects (petroleum gas injection to improve recovery) were included in Gazprom Neft’s 2030 Strategy. This technology will reduce associated petroleum gas (APG) flaring and cut emissions. The company is building infrastructure for pilot miscible gas displacement projects at Gazpromneft-NNG and Gazpromneft-Yamal.
- Trubodetal (Chelyabinsk) produced the first Russian modular plant for NGL removal from APG (joint development of Gazpromneft STC and Bauman Moscow State Technical University). This technology recovers liquid hydrocarbons (C3+) from APG, which are then returned to the crude oil stream. The use of “dry” gas after such treatment will significantly reduce air pollution.
- Since 2014, Gazprom Neft has been developing Green Seismic technology, which, thanks to its more compact size, significantly reduces the number of trees felled for seismic lines and cuts fuel consumption for seismic surveys, all while improving safety.
- A patent was granted for technology to produce Brit man-made soil from locally-available materials and treated cuttings. This product can be used in road construction, and pilot tests have confirmed its high performance. The company intends to put this technology to use on a much larger scale in the next few years.
- A new Euro+ combined oil refining unit (CORU), replacing five older units, was commissioned at the Moscow Refinery. The Euro+ CORU will reduce the refinery’s environmental footprint.
- The Omsk Refinery is continuing the construction of Biosphere wastewater treatment complex, which will improve pollutant removal efficiency to 99.9%. The Moscow Refinery has been running the Biosphere complex for over three years now. The complex recycles over 90% of water, with a more than threefold decrease in river water withdrawal by the refinery.
- The company has developed an environmental monitoring system for prompt identification and prevention of above-limit pollutant concentrations at a facility’s buffer zone boundaries. It also evaluates the facility’s contribution to these above-limit concentrations. Legal protection for the system was obtained in 2020. It is planned to be rolled out to Gazprom Neft’s refineries in the next few years.
- Gazprom Neft is using and developing unmanned technologies. Unmanned aircraft are used in exploration, industrial site monitoring, and cargo delivery. Self-driving vehicle testing is in progress in conjunction with truck manufacturers KAMAZ and GAZ. The use of unmanned technologies improves process safety.
The Gazprom Neft Department for Technological Partnerships and Import Substitution is tasked with systematically monitoring the Russian goods and materials market to find domestically produced replacements for imported products.

Gazprom Neft is testing state-of-the-art Russian-made equipment, and creating unique products to replace foreign counterparts. The company also supports developers’ applications for external financing, including subsidies from the Industrial Development Fund.

Gazprom Neft also seeks to cooperate with foreign companies in order to localise production of their products in the Russian Federation.

In 2020, five leading engineering universities of St Petersburg (SPbPU, ITMO University, SUAI, LETI, and SMTU), with support from Gazprom Neft, set up energy clubs – student associations offering career guidance and support for new high-tech projects. An inter-university accelerator was launched for these energy clubs, with over 15 student projects joining the programme in an attempt to address the technology challenges faced by the company.

In 2020, Gazprom Neft co-founded the Institute for Initiatives in Oil and Gas Technologies. The organisation was created to harmonise the efforts of Russian and foreign oil and gas companies to develop and approve uniform industry standards for use in engineering, design, procurement and the evaluation of potential contractors. Gazprom Neft continued its work under an agreement with the Administration of St Petersburg to develop a world-class R&D and technology centre for the energy sector in the city. The company also continues to work in joint working groups with Gazprombank and HMS Group.

Gazprom Neft has approved 37 substitution strategies for product categories where the company relies on imports. These strategies should result in about 220 new Russian products.

Thanks to the progress made by the company so far, including the provision of facilities for piloting (over 130 piloting runs completed), import substitutions in 60 product categories have already been made possible.

New import-substituting products include unique exploration, production and refining equipment as well as cross-functional items (communication equipment, instrumentation and personal protective equipment).

1 – SPbPU – Peter the Great St Petersburg Polytechnic University; SUAI – Saint-Petersburg State University of Aerospace Instrumentation; LETI – Saint Petersburg Electrotechnical University; SMTU – State Marine Technical University.
Supply chain management

Gazprom Neft's priorities in procurement include transparency, prevention of discrimination and the unfair restriction of competition among bidders, and building long-term relationships with contractors.

Supplier management principles

1. Transparency
2. Competitiveness
3. Equality
4. Mutual guarantees
5. Confidentiality
6. Access to information

Gazprom Neft prefers to select suppliers of work, services, materials and equipment on a competitive basis.

The company publishes information on its open competitive procedures for approaching and selecting contractors and engaging with the winners of its bidding procedures on its website in the "Procurement" section.

In addition, Gazprom Neft is committed to increasing the efficiency of its supply chain management. The company has in place the Standard on Performance Assessment of Materials and Equipment Suppliers, and the Guidelines on Calculating Key Performance Indicators for Materials and Equipment Suppliers.

Contractor selection and engagement processes are managed via an integrated management system compliant with ISO 9001:2015.

In 2020, the Materials and Equipment Division of Gazprom Neft Procurement underwent an annual compliance audit of its integrated management system to confirm its compliance with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018. Based on their findings, the auditors concluded that the integrated management system development was consistent with principles of continuous improvement and that the system was effective and complied with the requirements of the relevant standards. Three certificates of compliance were recommended for renewal.

1. A supply chain is a combination of organisations cooperating in order to supply enterprises and oversee the movement of goods at all stages from procurement of feedstock and other materials to production, storage and transportation of goods.
Gazprom Neft has in place a corporate-wide Central Procurement Office – Gazprom Neft’s Procurement and Capital Construction Directorate.

To keep the procurement process reasonably competitive, the Central Procurement Office conducts an open pre-qualification procedure focused on building a list of potential bidders who can perform work, render services or supply goods that meet the company’s requirements for production processes, quality, safety and performance. Potential bidders whose qualifications meet the requirements may then be invited to participate in the procurement process.

When competitive procurement procedures are initiated and take place, bids are analysed to determine whether they comply with the requirements set out in the competitive procurement documents. The company checks the information about the bidders, including an assessment of their legal capacity, solvency and business standing by the corporate security function. These measures enable the company to identify in advance contractors who do not comply with its requirements.

In line with the company standards, compliance with the requirements of the corporate standards by potential suppliers is monitored throughout the entire period of the company’s engagements with such suppliers.

The company assessed compliance of its procurement business processes with the requirements of the Etalon OMS in 2020. The Contractor and Supplier Management module was rated as “mature” in OMS terminology.

In 2020, 6,734 potential suppliers participated in our competitive bidding procedures. Contracts were awarded to 2,308 companies from 65 Russian regions and 10 foreign countries (including the CIS), with payments totalling ₽204 billion. Local (domestic) suppliers accounted for 98.87% of total procurement. In 2020, there were no notable changes in the company’s supply chain.

Share of procurement costs across key operating regions of the company\(^1\) in 2020 (₽ million)

<table>
<thead>
<tr>
<th>Region</th>
<th>Cost (₽ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>St Petersburg</td>
<td>11,312</td>
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<tr>
<td>Omsk Oblast</td>
<td>2,976</td>
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<tr>
<td>Tyumen Oblast</td>
<td>2,472</td>
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<td>Tomsk Oblast</td>
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<tr>
<td>Khanty-Mansi Autonomous Okrug-Yugra</td>
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<tr>
<td>Orenburg Oblast</td>
<td>102</td>
</tr>
<tr>
<td>Yamalo-Nenets Autonomous Olenug</td>
<td>61</td>
</tr>
</tbody>
</table>

1 — OMS – Operations Management System.
2 — Based on results of the competitive selection of materials and equipment suppliers initiated by the company Procurement Directorate and the Materials and Equipment Division of Gazprom Neft Procurement.

For more details on the Etalon operations management system, see Gazprom Neft’s Annual Report 2020
The company’s standard form of a supply contract outlines the HSE requirements for contractors, including requirements for shipments of hazardous goods, delivery by road, etc.

In addition, corporate HSE standards require compliance with all applicable regulations on industrial safety, environmental safety, occupational health, civil defence and road traffic safety regulations applicable at relevant workplaces.

**Mandatory use of personal protective equipment**

Supplier employees are required to wear personal protective equipment (PPE) when working at, or visiting the company’s facilities.

- Protective helmet
- Protective goggles
- Reflective elements on clothing
- Leather safety boots (or high boots) with a rigid metallic/composite impact-resistant toe box (cold-proof boots in winter)
- Polymer-coated knitted gloves
Stakeholder engagement

In engaging with its stakeholders and seeking to understand their values and needs, Gazprom Neft aims to deliver on its sustainability goals and strategy. Open and proactive dialogue, mutual trust and a tailored approach underpin the company’s stakeholder engagement. Gazprom Neft strictly adheres to the law and takes into account legal requirements set out in industry regulations.

Stakeholder engagement principles

- Respect for stakeholder interests
- Productive relations
- Ongoing engagements
- Delivering on commitments
- Transparency of the company’s operations

Gazprom Neft’s key stakeholder engagement priorities are reflected in the following corporate documents:

- Corporate Code of Conduct
- Corporate Governance Code
- Contractor Engagement Code
- Regulation on the General Meeting of Shareholders
- Dividend Policy Regulation
- Information Policy Regulation
- Policy for Charity Work
- Policy on Industrial, Fire, Transport, Environmental and Occupational Safety, and Civil Defence
- Policy for Interaction with Indigenous Minority Peoples of the North, Siberia and the Far East

The key stakeholder groups for Gazprom Neft are those whose interests are most tangibly linked to the company’s activities and can have a significant impact on its ability to deliver on its strategic goals.
Strategic partnerships with contractors

Gazprom Neft’s engagements with contractors are driven by long-term partnerships based on the Contractor Engagement Code. The Code introduces the concept of strategic partnerships replacing the usual customer-contractor approach with a more effective cooperation format. The company openly discusses existing issues with contractors to come up with optimal solutions for the most challenging problems.

In 2020, the company set up a pool of strategic partners, which includes the most reliable contractors of Gazprom Neft.

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Relations with key stakeholder groups

<table>
<thead>
<tr>
<th>Key expectations and interests</th>
<th>Engagement mechanisms</th>
</tr>
</thead>
</table>
| **SHAREHOLDERS AND INVESTORS** | • General Meeting of Shareholders  
• Meetings, conferences and conference calls  
• Investor Day involving senior management  
• Analyst Data Book  
• The Investors section on the corporate website  
• Hotline and email: shareholders@gazprom-neft.ru  
• Corporate reporting and media |
| **EMPLOYEES** | • Internal communications  
• Town-hall meetings  
• Joint health committees  
• Meetings with trade unions  
• Employee engagement survey  
• Forums, conferences, cultural and sporting events  
• Corporate reporting |
| **CONSUMERS** | • Contracts  
• Feedback and services  
• Gazprom Neft loyalty programmes  
• Business meetings, conferences and forums  
• Corporate reporting and media |
<table>
<thead>
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<th>Engagement mechanisms</th>
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<td><strong>GOVERNMENT AUTHORITIES OF THE RUSSIAN FEDERATION AND THE COMPANY’S OPERATING REGIONS</strong></td>
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<tr>
<td>• Energy security</td>
<td>• Social and economic partnership agreements</td>
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<td>• Taxes</td>
<td>• Joint working groups, round tables and meetings</td>
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<td>• Technological advances in the industry</td>
<td>• Commissions and conferences</td>
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<td>• Minimising the company’s environmental footprint</td>
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<td>• Legal compliance</td>
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<td><strong>SUPPLIERS AND PARTNERS</strong></td>
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<td>• Fulfilling mutual commitments</td>
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<td>• Support for Russian manufacturers</td>
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<td>• Transparency, openness and competitive selection of contractors</td>
<td>• A system for contractors to evaluate the company</td>
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<td>• Ethical business conduct and anti-corruption efforts</td>
<td>• Business meetings and forums organised by the company</td>
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<td>• External conferences and exhibitions</td>
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<td>• Corporate website and procurement portal</td>
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<td>• Corporate reporting and media</td>
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<tr>
<td><strong>LOCAL COMMUNITIES ACROSS THE COMPANY’S FOOTPRINT</strong></td>
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<tr>
<td>• Enhancing quality of life in local communities</td>
<td>• Social projects across the company’s operating regions</td>
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<td>• New jobs for local communities</td>
<td>• Consultations with government authorities, non-profit organisations and indigenous peoples of the North</td>
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<tr>
<td>• Human capital development across the company’s footprint</td>
<td>• Public consultations, round tables and debates</td>
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<tr>
<td>• Developing local manufacturers and suppliers</td>
<td>• Corporate reporting and media</td>
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<tr>
<td>• Boosting social activities</td>
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<td>• Local taxes</td>
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<td>• Industrial and environmental safety</td>
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<td><strong>INDUSTRY PEERS IN RUSSIA AND WORLDWIDE</strong></td>
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<tr>
<td>• The company’s contribution to industry development</td>
<td>• Cooperation agreements</td>
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<tr>
<td>• Responsible business operation</td>
<td>• Industry and cross-industry initiatives</td>
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<td>• Respect for human rights and HSE compliance</td>
<td>• Committees of industry associations</td>
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<td>• Information sharing</td>
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<td>• Corporate reporting and media</td>
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<tr>
<td><strong>NON-PROFIT AND NON-GOVERNMENTAL ORGANISATIONS</strong></td>
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<tr>
<td>• HSE initiatives at the company</td>
<td>• Conferences and exhibitions</td>
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<tr>
<td>• Company involvement in regional and industry development</td>
<td>• Round tables</td>
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<tr>
<td>• Openness and transparency of operations</td>
<td>• Joint implementation of social projects</td>
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<td></td>
<td>• Corporate reporting and media</td>
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Transparency and effective media relations

Gazprom Neft’s communication policy aims to:
• boost and maintain Gazprom Neft’s profile;
• maintain an equal and partnership-based dialogue with federal, international and regional mass media, press offices of government authorities and non-governmental organisations relevant to the company’s operations.

Gazprom Neft’s Board of Directors has adopted the Information Policy Regulation. Gazprom Neft implements its information policy via its executive bodies. Compliance with the Information Policy is overseen by the Board of Directors.

The company quickly and effectively updates its stakeholders on key events and aspects of its operations in an unbiased manner. Key communication tools used by the company include the official websites of Gazprom Neft and its subsidiaries, the Sibirskaya Neft trade magazine, as well as the company’s community pages on social media such as Facebook, VKontakte, YouTube, and Instagram.

In line with its Regulation on Information Disclosure, the company also uses an Internet page provided by one of the distributors of information on the securities market (Interfax Centre for Corporate Information Disclosure).

Our media relations are guided by Gazprom Neft’s information policy approved by the Board of Directors and the Corporate Standard on the Procedure for Media Relations and Distribution of Information Materials. In positioning itself in the media space, Gazprom Neft is guided by its Communication Strategy aligned with the company’s business goals.

Gazprom Neft’s press office promptly responds to requests from Russian and international media to share comprehensive and detailed information on the company’s projects and comment on key topics on the industry’s agenda. In 2020, Gazprom Neft’s press office continued to develop communication tools, expand its audiences and adopt communication best practices to reflect key international trends while also implementing partner projects with leading media outlets.

Along with conventional communication tools, the press office worked on digital projects to expand the scope of information about the company’s activities and its outreach. This included special multimedia projects with leading Russian and foreign media to provide comprehensive and detailed coverage of Gazprom Neft’s efforts to adopt new production and refining technology, foster innovation and implement environmental and social projects. The company also worked on developing visual formats and adapting content for each communication channel. Business and industry media outlets published op-eds and interviews with company executives.

In 2020, due to the COVID-19 pandemic, Gazprom Neft’s press office focused on remote real-time media communications. The traditional press conference of Gazprom Neft’s management for key federal and international media outlets on the results of the Annual General Meeting of Shareholders, as well as other press events, moved online.

Gazprom Neft provides its shareholders and other stakeholders with free and unhindered access to information that is material to them.

MAJOR EVENTS AND PROJECTS:

Events under the spotlight in 2020:
• the opening of the Euro+ CORU at the Moscow Refinery attended virtually by Russian President Vladimir Putin;
• launch of a deep conversion complex at the Pančevo Refinery (Serbia) attended by Serbian President Aleksandar Vučić;
• testing of unmanned vehicles at Gazprom Neft’s production facilities;
• launch of a joint venture with Shell to develop a large-scale hydrocarbon cluster on the Gydan Peninsula.
The company’s new website for investors and shareholders

In June 2020, Gazprom Neft launched a new IR website for investors and shareholders, significantly expanding disclosures on Gazprom Neft’s activities, including sustainability.

The new IR website was highly praised by investors and analysts and was also among the winners of the Corporate & Financial Awards in the Best Corporate Website: International category.

New communication formats were launched in 2020:
• online video tours of the company’s facilities for the media; and
• the Antivirus news feed on the company’s website covering the implementation of Gazprom Neft’s programme to combat COVID-19, protect employees, partners and customers from the virus spread, ensure the continuity of all production processes, and maintain the financial stability of the business.

Transparency award

In 2020, Gazprom Neft won the annual award For Active Corporate Policy on Information Disclosure established by Interfax and AK&M news agencies. The jury for this award includes representatives of Moscow Exchange, the Association of Independent Directors, and the Russian Financial Communications & Investor Relations Alliance (ARFI).

The award criteria include completeness and timeliness of reporting, corporate events, information on corporate governance, the concurrence of disclosures for Russian and international investors, and proactivity and cohesiveness of information policy. Other criteria comprised the use of interactive formats, the informational value of news content and focus on environmental, social and governance (ESG) aspects.

The jury noted the layout and navigation of Gazprom Neft’s Investor Relations portal, citing its greater depth of archives compared to its peers, and it praised the company’s active involvement in the Single Disclosure Window project.
Internal communications

In 2020, Gazprom Neft managed to maintain a high level of personnel engagement, loyalty and trust in top management. Many employees embraced external pressures and challenges as another opportunity to realise their potential.

According to employee feedback, the company was able to successfully reorganise work processes to match the new circumstances amid the COVID-19 pandemic, including effective remote-work arrangements for white-collar employees and better interaction between units. Development of electronic communication channels and the increased use of corporate media improved employee awareness.

An Internal Communication Strategy was developed and approved in 2020, setting forth the format and organisational methods for communication with internal target audiences, as well as allocation of responsibilities and a model for internal communications infrastructure.

Internal communication policies during the COVID-19 pandemic

- Top priority given to updates about the fight against the coronavirus
- One place for gathering information from divisions, subsidiaries, and centres of expertise
- Balance between work-related content and entertainment
- Importance placed on managers to personally and regularly reach out to employees
- Focus on the speed of information dissemination, its validity and sufficiency

In 2020, internal communications were based on the agile approach\(^1\). IT products were developed through an iterative process, and cross-functional teams were set up, with increased focus on personal interactions, change readiness and employee feedback.

The Agile approach not only enabled communication channels to flexibly adapt to external changes, but also improved awareness and created an engaging environment for employees. Thus, internal communications made employee adaptation to new working conditions much faster and easier.

OBJECTIVES

Objectives of internal communications during the COVID-19 pandemic:
- to promptly inform employees about the fight against COVID-19;
- to gather regular feedback from employees to maintain engagement and loyalty;
- to prevent social tensions between employees.

\(^1\) Agile approach – use of agile-development principles in project management.
The biggest corporate flash mob ever in Gazprom Neft took place. It supported fly-in personnel working at continuous production facilities who had to stay in the harsh Arctic conditions for 2-3 months during the first wave of the COVID-19 pandemic, rather than one month as usual.

Employees would add the #NAVAKHTE – rus. #ONSHIFT hashtag to their avatars on social media to show involvement in company efforts and support fly-in personnel. This show of support was joined not only by Gazprom Neft employees (over 400 people from 32 business units in 15 Russian regions), but also famous athletes, performers and TV personalities.
In 2020, thanks to the provision of remote access, the corporate portal remained the main gateway for communication with white-collar workers, although a large fraction of them transitioned to remote work. New sections concerned with working in new conditions were promptly added: “Antivirus” and “Hotline” with clear and simple answers to pressing issues. The new sections helped employees to better understand the new reality, build effective work-from-home setups and to stay in touch with their colleagues.

Traditional interactive services – contests, celebrating holidays with colleagues – were still available on the portal, allowing employees to use the familiar tools as before.

The print edition of Sibirskaya Neft corporate magazine was discontinued, the magazine is now available in PDF files and at www.sibneft.ru. Announcements are emailed across the company to notify employees of new issues of the magazine.

**Internal communication tools**

**Gazprom Neft’s unified system of intranet portals**

The system is used by over 40,000 employees. In 2020, the number of regular users accessing the system at least once a week grew by 11% to 17,000. The number of unique users hit an all-time high this year at 22,000 users per day.

**Mobile Newsfeed**

A corporate media channel accessible from employees’ personal devices with an option to create and maintain own professional channels. In 2020, the number of registered users exceeded 32,000, with over 1.3 million views of published posts, 86 new channels created, 30 contests held and over 20 live webcasts. The Mobile Newsfeed proved to be the fastest communication channel when a large part of employees were working from home during the COVID-19 pandemic.

**Sibirskaya Neft**

Due to the pandemic, the magazine has been published only in an electronic format since March 2020, with the number of unique views of the online version growing by 110% to 655,000 in 2020.

**Corporate radio**

The radio broadcasts to the Moscow and Omsk Refineries, fillings stations and Gazpromneft-Aero.
Employee engagement survey

In 2020, digital-communication tools were used to enable faster feedback and contactless data acquisition. A total 68% of employees participated in the survey. The survey showed that the company managed to maintain a high level of employee engagement and loyalty despite the 2020 challenges. Employees at most production facilities appreciated company measures to preserve jobs, maintain uninterrupted salary payments and launch numerous health-protection and well-being initiatives.

Online communication system

Panel discussions, town-hall meetings, and various other discussions (conferences, round tables) were held online.

Results of the employee engagement survey

- **80%** employee engagement rate
- **81%** employee loyalty rate
- **8%** growth in employee awareness year-on-year
- **46,000** employees completed the survey questionnaire (+12% year-on-year)

The company runs annual employee engagement surveys (EES) to assess employee engagement and satisfaction, identify Gazprom Neft’s strengths and weaknesses as an employer, and identify areas for improvement.
Gazprom Neft follows a balanced tax policy in line with principles of legality and good faith. Regulators’ demands are complied with in full and in due time.

The company’s approach to taxation reflects the core values of Gazprom Neft, such as responsibility, efficiency and innovation.

Tax management and control system

Strategic decisions on tax issues are made by the head of the Tax Department, Deputy CEO for Economics and Finance or the CEO depending on level of importance. The Gazprom Neft Tax Department is the internal management body charged with ensuring compliance with the tax strategy. The tax accounting function is separated into a dedicated Shared Services Centre (SSC).

Gazprom Neft has a low tolerance to tax risk. The company maintains a register of key and operational tax risks and manages these risks online, including through an open dialogue with the industry, public associations and supervisory authorities (the Federal Tax Service of Russia and the Ministry of Finance of the Russian Federation).

Gazprom Neft tax culture is developed through advising employees of taxation policies and changes in tax laws, including through training events and workshops delivered by the Corporate University, as well as by making sure employees comply with the high standards of professional behaviour.

The company has set up a dedicated hotline to report and respond to unethical behaviour and violations of applicable tax laws.

Total tax claims made by tax authorities following tax inspections of Gazprom Neft companies, which are currently less than 0.1% of taxes payable, is a key indicator of compliance with applicable laws and the performance of the company’s tax policy and internal control system.
Relations with tax authorities

The company's relations with tax authorities follow principles of transparency and cooperation. In line with this approach, Gazprom Neft is steadily transitioning to tax monitoring – a new form of tax control that provides tax authorities with direct access to the company's accounting and reporting documents without starting a tax audit.

Tax returns and other information are filed with tax authorities through electronic channels using specialist software whereby authorised employees of the SSC tax units can authenticate the data submitted.

Contributing to the development of tax laws and government regulations

Gazprom Neft is represented in the Russian Union of Industrialists and Entrepreneurs and the Chamber of Commerce and Industry of the Russian Federation; representatives of the company's tax function are included in expert councils and committees of these business associations, as well as the Expert Council under the State Duma Committee on Budget and Taxes and working groups set up under the Ministry of Finance, the Federal Tax Service and the Ministry of Energy to resolve issues related to taxation and legislative actions to combat the spread of the novel coronavirus. In particular, Gazprom Neft participates in the development and testing of amendments to government regulation, including taxation, and submits its own proposals and recommendations on changes and amendments to tax laws.
Customer care

Nowadays, consumers select a supplier that not only satisfies a basic need for a product but that also makes the best value proposition. A good value proposition should combine data services and features that are relevant to consumers, clear product benefits, robust quality control, and care for the environment as well as consumer health and well-being. Guided by customer needs, Gazprom Neft is always willing to go the extra mile and take higher commitments in product quality and environmental safety as well as social responsibility across the entire value chain: from wellhead to forecourt.

Product quality assurance

A well-designed quality management system is a prerequisite for the successful operation of an oil company.

Gazprom Neft enterprises have adopted quality management policies to produce and sell competitive products that comply with Russian and international standards and regulations and meet consumer requirements.

These quality policies and commitments are enforced by the CEOs and Deputy CEOs of the company’s production and sales subsidiaries, as well as the respective heads of business units responsible for these areas.

All products sold strictly comply with all applicable Technical Regulations\(^1\), such as the requirements for the protection of consumer health, life and safety throughout the product life cycle. Gazprom Neft duly provides documents on the safe use, storage and transportation of its products – the details essential to our consumers.

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\(^1\) – The Technical Regulations are a type of document that sets out mandatory requirements for any items subject to technical regulation (both products and the processes across the design, production, construction, installation, adjustment, operation and maintenance, storage, transportation, sale and disposal stages).
Integrated quality management system

Gazprom Neft enterprises have in place an ISO 9001-compliant integrated quality management system (IQMS).

IQMS performance is analysed and evaluated annually by the heads of the company's production and sales subsidiaries. This involves regularly monitoring performance, making improvements to the IQMS, as well as internal and external audits, including some by an independent certification body. We continually seek out new approaches to quality management by applying best practice benchmarks from our Russian and foreign peers.


The IQMS implemented by Gazprom Neft enterprises complies with ISO 9001, as verified by regular audits at subsidiaries toward the certification's strict requirements.

Quality control of petroleum products

The quality of petroleum products is monitored by the company’s research centres and testing laboratories throughout the entire production and sales cycle.

Product-quality compliance with relevant Russian and company-specific standards (GOST, STO or TU) is supported by relevant certificates.

KEY FOCUS AREAS IN QUALITY CONTROL OF PETROLEUM PRODUCTS:

- incoming control of raw materials, chemicals and auxiliary materials, catalysts, adsorbents and additives used in production at refineries;
- in-line sampling of component and semi-product streams at refinery process facilities;
- quality control of commercial products being shipped to consumers and prepared for transportation;
- quality control of petroleum products at oil depots, refuelling complexes and filling stations during acceptance, storage and sale to end consumers;
- spot checks to test the quality of petroleum products at Gazprom Neft filling stations.
### Digital solution - SMOTR

SMOTR performs online, automated recording of any process deviations from reference operating conditions, and offers an integrated, cross-functional data interface for a process operator and a Downstream corporate centre staff to team up in correcting deviations.

SMOTR has delivered a number of benefits:

- a significantly higher level of compliance with process procedures;
- process variables stray outside the normal operating range for half as long;
- faster and more effective corrections of any system-detected deviations;
- fewer decision making levels (4 vs 14).

### Production control centres at refineries

A production control centre (PCC), a new structural unit, was established at the Omsk and Moscow Refineries in 2019 and 2020, respectively. Each PCC promptly reviews asset-reliability status, environmental settings, industrial safety and market demand for the output product. The PCC uses cutting-edge solutions, such as daily rolling planning, predictive quality control, digital twins of process units and many more. These enable the refineries to swiftly respond to out-of-range deviations, achieve production targets as accurately as possible and make the most efficient use of resources. One of the critical new features offered by the PCC is its range of production-management tools, developed by the PCC project office and Avtomatika-Servis. These tools include a digital shift log as well as event-management, quality control, KPI monitoring, current accounting, and energy conservation systems.
The integrated digital system Gazprom Neft Neftekontrol gathers data about the quality and quantity of petroleum products throughout the process – from refineries to delivery to end consumers. In 2020, the company connected all its refineries, distribution depots and filling stations as well as airport refuelling complexes within its footprint to this system. Big-data predictive analytics enable the system to detect and manage process deviations – anytime, anywhere.

A more than a twofold decrease in the number of critical and systematic deviations over 2020 delivered through the Neftekontrol system has made product output and supplies more stable, ensuring product quality and quantity remain within specifications for end consumers.
Quality control in fixed and mobile laboratories

The company continuously monitors and maintains the quality of its petroleum products through a suite of tools for assessing and predicting quality metrics at various stages of the process, from production and shipment to transportation and sales.

All fuel supplied to distribution depots from refineries is tested and supported with certification from certified testing laboratories.

2020 saw the launch of a new stationary laboratory at an oil depot in the Krasnodar Krai operated by company partner S.A.S. This is the first time Gazprom Neft has successfully placed its laboratory at a partner’s oil depot, so that fuel quality can be monitored at a third-party facility.

The company is using a two-faceted approach to petroleum product monitoring: product quality and quantity. As an additional safeguard against technical failures at Gazprom Neft filling stations, the meters, including at fuel dispensers, are inspected by the Mobile Metrological Service. This Service is unique in Russia and acts as an internal auditor that takes stock of fuel levels, calibrates station meters and maintains the standard instruments used for calibration. Apart from inspections at filling stations, the Service checks the accuracy of fuel dispensing systems at oil depots to prevent short supplies to filling stations. This multi-level monitoring enables the company to swiftly detect deviations from normal performance, and to take follow-up actions to ensure accurate measurements, giving our customers an additional level of assurance that they are getting the amount of fuel they paid for.

Product compliance with Russian and international quality standards


Motor gasolines and diesel fuels comply with the requirements set out in European standards for Euro 5 fuel (EN 228 and EN 590, respectively).


Products of Gazpromneft-Lubricants meet the requirements of CU TR 030/2012 and CU TR 009/2011. Motor oils produced by Gazpromneft-Lubricants are included in the annual international quality monitoring programme for the products available for consumers in the market. This programme is run by two industry organisations: the American Petroleum Institute (API) and the Technical Association of the European Lubricants Industry (ATIEL).

Bitumen products comply with Russian and international standards, such as: GOST 33133, GOST 22245, GOST 9548, GOST R 58400.1, GOST R 52128, GOST R 52056, GOST 6617-76, GOST 2889-80, GOST 30693-2000, GOST 15836-79, EN 12591 and EN 14023. Bitumen products produced by Gazpromneft BM are tested in the laboratories of production assets for quality. On passing the tests, binder batches receive product quality certificates. Additional quality control is provided by the research and development centre (R&D Centre) in asphalt-concrete and bitumen laboratories. The R&D Centre also monitors the quality of products produced by processing facilities.

NPP Neftekhimia products meet the requirements of Russian and international quality standards under ASTM and ISO. The polypropylene produced by Poliom meets the Uniform Sanitary Epidemiological and Hygienic Requirements for the Goods Subject to Sanitary and Epidemiological Supervision (Control). Poliom polypropylene brands also comply with European regulations (EC) No 1935/2004 and (EU) No 10/2011.
Gazprom Neft products make it into Russia’s 100 Best Products

EVERY YEAR, GAZPROM NEFT REFINERY’S PRODUCTS ARE SHORTLISTED FOR RUSSIA’S 100 BEST PRODUCTS.

The following products made the cut in 2020:
- Moscow Refinery’s motor gasolines, environmental class K5 (Euro 5 equivalent), grades AI-92-K5 and AI-95-K5;
- Omsk Refinery’s G-Drive 100 motor gasoline;
- Gazprom Neft – Ryazan Bitumen Binders Plant’s innovative polymer-bitumen binders;
- Gazpromneft-Lubricants’ range of lubricants.

The following products received honourable mentions:
- Moscow Refinery’s jet fuel, liquefied petroleum gases and five of their grades of paving bitumen;
- Six types of products by the Omsk Refinery, including Euro 5 diesel fuel, M-grade microspheric zeolite-containing bio-zeolite catalyst, and oils produced by the Omsk Lubricants Plant.

Entering the retail market with bitumen products

In 2020, Gazprom Neft bitumen-derivative products entered the retail building materials market. The company’s waterproofing materials were made available for retail sale at LEROY MERLIN construction hypermarket stores in Moscow, Moscow Oblast and other regions of Russia, with the main products being mastics and primers – typically used in low-rise houses outside the city – from the company’s brand Brit. Autumn 2020 saw the first batches of Brit products hit the shelves of LEROY MERLIN’s MaxiPRO professional construction outlets.
# Key focus areas for product quality improvement

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<th>Focus areas for product quality improvement</th>
<th>Progress in 2020</th>
<th>Goals for 2021</th>
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<td><strong>OIL REFINING</strong></td>
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<tr>
<td>• Construct and revamp process facilities to improve production processes</td>
<td>The Moscow Refinery commissioned a Euro+ combined refining unit to increase the yield of high-octane gasolines and high-performance winter diesel. Unit’s launch will guarantee 15% increase in motor gasolines production, 40% increase in motor diesels production and doubling the amount of produced jet fuel</td>
<td>• Introduce in-line quality analysers (IQA) to automate quality control at the Omsk Refinery</td>
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<td>• Develop systems to automate quality control of process streams</td>
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<td>• Complete the installation of a diesel fuel hydrotreating/dewaxing unit at the Omsk Refinery</td>
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<td>• Develop the system that monitors deviations from designed operating conditions</td>
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<td>• Complete the installation of a deep processing unit at the Omsk Refinery</td>
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<td><strong>AERO</strong></td>
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<td>Develop automated systems for product quality control and timely equipment maintenance</td>
<td>• The company commissioned an automated laboratory information system (LIS). If any abnormal deviations are detected, the system will not allow a quality certificate to be generated for the product and aircraft refuelled</td>
<td>• Develop a prototype in-line analyser for quality control of jet fuel. Conduct R&amp;D and certify the prototype to the requirements of the Technical Regulations of the Customs Union</td>
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<td><strong>BUNKERING</strong></td>
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<td>Produce new types of environmentally friendly 0.5% sulphur marine fuels</td>
<td>The company launched its first customised LNG bunker barge for operations at Baltic Sea ports. Sea trials are underway</td>
<td>Expand the product mix of marine fuels</td>
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<tr>
<td>Focus areas for product quality improvement</td>
<td>Progress in 2020</td>
<td>Goals for 2021</td>
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<tr>
<td><strong>LUBRICANTS</strong></td>
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<td>• Conduct original R&amp;D in the motor oil segment using the company’s own Group II and III (API) base oils and develop new platforms (formulations) of premium motor oils for commercial and passenger road transport • Develop motor oil additive packages using the company’s own additives</td>
</tr>
<tr>
<td>Develop the product range of high-performance lubricants and engage consumers on new product adoption</td>
<td>• In 2020, 34 Gazpromneft-Lubricants products were officially licenced by the American Petroleum Institute (API), and 32 products were approved by Mercedes-Benz. The company obtained about 500 approvals for its product portfolio from Russian and foreign equipment manufacturers • The company successfully passed an audit confirming compliance with industry specifications for a number of its products</td>
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<tr>
<td><strong>PETROCHEMICALS</strong></td>
<td>• Improve product appearance (polypropylene pellets) through equipment upgrades • Use statistical analysis to improve the quality of finished products</td>
<td>• Streamline feedstock processing at NPP Neftekhimia by switching to general and specialty customised blends/additives • Increase consumer satisfaction with the quality of Poliom products.</td>
</tr>
<tr>
<td>Expand the premium range of products and improve consumer engagement</td>
<td>• The company piloted the polypropylene grades PP H085 CF, PP H031 BF, PP H033 FF with customised blends as a substitute for individual stabilisers and additives currently in use. The pilot products received positive feedback from consumers</td>
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<tr>
<td><strong>BITUMEN MATERIALS</strong></td>
<td>• Gazpromneft Bitumen Materials updated its internal Technical Regulations at production assets in Ryazan and Vyazma • The company signed an interlaboratory programme involving oil refining companies, the Federal Road Agency, the Russian Highways State Company, Rosasphalt Association and the National Association of Oil Product Carriers. The programme will explore and evaluate the stability of bitumen during transportation at elevated temperatures</td>
<td>• Implement the new GOST R 58952.1-2020 standards • Conduct cross-industry conferences and trainings, including the Tenth Cross-Industry Conference “PRO Bitumen and PBB. Agenda for 2021”, with the participation of government regulators and the leading players in the Russian bitumen market</td>
</tr>
</tbody>
</table>
Caring about consumer health and safety

Gazprom Neft cares about the health and well-being of our retail and corporate customers.

Safety of retail consumers during the COVID-19 pandemic

Minimising contact

- Social distancing markers
- Filling station cafes offering take-away only
- “Sneeze-guard” screens installed at checkouts across 620 filling stations

Mobile apps

- Contactless payment – without having to leave your car

1.6 million users per month\(^1\)  
+100\% increase in online payments during the pandemic\(^2\)

In 2020, Gazprom Neft launched its Antivirus initiative to curb the spread of the novel coronavirus infection

Under the initiative, Gazprom Neft filling stations:

- installed anti-bacterial at more than 500 Gazprom Neft filling stations in Moscow, St Petersburg, Yekaterinburg, Omsk and other regions of operation, not only to prevent COVID-19 outbreaks at company facilities, but also to reduce the risk of other common seasonal respiratory infections;
- supplied more than 510,000 litres of free gasoline and diesel fuel to ambulances in Omsk as well as in Novyabrsk and Muravlenko in the Yamalo-Nenets Autonomous Okrug;
- provided oil changes free of charge to almost 1,000 ambulances (G-Energy Service stations);
- served about 370,000 free coffees to ambulance workers and other first responders;
- extended elite statuses for “On Our Way!” loyalty members regardless of fill-up volumes amid reduced road traffic in Russia in spring 2020;
- granted a 45-day grace period to corporate customers (OPTI 24 service card holders);
- offered an interest-free grace period to small wholesale customers, saving them about ₽300 million over six months;

1. Number of Gazprom Neft retail network and AZS.GO mobile app users
2. Since 1 April 2020
Health, safety and environmental standards

Products subject to Technical Regulations (motor gasolines, jet, diesel and bunker fuel, fuel oil, paving bitumen, liquefied petroleum gases) have EAC Declarations confirming compliance with CU and EAEU Technical Regulations. Every batch of products has its compliance with environmental standards verified.

In addition to this, the company developed and revised four Safety Data Sheets (SDS) for bitumen materials and 221 SDSs for lubricants in 2020, in accordance with the Regulation (EC) No. 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). This Regulation was adopted to ensure a high level of protection for human health and the environment. The SDS for residual (TSU) and distillate marine fuels (CMT), diesel fuel, and jet fuel were also revised.

Benzene, sulphur and lead levels in Gazprom Neft motor gasolines and diesel fuels conform to the limits set by the European standards EN 228 and EN 590.

Product labelling

Most of Gazprom Neft commercial products are not labelled. Labelling is restricted to accompanying documents (the product certificate and safety data sheet), and the vehicles transporting these products. Shipping labels comply with GOST 31340, GOST 1510 and GOST 14192, which set the requirements for the labelling of chemicals.

To make product information more transparent for consumers, Gazprom Neft products are labelled in accordance with national and international standards.
Continuous consumer engagement

Gazprom Neft is committed to building direct, long-term relations with consumers, driven by transparency and mutual respect. As a responsible supplier, Gazprom Neft keeps consumers up-to-date on its available products and services, and is continuously improving its customer query and complaint management process.

Gazprom Neft conducts regular customer satisfaction surveys and continuously makes use of feedback from counterparties, including complaint handling.

Relations with corporate and wholesale customers

The company uses the following channels to reach its corporate and wholesale customers:

- information and technical support for our products;
- direct dialogue between management and customers during training and workshops for partners and consumers, meetings and support sessions with authorities, and within industry working groups on the development and implementation of standards;
- customer-facing activities of account managers at Gazprom Neft offices;
- published information on corporate websites, customers’ personal accounts, mobile apps and publicly-available online resources;
- marketing and advertising campaigns;
- loyalty programmes;
- Gazprom Neft hotline;
- direct communication (emails, text messages and push notifications);
- Gazprom Neft partner network: the OPTI 24 service card processing network, dealers, agents;
- feedback through social media.

Bitumen distribution network development

Gazprom Neft is building and expanding its distribution network to sell premium bitumen derivatives across Russia. This network includes 27 partner companies with a proven track record in the regional bitumen markets.

To raise the level of professional, industry and business expertise of distributors and key consumers, the company implemented the Brit Academy training programme. Training takes place in an interactive environment via a mobile app. Training courses are supported with educational materials, video lessons, technical guides and brochures, and audio recordings. Training can be taken in modules from basic to advanced levels, with certificates issued upon their successful completion.

Gazpromneft Bitumen Materials is a major producer of bitumen derivatives. The company’s portfolio now includes more than 200 products: from innovative road, bridge and airfield mastics, sealants and emulsions to bitumen joint sealing tapes.
Engagement with retail customers

Gazprom Neft uses a multichannel approach to reach out to retail consumers of its petroleum products, comprising communications at filling stations or in the mobile app, media placement, our official social media accounts (managed by PR), feedback through social media and via the Gazprom Neft retail network’s Integrated Customer Support Centre (ICSC), and face-to-face communication with customers as part of below-the-line, conventional and digital advertising campaigns.

In 2020 fuel quality campaigns initiated by the company’s motor fuel sales segment had a total reach of over 118 million across a mix of traditional media and social media platforms. The ICSC is a 24/7 multi-channel service that leverages various conventional and digital communication tools to enable prompt responses to retail customer queries.

All queries are recorded by type and subject in an integrated query management system. The quality of customer interactions is monitored regularly across all communication channels, and any reported issues are followed up. The company conducts regular satisfaction surveys among end consumers, covering the entire service delivery journey.

In 2019, Gazprom Neft launched the integrated Quality 360° programme in its motor fuel sales segment to drive retail customer perceptions of our fuel quality by coordinating the efforts of PR, Marketing, in-house and external experts, and filling station staff.

Quality 360° divides the audience into segments by how receptive they are to quality-related information, and tailors content and promotion channel mix accordingly.

Gazprom Neft’s efforts to raise awareness among retail consumers are focused on:
• raising consumer awareness by explaining the advantages of Gazprom Neft products, dispelling myths and biases, and integrating quality-related messages into sport projects and federal promotional campaigns;
• engaging the expert community on fuel quality by running educational and expert projects.

"On Our Way!" is one of the largest loyalty programmes in Russia.

In 2020, Gazprom Neft built a fully-digitised customer activation journey to enhance its loyalty programme, eliminating the need for a plastic loyalty card to be purchased at a filling station. Our digital approach has paid off: mobile customers with a virtual card in Gazprom Neft retail network mobile app accounted for 42% of new loyalty programme members in 2020. Customers can now tap an “Invite Friends” option in the mobile app to send an invite link via any messenger app.

By enhancing optionality around point earning and redemption, we increased the share of loyal customers in 2020 to 59% (+2 percentage points vs 2019). Q1 2020 saw improvements to the basic terms of the loyalty programme, and the introduction of reward points as a way of saying thank you to the customer for choosing Gazprom Neft. Customers can now also share their points with friends who are also signed up to the programme, or, as part of our new optionality to drive emotional connections, they can donate them to charity, for example the search-and-rescue volunteer team Liza Alert. In just one month of being available on the app, customers donated more than three million points to Liza Alert.

Improvements to the programme focused on three key areas in 2020:

1. digitising the customer acquisition and activation process;
2. stabilising the customer base by enhancing optionality around point earning and redemption;
3. boosting emotional connection for higher customer loyalty.
Engagement with fuel market regulators

In 2020, Gazprom Neft continued to build its relations with the state fuel market regulators, including the Federal Agency for Technical Regulating and Metrology, and the Ministry of Industry and Trade of the Russian Federation. Gazprom Neft specialists actively participate in the interdepartmental working group for combating the illicit trade of petroleum products, and contribute annually to Direct Line, a federal live-broadcast programme focused on the quality of motor fuels in Russia. During this programme, experts from the Federal Agency for Technical Regulating and Metrology and Gazprom Neft, as well as public and research officials, field questions from motorists about the quality of motor fuels, the servicing of engines and fuel supply systems, and other aspects of maintenance.

The topics and format of Direct Line were well received by both motorists and the professional media community: the programme won the MediatEK-2020 award, Russia’s top award for public-awareness efforts in the fuel and energy sector.

Consumer satisfaction surveys

To assess retail consumer satisfaction with the quality of motor fuel and services, the company conducts regular surveys, studies feedback given via CRM system touch screens at the checkout areas of filling stations, and analyses comments and queries received through its hotline and on social media.

Net Promoter Score (NPS) is the key metric to measure consumer loyalty to the Gazprom Neft retail network.

According to an Ipsos Comcon survey, the NPS of the company’s filling station network and the whole motor fuel retail market returned to pre-COVID levels seen in the first half of 2018. Our NPS score stands at 58 points (+5 percentage points vs 2019), which is higher than the market average of 49. In 2020, the NPS of the company’s retail network was surpassed by only two international brands, Shell and BP.

The Customer Satisfaction Index (CSI) has also increased and sits at 86 (+2 percentage points vs 2019), which, again, is surpassed only by Shell and BP’s networks in Russia.

In 2020, the total number of contacts with retail consumers increased 2.5-fold to 358 million contacts. The number of complaints remained low at 0.03% of the total number of queries. Queries include those received by the ICSC through voice and other channels, including the mobile app’s chat, emails and messages sent via the feedback form at gpnbonus.ru, as well as all user activities in the Gazprom Neft retail network mobile app, and feedback from customers through CRMSensor devices at filling stations.

The most frequent queries made by Gazprom Neft retail network customers in 2020 included:
- the terms and conditions of the loyalty programme, including virtual loyalty cards and virtual co-branded cards;
- whether contactless payment is possible for fuel, including directly from the Gazprom Neft retail network mobile app;
- the measures in place to curb the spread of COVID-19 at Gazprom Neft filling stations.

All queries are recorded by subject, type and topic in an integrated Open-Source Ticket Request System (OTRS). Unusual queries and complaints that require additional information for handling are passed to the relevant company service to prepare a response, which is then returned to the ICSC operator and provided to the customer.

The share of positive mentions of the Gazprom Neft retail network online increased from 28.99% to 37.2% (+8.2 percentage points) in 2020. The potential reach of positive coverage was up 15.1 percentage points, with the total audience running into 537 million people. This growth was the result of a surge in online consumer interactions during the COVID-19 pandemic, and extension of “On Our Way!” member statuses. The Gazprom Neft retail network generated a significant amount of
Improvement of digital products and services

Gazprom Neft is improving its digital products and services for all consumer segments of the motor fuel market, including individual motorists, owners of heavy and light commercial vehicles, taxi fleets, and OPTI 24 service card distributors. While developing these solutions, the company tries to target users as accurately as possible and tailor the experience to them to save time and money for our customers and partners.

2020 saw about 27% of small wholesale transactions made through users’ personal accounts, and 1.8 million tonnes of gasoline and diesel fuel sold through digital channels. The Gazprom Neft retail network mobile app reached 2 million average monthly active users.

Corporate customer satisfaction is assessed through a questionnaire. Feedback for aviation and bunker fuel, bitumen materials, lubricants and petrochemicals shows an increased level of consumer satisfaction with product quality, the reliability of supplies, and the quality of our customer service and value-added services.
Digital services for bitumen sales

In 2020, Gazpromneft Bitumen Materials sold more than one million tonnes of base and premium bitumen through its digital service, which is twice as much as in 2019. Through this digital service, customers can buy bitumen from 14 company facilities, including the Moscow and Omsk Refineries. The customer’s personal account, one of the key modules of this service, was introduced in 2020 and is constantly updated with new features. In 2021, it will enable customers to choose delivery of packaged products not only within Russia but also abroad, and in the longer term, by rail as well.

In 2020, the Gazprom Neft retail network mobile app was updated with many new features, such as online fuel payment and a range of virtual cards, including the Autodrive Start co-branded bank card, and the “On Our Way!” loyalty card. Since launch, customers have set up about 1.9 million virtual cards on the app. It is constantly updated with new services, such as the ability to call a tow truck, pay for a car wash, buy insurance policies, check vehicle history, schedule maintenance appointments and much more. The company enhances its mobile apps through partnerships with young start-ups focused on the development of mobile apps and services for Android and iOS.

The company’s mobile apps, the Gazprom Neft retail network mobile app and AZS.GO app, offer users new payment options to complete fuel purchases – a bank card, “On Our Way!” points, Apple Pay and Google Pay, while the AZS.GO app also offers a group account payment option. The company has added new features to the AZS.GO, and launched a unique service for professional drivers – online fuel payment for OPTI 24 service card holders. This service is offered automatically, with ID verified by the user’s phone number. Mobile fuel payment is available at 95% of Gazprom Neft filling stations in Russia.

Corporate customers of the Gazprom Neft retail network holding OPTI 24 service cards have all the tools they need to manage fuel costs directly in their personal account and on the OPTI 24 mobile app: from quickly topping-up their fuel account and issuing virtual cards to drivers, to electronic document management and the ability to plan out cost-efficient routes. It takes only a few seconds to transfer funds by a number of options, including conventional payment orders, bank card payments, or payments through the corporate customer’s linked bank account. The OPTI 24 personal account has everything a corporate customer could need: data analytics, a balance checker, limit setting, bulk driver provisioning, role and electronic document management. About 90% of all corporate customers use the OPTI 24 personal account, reflecting a high demand for this service.

In 2020, Gazprom Neft continued to actively collaborate with startups as part of the StartupDrive accelerator. StartupDrive tenants are companies focused on the development and promotion of high-tech products and solutions for haulage, fraud-prevention, ride-hailing, car-sharing, fintech and retail services. An accelerator is a business development tool that allows startups to promote and refine their ideas for a specific customer or customer segment, and expand their sales channels going forward. Accelerator customers, including our motor fuel sales teams, get the opportunity to offer their customers a greater number of user-friendly services comprising a product ecosystem.
Customer personal data protection

As Gazprom Neft is increasingly focused on digitising customer journeys, it pays great attention to the protection of its customers’ personal data.

The company’s personal data processing practices comply with the requirements of Federal Law No. 152-FZ of 27 July 2006 On Personal Data, and also take into account the provisions of the General Data Protection Regulation (Regulation (EU) 2016/679) of 27 April 2016.

Personal data protection policies:
• Personal data are processed in a lawful, fair and transparent manner
• Access to personal data is only possible on legal grounds, such as personal consent or consent of a legal representative for persons under 14 years of age (for foreign nationals, this age is subject to their local law), the requirements of Russian laws, a contract or other legal documents
• Personal data are processed only for specific and legitimate purposes stated in advance, and are not used for any other purposes
• Personal data are gathered in the minimum amount necessary to accomplish the stated objectives
• Personal data must be accurate, adequate and up-to-date
• Incomplete or inaccurate personal data are deleted or corrected
• Personal data are retained only as long as required for processing purposes: they are erased or destroyed either when the processing objectives have been achieved, or become no longer relevant
• The confidentiality of personal data is ensured by restricting access to authorised employees only, and by other safeguards
• The company takes necessary, adequate measures to prevent misuse of personal data

Gazprom Neft does not collect information relating to race, national origin, political views, religious or philosophical beliefs, private life or health status.

1 — Personal data: any information relating directly or indirectly to an identified or identifiable individual (data subject). For example, personal data include surnames, given names, passport data, email addresses and telephone numbers.

2 — Personal data processing: any action performed on personal data, such as collection, storage, adaptation or alteration, use, transmission, and erasure or destruction.
HEALTH AND SAFETY
Health and safety

Safe operations have always been a top priority for Gazprom Neft. The company always places the safety of its employees, local communities and the environment above financial, technical or any other considerations. The company is committed to providing a safe working environment for its people and expects the same from its partners.

Strategic priorities and goals

STRATEGIC PRIORITY

Target Zero – zero harm to people, the environment, or property in our operations.

STRATEGIC GOAL

To achieve Fatal Accident Rate (FAR)\(^1\) and Tier 1 Process Safety Event (PSE) levels at or below those of the world’s top 10 safest\(^2\) liquid-hydrocarbon producers by 2030.

KEY FOCUS AREAS:

- HSE risk management
- Monitoring and operational control
- Emergency prevention and containment system management
- Developing and deploying new control and safety technology
- Employee training and promoting a safety culture

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1. Fatal accident rate: the number of fatal accidents per 100 million person-hours worked.
2. HSE requirements include (but are not limited to) requirements for industrial, fire, transport and environmental safety; occupational health and safety; electrical safety and emergency preparedness.
PROGRESS IN 2020

Injury and accident rates
- No fatalities involving company employees and 67% less fatalities at contractor organisations from a 2019 baseline
- No industrial accidents at company facilities, 35% less equipment incidents against a 2019 baseline

COVID-19 response
- Over 1.1 million COVID-19 tests performed on employees
- Over 140 buffer zones for FIFO personnel

Performance against 2020 targets
- According to inspections, the overall operability of key HSE risk mitigation barriers under the Safety Framework programme was up from 57% to 81%; inspections covered a total of over 45,000 safety barriers across 57 subsidiaries
- A remote HSE knowledge evaluation system was piloted on a large scale (over 17,000 testing sessions on the External Knowledge Evaluation platform)
- Under efforts to develop data analytics systems, the consolidation of HSE data from 15 sources was automated

PLANS FOR 2021

Reduce accident and work-related injury rates at the company and contractors by:
- expanding the risk-based approach to HSE risk management from the strategic level (company risks) to the tactical level (subsidiary risks);
- adopting the PSE Tier 1–4 international classification of industrial incidents in line with API-754 and IOGP 456;
- rolling out the External Knowledge Evaluation HSE training and controlled knowledge testing system across the Upstream Division;
- decreasing Auto Accident Rate (AAR), the specific road accident rate, by 5% from a 2019-2020 average baseline.

Gazprom Neft’s Policy on Industrial, Fire, Transport, Environmental and Occupational Safety, and Civil Defence provides for the implementation and continuous improvement of an effective safety system, compliant with national and global standards.
COVID-19 response

The COVID-19 outbreak, which was declared a pandemic in March 2020, was a hard test for almost all employers. Early in the pandemic, Gazprom Neft developed and implemented Antivirus, a comprehensive programme to curb the spread of COVID-19.

The Antivirus programme comprises a system of barriers involving technical and organisational measures to counter the virus, with a total of 70 barriers in place to halt the spread, ranging from mandatory temperature checks and wearing personal protective equipment to more sophisticated measures.

Health management system

Gazprom Neft rolled out regular mass COVID-19 testing for its employees. As part of Barrier, our corporate testing programme, over one million tests were administered in 2020, covering employees across all oilfields, refineries and offices of Gazprom Neft and its contractors. Mass testing prevented outbreaks of the disease.

In 2020, the company launched its own health monitoring system, HealthCheck, as well as the Gradusnik (Thermometer) mobile app, which work together to enable swift communication between employees and the company’s medical team. These services are also used to automatically issue e-passes to the company premises depending on COVID-19 test results.

Production continuity management

A system of barriers and screens was put in place at our refineries to prevent the spread of the infection. Only employees with a negative COVID-19 test result or antibodies for the virus are admitted to work.

Robotic process automation and digital technologies enabled contactless shift handover at company refineries. Backup shifts were also introduced in 2020 at refineries for quick handover, should any employee be taken ill in the current shift.

Over 140 “buffer zones” were set up in oil production regions, offering temporary accommodation and medical monitoring for employees before work at oilfields.

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1 – Extended shifts of up to 60 and 90 days at remote fields and the Prirazlomnaya oil platform in the Arctic.
To prevent the spread of the infection, the company implemented the COVID-19 response strategy, updating it as new data and technologies became available. Buffer zones remain one of the most effective measures, offering accommodation and medical monitoring for employees before work at oilfields. Medical checks are carried out twice: before stay in a buffer zone and three days prior to fly-in. This procedure ensures personnel are as safe as possible. In total, 122,000 employees have passed through over 140 buffer zones. The buffer zones helped to protect company and contractor employees from the pandemic and to prevent outbreaks of the infection, setting a benchmark for the industry.

Buffer zones

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140+ buffer zones
10,000+ employees pass through every 14 days
Health, safety and environment management system

Gazprom Neft management has the ultimate responsibility for effectively managing operational risks related to potential impacts on employee life and health, as well as on equipment, property and the environment.

The use of key metrics such as FAR and AAR to set KPIs for senior management in managing risks to employee life and health, and Ka for equipment, property and the environment, enables company management to make effective decisions.

The company’s comprehensive HSE decision system includes collegial bodies such as an HSE Professional Board and an HSE Supervisory Board.

Accident and injury metrics (Ka, FAR and AAR) have been integrated into a set of KPIs for senior management

Ka: the accident rate, the number of major equipment-related incidents per million person-hours worked.
FAR (Fatal Accident Rate): the number of employee fatalities divided by the number of person-hours worked in the reporting period, multiplied by 100 million.
AAR (Auto Accident Rate): the number of traffic accidents per million km travelled.

The HSE Professional Board is responsible for consolidated decision-making that supports the development of a company-wide HSE management system, as well as for submitting strategic initiatives to the Supervisory Board and the Gazprom Neft Management Board for review.

The HSE Supervisory Board is a collegial body made up of senior executives of operational units. It is tasked with reviewing strategic matters related to safety improvements across the company by drawing on the expertise of operational functions.

Key decisions are reviewed by the Management Board at its meetings.

For more details on Gazprom Neft’s HSE governance bodies, see “Corporate governance” on page 26.
Gazprom Neft’s company-wide HSE programme, Safety Framework, is aimed at mitigating our key risks. The core principle of the programme is to prioritise and introduce, step by step, barriers to prevent events with catastrophic consequences for the company of which there are 31 scenarios. The company earmarks financial and human resources to effectively implement the Safety Framework barriers.

The actual quality of barrier implementation at company assets is verified by independent inspectors. In 2020, the outcomes of implementing barriers in various areas of the company were added to a corporate dashboard. This lets managers objectively assess the HSE situation at specific operations and the company’s progress on mitigating key risks.

A total of about 10,000 initiatives were completed across subsidiaries under the programme in 2020, at a cost of ₽2.8 billion. An evaluation of barrier performance showed that breaches in focus areas more than halved year-on-year.

The company also works to identify a set of best available practices to manage HSE risks specific to each asset. To do this, each asset compiles a register of the most significant HSE risks and prepares and implements plans to minimise them.

**HSE risk management cycle**
The company continues automating and digitising HSE management with advanced data collection and analytics, modelling and monitoring technologies. In 2020, the digital HSE risk management programme was approved, serving as a tool to reduce injury rates. The programme is focused on collecting accurate and quality data through the company’s key HSE IT projects, including:

**Dashboard**
A tool to evaluate strategic risk barrier operability, covering analytics results from 57 company subsidiaries and used in incentives for all Gazprom Neft employees.

**Cause-and-effect models**
A tool enabling any asset to model incidents and assess the condition of barriers to prevent them or mitigate their impact.

**Electronic permit to work system**
A tool for operational risk management, unlocking in particular a more than 50% reduction in the amount of labour necessary to issue permits to work at hazardous facilities, by accelerating the approval process.

**External knowledge evaluation**
A training and controlled knowledge testing system, supported by remote HSE test invigilation (AI-driven technology simulates an invigilated exam during online testing).

The company’s portfolio includes more than 20 company-wide digital and R&D projects for various HSE functions, including the following solutions currently being rolled out:

**The Kontur portal**
Automated collection of data from risk users and incident risk prediction based on latest data. In 2020, Kontur was updated with new modules that test the operability of Safety Framework barriers and provide risk management and an automated operational control system.

**A HSE video-analytics system**
A project to enhance occupational safety at work, enabling surveillance over hazardous areas, employee identification, monitoring of traffic rule violations, etc.

**An automated operational control system**
The new solution collects and analyses data on operating processes aligned with all HSE requirements, enabling analysis, prediction and adjustments in case of deviations in equipment performance. Transparent monitoring enables responsible persons to be promptly designated and corrective actions to be monitored online. The system will support the company’s transition to predictive analytics to improve the reliability of operation at facilities.
**Occupational Health**

Company management places emphasis on reducing injury rates, implementing safe technology and creating a safe working environment. Compliance with the relevant corporate policy is monitored at all management levels, from the CEO to supervisors, and is supported by HSE experts.

The company encourages employees to take responsibility for their own and others safety, while improving knowledge, competencies and awareness in this field, and engaging its employees in occupational health activities.

The company leverages a risk-based approach in its corporate HSE processes to continue pushing the number of fatal injuries lower, both for company and contractor employees working at Gazprom Neft facilities. The use of IT monitoring and analytics systems, coupled with promoting a safety culture and remote learning among company and contractor employees, also had a positive impact on the company's HSE performance.

In 2020, Gazprom Neft further reduced fatality rates across company facilities. There were zero fatalities across Gazprom Neft Group, and fatality rates at contractor organisations declined significantly.

### Work-related injury rates

<table>
<thead>
<tr>
<th>Year</th>
<th>FAR</th>
<th>LTIF</th>
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<tbody>
<tr>
<td>2016</td>
<td>3.093</td>
<td>0.56</td>
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<tr>
<td>2017</td>
<td>3.083</td>
<td>0.60</td>
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<tr>
<td>2018</td>
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<td>0.64</td>
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<tr>
<td>2019</td>
<td>1.461</td>
<td>0.50</td>
</tr>
<tr>
<td>2020</td>
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### Number of people injured

<table>
<thead>
<tr>
<th>Year</th>
<th>Gazprom Neft Group employees</th>
<th>Contractor employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>69</td>
<td>68</td>
</tr>
<tr>
<td>2017</td>
<td>74</td>
<td>64</td>
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<td>92</td>
</tr>
<tr>
<td>2019</td>
<td>68</td>
<td>83</td>
</tr>
<tr>
<td>2020</td>
<td>75</td>
<td>80</td>
</tr>
</tbody>
</table>

1. In addition to Gazprom Neft assets in Russia, injury rates include joint ventures whose operations are managed by Gazprom Neft, including Gazprom Neft assets overseas (in Iraq, Italy, Serbia, Eastern Europe and Central Asia).
2. Fatal accident rate: the number of fatal accidents per 100 million person-hours worked.
3. Lost time injury frequency: the number of lost-time incidents (including fatalities and temporary or permanent disability) per million person-hours worked.

Gazprom Neft makes every effort to prevent fatalities. The company seeks to minimise the risk of similar accidents by investigating their causes and implementing corrective action plans. The company takes preventive measures across all of its assets in line with these plans.

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**Fatalities among company employees**

Gazprom Neft makes every effort to prevent fatalities. The company seeks to minimise the risk of similar accidents by investigating their causes and implementing corrective action plans. The company takes preventive measures across all of its assets in line with these plans.
Unfortunately, the company was not able to completely eliminate fatal accidents among the contractor employees.

In February 2020, as a result of a hard landing of a helicopter carrying employees of Gazprom Neft and a contractor, two crew members died.

In March 2020, during the cementing of the well casing, a high-pressure hose burst. The employee of the contractor organization who was nearby received an injury incompatible with life.

To investigate these incidents, special commissions were established to conduct a detailed analysis of the causes and develop measures to minimise the risks of recurrence of accidents. The commission is doing everything possible to prevent the recurrence of such tragedies.

**Responsible contractor management**

In line with its HSE Policy, the company focuses on safety requirements when performing operations at its facilities, including those related to COVID management measures, medical support and the protection of employee health during the pandemic.

Gazprom Neft is focused on fostering a safety culture at its contractors, which is based on personal responsibility, motivation and engaging each employee in HSE improvement.

The company works to foster certain mindsets among contractor employees through a system of incentives and training, in accordance with the applicable laws of the Russian Federation, as well as corporate and international HSE standards.

**The Safe Production Project**

Gazprom Neft continues its Safe Production Project, a major initiative in HSE and operational efficiency aimed at improving the working conditions and rest breaks of contractor employees.

The project helps to improve employee satisfaction and incident transparency, as well as significantly reduce turnover, by adjusting operating processes at contractor organisations, unlocking safer and more efficient operations.

**Project outcomes:**

- 4% turnover rate decrease
- 22% increase in employee satisfaction
- 40% more effective detection of HSE breaches

For more details on accident investigation see page 87
Safety culture

The company pays special attention to improving the knowledge, skills and competencies of its employees and contractor personnel. To this end, the Corporate University has a dedicated HSE department, where training is provided by both external experts and in-house coaches.

In 2020, the External Knowledge Evaluation system was piloted on a large scale (17,000 testing sessions), and the decision was made to roll it out across the Upstream Division. The system makes at-home training and controlled knowledge tests possible.

To practice safe working skills, the Upstream Division successfully launched a modern training centre at Novy Urengoy Multidisciplinary College and expanded the infrastructure of training facilities in other regions in 2020.

The Downstream Division, Gubkin University and Omsk State Technical University opened the Industrial Safety Academy for operational and service staff. Students study global best HSE practices, develop risk-based thinking and learn production process specifics. Academy graduates receive a retraining certificate, enabling them to engage in technosphere safety services.

Productive quarantine: safety training at buffer zones

To help employees stay productive during quarantine, Gazprom Neft Development, Gazpromneft-Yamal, Gazpromneft-Zapolyarye and Messoyakhaneftegaz offered remote training in HSE at their buffer zones.

The training is delivered via an external provider’s remote learning platform and can be accessed from a PC or mobile phone via a mobile app. Data on completed courses are stored in a single database and held on e-cards connected to an automated progress tracking system.

The company offers four courses:

- Training in Workplace Safety: Tier 1
- Safety Framework
- Hazardous Work
- Work at Height
Transport safety

**Road transport safety**

The company has in place a Vehicle Tracking System (VTS) to monitor road safety through tracking safe-driving performance, including driving speeds, sudden acceleration or braking, driving hours and rest breaks, with monthly reports on road safety performance generated. The system covers various types of vehicles used in operating processes, from cars for personnel to tank trucks for petroleum products.

A suite of hardware and software solutions monitors key metrics in real time and triggers emergency response mechanisms if necessary. To prevent a potential accident, a traffic controller can contact the driver to change the vehicle’s speed or route.

**Air safety**

In 2020, Gazprom Neft set up a single competency centre for air transport and flight safety, tasked with defining a strategy and methodology, as well as conducting audits to ensure flight safety at all company assets.

The company fleet of Mi-8T helicopters was retired due to the model’s insufficient thrust and replaced by more advanced Mi-8MTV helicopters. Flying experience requirements have been raised for pilots. All aircraft crews undergo special additional training using mobile simulators. The company upgrades heliports at fields and builds new infrastructure facilities.

Gazprom Neft has centralised air transportation of personnel to fields, including contractor employees.

**Safety at sea**

Gazprom Neft has developed and introduced a Marine Operations Safety Management System. In March 2020, the system passed an expert review by the Russian Maritime Register of Shipping and was certified to applicable national and international standards. Requirements for an inland water safety management system are under development.

Gazprom Neft is rolling out Kapitan, an intelligent digital logistics management system that ensures safe operations in the Arctic. The system monitors crude shipments and inventories 24/7, taking into account weather conditions, including changes in ice conditions, to identify optimum logistics solutions for crude transport.

New heliport in the Arctic

Gazprom Neft commissioned the Arctic heliport at the Varandey shift camp, deploying cutting-edge solutions to operate flights in the harsh conditions of the Arctic. The heliport has a runway, a helipad, a passenger terminal with a control tower and infrastructure facilities. The heliport is equipped with the latest radio and meteorological equipment, navigation and approach lighting systems.

Crews are transported to the Prirazlomnaya platform on Gazpromavia’s fleet of modernised Mi-8AMT helicopters. The transport and logistics scheme at Prirazlomnaya involves several of these aircraft, specially equipped for flights over water in line with stringent safety standards. Each helicopter is fitted with emergency lighting, push-out windows and two 25-person life rafts.
Air incident investigation

In February 2020, adverse weather conditions caused a helicopter carrying Gazprom Neft and contractor employees to land hard 300 m away from Sabetta Airport (Yamal). Two crew members died in the accident; however, the passengers and co-pilot were able to evacuate the helicopter unassisted. All passengers were taken to the local medical aid post, where they were examined and confirmed to have sustained no serious injuries.

**Actions taken**

- All the company’s assets that use air transportation were provided with operational information about the incident and the preliminary causes, as well as recommendations for the implementation of prompt measures aimed at preventing the recurrence of such incidents.
- The contract with the air carrier was terminated.
- Gazprom Neft set up a single air transportation centre, responsible for developing a flight safety strategy, providing guidance, audits and procurement.
- Stricter requirements for aircraft maintenance, contracted crews and helicopters were included in the standard form contract and as part of Safety Framework barriers.
- A Memorandum of Cooperation in flight safety was signed with Shell.
- Equipping the helipad of the Leskinskoye licence block with meteorological instruments is being considered.
- The company is developing a standard of psychological support and post-accident rehabilitation.

All the company’s employees were informed about the main conclusions of the commission for the investigation of the accident, as well as the measures taken to reduce the likelihood of similar accidents in the future.
Occupational health and disease prevention

Gazprom Neft has designed a corporate occupational health and disease prevention system, which encompasses initiatives to manage occupational and work-related risks.

In response to the global COVID-19 pandemic, Gazprom Neft deployed a package of anti-COVID measures, medical support and employee health protection from March 2020 under the comprehensive corporate programme Antivirus.

During lockdown and the period of remote work, when uncertainty was high and people needed information support, the company launched new channels for internal communications and for communication between employees.

When every minute counts: field health workers save a human life

At an oil rim of the Chayandinskoye field in Yakutia, a contractor employee showing signs of stroke asked for medical help. The nearest healthcare facility with a specialised neurological department was located in Mirny, more than 250 km away from the field.

Through their prompt, expert intervention, the field health workers were able to make a correct diagnosis and take the necessary measures in time. They thoroughly examined the employee’s health condition and made a preliminary diagnosis. An air ambulance from the Disaster Medicine Centre of the Republic of Sakha (Yakutia) was sent to the site for an emergency airlift to hospital.

The employee was taken to hospital, where he received planned treatment, as soon as possible after he first requested medical help. Further rehabilitation took place at a healthcare facility back at his home place of residence.
Industrial safety

The Gazprom Neft industrial safety management system operates in accordance with applicable local regulations and international best practices.

In order to prevent major equipment failures, the company leverages advanced technical solutions that ensure the safe operation of production facilities.

As in 2019, no industrial accidents were reported at Gazprom Neft in 2020 while the number of equipment incidents decreased. This positive change shows that the company has adopted an effective approach to asset reliability management.

Following a major accident at the Norilsk CHPP\(^1\) in 2020, Gazprom Neft launched an extensive self-assessment programme to inspect a total of 1,425 tanks, with a capacity of at least 100 cubic metres. The inspections particularly focused on assessing the condition of foundations and soils under the tanks, identifying whether operating equipment was compliant with design documentation, determining whether there was scope to extend service life and ensuring diagnostics were being followed up with maintenance and repair schedules. The inspections confirmed that tanks inspected do not carry any risk of leak during operation. In addition, proposals were prepared to improve industrial safety during tank operation.

For more details on Norilsk emergency response, see page 93

Incident/accident rates\(^2\)

<table>
<thead>
<tr>
<th>Number of incidents</th>
<th>Number of industrial accidents</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016: 2,385</td>
<td>2016: 600</td>
</tr>
<tr>
<td>2017: 2,183</td>
<td>2017: 2 0</td>
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<tr>
<td>2018: 1,068</td>
<td>2018: 1 0</td>
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<tr>
<td>2019: 920</td>
<td>2019: 0 0</td>
</tr>
<tr>
<td>2020:</td>
<td>2020: 0</td>
</tr>
</tbody>
</table>

\(^1\) The petroleum product spill at CHPP-3 of NTEK (part of Norilsk Nickel Group) in May 2020.

\(^2\) According to the classification of the Federal Environmental, Industrial and Nuclear Supervision Service of Russia (Rostechnadzor).
Gazprom Neft develops fields in permafrost zones. These projects rely on cutting-edge technologies and state-of-the-art infrastructure. Even at the earliest stages of engineering and design, advanced techniques are considered to improve operational safety in the harsh arctic conditions, including extra cooling of support piles, continuous automated monitoring of horizontal movements of structures, continuous measurement of the temperature of important steel structures, etc.

Whenever field infrastructure is designed or technical solutions are sought for construction in permafrost areas, thermal calculations are performed to decide in each particular case whether extra measures or technical solutions are necessary to prevent permafrost degradation, stabilise soil temperature, or otherwise preserve the permafrost.

Gazprom Neft evaluates risks and opportunities related to possible climate change scenarios in areas with company facilities. Rooted in an analysis of historical and fresh data using advanced technical tools, this work allows natural and human impacts on the permafrost to be identified, areas to be demarcated according to the geocryological hazards present, and the structural design process to be streamlined, cutting the costs of engineering protection measures for structures.

**Safe operation on permafrost**

**Risk mitigation measures:**
- Continuous geotechnical monitoring with state-of-the-art equipment
- Building on piles for extra safety
- Foundation deformation monitoring for safe operation of structures
- Temperature monitoring for soil reliability
- Temperature stabilisation systems to prevent permafrost thaw

**Major projects operating in permafrost zones**
- Novy Port
- Messoyakha

**State-of-the-art infrastructure**

**Cutting-edge technologies**
Emergency preparedness

Gazprom Neft has put in place an Emergency Prevention and Response System.

The company has in place an annual training and drills plan for employees and managers to learn practical emergency response skills, including emergency response and rescue team mobilisation, emergency containment, using special equipment, administering first aid to injured people, etc.

Safety at Prirazlomnaya

The automatic control and safety system of the Prirazlomnaya platform remotely and automatically controls oil production, treatment, storage and offloading, as well as electricity generation and distribution, all while monitoring the fire and gas situation, with safeguards to shut down equipment and processes in an emergency. Over 80 sensors track changes in platform operation (including sensors monitoring seismic activity, caisson tilt angles, ice loads on the ground, etc.).

The platform’s evacuation systems include escape corridors with emergency lighting, a temporary crew shelter, evacuation bridges and systems with escape chutes and liferafts to evacuate crew members to a ship, personal flotation devices and fireproof lifeboats.

Preparing the crew for emergencies is a matter of utmost importance on Prirazlomnaya. Each crew member is drilled to follow an emergency response plan. An emergency rescue team on the platform consists of about 40 crew members trained in firefighting, gas rescue operations and search and rescue operations. The Oil and Petroleum Product Spill Prevention and Response Plan has been developed and implemented. Ongoing comprehensive spill response and shoreline protection training is in place.

In September 2020, pursuant to an instruction of the Governmental Commission for Emergency Prevention and Response and Fire Safety, Gazpromneft-Yamal and the Ministry of the Russian Federation for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters conducted the “Oil Gathering and Treatment Station: CGF South of the Novoportovskoye Oil and Gas Condensate Field” simulation, a comprehensive tabletop exercise involving a hazardous production facility. The exercise demonstrated that the emergency response teams were at a high state of readiness. The staffing and resources of the professional emergency response team and the Novoportovskoye field specified in the Oil Spill Response (OSR) plan were deemed sufficient for an adequate response to an oil or petroleum product spill. Overall performance was rated as excellent.

MAIN OBJECTIVES OF THE EXERCISE:

- carry out a response drill to contain an oil spill from a vertical steel tank, collect and dispose of the spill, and return the facility to normal operation;
- carry out the drill in accordance with the Oil and Petroleum Product Spill Prevention and Response Plan for the Hazardous Production Facilities of the Novoportovskoye Oil and Gas Condensate Field, as well as oil spill response interactions.
Development of an innovative dispersant to manage spills in ice conditions

In 2020, the company worked with experts from the Centre for Engineering and Technology of the Moscow Institute of Physics and Technology to develop a specialised formulation of a dispersant able to manage oil spills in ice conditions. The technology is tailored to the Arctic sea climate and is currently the only Russian reagent for oil spill management at low temperatures. Laboratory tests suggest that the new dispersant’s effectiveness in ice conditions reaches 80%.

The dispersant was developed with Gazprom Neft’s support at the St Petersburg Energy TechnoHub. The new product will undergo further technical and economic evaluation, with permits and patents still pending.

Dispersant operation

1. An oil film forms on the surface of water and ice
2. The dispersant breaks the oil film
3. Oil droplets are broken down by microorganisms

80% dispersant effectiveness in ice conditions

1 – A dispersant is a complex chemical that breaks down the oil film on the surface of water.
Norilsk oil-spill emergency response

On 29 May 2020, a major industrial accident – one of the largest ever seen in the Arctic Circle – took place near Norilsk in the Krasnoyarsk Krai. A fuel-storage facility failed, spilling over 20,000 tonnes of diesel fuel onto the ground and into local rivers. The President of Russia requested that companies with a proven track record in oil spill response, including Gazprom Neft, participate in the cleanup.

Emergency-response and rescue team

The company mobilised its emergency-response and rescue team in less than 24 hours. A total of 85 tonnes of cargo, including special machinery and equipment, boom defences, reservoirs for temporary oil storage, and tents for a field camp were delivered to the spill area. The Gazprom Neft team included 72 highly qualified and experienced specialists. The team’s qualifications and equipment allowed them to operate fully autonomously at the spill area.

Accident response

The principal phase of the emergency response operations at the spill area took two weeks. Over this time, the Gazprom Neft specialists involved in the cleanup effort collected more than 8,000 cubic metres of oil-contaminated fluid, following the installation of 4 km of boom defences. The Gazprom Neft team was also successful in cleaning all fuel slicks from the Ambarnaya riverbed. The response teams worked around the clock.

Evgeniy Zinichev, Minister of the Russian Federation for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters, presented the Gazprom Neft emergency response team with a Letter of Acknowledgement for their successful cleanup of the Norilsk spill.

It was a cold welcome for us: just 3°C and very strong winds of 20–25 m per second. Not exactly pleasant weather for working outdoors! Still, we had all the necessary infrastructure and excellent equipment to help us successfully overcome all challenges. We worked as a close-knit and efficient team, and our contribution to the overall cleanup effort was quite respectable!

YEVGENY SABUROV
Deputy Head of the Emergency Management Control Department at Slavneft-Megionneftegaz

The company acquired valuable experience:

- The important practical skills of organising multiple groups and team communication were built up
- The equipment and technologies employed were proved to be effective, with technical limits identified
- The company’s high HSE expertise was confirmed

Norilsk spill cleanup: how it all happened
Environmental safety

Gazprom Neft assesses and adopts measures to minimise environmental risks, while also investing significant resources into various environmental safety programmes and implementing advanced technologies to mitigate negative environmental impacts.

Strategic priorities and goals

Strategic priority

Target Zero – zero harm to people, the environment or property in our operations.

Strategic objectives

• Consistent reduction of environmental impact (including climate)
• Safe operations through operational risk analysis and management to minimise the risk impact
• Consistent adoption of global best practices in environmental safety

Key focus areas:

- Environmental risk management
- Environmental monitoring and operational environmental control
- Emergency prevention and containment system management
- Commissioning environmental protection facilities
- Commissioning resource saving and efficiency facilities
- Implementing environmental protection programmes
- Developing and deploying green technology
- Training employees and fostering a culture of environmental safety

Corporate documents

• Policy on Industrial, Fire, Transport, Environmental and Occupational Safety, and Civil Defence
• Corporate Standard on GHG Emission Monitoring and Accounting
• Energy Policy on Oil and Gas Development and Production
• Downstream Division Technical Policy on Energy Efficiency
• Biodiversity Preservation Programme
• Programme on Utilisation and More Effective Use of Associated Petroleum Gas

₽8.1 billion invested in environmental protection
PROGRESS IN 2020

• 9.7% reduction in greenhouse gas emissions (Scope 1 + Scope 2)
• Associated petroleum gas (APG) utilisation at the current assets of Gazprom Neft subsidiaries in Russia excluding low-depleted fields stood at 95.1%
• Gross emissions were down 14.5%
• Water withdrawal decreased by 30.8%, internal water consumption by 28.0%, and water discharge by 42.0%
• A total of 99.7% of waste was sent for treatment and recycling
• Energy-saving and energy-efficiency programmes saved 4.5 million GJ
• The company was awarded the highest Carbon Disclosure Project (CDP) score (B) among Russian oil and gas companies

PLANS FOR 2021

Climate:
• achieve the medium-term goal of increasing the associated petroleum gas utilisation rate.

Environmental safety:
• upgrade the Omsk Refinery as part of the Clean Air federal project, in order to reduce pollutant emissions;
• maintain a high level of waste recycling and treatment;
• develop infrastructure for safe industrial-waste management, including at remote fields;
• commission state-of-the-art Biosphere treatment facilities at the Omsk Refinery in order to reduce water withdrawal and wastewater discharge;
• construct sanitary wastewater treatment infrastructure at the Tazovskoye field.

Energy efficiency:
• implement the energy management system development plan.

In 2020, environmental impact assessments (EIA) involving stakeholders were completed for the following major projects:

• developing new technology for paving roads and other transport structures using BRIT construction sealant from NOVA-Brit, a company subsidiary;
• developing new technology to produce and use YAKHONT, a man-made soil based on cuttings (pieces of rock removed by drilling);
• Gazpromneft Shipping operations in the port waters of the North-West, Arctic and South (the Black Sea and the Sea of Azov);
• constructing multiwell pads at Gazprom Neft subsidiaries’ fields;
• constructing and upgrading facilities at company refineries.

A risk-based approach that takes into account the impact of current and planned operations on ecosystems ensures environmental safety.

Gazprom Neft analyses the environmental footprint of its facilities at all stages of its operations, with this analysis serving as a core aspect of managerial and investment decision-making.
Climate change

Gazprom Neft supports the Paris Agreement on climate change and complies with national legislation on measuring GHG emissions.¹

Global challenge

Climate change is one of the most pressing global challenges today. The Paris Agreement on climate, signed in 2015, aims to strengthen the global response to the threat of climate change by holding the increase in the global average temperature to well below 2 °C above pre-industrial levels.

Nationally determined contributions (NDC) are a key element of the Paris Agreement and its long-term goals. NDCs reflect the individual efforts of specific countries to reduce emissions and adapt to the impacts of climate change. In November 2020, the Russian Federation announced its first NDC under the Paris Agreement.

The company’s priorities in climate management

- Reduction of GHG emissions and increased APG utilisation
- Increasing the share of low-carbon projects
- Launching new renewable energy sources (RES)

The company continues to implement its Development Strategy to 2030 approved by the Board of Directors, which envisages developing infrastructure at production assets and upgrading refineries with energy-efficient technology, a move that will reduce resource consumption and GHG emissions.

Furthermore, Gazprom Neft aims to increase the share of natural gas production projects in total hydrocarbon production to 45% in 2024–2026. Developing gas projects will reduce the carbon intensity of company products.

In 2020, Gazprom Neft took part in the CDP climate ranking for the first time and joined the group of leaders by scoring "B" (on a scale from "A" to "D-”). This is the highest score among Russian oil companies.

Climate-related risks and opportunities

Gazprom Neft identifies several key climate-related risks and opportunities. The company accounts for both physical risks associated with extreme weather conditions or irreversible changes to the environment, as well as for transition risks (market, reputational, technology, political, and legal).

Physical risks

Acute risks
These risks are related to sudden events, including extreme weather phenomena, such as cyclones, hurricanes and floods.

Chronic risks
Chronic risks to the company are related to possible long-term and mostly irreversible changes in the environment. The thawing of permafrost is one of the most important chronic risks to the company.

To minimise systemic physical risks to the company, Gazprom Neft particularly focuses on solutions for construction projects for the permafrost (preventing permafrost degradation, thermal stabilisation of permafrost soils, etc.).

The company has also implemented a long-term technology development programme, which guides a continuous cycle of identification, evaluation and application of new and effective technical solutions for field facility construction.

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1 — Compliant with the risk classification used by the Task Force on Climate-related Financial Disclosures (TCFD).
2 — Physical risks are risks related to natural phenomena caused by climate change.
**Transition risks**

**Policy and legal risks**

The applicable Russian laws set strict requirements to achieve targets for atmospheric impacts. Failure to comply with these requirements carries the risk of having additional charges levied by the Government.

Specific mechanisms for governmental regulation of GHG emissions are yet to be set, but the company is reviewing potential risks related to a federal law regulating GHG emissions, which is currently under development.

The company also participates in developing a climate impact strategy, defining a target vision and GHG emission reduction metrics at the governmental level.

**Technology risks**

Technology risks are risks of the company losing its market share because its competitors leverage technologies that allow similar or better products to be produced with much lower GHG emissions.

In particular, the company is commissioning facilities that utilise APG without flaring by either piping it to a gas processing plant (GPP), or reinjecting it to maintain formation pressure or for underground storage.

The company’s refineries run upgrade programmes to reduce emissions.

**Market risks**

Market risks are determined by current and future changes in supply and demand for specific products, driven by the global push for low-carbon development.

The company is preparing a new agenda to reduce market risks related to product sale on international markets.

One metric in the new agenda is the carbon footprint of the entire supply chain, from feedstocks through intermediates to final products. This information is a prerequisite to entering into sale contracts on international markets (for example, paraxylene sale contracts).

**Reputation risks**

Reputation risks depend on whether the company is perceived as responsible and responding to climate challenges or otherwise.

Reputation risks are under constant scrutiny due to the priority given to climate impact and management.

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1 – Transition risks are risks related to the transition to a low-carbon economy.
**Opportunities related to climate change**

**Increasing the gas component**

Natural gas burnt to generate electricity produces almost 50% less greenhouse gases than coal. It will therefore play a key role in the global energy transformation. Gas production at Gazprom Neft grew to 41 bcm in 2019 from 30 bcm in 2015.

The share of gas in company production may exceed 50% by 2030. With OPEC+ production restrictions, gas production becomes the main opportunity for business growth.

**APG monetisation**

The company expects to earn extra operational income from the sale of APG and the products of APG processing.

Gas infrastructure development and long-term gas-supply contracts will stimulate this process to achieve higher APG utilisation.

**Efficient use of resources**

The company expects that more efficient production and distribution processes will reduce its operating costs through:
- lower energy consumption by main and auxiliary equipment with given/planned output;
- lower losses in electric equipment and transmission grids;
- better performance of heat exchanger networks and cooling systems;
- lower heat consumption;
- lower hydrocarbon losses and APG flaring.

**Clean energy**

Alternative energy sources will provide additional generation for company assets, utilise previously unused spaces, and make processes more energy efficient and environmentally friendly.

Additional opportunities can arise from reputational benefits, resulting in higher demand for company products, as well as lower electricity procurement costs.

**Climate management**

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Strategic management of the company, determining the basic principles and approaches around climate change.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO and the Management Board</td>
<td>Developing and implementing the company's corporate climate strategy in line with international and global best practices and standards. Monitoring the implementation of GHG emission reduction projects.</td>
</tr>
<tr>
<td>ESG Steering Committee</td>
<td>Climate impact strategy development. Overall management of the strategy's implementation; review of results. Medium and long term planning of climate impact mitigation. The committee includes the Management Board members and key company experts.</td>
</tr>
</tbody>
</table>
| Head of the HSE Directorate | Evaluation and management of climate-related risks and opportunities. Their responsibilities include carrying out:  
  - GHG emissions inventories;  
  - performance analysis against GHG emission targets;  
  - CDP reporting;  
  - analysis into the mitigation of negative environmental impacts from GHG emissions. |
In 2020, company management continued its efforts towards building the company’s approach to climate change by reviewing the assessment and management of climate-related risks and opportunities, and drafting an action plan to build an environment and climate management system at the company.

Targets for specific GHG emissions were set for the company’s subsidiaries, reflecting the profile of their respective operating regions.

**Strategy sensitivity to various climate scenarios**

The key factors that may impact future scenarios include changes in the climate policy and the decarbonisation of global energy. The company uses a scenario approach in its Development Strategy to 2030.

Strategic scenarios considered by Gazprom Neft include the New World scenario, which assumes harmonised international environmental policy and intensive decarbonisation of both the energy industry and transport all across the world.

Since the future of energy is extremely uncertain, the company uses a proprietary methodology to monitor and assess the situation for various signs of different scenarios playing out. The results of this analysis are taken into account in the annual update of the company’s strategic project portfolio, ensuring its sustainability under any external environment development scenario.

**Accounting for greenhouse gas emissions**

The energy sector is considered one of the main sources of GHG emissions, including CH₄ and CO₂. The assessment of GHG emissions is a key element of the climate risk management system in place across the company. For this purpose, Gazprom Neft has adopted a Corporate Standard on GHG Emission Monitoring and Accounting aligned with applicable Russian laws and international guidelines.

The approaches used in the Corporate Standard are fully aligned with the GHG Protocol Corporate Standard of the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI), and ISO 14064-1:2006 (GOST R ISO 14064-1:2007), which are widely recognised in the industry and consistent with Russian legislation. This methodology also takes into account additional recommendations included in the IPIECA/API/OGP Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions, as well as Global Reporting Initiative (GRI) standards.
Amendment of the GHG emission accounting standard

In 2020, the Corporate Standard on GHG Emission Monitoring and Accounting was amended and supplemented with Scope 3 emission accounting.

Also, regional factors used to calculate indirect energy emissions (Scope 2) were reviewed in line with international recommendations and best practices, helping to amend data on these emissions in 2018 and 2019.

<table>
<thead>
<tr>
<th>Type of emission</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct (Scope 1) GHG emissions, mt of CO₂ equivalent</td>
<td>20.0</td>
<td>22.0</td>
<td>21.7</td>
</tr>
<tr>
<td>Upstream Division</td>
<td>14.09</td>
<td>16.26</td>
<td>15.25</td>
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<tr>
<td>Downstream Division</td>
<td>5.28</td>
<td>5.38</td>
<td>6.17</td>
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<tr>
<td>Energy indirect (Scope 2) GHG emissions, mt of CO₂ equivalent</td>
<td>4.5</td>
<td>6.9</td>
<td>4.4</td>
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<tr>
<td>Upstream Division</td>
<td>2.49</td>
<td>5.02</td>
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<td>Downstream Division</td>
<td>1.58</td>
<td>1.64</td>
<td>1.47</td>
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<tr>
<td>Specific GHG emissions (Scope 1 + Scope 2)</td>
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<td></td>
<td></td>
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<tr>
<td>Upstream Division, mt of CO₂ equivalent/mtoe</td>
<td>0.219</td>
<td>0.270</td>
<td>0.233</td>
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<tr>
<td>Downstream Division, mt of CO₂ equivalent/mtoe</td>
<td>0.196</td>
<td>0.207</td>
<td>0.231</td>
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</table>

-9.7% reduction in greenhouse gas emissions (Scope 1 + Scope 2)
<table>
<thead>
<tr>
<th>Type of emission</th>
<th>2016</th>
<th>2017</th>
<th>2018¹</th>
<th>2019¹</th>
<th>2020¹</th>
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<tr>
<td>GHG EMISSIONS (SCOPE 1 + SCOPE 2)</td>
<td>23.8</td>
<td>22.8</td>
<td>24.5</td>
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<tr>
<td>Direct emissions (Scope 1)</td>
<td>15.4</td>
<td>16.2</td>
<td>20.0</td>
<td>22.0</td>
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<tr>
<td>CO₂</td>
<td>14.5</td>
<td>14.9</td>
<td>18.8</td>
<td>20.9</td>
<td>20.7</td>
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<tr>
<td>CH₄ (methane)</td>
<td>0.9</td>
<td>0.8</td>
<td>0.9</td>
<td>0.6</td>
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<tr>
<td>Indirect emissions (Scope 2)</td>
<td>8.4</td>
<td>6.6</td>
<td>4.5</td>
<td>6.9</td>
<td>4.4</td>
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<tr>
<td>SCOPE 3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>198.5</td>
</tr>
</tbody>
</table>

GHG emissions fell, mainly as a result of lower energy consumption driven by the OPEC+ production cuts and changes in the electricity emission factor.

Projects to reduce GHG emissions

The company is constantly searching for technically feasible and economically viable tools to reduce GHG emissions, principally by implementing projects to increase APG utilisation.

Gazprom Neft aims to ramp up its APG utilisation, despite the planned increase in hydrocarbon production.

Gazprom Neft endorses the key provisions and goals of the Zero Routine Flaring by 2030 initiative, which aims to completely eliminate routine APG flaring by 2030.

In 2020, the APG utilisation rate of the company subsidiaries in Russia stood at 91.1% (up 2.1% year-on-year). If low-depleted fields (some of which showed 5.4% growth year-on-year) are excluded, the APG utilisation rate reached 95.1% through gas infrastructure construction projects and gas infrastructure reliability improvement programmes.

These achievements came on the back of a high on-stream factor for company facilities (over 96%) and ramp-up to full production of new gas infrastructure at a number of fields. The company is pushing ahead with investments into new equipment that improves gas utilisation at producing assets.

The company’s Board of Directors has set the ambition of achieving an APG utilisation rate (including new assets) of at least 95%² by 2022 despite growing production.

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¹ – In 2020, energy emissions (Scope 2) were recalculated with amended regional factors. Recalculation included comparable data for 2018 and 2019. The factor change had no material impact on earlier periods.
² – Within the Russian Federation, excluding the assets of Gazpromneft-Zapolyarye.
Gazprom Neft consistently improves APG utilisation. We have completed major projects to develop gas infrastructure in the company’s key operating regions in recent years. The overall APG utilisation level for Gazprom Neft’s current assets is as high as 95% today. We have been able to achieve this level while increasing production every year, which has almost doubled over the last decade.

VADIM YAKOVLEV
Deputy CEO for Exploration and Production, Gazprom Neft PJSC

Key projects to boost APG utilisation in 2020

- Underground gas storage commissioning at the Zapadno-Messoyakhsky licence block (Messoyakhaneftegaz, a JV). A unique APG utilisation model was implemented at Gazprom Neft: APG produced at the Vostochno-Messoyakhsky licence block is injected into the non-producing gas-bearing formations of the Zapadno-Messoyakhsky licence block, preserving the vulnerable polar ecosystem. A total of 1.5 bcm of gas can be injected into storage per year.
- Commissioning of a gas transmission system at the Urmano-Archinskaya group of fields and the Yuzhno-Pudinsky licence block in the Tomsk Oblast (Gazpromneft-Vostok). The project increased commercial gas delivery by nine times and improved overall APG utilisation.
- Upgrade of low-pressure gas treatment and utilisation equipment at the Vostochny block of the Orenburgskoye oil and gas condensate field. New equipment improved the environmental situation at the field and brought the APG utilisation rate to 98% at the company’s largest oil producing asset.
- Yamal Gas project implementation. The expansion of the comprehensive gas treatment unit (CGTU) to a fully-fledged GPP is ongoing. In a project that will keep the APG utilisation rate at 95%, the pipeline across the Gulf of Ob continues to be laid, with 36 km out of the 56 km onshore section and shore facilities already constructed. The company plans to begin supplying gas in to the Unified Gas Supply System (UGSS) of Russia in 2022.

Sustainable Development Report 2020

Gazprom Neft at a glance

Customer care

Health and safety

Environmental safety

Employee development

Social policy

Appendices

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APG production and utilisation,¹ (mcm)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>APG</td>
<td>9,561</td>
<td>11,434</td>
<td>14,398</td>
<td>16,641</td>
<td>18,087</td>
</tr>
<tr>
<td>APG utilisation</td>
<td>7,628</td>
<td>8,708</td>
<td>11,284</td>
<td>14,811</td>
<td>16,473</td>
</tr>
<tr>
<td>Routine APG flaring</td>
<td>1,933</td>
<td>2,726</td>
<td>3,112</td>
<td>1,830</td>
<td>1,615</td>
</tr>
</tbody>
</table>

¹ – Within the Russian Federation. Excluding JVs.
Driving energy efficiency

Energy efficiency is one of the key tools to reduce greenhouse gas emissions and climate impact.

Gazprom Neft’s Energy Policy is in place to improve energy efficiency. Certified to ISO 50001, it underpins the company’s energy management system (EMS). The EMS is successfully operated at the Gazprom Neft Corporate Centre and 151 major subsidiaries, as well as upstream and downstream joint ventures.

The year-on-year growth in energy consumption in 2020 came amid a larger number of subsidiaries being included in energy use calculations, the commissioning of a combined oil refining unit (CORU) at the Moscow Refinery, and the large energy consumption needed for the pre-commissioning of a deep conversion complex at the Omsk Refinery.

The energy management system is continually being updated, by implementing and amending corporate regulations, training personnel, recertifying to the new version of ISO 50001:2018, and certifying new assets. In 2020, the company’s subsidiaries passed a third-party audit and were issued new certificates of compliance with ISO 50001:2018. Furthermore, an ISO 9001, 14001, 45001 and 50001-compliant integrated management system was implemented and certified at Noyabrskenergoneft.

Relevant departments at each production division are responsible for energy consumption and energy efficiency, namely the Department of Energy of the Upstream Division and the Department of Energy of the Downstream Division.

Key technical energy-saving initiatives at the Upstream Division include replacing electric submersible pumps, using brushless DC electric motors, switching to short-term or intermittent well operation, carrying out well interventions to reduce the amount of water used and to reinject any that is produced, and introducing energy-efficient pumps.

Key energy-saving activities at the Downstream Division include upgrading process furnaces, optimising the recovery system and using secondary energy resources in production processes, boosting efficient fuel use in furnaces through advanced technologies, optimising steam-condensation systems, improving the performance of heat-supply systems, upgrading lighting systems, and adding permeate to condensate.

Key organisational energy-saving initiatives include energy audits, an energy-efficiency monitoring system, optimising the cost of electricity from external grids, replacing diesel power plants with gas-turbine power plants, IT projects aimed at energy saving, and certification/recertification.

Gazprom Neft participates in Russian campaigns to promote energy-efficient living to its employees and to people in its operating regions; for example, the Russian Energy Week International Forum, the all-Russian #VmesteYarche (#TogetherBrighter) festival, and the worldwide Earth Hour campaign.

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1 Gazprom Neft Moscow Refinery, Gazprom Neft Omsk Refinery, Gazprom Neft Orenburg, the Gazprom Neft Ryazan Bitumen Binders Plant, the Gazpromneft Moscow Lubricants Plant, Gazpromneft-Yamal, Gazpromneft-Khantos, Gazpromneft-Noyabrskneftegaz, Gazpromneft-Vostok, Messoyakhaneftegaz (JV), NIS, Noyabrskenergoneft (since 2020), the Omsk Lubricants Plant, Slavneft-Megionneftegaz, and Slavneft-YANOS (JV).
Gazprom Neft develops renewable energy generation.

The Omsk Refinery completed the first phase pilot operation of a 1 MW solar power plant. The first power plant in the region covers an area of 2.5 ha and comprises 2,700 solar panels, including panels made by the Russian manufacturer Hevel. This power plant generated more than 1.1 million kWh of electricity in 2020, providing green electricity for 98% of the energy needs at the Omsk Refinery’s accommodation complex (houses up to 2,500 people) and reducing CO₂ emissions by 455 tonnes. The plant’s capacity is expected to grow to 20 MW in 2021 through regional renewable energy support measures.

In 2020, Gazprom Neft commissioned its first solar-powered filling station, located in the Yaroslavl Oblast. In sunlight, the solar power plant is used as the main source of electricity.

Solar power plants will add generation capacity to Gazprom Neft’s refineries, making them more energy efficient and environmentally friendly.

**ANATOLY CHERNER**
Deputy CEO for Logistics, Refining and Sales at Gazprom Neft PJSC

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**Clean energy**

| Upstream Division | 1 million GJ |
| Downstream Division | 3.5 million GJ |
Development of renewable energy generation

In 2020, the Downstream Division completed feasibility studies for over 30 potential renewable energy generation sites, with eight sites shortlisted for priority review.

- Renewable energy generation project launched in Salsk. The project includes a solar power plant with options to improve the energy efficiency of production facilities. Total power output of the project is expected to reach 500 kW, with project completion scheduled for 2021.
- As part of its contribution to the efforts of a working group on renewable energy development, Gazpromneft-Aero plans to develop and launch renewable energy projects using solar panels and solar thermal collectors at several priority sites in 2021.

The Badra project in Iraq uses solar batteries on block valve stations (BVS). Solar panels power 13 BVSs on an oil pipeline and four BVSs on a gas pipeline.

NIS alternative energy projects

NIS, Gazprom Neft’s subsidiary in Serbia, has over 60 geothermal wells, which can be used for generating electricity and heat. NIS now operates four wells that provide third-party commercial projects with heat and hot water.

Gazprom Neft continued to develop geothermal generation in Serbia in 2020. The company completed a full analysis of Serbia’s geothermal potential and built a 3D model of hot water reservoirs. These efforts resulted in a digital tool for predicting geothermal project potential, unique in the region.

Local municipalities and foreign partners from France, Iceland and Turkey voiced their interest in collaborating with NIS on geothermal projects, with active negotiations already underway. The parties plan to carry out joint evaluation and selection of the best pilot project.

Through cooperation with partners, NIS continues the construction of the Plandište wind farm, which envisages the installation of 34 wind turbines with a total capacity of 102 MW and an expected annual electricity output of 212 GWh. This wind farm will reduce emissions equivalent to 332,000 tonnes of CO₂ per year.

Thanks to the geology of the Pannonian Basin, Serbia has some of the greatest potential for geothermal power generation in continental Europe.

332,000 tonne reduction in CO₂ emissions thanks to the Plandište wind farm
Air protection

The bulk of Gazprom Neft’s pollutant emissions comes from APG flaring; therefore, APG utilisation projects cut the company’s environmental footprint.

A large-scale programme to modernise and revamp Gazprom Neft’s refineries also aims at reducing emissions.

The 14.5% reduction in gross emissions was driven by an increase in APG utilisation at the company’s production assets, as well as the decommissioning of some outdated units at the Moscow Refinery following the launch of the Euro+ combined oil refining unit (CORU).

Coupled with other strategies, decreased flaring of hydrogen-sulphide-containing gas at Gazprom Neft Orenburg’s fields reduced SO₂ emissions by 52.7% in 2020, as large volumes of gas were transferred to the gas processing plant.

Gross emissions (thousand tonnes)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>600.8</td>
<td>474.3</td>
<td>508.3</td>
<td>529.4</td>
<td>452.6</td>
</tr>
</tbody>
</table>

Including:

- **NOₓ**: 19.2 22.1 25.6 26.7 28.6
- **SO₂**: 128.4 69.0 74.8 38.9 18.4
- Volatile organic compounds (VOCs): 128.3 120.3 96.7 102.1 90.7

- **14.5% reduction in gross emissions**
- **52.7% reduction of SO₂ emissions in 2020**
The Russian President officially launches the Euro+ CORU

On 23 July 2020, Russian President Vladimir Putin launched the new Euro+ CORU at the Gazprom Neft Moscow Refinery. The launch ceremony was attended by Alexander Novak, Minister of Energy; Sergei Sobyanin, Moscow Mayor; and Alexander Dyukov, CEO and Chairman of the Management Board at Gazprom Neft.

The Euro+ CORU is integrated into Moscow’s environmental control system. An automated air monitoring system operates around the clock to measure concentrations of hazardous substances in the atmosphere and passes data to the city’s environmental monitoring service.

A new Euro+ CORU was commissioned at the Moscow Refinery in 2020 to increase the oil conversion rate to 85% and reduce emissions by decommissioning outdated units.

Gazprom Neft is involved in the implementation of the Ecology national project, with the Clean Air federal project being part of it. This project aims for a 20% reduction in emissions (against a 2017 baseline) by the end of 2024 across 12 major industrial cities with poor air quality, including Omsk, where one of the company’s refineries is located.

In order to carry out the Clean Air federal project, the Russian Government has approved integrated action plans designed to reduce pollutant emissions. These plans include nine upgrade projects launched at the Omsk Refinery, which involve introducing environmental technologies and state-of-the-art treatment facilities, building new units and decommissioning outdated facilities. Gazprom Neft plans to invest over ₽100 billion in these projects.
The Omsk Refinery boosts performance and cuts environmental footprint

In 2020, the Omsk Refinery completed compressor installation at its catalytic reformer. Two new compressors were installed, with another three upgraded.

Cutting-edge technologies will improve performance, while further reducing environmental impacts. The unit upgrade came under an integrated plan to implement the Clean Air federal project.

Air quality monitoring technologies

The company has developed an environmental monitoring system for prompt identification and prevention of above-limit pollutant concentrations at a facility’s buffer zone boundaries. It also evaluates the facility’s contribution to these above-limit concentrations. Legal protection for the system was obtained in 2020. It is set to be rolled out across Gazprom Neft’s refineries in the next few years.

Air monitoring in the Orenburg Oblast

Under a communication agreement between Gazprom Neft Orenburg and the Ministry of Natural Resources, the Environment and Property Relations of the Orenburg Oblast, the company shares the latest data collected on pollutant concentrations from permanent environmental monitoring stations every 20 minutes.

Other companies with environmental monitoring stations in the Orenburg Oblast entered into similar agreements. Atmospheric air quality data are displayed on a publicly available interactive map.
Preserving biodiversity

Gazprom Neft strives to minimise its impact on biodiversity in its operating regions. The company conducts environmental monitoring and assesses its impact on ecosystems while engaging with research institutions and governmental agencies and meeting legal requirements of the Russian Federation as well as internal corporate standards.

Gazprom Neft has in place a corporate programme to preserve biodiversity, based on a list of plant and animal indicator species for healthy Arctic marine ecosystems.

The programme includes measures implemented by the company around the Prirazlomnaya offshore ice-resistant stationary platform and Gazpromneft-Yamal assets and providing for wildlife monitoring along oil transportation routes.

Gazprom Neft continues to drive a large-scale programme to study a rare Arctic animal listed in Russia’s Red Data Book of protected species – the narwhal (lat. Monodon monoceros, or the “unicorn of the sea”).

Maintaining environmental balance and preserving biodiversity are always given special consideration in Gazprom Neft’s projects, especially in offshore and northern onshore projects.

Achievement of the Year

In 2020, the “Narwhal: Legend of the Arctic” project won gold in the “Achievement of the Year. Corporate Social Responsibility” category at the prestigious international PR World Awards. The expert panel praised the outcomes of the project’s first expedition to the Russian Arctic and related communication campaign.

Monitoring Arctic marine ecosystems

Gazpromneft-Yamal has developed a roadmap for implementing the corporate Biodiversity Preservation Programme for 2020–2023 based on a list of plant and animal indicator species for a healthy Arctic marine ecosystem.

In 2020, activities plotted on the roadmap included monitoring the condition of phytoplankton communities, macroalgae, benthos organisms, ichthyofauna, ichthyoplankton, and avifauna, as well as observing animals (seals, walruses, beluga whales, and polar bears) along crude transportation routes.

Plans for 2021–2023 also include observing mammals and birds (GPS animal tracking and bird ringing).
Reintroduction of aquatic bioresources

The aquatic bioresources reintroduction programme is an important part of field development projects.

Gazprom Neft subsidiaries and joint ventures (Gazprom Neft Development, Gazpromneft-Khantos, Gazpromneft-Yamal, Gazpromneft-Zapolyarye, Meretoyakhaneftegaz and Slavneft-Megionneftegaz) work to restore aquatic bioresources by breeding rare species of fish. Every year, millions of juvenile fish are released into the rivers of the Ob-Irtysh basin, composed of the Ural and Severnaya Sosva Rivers and other water bodies.

Under an agreement with the Government of the Khanty-Mansi Autonomous Okrug-Yugra, the company continues remedial operations by releasing, as a priority, juvenile Siberian sturgeon, sterlet, muksun, and broad whitefish, all locally bred.

Water resource management

The company views water stewardship, effective wastewater treatment and preventing the contamination of natural water bodies with oil or petroleum products as its priorities.

Gazprom Neft’s water resources management projects aim to minimise water consumption, mitigate environmental risks and improve the ecological condition of water bodies and adjacent lands.

Internal water consumption decreased, mainly due to the fact that less water was produced from the Cenomanian strata and other groundwaters following a higher water cut in oil produced, coupled with an optimisation of the system for maintaining formation pressure at company fields.

Building Biosphere biological treatment facilities at the Moscow and Omsk Refineries ranks among the company’s key water management projects. Gazprom Neft’s total investment in these projects currently stands at more than ₽28 billion.

These facilities feature a multi-stage wastewater treatment system, which includes mechanical, physical and chemical, biological, filtration and ultrafiltration stages, as well as a reverse osmosis unit. Biosphere removes almost 100% of pollutants from wastewater.

The Moscow Refinery commissioned Biosphere towards the end of 2017. The facility recycles over 75% of water, with a threefold reduction in total water withdrawal. A similar facility is scheduled for completion at the Omsk Refinery in 2022.
### Installation of the Biosphere treatment facility at the Omsk Refinery

In 2020, the Omsk Refinery completed the installation of major filtering and physical and chemical treatment equipment for its innovative Biosphere treatment facility.

With the Biosphere facility online, the Omsk Refinery will have an almost closed-loop water system, reducing the burden on the city’s wastewater treatment plants. The Omsk Refinery will slash its water consumption by reusing water that has passed through a multistage treatment process. Over ₽19 billion have already been invested in the project.

The unique environmental project Biosphere is included in the Omsk Refinery’s full-scale development programme and the comprehensive plan of the Clean Air federal project, in turn being implemented as part of the Ecology national project.

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#### Water withdrawal and consumption (mcm)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water withdrawal</td>
<td>446.1</td>
<td>416.2</td>
<td>372.2</td>
<td>371.2</td>
<td>256.9</td>
</tr>
<tr>
<td>Including surface water</td>
<td>36.2</td>
<td>40.1</td>
<td>35.0</td>
<td>31.4</td>
<td>32.6</td>
</tr>
<tr>
<td>Internal water consumption</td>
<td>428.9</td>
<td>370.0</td>
<td>316.4</td>
<td>314.2</td>
<td>226.3</td>
</tr>
<tr>
<td>Water discharge</td>
<td>43.5</td>
<td>47.5</td>
<td>56.3</td>
<td>57.8</td>
<td>33.5</td>
</tr>
<tr>
<td>Including surface discharge</td>
<td>2.0</td>
<td>2.0</td>
<td>2.1</td>
<td>1.9</td>
<td>1.8</td>
</tr>
</tbody>
</table>

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Gazprom Neft is consistently and systematically working to improve process performance and environmental friendliness at its oil refining assets. The company’s project to deploy biological water treatment technologies at its refineries through Biosphere facilities is unique in the Russian oil industry, and something that can be successfully rolled out at production facilities in other industrial sectors.

**ANATOLY CHERNER**
Deputy CEO for Logistics, Refining and Sales, Gazprom Neft PJSC

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In 2020, the Moscow Refinery won the Moscow Government’s environmental award for the Best Project Completed Using Environmentally Friendly and Energy Saving Technologies, which once again proves the Biosphere project’s strong performance.
Waste management and land use

The two key pillars of industrial waste management and land use at the company are equipment reliability monitoring and the implementation of new technology. These efforts minimise the risk of soil contamination by crude oil and petroleum products. The company also successfully recycles its production waste.

<table>
<thead>
<tr>
<th>Year</th>
<th>Waste generation and disposal (thousand tonnes)</th>
<th>Total recycled and treated waste (thousand tonnes)</th>
<th>Share of recycled and treated waste (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,376.3</td>
<td>1,310.1</td>
<td>95</td>
</tr>
<tr>
<td>2017</td>
<td>1,476.1</td>
<td>1,298.4</td>
<td>88</td>
</tr>
<tr>
<td>2018</td>
<td>1,564.6</td>
<td>1,517.4</td>
<td>97</td>
</tr>
<tr>
<td>2019</td>
<td>1,790.3</td>
<td>1,720.5</td>
<td>96</td>
</tr>
<tr>
<td>2020</td>
<td>1,849.3</td>
<td>1,843.7</td>
<td>99.7</td>
</tr>
</tbody>
</table>

Large quantities of waste are safely disposed of every year, thanks to improved waste recycling and treatment processes across the company. The Omsk Refinery’s efforts to find alternative contractors resulted in increased treatment and recycling of oily sludge, with higher volumes of drilling waste processed by the company’s upstream assets.

The bulk of the company’s waste is drill cuttings produced in the course of hydrocarbon exploration and production. The company’s drilling-waste management framework is designed to reduce environmental risks and standardise waste management requirements.

Drilling rigs currently in use across Gazprom Neft are equipped with a drilling-waste cleaning and drying system to reuse drilling fluids and process water in well drilling.
In 2020, broader efforts to develop infrastructure for the safe management of waste continued. Waste management projects have been completed at two production sites:

- Slavneft-Megionneftegaz completed an upgrade of the landfill for solid municipal and industrial waste at the Aganskoye oilfield;
- Messoyakhaneftegaz (JV) completed the first phase of a 1,800 ktpa solid municipal and industrial waste sorting, treatment and storage complex at the Vostochno-Messoyakhskoye field.

In 2020, producing subsidiaries of Gazprom Neft commissioned six state-of-the-art waste incinerators of different types and from different manufacturers, with a total capacity of up to 7 ktpa.

The company seeks out and implements new technologies to utilise waste in the production of commercial products. In 2020, two public consultations were held on the following agenda:

- technical documentation for new technology to produce and use YAKHONT, a man-made soil based on cuttings (pieces of rock removed by drilling);
- technical documentation for new technology to make pavements on roads and other transport structures using BRIT construction sealant.

The company has obtained a patent for a technology to produce man-made BRIT soil from locally-available materials and treated cuttings. This product is fit for use in road construction.

Field tests at the Gazpromneft-Noyabrskneftegaz and Gazpromneft-Khantos fields in 2018–2019 demonstrated that this new development boasts a high performance.

In 2020, the man-made BRIT soil was used to repair roads at the Priobskoye field of Gazpromneft-Khantos. The Company intends to put this technology to use on a much larger scale in the next few years.
Gazprom Neft runs a pipeline reliability and integrity programme, which encompasses pipeline diagnostics, inhibitor protection, corrosion monitoring, repair and upgrade.

Gazprom Neft completed aerial laser scanning of 120 ha of forests at oilfields in the Orenburg Oblast and the Yamalo-Nenets Autonomous Okrug, using the data to build digital models of the areas. The models were used to plot routes for machinery movements in hard-to-reach forested areas with a low environmental footprint that avoided tree felling. Broader use of this approach will enable the company to preserve forests while carrying out future exploration.

The digital models proved to be highly accurate at identifying the locations of individual trees, as well as their characteristics (species and dimensions). The new approach further cut our environmental footprint and minimised the costs of seismic surveys and exploration for oil reserves.

Gazprom Neft has been developing Green Seismic technology since 2014, which, thanks to its compact size, significantly curbs the number of trees felled for seismic lines and cuts fuel consumption for seismic surveys, all while improving safety. The first phase (Green Seismic 1.0) reduced line width fourfold. This technology saved over 4.5 million trees between 2016 and 2020 over an area of about 3,700 sq km. The current Green Seismic 2.0 project aims to considerably reduce source line width to save even more trees: between 1 and 1.5 million per year.

In 2020, the Green Seismic project won the Vernadsky National Environmental Award in the Science for the Environment category.
EMPLOYEE DEVELOPMENT
Employee development

Third-party assessments regularly list Gazprom Neft among Russia’s top employers, which emphasises the need to foster a unique corporate culture and environment, where employees can fully realise their potential by working toward common goals.

Strategic priority

Deliver on corporate strategic goals by creating a pipeline of highly qualified and engaged talent.

KEY FOCUS AREAS:

- Ongoing recruitment and employee rotation programmes
- Talent pool management, competency development and training
- Embedding flexible work formats
- Increasing employees’ productivity and organisational efficiency
- Developing motivation programmes and building a culture of engagement

PROGRESS IN 2020

- The company managed to rapidly move up to 70% of its office staff to remote work
- Turnover down by 3.1 percentage points to 8%
- Employee costs totalled ₽140 billion
- Employees took over 173,000 training courses
- Spending on training programmes totalled ₽1.7 billion

COVID-19 response

- The Antivirus project team promptly built a system to provide effective assistance to Gazprom Neft’s operating regions and enterprises in their fight against COVID-19

Corporate documents

- Gazprom Neft Corporate Code of Conduct
- Gazprom Neft HR Management Strategy
- Collective bargaining agreements, standards and local regulations
Care for our people during the pandemic

As soon as the COVID-19 pandemic broke out, Gazprom Neft started looking for solutions to protect the company offices and operations from the spread of the virus.

Apart from regular employee testing, safe fly-in/fly-out arrangements, and remote work for some employees, the company also developed a digital barrier system: a set of IT products tracking the health of over 150,000 company and partner employees, controlling their access to Gazprom Neft facilities, and arranging medical aid to those who fell ill or had come into contact with the virus.

Care for employees also encompassed a support hotline, consultations with psychologists, the Caring About You channel, and pulse surveys to identify the current needs of employees during lockdown.

One of such digital barriers was the Gradusnik (Thermometer) mobile app. The app is integrated with the company’s medical support system and helps support employees who have fallen ill, all while preventing them from accessing offices and production facilities without first being tested for coronavirus.

Faced with the unprecedented challenges of the pandemic during the year, we managed to mobilise and do everything that was necessary to stop the spread of the virus across our operations and protect the health of our colleagues and their families in a very short time. In 2020, we had to address some truly difficult challenges, but we passed this test with flying colours.

**ELENA ILYUKHINA**
Deputy CEO for Legal and Corporate Affairs, Gazprom Neft PJSC

PLANS FOR 2021

**Talent pool**
- Improving the talent management model
- Adopting a system of analysis and practices of operational and functional management driven by the “right people, right place, right time” value

**Enhancing the attractiveness of the employer brand among young people**
- Developing the company’s youth policy and setting up a Young Specialist Council
- Streamlining recruitment, training and onboarding of young talent

**Improving hiring effectiveness**
- Accelerating recruitment through automation and optimisation of the applicant approval processes
- Developing a solution to target candidates and build relevant recruitment capabilities

**Talent pool**
- Streamlining and automating the assessment of employee professional skills
- Developing an in-house and online training system
### Key HR policy principles

<table>
<thead>
<tr>
<th>Safety</th>
<th>Respect and non-discrimination</th>
<th>Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company puts the safety of its employees at work, the wider public and the environment above any economic, technical or other consideration, by providing a safe working environment for employees and expecting the same from its partners.</td>
<td>Relationships within the company are driven by mutual respect and trust. Gazprom Neft values the uniqueness of every employee and their opinion. The company is ready to undertake ambitious projects by leveraging its diversity of talents, cultures, opinions and experiences, all united by a common goal.</td>
<td>Gazprom Neft strives to maximise its performance by recruiting the best-in-class, most motivated and dedicated professionals.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Human focus</th>
<th>Engagement</th>
<th>Integrity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating value for employees through achieving corporate goals. All corporate processes are centred around people as the holders of capabilities that are defining Gazprom Neft’s future.</td>
<td>Gazprom Neft has set a goal to become a benchmark in this area by 2023. Annual employee engagement surveys are the key tool used by the company to obtain feedback for assessing employee engagement and satisfaction, identifying Gazprom Neft’s strengths and weaknesses as an employer and outlining areas for improvement.</td>
<td>The company adheres to the highest ethical standards and treats its employees fairly.</td>
</tr>
</tbody>
</table>

### Equality and non-discrimination

Gazprom Neft’s HR management system guarantees that employee rights are respected and supports a high level of business ethics while preventing corruption, both within the company and in relations with third parties, avoiding discrimination, and adhering to high social responsibility standards.

The company has a hotline in place to prevent fraud, corruption and other violations of the Corporate Code of Conduct, which can be used by any employee for whistleblowing.

For more details on human rights and the hotline at the company, see "Human rights" on page 36

For more details on the company’s employee engagement survey, see “Internal communications” on page 50
Employer brand

Gazprom Neft has built an employer value proposition aligned with the company’s strategy and corporate culture. The value proposition consists of a set of key parameters that, in the opinion of employees, capture the essence of Gazprom Neft’s uniqueness as an employer, set it apart from competitors, are a source of pride, and serve as a magnet for talent.

Gazprom Neft has been ranked as one the best employers for years on end, confirming the attractiveness of its value proposition.

Key achievements in 2020:

- Gazprom Neft topped the HeadHunter ranking of Russia’s best employers, becoming the country’s most popular company among jobseekers.
- The international company Universum listed Gazprom Neft among the best Russian employers in 2020.
- Gazprom Neft projects were shortlisted in two categories at the WOW!HR 2020 business awards.
- Five managers of Gazprom Neft were listed in the annual Top 1,000 Russian Managers ranking by the Kommersant Publishing House in the Energy category.

WOW!HR 2020 business award

The company’s educational projects, such as the League of Professionals cross-functional tournament and the Shaping Our Future educational ecosystem, were presented at WOW!HR 2020, the top business award for HR management. The company’s projects ranked among the best, and finished ahead of competitors, including Nornickel, Otkritie, ROSSETI, Rostec, RusHydro, Russian Railways, Sberbank, SIBUR Holding, and others.
Gazprom Neft is among the leaders in Universum’s international employer branding rankings

The international company Universum listed Gazprom Neft among the best Russian employers in 2020 based on a survey of the Russian professional community. As in the previous year, Gazprom Neft was ranked among the top five most attractive employers in the Engineering/Natural Sciences and Business/Commerce categories. Meanwhile, Gazprom Neft ranked second in these categories among energy companies. The company was also ranked among the top five most attractive employers for humanities professionals and top ten for IT talent.

Gazprom Neft’s consistently high rankings confirm the relevance and appeal of the principles and values the company believes in. First and foremost, this means focusing on the individual as a partner in achieving company-wide goals. We are committed to providing our employees with greater opportunities to unlock their potential, develop their talents and progress in their career roles. The company places a particular emphasis on fostering its corporate culture, building an engaging environment, deploying new technology-driven approaches to work, and ensuring employee satisfaction. We are delighted that our efforts are striking a chord with industry professionals.

KIRILL KRAVCHENKO
Deputy CEO for Administration,
Gazprom Neft PJSC

NIS (Naftna Industrija Srbije) is Serbia’s best employer

NIS topped the ranking of best employers, according to a TalentX survey conducted by the Serbian online recruitment website poslovi.infostud.com (similar to the Russian HeadHunter website).
Human resources development

In planning its talent management and development, Gazprom Neft aims to become a magnet for world-class talent by creating conditions for each and every person to unlock their potential and implementing a “right people, right place, right time” approach.

This goal is achieved through a four-stage system of company-wide end-to-end talent management processes.

1. ANALYSIS AND PLANNING
   - Assessing the company’s demand for talent and availability of resources at each point in time
   - Forecasting the demand for resources and skills to address current tasks and future challenges

2. RECRUITMENT, SELECTION AND ONBOARDING
   - Ensuring a stable inflow of talent and meeting the company’s needs in an effective and timely manner

3. PERFORMANCE AND CAREER MANAGEMENT
   - Ensuring comprehensive fulfilment of employees’ potential, helping them to achieve maximum performance and take full advantage of their skills and experience

4. TERMINATION
   - Managing demobilisation while retaining critical talent through the creation of a service to deal with low-performing employees
EMPLOYEE DEVELOPMENT IN 2020

• A talent management model is in place to transition from the use of uncoordinated systems and approaches to using a single cycle and corporate-wide methodologies.
• The development of personnel onboarding processes is now underway, for example, an onboarding app and chatbots have been developed and launched. These products enable an adaptive modular approach to training, with the adaptation of existing programmes and content to suit different target audiences and the development of modular programmes of varied complexity.
• An internal recruitment process has been launched to improve the objectivity and transparency of manager appointment. An evaluation procedure was implemented for appointments to 20+ grade level positions, and for 50% of managerial vacancies to be filled through internal promotions. Over 180 newly appointed managers passed the evaluation, improving HR decision quality and promotion transparency.
• Development of the career portal, a unified information space for career planning and succession for company employees and managers, was continued. This resource helps employees with required skills to be quickly found and to retain skilled personnel within the company perimeter.
• The League of Professionals cross-functional tournament was held, which is the flagship corporate training project from the Downstream Division and had a viewership of 3,000 employees and in its fourth year. The tournament offers contests for 11 professional areas taking the form of a multifunctional educational solution to a number of challenges for the development of the company’s human capital. This includes professional development, comprehensive employee evaluation, cross-functional collaboration, best practice sharing and employee recognition.
• The following information and consulting services have been launched to increase employee awareness of career opportunities within the company:
  – chatbots for career consulting;
  – one-on-one career consulting service, with a fully developed methodology, 80 certified career consultants, 342 career consultations delivered, including 307 by certified in-house career consultants (90% of the total);
  – two career marathons (IT and HR functions) and a Career Day (Upstream Division) have been held.

Career portal development

By year end 2020, 25,000 users registered on the portal. The portal contains data on 50% of all MSCs in the company. Over 2,500 vacancies have been posted on the portal.

25,000 registered users

2,500+ vacancies posted
Human resources profile

As at 2020-end, Gazprom Neft employed 82,960 people\(^1\).

Headcount by gender and age (people)

<table>
<thead>
<tr>
<th>Year</th>
<th>Headcount (people)</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>66,561</td>
<td>40,835</td>
<td>25,726</td>
</tr>
<tr>
<td>2017</td>
<td>67,882</td>
<td>40,254</td>
<td>27,628</td>
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<tr>
<td>2018</td>
<td>70,648</td>
<td>42,917</td>
<td>27,731</td>
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<tr>
<td>2019</td>
<td>78,847</td>
<td>49,734</td>
<td>29,113</td>
</tr>
<tr>
<td>2020</td>
<td>82,960</td>
<td>54,210</td>
<td>28,750</td>
</tr>
</tbody>
</table>

1 — The headcount increased as some employees in Serbia needed to be transitioned to full-time employment in accordance with Serbian laws.
The company uses Robot Vera, an automated employee exit interview service that conducts phone surveys, to identify and analyse why employees leave the company.

The procedure used by Gazprom Neft for notifying employees of major operational changes complies with the Russian Labour Code, which outlines a minimum notice period of at least two months for major operational changes, and at least three months for rightsizing decisions that may lead to large-scale redundancies.

Gazprom Neft runs an outplacement programme to support employees at projects or enterprises slated for closure. Ahead of the shutdown of an enterprise, project or development site, the company sets up a cross-functional team and prepares an outplacement plan followed up by the Head of the HR and Organisational Development Directorate. This involves compiling a list of potential vacancies within the company, communicating it to the employees, and arranging individual meetings between the employees and the heads of the business units offering the jobs.

The Gazprom Neft Group complies with government requirements for quotas and employment of people with disabilities. Employees with disabilities are offered benefits guaranteed by the Russian Labour Code depending on their individual rehabilitation plans.

Relations with trade unions

The company fosters long-term partnerships with trade unions. Trade union representatives are actively involved in developing a safety culture at the company and discussing improvements to Gazprom Neft’s employee benefits system. They also attend HR management meetings and contribute to occupational safety initiatives.

Gazprom Neft is a member of the Russian Union of Oil and Gas Industry Employers and actively participates in the drafting of legislation governing relations between employers and trade unions.

Gazprom Neft has a collective bargaining framework in place. Collective bargaining agreements and local regulations outline the company’s social commitments towards its employees. In 2020, collective bargaining agreements covered 47% of Gazprom Neft employees.
Compensation and social benefits for employees

The company operates a uniform employee incentive system to recruit, retain and develop talent, and support their career advancement and professional development. The objectives and principles of financial and non-financial incentives for employees are set out in the Unified Corporate Remuneration Policy.

Principles of the incentive system

- Market competitiveness
- Internal fairness
- Performance-based remuneration
- Objectivity, transparency, extensive use of a range of communication channels to provide convenient access to information for employees
- A holistic approach to assessment and development
- Responsibility for training and development shared between employees, managers and the company
- Basic additional training available to every employee

Cumulative compensation model

The company’s compensation and social support programmes are based on a cumulative model, which includes a basic salary, performance-based compensation, opportunities for professional development, recognition of achievements, and workplace environment (including social guarantees and benefits, working conditions and corporate culture).

In 2020, the company continued to develop and implement its approach based on the cumulative compensation model. Specific compensation components and their respective weights within the overall model are tailored to different employee groups, depending on their motivational profiles. The model enables alignment between the company’s goals and individual needs of employees, provides an infrastructure for flexible implementation of the HR and business strategies, and improves corporate performance in attracting, engaging, motivating and retaining Gazprom Neft employees.
In terms of financial compensation within the cumulative compensation model, a company-wide project was presented in 2020, which revised job grading, the basic salary review process and the system of contribution evaluation commissions.

In 2021, Gazprom Neft will continue improving its cumulative compensation model, concentrating on developing its Cafeteria Plan programme to maintain its human focus and maximise the personalisation of approaches to employee compensation and incentives across the company going forward.

Starting from 2020, the Gazprom Neft Group introduced an enhanced annual bonus system based on an integrated performance evaluation process for business units and employees. The individual contribution of each employee is assessed by a contribution evaluation commission and is taken into account when determining their annual bonus.

The company analyses labour markets in its operating regions and regularly reviews wage levels to make sure its remuneration system is competitive. In 2020, the average monthly salary at Gazprom Neft was up 5% to ₽141,000, despite a difficult market situation.

The company offers the same basic salary to men and women.

The social benefits system in place at the company comprises mandatory (basic) and optional (additional) benefits. Social benefits include free and subsidised meals, voluntary health insurance, accident insurance, additional sick leave benefits, parental leave allowances, vacation packages, a housing programme, and sports and cultural events. Basic social benefits are provided to employees regardless of their employment type.

Individual and team professional skills contests held across all Gazprom Neft production divisions are an important non-financial incentive.

### Employee costs (₽ million)

<table>
<thead>
<tr>
<th>Item</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>79.316</td>
<td>86.600</td>
<td>97.865</td>
<td>117.776</td>
<td>135.905</td>
</tr>
<tr>
<td>Social benefits</td>
<td>3.260</td>
<td>3.177</td>
<td>3.596</td>
<td>3.743</td>
<td>4.140</td>
</tr>
<tr>
<td>Total employee costs</td>
<td>82.576</td>
<td>89.777</td>
<td>101.461</td>
<td>121.519</td>
<td>140.045</td>
</tr>
</tbody>
</table>
People of Progress corporate recognition programme

Our highest corporate recognition programme, People of Progress, was launched in the autumn of 2020.

The award is given for successful projects and personal contribution to the company’s development in line with its corporate values:

- responsibility
- innovation
- collaboration
- efficiency
- determination
- safety

Winners included teams working on developing Russia’s most advanced oil refining facility – the Moscow Refinery’s Euro+ combined oil refining unit (CORU) – and those involved in the local Antivirus programme supporting health workers and volunteers throughout the COVID-19 pandemic.

The Gazprom Neft emergency response team – the first to respond to the Norilsk oil spill – was also recognised.

People are Gazprom Neft’s key asset and value. Gazprom Neft considers recognising the achievements of its people as fundamentally important, but until this year, the company did not have an overarching company-wide recognition programme. The People of Progress award has earned such a reputation, and its title speaks for itself. Our company employs people who share common values, striving for progress and personal development and who aspire to transform the world around them. 2020 was a difficult year for all of us, but we overcame all challenges with flying colours, proving once again that the company can tackle tasks of any complexity.

ALEXANDER DYUKOV
Chairman of the Management Board, CEO, Gazprom Neft PJSC
Employee training and development

Gazprom Neft is proceeding with the development of its competency-based continuous training programme. Learning paths are based on employee performance and evaluation of their potential, the selection of promising technologies to be implemented, and the unit manager’s vision of personnel training requirements.

The Gazprom Neft training and development system is open to all employees of the company and its contractors, as well as target groups of prospective employees, namely school and university students.

Average training hours per employee decreased in 2020, as in-person training was halted and some practical training could not be done remotely.

Corporate University

The company’s training function is led by the Corporate University, whose structure consists of faculties subdivided into departments. The university develops training programmes according to demand, monitors the implementation of business development and transformation strategy and creates mechanisms to monitor training results and efficiency.

Advanced educational technologies leveraged by the Corporate University

- Automated planning of training
- Adaptive modular approach, whereby programmes of varied complexity are tailored to the needs of target audiences
- Programme selection in line with individual development plans
- Uniform and transparent approaches to training cost planning, estimation and control
- The University acts as an expert in the accreditation of higher education institution programmes, in accordance with industry and business requirements, and their subsequent use

The system adaptability is facilitated by feedback from both participants and training organisers within the company.

New training programmes and approaches

The company is continuing to improve the role and organisational structure of the University, and create new training programmes and approaches based on its successful practices in order to increase business involvement in transformation processes and form a system for collaboration.
Developing a green mindset

The Corporate University launched a comprehensive educational portal where employees can learn about climatic and environmental outlooks and their impact on business, politics and society. The project enables the identification of new business approaches that take care of the environment and encourages a change in participant behaviour through new daily habits that help to preserve the environment.

Future skills

The Strategic Competencies Department in the Downstream Division has been running a future skills programme for two years now. The programme includes six future skills, 24 topics, 18 development tools, including innovations, such as virtual classes, chatbots, training shows, online tournaments, case games, etc. Over 1,500 employees have taken the programme. An evaluation found that future skills help employees to perform better in changing environments and to successfully complete various projects.

League of Professionals

In 2020, a qualifying round was added to the traditional cross-functional tournament, the League of Professionals, which helped to expand the number of participants tenfold from 120 to 1,250. Rather than disrupting the tournament, the external conditions of 2020 catalysed the use of new approaches and formats. New challenges allowed tournament participants to develop a wide range of competencies, and with most project activities migrating into a digital environment, this has facilitated IT skills development.

Expert programme

The theme for the annual Expert Platform contest for educational product developers in 2020 was podcasts. Over 150 employees of the Downstream Division – blue-collar workers, specialists, and managers – mastered the new training format which had never been used in the company before. The contest participants independently scripted, voiced and mixed their podcast into a finished product.

In 2020, the company created 68 new adaptive modular programmes, with over 80% of them delivered with a hybrid approach (in person and remotely).

TOP 5 NEW COMPREHENSIVE TRAINING PROGRAMMES CREATED TO RESPOND TO BUSINESS’ DEMAND

1. SCRUM Master School
2. Practical Ecology School
3. Project Management School
4. Remote Team Management
5. Think Big

TRANSFORMATION OF APPROACH TO TRAINING REQUESTS IN 2020

Before

• Generic programmes on offer
• Repetition of what is offered on the market
• Feedback monitoring

After

• Programmes tailored to specific requests
• Added programmes take into account business development and transformation strategies
• Monitoring results and efficiency of training
The following new educational programmes have been developed to support Gazprom Neft’s transformation processes:

**EFFECTIVE MANAGER**
- Motivational Skills
- Motivating Others
- The Human Factor in Business
- "Feedback: Dialogue"
- Self-development
- Decision Quality and Problem Solving
- Priority Management
- Systematic Management
- Think Big
- Change Sponsorship
- Fundamentals of Conceptual Thinking
- Change Management
- Focus on Results
- Leadership Skills

**OPERATIONAL EFFICIENCY**
- HR Academy
- Development of Product Capabilities
- Induction Course
- Routine Management Practices

**DIGITAL LITERACY**
- Business Thinking in Digital Reality
- Digital Literacy
- Artificial Intelligence
- SCRUM Master School
- Product-based Approach and Agile
- Agile and Scrum in Projects and Products
- Agile Basic

The implementation of a new approach to employee training with a redefined manager role commenced in 2020. Managers are now actively involved in training budget planning and control, and approve training chosen by employees at their respective units. To help drive these changes, the Knowledge Portal functionality was significantly expanded, and new user interfaces for employee and manager accounts were created.
The professional department development at the Corporate University

In 2020, the company placed considerable emphasis on developing the professional departments at the Corporate University. The key focus areas of the University’s development in 2020 were closer ties with business; the creation of a system for interaction, training and development; codifying internal and external expertise; better definition of the institution’s role and organisational structure; growing its impact on the industry and codifying a system to evaluate the contribution of individual departments to the company’s business.

The Corporate University opened a Digital Transformation Faculty with seven professional departments.

| 8 new professional departments opened | 7 departments in Digital Transformation | 40 university departments in total |

In 2020, the company developed uniform approaches to the management, development and performance evaluation of coaches, and defined their categories and career path.

A package of online and offline training programmes has been prepared for each category.

Also in 2020, Gazprom Neft created a system to keep records of coaches’ activities on the Knowledge Portal, including the hours spent training and coaching, as well as student coverage and responses to feedback questionnaires. New training programmes developed by coaches are included in standard curriculum templates. The In-house Coach Library was launched on the Knowledge Portal, and each coach’s online account now features a widget with their personal statistics.

| 2,186 in-house coaches | 6,000 training sessions delivered | 105,000 people trained |

Career path for coaches:
- communicating coach;
- developing coach;
- mentoring coach.
Expansion of the corporate Knowledge Portal’s functionality continued in 2020. Certificates are now issued automatically upon completion of training, a new service to evaluate and rank training providers based on training participant and organiser feedback has been launched, and data on department activities and employees’ training needs are now collected automatically. The Knowledge Portal’s basic services have been made more mobile friendly.

Awards and recognition

Company projects won in two categories at the prestigious Crystal Pyramid 2020 awards: Corporate Training of the Year (for the Shaping Our Future innovative educational ecosystem project) and the Talent Management System of the Year, while coming second in the Corporate University of the Year category.

The company’s innovative educational chatbot to develop emotional intelligence has been praised by the expert community: at the EdCrunch Award 2020, an international technology project contest, it won in the Online Psychology and Self-discovery category, while being named the Best Online Training at the SMART Pyramid 2020 Awards.

The Expert Platform competition for educational product developers won a prize at the HR Tech Forum & Award 2020 for its achievements in business digitisation and human capital management.
Managers who did not participate in the corporate culture transformation events last year took part in corporate culture workshops in 2020. These efforts aim to create an information space for all company managers, with data on the corporate culture transformation, corporate values and employee engagement management all available. Over 2,000 managers attended Workshop 1.0 in 2020. The programme was shifted online for ease of training. Workshop 1.0 materials were integrated into the new manager onboarding programme.

In 2020, managers started to take training on Workshop 2.0 Engaging Leadership Practices. Workshop 2.0 aims to strengthen each manager’s role as an engaging leader and to help them master and regularly practice actions that create an engaging environment. In 2020, Gazprom Neft senior managers took part in Workshop 2.0.

In 2021, the Corporate University will continue consolidating Gazprom Neft’s leadership in corporate training by creating its own, unique programmes, both for the company and the external market, while implementing a comprehensive approach to building up a talent pool, helping managers grow, using new and innovative methods and digital services, as well as building a comprehensive system for evaluating training efficiency.

Recognition of the Corporate University’s achievements

The On Your Marks onboarding and accelerator programme for young specialists won a Trainings award in the More than Just Training category. Trainings is an annual award for companies and individuals active in HR management, training and development.

Gazprom Neft’s corporate culture workshops ranked first in a contest for the oil and gas industry project that did the most social impact in 2020.
Partnerships with educational organisations

With the support of major Russian universities, the company continues its corporate programmes in key areas for the oil and gas industry, from conventional exploration and development to capital construction and IT.

Partnership programmes and agreements with universities in 2020

**Gazprom Neft and Tomsk Polytechnic University**
Oil and Gas Well Drilling: a joint educational programme for graduates who already hold either a first degree (BSc), a specialist degree or a Master’s degree (MSc) in oil, gas, physics or mathematics. Participants study drilling engineering for a year and on completion of the course are qualified to take a job at an oil company.

**Gazprom Neft and Ufa State Aviation Technical University**
Digital Technology in Corporate Systems: a joint educational Master’s programme. The company and the university train specialists qualified to address the industry’s digital transformation agenda.

**Gazprom Neft and Omsk State Technical University**
On offer are Information Systems and Technology, a joint educational Master’s programme in Effective Digital Solutions, and Information Systems and Technology, a Bachelor’s programme in Digital Management.

**Gazprom Neft and the Saint Petersburg National Research University of Information Technologies, Mechanics and Optics (ITMO University)**
An agreement has been signed on developing a Master’s programme on Functional Safety in Unmanned Transport, the first academic programme of its kind in Russia for training developers and specialists in using unmanned vehicles in the oil and gas industry.

**Gazprom Neft and the Administration of St Petersburg**
The St Petersburg Energy Clubs are part of a project to create a world-class technology valley in the city – the St Petersburg Energy TechnoHub. Energy TechnoHub tenants will support student business projects, helping them monetise and market successful ideas and inventions. Gazprom Neft became the first corporate partner of the Energy Clubs by offering support for student startups and research projects on digital solutions for the oil and gas industry.
The Shaping Our Future educational conference

The conference, which was held online for the first time in 2020, focused on identifying new solutions to train professionals amid the digital transformation.

The online livestream was joined by over 2,500 representatives of 90 universities and 100 companies from across 25 cities of Russia, as well as from Estonia, Israel, Latvia, Serbia, Switzerland and Uzbekistan.

Training unmanned transport specialists

Gazprom Neft and Russia’s ITMO University have become the first organisations in Russia to start training specialists in unmanned vehicles. The programme is designed for students with experience in IT and machine learning. The Master’s students will study disciplines such as programming, the management of cyber-physical systems, control, architecture, information security and the industrial safety of unmanned aerial systems, cars and other unmanned machinery.

Every year, three Russian higher educational institutions (Gubkin Russian State Oil and Gas University, Omsk State Technical University and Ulyanovsk Civil Aviation Institute) accept students into Gazprom Neft’s specialised departments, which train specialists for the oil and gas industry.
Online internships for students

In 2020, the Gazprom Neft Corporate University launched an online internship project for students with the support of Russian universities. Given the COVID-19 restrictions at universities, with all students temporarily shifted to remote learning and no longer able to receive hands-on training, the company has developed a new format for internships. Supported by industry-specific universities, the company’s Corporate University promptly put forward an optimal solution.

The project enables students to gain insights into the work of Gazprom Neft specialists from large production facilities across the country.

Online internships for students were a swift response to fundamental changes in the learning environment amid the pandemic. We worked with the country’s leading universities to promptly develop an unprecedented contactless training project that ensured the continuity of students’ practical training. This type of training also opens up a range of opportunities available to students from across various regions of Russia, allowing them to get to grips with actual oil industry production processes, remotely.

ILYA DEMENTIEV
Rector of the Corporate University

Key highlights of projects with universities in 2020

- 56 agreements with universities
- 286 corporate-sponsored university students
- 3 specialised departments created through partnerships
- 936 students undertook internships at the company
- 99 company employees in training
- 5 faculty members of partner universities completed internships at the company
AI Alliance Russia

Artificial Intelligence Alliance Russia brings together leading technology companies to jointly develop AI capabilities and accelerate the adoption of artificial intelligence in education, research and business practices.

Alliance members: Gazprom Neft, Mail.ru Group, MTS, RDIF, Sberbank and Yandex. The Alliance’s mission is to become the AI development hub in Russia, making the country and Alliance members leaders in the global technology market. Gazprom Neft is responsible for the Higher Education stream in the Alliance.

In 2020, the joint efforts of the Alliance’s experts and the country’s leading universities led to the creation of a family of six degree programmes in AI, each broken down into 36 individual skills that are taught to various levels depending on the course.

Starting from 2021, the Alliance will conduct corporate accreditation of educational university programmes against the base model of AI-related professions and skills.

ALEXANDER DYUKOV
Chairman of the Management Board, CEO, Gazprom Neft PJSC

The development and active deployment of AI technologies is a top priority for the Russian economy. This alliance may be an effective answer to this challenge. The project brings together companies from different industries with existing expertise in artificial intelligence. We expect this to create synergy and unlock new opportunities for promoting this technology across the country.

212 graduates went on to work at Gazprom Neft

1,849 company employees completed training under continuing professional education programmes

153 million in charitable support for universities

34 million spent on continuing professional education programmes for company employees
Talent pool development

The Gazprom Neft approach to talent pool development is to make sure that key positions across the company are filled by building a succession pool, with objective selection and targeted training of its members.

KEY OBJECTIVES:
- Identify key positions and employees for succession planning
- Retain and promote the best performers

EXPECTED IMPACT:
- Shorter time to fill key vacancies
- Better training of candidates for key positions
- Faster employee onboarding after promotion
- Higher share of existing company employees in new appointments

Gazprom Neft’s approach to building its talent pool

Succession management at Gazprom Neft is holistic and cyclic, following an annual talent management cycle.

The talent pool building process is integrated with regular corporate employee-evaluation procedures:
- regular performance evaluation;
- management by objectives – a tailored goal-setting system;
- the contribution evaluation commission – contribution evaluation based on employee-driven results;
- 360° feedback – employee evaluation by their entire working environment: juniors, peers and clients.

Gazprom Neft also builds a managerial talent pool both for top and senior management positions, as well as for other levels of management. All decisions regarding the talent pool are made by the relevant Division, Function, subsidiary or affiliate.

Informing an employee that they have been added to a talent pool is mandatory and an inherent part of succession management.

Talent Committee

The Talent Committee is an indispensable element of the succession management system at the company. Committee meetings keep key stakeholders up to date, improve talent pool management and are an effective mechanism for decision-making and follow-up.

There are four talent committee levels at Gazprom Neft:
- local
- function
- division
- corporate

Committee meetings are held in sequence, from the bottom up.

39% of employees took part in regular performance evaluation
Training digital transformation leaders

The first pilot cycle of the Business Thinking in Digital Reality training programme was completed in 2020. The programme’s purpose is to identify business leaders of digital transformation and build a new communication environment. The Higher School of Economics and Yandex contributed to the programme’s development.

A total of 34 managers from Gazprom Neft and its subsidiaries took part in the programme, which was delivered online over the course of 10 weeks and comprised comprehensive individual and group training sessions. Speakers and trainers included over 30 world-class experts and managers of major Russian companies: Gazprom Neft, ABBYY, Absolut Bank, the Internet Initiatives Development Fund (IIDF), Microsoft, Russian Post, Severstal, Sibur, VTB Bank, X5 Retail Group and, Yandex. The participants will be presented with continuing education certificates from the Higher School of Economics and certificates from Gazprom Neft Corporate University.

Talent committee meetings held in 2020 for succession planning identified over 2,000 “reservists” for key positions. Individual development plans were created for over 70% of these “reservists” to train them for their target roles.

In 2020, 1,849 employees completed retraining and upskilling programmes at Gazprom Neft partner higher educational institutions (HEIs).

Share of employees covered by evaluation in 2020, by category (%)

Business Thinking in Digital Reality won the SMART Pyramid award in corporate training and human capital development, as well as the People of Progress 2020 corporate recognition programme’s top prize in the Innovation category for the team’s achievements in implementing the project.

ANDREY BELEVSEV
Director for Digital Transformation, Gazprom Neft PJSC

Thanks to the Digital Transformation Faculty’s new training programmes, employees can learn about digital technologies, the product-based approach and product data, all while mastering the skills needed to work with digital processes and projects, which will help them unlock better performance and become the best specialists the industry has to offer.

The key expected outcome of the programme is to build a pool of digital transformation leaders with a new mindset, ready to drive projects from an idea to a practical result, while following the company’s strategic development direction.

1 — The SMART Pyramid Awards, launched in 2011 by the organising committee of the Russia and CIS HR Directors Summit, have been presented every year to promote the adoption of best practices and to celebrate organisations introducing advanced employee training and development methods and technologies.
Gazprom Neft initiates positive social change in those locations in which it operates, supporting local communities and activists, getting involved in the ongoing social and economic development of the regions, and providing the necessary resources and expertise.

**Strategic priorities and objectives**

**Priorities:**
- to initiate ongoing positive change in those locations in which the company operates, unleashing the potential of local communities;
- to guarantee the ongoing development of partnerships with the regions, providing the expertise necessary to ensure sustainable environmental and social development.

**A company for the regions:**
- a partner in deploying solutions and practices for a sustainable future, while promoting regional competitiveness;
- an expert advisor on identifying local development priorities, balancing the interests of local government with the needs of local people;
- a driver for innovative practices in production and local post-industrial development;
- a facilitator of strategically-focussed long-term local and regional change, as initiated by local communities.

**Objectives:**
- supporting local communities and initiatives by sharing and transferring skills, competencies and other supportive resources;
- cooperating in developing residential environments – through infrastructure, environmental and social projects – in those locations in which the company operates;
- partnering with local and municipal government and agencies to improve living standards for local people, while ensuring ongoing environmental sustainability;
- ensuring the competitiveness of the regions through targeted support for talented professionals, ethnic minorities, and young people;
- providing informational support for positive social change in those locations in which the company operates.

Preserving natural, ethnic and cultural diversity; partnering with local communities to promote positive change; working closely with talented young people; and promoting best practice in corporate and public responsibility – these are the foundations on which collective local social, environmental and intellectual development is predicated.

**Internal regulation governing social policy:**
- “Home Towns” CSR Programme
- Regional Policy Concept Document
- Policy on Engaging with the Indigenous Minorities of the Russian Far North, Siberia and the Far East
- Policy on Charitable and Philanthropic Activities

The company is committed to full social responsibility, throughout its businesses. Gazprom Neft is facilitating regional competitiveness, sharing skills, competencies and expertise in driving effective change – resulting in diversified local development and guaranteeing a sustainable future for Russia’s regions.

Social policy is predicated on partnerships and strategic support for local initiatives – with the company doing everything possible to accelerate and disseminate these
The “Home Towns” corporate social responsibility programme

This programme is directed at the ongoing improvement of living standards in those locations in which the company operates, by supporting local community initiatives while also developing the programme’s own projects. Ongoing positive change is driven by the company’s multi-level engagement in regional development – from getting involved in preparing development strategies, to taking a hand in joint tactical solutions.

Ongoing dialogue with local communities makes it possible to identify and develop those initiatives most urgently necessary in the regions, and most likely to become drivers in promoting development. Socio-cultural, environmental and infrastructure projects in the regions are implemented in the interests of current and future stakeholders, bound by a shared appreciation and mutual interests.

All key Gazprom Neft subsidiaries are involved in CSR activities.

Extensive multi-dimensional and social assessments are undertaken to fine-tune target setting in company social policy, with national and international best practice in sustainable development closely monitored.

Key areas for social investment:

- integrated and cohesive urban transformation, while protecting the natural environment;
- creating an environment conducive to cultural institutions, humanitarian initiatives and the creative industries;¹
- supporting talent, and promoting science and sport among young people;
- integrating the indigenous minorities of the Russian Far North into the modern economic landscape, while protecting their cultural identity.

Social investment tools:

- the company’s own social projects;
- social and economic cooperation agreements with local and regional governments and agencies;
- grant competitions and support for local initiatives;
- corporate volunteering.

Assessing the effectiveness of investments in regional social development:

- marketing and sociological surveys (of selected target audiences and the general public) in those locations in which the company operates;
- independent research into living standards in those locations in which the company operates;
- analysis of feedback through public hearings, and engagement with local residents in discussing planned social initiatives;
- monitoring of mid-term and final performance benchmarks and KPIs on Home Towns-programme and standalone projects;
- external audits by research agencies, non-profit organisations and educational institutions with successful experience in implementing CSR projects;
- collection and analysis of feedback through Home Towns-programme media resources.

¹ — Creative industries refers to activities based on individual creativity and having the potential to add value by capitalising on intellectual property.
2020 – PROGRESS AND RESULTS

The overriding priority for the company’s social investment programme in 2020 had to be helping the regions in responding to the COVID-19 pandemic. The company implemented a range of initiatives in counteracting the pandemic, providing assistance to employees and partners, health professionals, medics and volunteers through its “Antivirus” programme. Scheduled Home Towns-programme projects were adjusted to reflect this change in circumstances, and were either moved online or postponed.

- The company’s investment in ongoing social-infrastructure and regional development reached ₽6.4 billion – the ₽1.0 billion year-on-year decrease here being the result of major “offline” and international projects having to be cancelled.
- 17 social and economic agreements were entered into with various municipalities and constituent entities of the Russian Federation.
- A total 1,054 initiatives were submitted for grant-aided support, from six of Russia’s regions. Selection of winning projects has been postponed to 2021.
- More than 37,000 social activists and representatives from the creative industries took part in the company’s educational, grant-aided and voluntary initiatives.
- More than 2,500 talented schoolchildren, students and young people were able to discover their potential and investigate or undertake projects with the company’s support.
- Swift adjustments and operational changes have allowed the company to continue supporting initiatives in developing talent, with six key projects being implemented.

PLANS FOR 2021

- Research and evaluate the impact of social investments in Gazprom Neft’s key areas of operation, and update key areas for partnering with local and regional stakeholders.
- Further enhance the company’s leading position in CSR, environmental education and environmental protection initiatives, and in supporting the indigenous minorities of the Russian Far North.
- Launch a digital platform for the Home Towns programme, offering a media resource and platform to promote engagement between those leading social change in those locations in which the company operates.
- Launch an updated programme for working with Home Towns Ambassadors (i.e., the most proactive partners and participants on the programme).
- Undertake those activities confirmed in social and economic cooperation agreements with regional government. Hold at least six meetings with regional government to review implementation of these agreements, and adjust planned activities accordingly.
- Continue developing the Russia-wide “Mathematical Progression” project supporting gifted young people by opening a postgraduate course at the Faculty of Mathematics and Computer Science at St Petersburg State University.
- Enter into at least 10 cooperation agreements with municipalities in key locations in which the company operates.
- Review the outcomes of the 2020 grant-award competition and initiate a new grant-award cycle, supporting at least 100 projects.
- Increase the number of voluntary initiatives (with new formats, areas of activity and partners), supporting at least 50 initiatives involving Gazprom Neft volunteers.
- Establish a professional martial arts team from the Storm School of Martial Arts in Omsk, giving pupils the opportunity to pursue a professional career in sport.
The company’s social agenda under the COVID-19 pandemic

Gazprom Neft was able to ensure the safety of its employees under the pandemic, while maintaining continuity in production and transforming its charitable and social activities in those locations in which it operates.

ANTIVIRUS
GAZPROM NEFT’S ANTI-COVID-19 PROGRAMME

The company’s integrated Antivirus programme provided financial and material support to medical and social institutions, and to voluntary organisations. The Antivirus programme was active throughout the Omsk, Orenburg, Tomsk, Tyumen and Yaroslavl Oblasts, the Yamalo-Nenets and Khanty-Mansi Autonomous Okrugs, St Petersburg and other cities. The programme was initiated in March 2020, reaching its peak in April-June of that year.

The company’s Antivirus programme has proved one of the most remarkable humanitarian initiatives undertaken by Russian companies in 2020 (SCAN-Interfax Media Index)

Gazprom Neft for Volunteers

Volunteers delivered food and medicine to the elderly, people with limited mobility, and health workers and their families.

At Gazprom Neft’s initiative more than 1,600 free fuel cards were distributed to volunteers on the Russia-wide #WeTogether mutual-aid campaign, with volunteers delivering food and medicines to pensioners, working in hospitals, and helping the disabled, low-income families and people living alone.

1,600+ fuel cards provided to voluntary organisations

200,000+ litres of fuel provided to volunteers

The company donated fuel cards to voluntary organisations, allowing free refills throughout the Gazprom Neft filling station network across 47 of Russia’s regions

Gazprom Neft supported participants on the #WeTogether programme throughout 34 regions, providing free fuel for volunteers, delivering food and medicines to pensioners, working in hospitals, or helping low-income families and people living alone
Procurement of PPE for medical staff
Gazprom Neft funded the procurement of more than three million pieces of personal protective equipment (PPE), which were then donated to doctors in the Omsk, Orenburg, Tomsk and Yaroslavl Oblasts, the Khanty-Mansi and Yamalo-Nenets Autonomous Okrugs, Moscow and St Petersburg.

Medical equipment and medicines delivered to local hospitals
Swiss-manufactured ventilators, and 15 different kinds of medication, were delivered to local hospitals in St Petersburg, Omsk and Novy Urengoy.

Free refuelling of doctors’ cars in Omsk
Doctors in the Omsk Oblast, and medics at the Moscow City Clinical Hospital in Kommunarka (Hospital No. 40), had their cars refilled for free courtesy of Gazprom Neft, as did visiting teams of anaesthesiologists and intensive care specialists.

Free vehicle servicing
One thousand ambulances and emergency services vehicles, across 29 of Russia’s regions and the Republic of Kazakhstan, received free oil changes at G-Energy Service Stations.

Sanitiser production
Gazprom Neft delivered 200 tonnes of its own proprietary sanitisers and antiseptics to hospitals, free of charge.

Free coffee
Thanks to a promotion through the Gazprom Neft filling station network, more than 370,000 free cups of coffee helped sustain medics and emergency services workers throughout the pandemic.

Gazprom Neft’s “Antivirus” programme covered more than half of Russia’s regions. The most difficult period – at the start of the pandemic – saw us swiftly putting in place a system for distributing free PPE, medicines, medical equipment and sanitisers to local hospitals. In doing so we not only minimised the risk of infection for more than 75,000 company employees and partners, but were also able to support doctors – the real heroes in battling the pandemic – when they needed us most. Thanks to their professionalism and dedication the COVID-19 situation is gradually stabilising and we are, step by step, returning to normal life.

ALEXANDER DYBAL
Member of the Management Board and Deputy CEO for Corporate Communications, Gazprom Neft PJSC
Voluntary and charitable activities by Gazprom Neft employees

Gazprom Neft senior management – as well as subsidiary heads and other employees – got personally involved in a charitable initiative to donate funds to help doctors and patients at children’s cancer hospitals – which were particularly vulnerable during the pandemic. More than 644,000 masks, respirators, hazmat suits, goggles, visors and sanitisers were delivered to medical facilities in Nizhnevartovsk, Omsk, St Petersburg, Tomsk and Tyumen. Medical equipment was purchased – at Gazprom Neft managers’ own cost – through the Home Towns programme and delivered to medical institutions in need of help. 40 Gazprom Neft executives were involved in this campaign.

40 personal donations from the company’s senior management

644+ pieces of PPE delivered to medical facilities

#NAVAKHTE – rus. #ONSHIFT motivational campaign

The first wave of the pandemic saw Gazprom Neft launch a campaign to support those employees responsible for ensuring continuity of production.

It was for precisely these people that more than 400 employees, across different regions and countries, came together to say "Thank you for being #NAVAKHTE – rus. #ONDUTY!", and to whom dozens of well-known media personalities – sports stars, film actors, musicians and famous scientists – made clear their appreciation of those working selflessly in the production and refining industries. Video tributes from Home Towns programme volunteers and ambassadors too found a special place reserved for them on this initiative.

1.5 million video views

15 regions, 32 businesses involved

This campaign delivered the biggest ever flash-mob in Gazprom Neft’s history
2020 saw most of the company’s long-term CSR projects being swiftly reformatted and moved online – without any loss in quality or content – while most effort was redirected to fighting the COVID-19 pandemic.

“ Mathematical Progression”

The “Mathematical Progression” integrated support programme is a joint initiative managed by the company in partnership with the Chebyshev Mathematical Laboratory at St Petersburg State University. Gifted children from across the entire country are given the opportunity to study at the university, with the best students being awarded personal scholarships, young academics given grants and internships, and academic teams receiving research funding. On that basis the company is helping to develop the sort of scientific continuity without which the core sciences – and the innovations in production that arise from this – would not be possible.

In addition to supporting basic scientific enquiry and research, this programme is also providing a stimulus for solving practical tasks. Scientists from the Chebyshev Mathematical Laboratory, together with specialists from Gazprom Neft’s Science and Technology Centre, have been involved in creating mathematical field models, as well as helping develop the company’s “Cognitive Geologist” project. Young mathematicians are also working on Gazprom Neft’s artificial intelligence (AI) projects. As a result of this, the new analytical and modelling capabilities made possible through advanced mathematical research are helping discover oil deposits hitherto inaccessible under traditional production methods.

103 personal scholarships (to 99 students and four academics) were awarded under this programme in 2020, with the results being announced through an online awards ceremony.

103 personal scholarships to programme award winners

Public recognition

The Mathematical Progression programme won the OBJECTIVE Charity photo story contest for the Invest in Youth category.
This project, on supporting and researching the creative industries, involves holding a series of investigations (research projects), forums, and intensive training – as well as maintaining an online educational platform, "Mastera".

2020 saw four remote Mastera “camps”, as well as the launch of a special project, #SupportLocal, which involved highlighting initiatives by local businesses. A research study, “What Creative Entrepreneurs Live For”, was undertaken on the creative environment in Siberian cities – this being the first ever systematic analysis of the current state of (and potential for) creative industries in those locations in which the company operates.

33,000+ people trained through the Master Craftsmen platform

Based solely on real-world cases, this intellectual tournament for high school students has been running since 2015.

Competitors are charged with solving actual production challenges in oil and gas, specially adapted for the tournament. 71 high school students, from those locations in which Gazprom Neft operates, took part in the tournament final in 2020 (held at the Sirius Educational Centre in Sochi), tasked with solving challenges based around digitisation in the oil and gas industry.

2,500 participants have registered for the next tournament, scheduled for 2021. A qualifying round, held online, included an extensive educational programme involving webinars, workshops, an EdTech-solutions competition and other cutting-edge training formats – the outcome of which involved participants putting forward their own individual project solutions, remotely. The authors behind the best of these will meet next year at the Sirius Park of Science and Art for the finals.

This mixed martial arts school, founded in Omsk by one of Russia’s most successful MMA athletes with the company’s support, has celebrated its fifth anniversary. Public training facilities are already in place at the school, and in 2020 it was decided to create a professional team – Storm – through the academy. On which basis, the Company is facilitating the development of sports centres in the regions, is popularising grassroots sport and, at the same time, is opening up opportunities for young people to pursue a career in sport.

400+ 6–17-year-old athletes training at the Storm MMA School
A research initiative by Gazprom Neft had previously been directed at studying the narwhal (included in the IUCN Red List of Threatened Species™ and the Red Data Book of the Russian Federation) and developing a programme to protect this endangered species. The 2020 pandemic, however, meant this project became more focussed on awareness raising and education. The outcomes of the project’s first research expedition were categorised and systemised, while publication of the first professional photographs of the narwhal in the Russian Arctic (presented at the "The Arctic – Present and Future" forum at the “Primordial Russia” festival) drew considerable media attention to the project. The second research expedition on this project is scheduled for summer 2021.

The “Spirit of Fire”

Supported by Gazprom Neft, the “Spirit of Fire” international cinematography festival for first-time filmmakers has been held in Khanty-Mansiysk for more than 15 years, becoming a fixture in the region’s cultural landscape and attended by participants from all over Russia, and abroad. 2020 saw film director Sergei Solovyov, President of the festival and the original mastermind behind it, once again inviting a plethora of famous Russian film actors to the Khanty-Mansi Autonomous Okrug-Yugra’s capital city.

One of the most outstanding events on the festival programme is the annual children’s “Chitalkin” (young readers) literary concert. 2020 saw young readers from two of the locations in which the company operates enjoying support from Khanty-Mansi Autonomous Okrug Governor Natalya Komarova, who kindly recorded a video featuring extracts from a book by Yugra novelist Ludmilla Koshil – demonstrating her own mastery of the art of reading aloud.
Professional recognition

Gazprom Neft’s Home Towns programme was among the winners in a competition organised by the Ministry of Energy of the Russian Federation for the most socially responsible company in the oil and gas industry, nominated for “Solving Social Problems in Areas of Operation”.

The programme has also been recognised by the PR World Awards, taking bronze for “Corporate Social Responsibility – Achievement of the Year” and ranked in Category A (“Best Practice”) in the Corporate Philanthropy ratings of socially responsible companies.

Corporate volunteering

Corporate volunteering has been an integral part of Gazprom Neft’s culture – and formed a significant part of its social investments – for more than 10 years. Almost 6,000 employees have taken part in more than 2,000 voluntary initiatives since 2008, with such voluntary initiatives covering more than 36 cities, towns and population centres.

While the COVID-19 pandemic has meant most voluntary initiatives have had to be temporarily put on hold, the company has, nonetheless, supported participants on the Russia-wide #WeTogether voluntary movement in fighting the pandemic, providing free fuel refills at Gazprom Neft filling stations for volunteers using their own vehicles to deliver food and medicines to those in need.

Several joint initiatives were organised in conjunction with the “Anton Tut Ryadom (Anton’s Right Here)” centre in St Petersburg in 2020, including:

- a new inclusivity project, “There’s a Museum Right Here”, which involved volunteers and students from the centre offering online guided tours of St Petersburg’s museums;
- a project at the Primorsky Victory Park, which involved students from the centre decorating four technical buildings with graffiti and street art, covering 300 square metres, in total;
- a New Year charity auction, with all lots having been made by the centre’s clients and volunteers in online masterclasses and workshops. All proceeds were donated to the centre to be used for training and counselling for parents with children on the autism spectrum.
The Gazprom Neft grant-award competition

This key tool in supporting initiatives by local residents and communities, government-funded institutions and NGOs throughout Russia’s regions has facilitated the implementation of almost 620 projects over the past seven years. The core objective of the Gazprom Neft grant-award competition is to give local leaders the tools they need to carry out their ideas to facilitate positive social change.

A total 1,054 initiatives were submitted to the competition in 2020. Due to the pandemic, winners will be decided in 2021. A series of seven training videos on designing and managing social projects was produced during the lockdown, and nine training seminars and 24 orientation meetings held at youth centres and universities.

6 locations in which Gazprom Neft operates are involved in the grant-award competition

International CSR projects

The Kustendorf CLASSIC festival of Russian music is held every year by internationally famous director Emir Kusturica, supported by Gazprom Neft. The organisers have taken the opportunity of the unavoidable hiatus in 2020 to develop a new concert programme, which will be presented to the public once quarantine restrictions are lifted.

The world’s only non-profit international kids’ hockey tournament, the Gazprom Neft Cup, is the company’s key project in supporting children’s and youth sport, with under-11 teams from KHL League clubs taking part every year. 35 teams, from 12 countries worldwide, took part in 2020. The tournament will be back once COVID-19 restrictions are lifted.

Clubs from Canada, Switzerland and Italy were among the first to submit their applications to attend the Gazprom Neft Cup International Kids’ Hockey Tournament
Social and economic agreements with regional governments

The company is making a significant contribution to regional development as a social investor and as an initiator of and participant in various environmental initiatives. By entering into social and economic agreements with constituent entities and municipalities of the Russian Federation, Gazprom Neft is developing the infrastructure necessary to improving living standards throughout Russia’s regions.

17 social and economic cooperation agreements have been signed with constituent entities and municipalities throughout the Russian Federation.

Agreements signed with regional governments include:
• a Cooperation Agreement signed with the Orenburg Oblast, 2020–2022;
• a Cooperation Agreement signed with the Yamalo-Nenets Autonomous Okrug, 2021-2025.

Agreements have been signed with the following municipal administrations:
• in the Yamalo-Nenets Autonomous Okrug: the Krasnoselkupsky and Yamalsky districts;
• in the Khanty-Mansi Autonomous Okrug-Yugra: the Oktyabrsky, Nizhnevartovsky, Surgutsky, Khanty-Mansiysky, and Kondinsky districts;
• in the Omsk Oblast: the Tarskiy district;
• in the Orenburg Oblast: the city of Orenburg, and the Novosergievsky, Orenburgsky and Pervolotsky districts;
• in the Tomsk Oblast: the Kargasoksky and Parabelsky districts;
• in the Tyumen Oblast: the Uvatsky district.

Gazprom Neft’s social investments under social and economic agreements reached ₽1.59 billion in 2020.

Gazprom Neft is developing effective transport-infrastructure solutions facilitating the construction of high-quality, durable roads. Under agreements with regional governments the company is supplying innovative bitumen materials specifically developed for each individual region, in line with its local climate.

Ten new regions – from the Volga (Astrakhan Oblast) to the River Lena (Sakha Republic (Yakutia)) – joined this programme in 2020.

Supporting the indigenous minorities of the Russian Far North

An important element in the company’s social policy concerns engaging with the indigenous minorities of the Russian Far North.1 When operating in indigenous peoples’ traditional lands Gazprom Neft – consistent with United Nations recommendations – makes sure that these people have equal access to today’s opportunities, while, at the same time, encouraging and supporting the preservation of their ethnic culture. Production activities are undertaken with full respect for indigenous peoples’ traditional way of life, and in line with immediate environmental issues.

The positive changes engendered by these social and economic agreements range from establishing new cultural facilities and sports centres, to developing educational and awareness-raising programmes to unlock the potential of everyone involved.

Russian regions where Gazprom Neft is building roads

The company’s approach to working with indigenous minorities is reflected in internal regulation, specifically the “Policy on Engaging with the Indigenous Peoples of the Russian Far North, Siberia and the Russian Far East”.

Policy on Engaging with the Indigenous Peoples of the Russian Far North, Siberia and the Russian Far East

1 – Gazprom Neft PJSC subsidiaries Gazprom Neft-NNG, Gazprom Neft-Yamal LLC, Gazprom Neft-Khantos LLC, GPN-Razvitiye LLC, Gazprom Neft-Zapolyarye LLC, JSC Messoyakhaneftegaz (JV), the Bazhenov Technology Centre LLC, Gazprom Neft-Palyan LLC operating in indigenous peoples' traditional lands.
FORMS OF COOPERATION AND SUPPORT FOR THE INDIGENOUS PEOPLES OF THE RUSSIAN FAR NORTH IN 2020:

- extensive support has been provided to indigenous peoples in the Russian Far North in combatting the COVID-19 pandemic. Medical care has been provided at field health facilities, and medical evacuation provided in emergencies. Food, fuel and building materials have been delivered promptly, as requested, and off-road vehicles made available;
- economic agreements have been entered into on an ongoing basis between Gazprom Neft subsidiaries and representatives of indigenous families pursuing their traditional way of life within company license blocks;
- assistance with overnight accommodation has been made available where necessary (consistent with epidemiological restrictions);
- assistance has been made available in transporting local people to their accommodation and/or places of residence;
- the company has provided help in response to ad-hoc requests – for food, fuel and lubricants, building materials, and in making available vehicles and machinery (i.e., in providing assistance in overcoming difficult terrain and crossings during migration);
- the company has provided New Year presents for children of indigenous families.

IN ITS COMMITMENT TO RESPECTING THE RIGHTS OF THE INDIGENOUS PEOPLES OF THE RUSSIAN FAR NORTH, THE COMPANY:

- makes sure the company’s own staff (and its contractors’ and subcontractors’) are fully up-to-date on regulation governing engagement with the indigenous peoples of the Russian Far North (with materials being updated and disseminated on an annual basis);
- holds regular meetings and public hearings to ensure the indigenous peoples of the Russian Far North are fully informed as to the Company’s planned activities;
- partners with municipal administrations in those locations inhabited by indigenous peoples;
- engages with community organisations and associations for the indigenous peoples of the Russian Far North (including “Yamal for future generations!”, the “Tazovsky District Development Fund for the Yamalo-Nenets Autonomous Okrug”, the “Yamal” organisation, and municipal government departments responsible for engagement with indigenous peoples);
- No cases alleging any violation of the rights of the indigenous peoples of the Russian Far North have ever been brought against the company.

PROJECTS AND INITIATIVES FOR THE INDIGENOUS PEOPLES OF THE RUSSIAN FAR NORTH UNDER THE HOMETOWNS PROGRAMME:

- preventing the spread of COVID-19 – procurement of medical equipment, PPE and food for indigenous peoples;
- the “Letter to Father Frost” New Year event for pupils at the Tazovsky residential school, with more than 70 board games being purchased for donation;
- the “Breath of the Arctic” creativity and arts festival, directed at developing the creative potential of local residents in the remote Yamal villages of Novy Port and Cape Kamenny. Held online in 2020, this festival secured an audience of around 250 children and adults (including indigenous children), with more than 180 works submitted;
- the “New Year Fairy Tale” project: more than 1,000 gifts of sweets and useful presents given to local schoolchildren and those attending kindergartens, as well as indigenous children at residential schools;
- the “We’re Going to School!” project – a traditional annual event for first-year primary schoolchildren in the villages of Novy Port and Cape Kamenny, who are given backpacks and stationery;
- the “Historic Heritage” clean-up and reclamation project: three days of environmental reclamation and cleaning-up of the tundra, covering a 15-hectare area in the Gulf of Ob around the villages of Novy Port and Cape Kamenny.
Gazprom Neft’s social projects abroad

The company operates special social policies in those countries in which it is a major foreign investor, helping to develop infrastructure, education, medicine, culture, arts and sports – all of which helps consolidate Gazprom Neft’s reputation as a responsible foreign investor, and a leader in social investment, in the Republic of Serbia and oil-producing regions of Iraq.

Serbia

Work on local community development is at the heart of NIS’ CSR programme. Community development projects are grouped together under the company’s “Together for the Community” programme.

The company invests in building parks and playgrounds for children, in renovating kindergartens and schools, in providing equipment for maternity hospitals, and in developing education, culture, sports and the arts.

In response to the COVID-19 pandemic Gazprom Neft, as NIS’ majority shareholder, donated 1,500 tonnes of fuel to public services in the Republic of Serbia – including the Ministry of Interior, the armed forces, the ambulance service, and the fire brigade. In addition to this, immediately following the declaration of a state of emergency in the Republic of Serbia, NIS provided state airline Air Serbia with 270 tonnes of aviation fuel, facilitating flights to deliver vital medical equipment and supplies throughout Serbia, as well as helping return Serbian citizens stranded outside the country to their homeland.

In cooperation with UNICEF, NIS has provided 56 oxygen flowmeters (used in treating patients with COVID-19) to Belgrade hospitals. 500 hazmat suits had been delivered to the Clinical Centre of Serbia in Batajnica as at end-December 2020. Funds were donated to the Torlak Institute of Virology, Vaccines and Sera and to the Cacak Polyclinic to buy computer equipment necessary for diagnosing SARS-CoV-2.

NIS – Serbia’s best employer

The TalentX survey by Serbian jobsite Poslovi.infostud.com shows NIS topping the list of Serbia’s best employers.
The 1,647 members of the NIS Volunteers’ Club also came together to support health and community agencies in 2020, with club members spending more than 2,000 hours on voluntary activities – mainly directed at supporting the most vulnerable members of the population.

Despite most work being directed at supporting the fight against the pandemic, NIS has also continued its social activities in other areas, including holding its “Together for the Community - 2020” competition, through which 72 projects have been selected for support in conjunction with 12 partnering local authorities.

The company has continued its support of the KK Partizan NIS basketball club, the International Belgrade Dance Festival, and the International Science Festival, Belgrade. The company has continued its “Energy of Knowledge” programme, collaborating with leading educational and scientific institutions in Serbia and abroad, and engaging with talented students in natural and social sciences. Memorandums of Cooperation have been signed with the University of Belgrade’s School of Electrical Engineering and the Faculty of Technical Sciences at the University of Novi Sad.

Gazprom Neft’s social and environmental projects in Iraq are undertaken in close cooperation with local government. Village leadership (anjumsans), local mayors, province governors, and representatives from specific ministries are all consulted on the development of priority projects.

The main means of engaging with local government agencies on social, economic and environmental issues is through public–private partnerships, with local government representatives assuming responsibility for coordinating the company’s social investments and acting as guarantor for the effective and targeted use of these funds. The company receives integrated strategies from central and local government on developing cohesive and transparent policy to support philanthropy and social investments.

One of the key priorities in social policy in this region is training local professionals for the oil and gas industry. Employment for local people is always front of mind for the company, which undertakes regular dedicated recruitment campaigns targeted at Iraqi nationals, and offers professional training for Iraqi employees.

As at end-2020 the company had received a list of nine CSR projects from the Municipality of Badra, due for implementation throughout 2021. In addition to this, the company provides groceries and provisions to residents of Badra, Jassan and Zurbatiyah once a year by way of supporting local people in economic difficulty.
CSR projects in the Kurdistan Region of Iraq (KRI)

Gazprom Neft's engagement in the KRI throughout 2020 resulted in:

- construction of additional classrooms in the villages of Kareza and Hasira;
- mobile clinics being used for medical examinations in population centres around and within the Garmian license block;
- the "Green Teams" environmental initiative, focussed on environmental protection and clearance of plastic and household waste from fields, local public spaces and roads;
- the completion of the Gazprom Neft Middle East Scholarship Programme;
- a culvert (drain) being built in the village of Kareza;
- medical equipment (including ultrasound machines, dentistry chairs, air-puff tonometers, medicines, retinoscopes, lenses, etc.) being supplied to hospitals in Kifri and Kalar.

The Gazprom Neft Middle East Scholarship Programme

The Gazprom Neft Middle East Scholarship Programme was successfully completed in 2020. Initiated in 2013, a total 19 Kurdish students and graduates have taken part in the programme.

Following a rigorous selection process, all 19 programme participants successfully completed their studies at some of Russia’s best universities (three completing postgraduate studies at the Gubkin Russian State University of Oil and Gas and 16 graduating from St Petersburg Mining University) before returning to the KRI. The majority of these professionals are now employed at Gazprom Neft Middle East.
# Sustainable development highlights

## Economic efficiency

### Direct economic value generated and distributed (₽ million)

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<td>430,945</td>
<td>624,449</td>
<td>826,828</td>
<td>748,540</td>
<td>640,832</td>
</tr>
<tr>
<td>payments to capital providers</td>
<td>34,282</td>
<td>25,127</td>
<td>21,476</td>
<td>32,772</td>
<td>28,746</td>
</tr>
<tr>
<td>Economic value retained</td>
<td>209,726</td>
<td>269,677</td>
<td>400,942</td>
<td>422,088</td>
<td>120,633</td>
</tr>
</tbody>
</table>
### Health and safety performance

#### Occupational safety

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAR(^2) (Gazprom Neft Group employees)</td>
<td>3.09</td>
<td>3.08</td>
<td>0.74</td>
<td>1.46</td>
<td>0</td>
</tr>
<tr>
<td>LTIF(^3) (Gazprom Neft Group employees)</td>
<td>0.564</td>
<td>0.601</td>
<td>0.640</td>
<td>0.504</td>
<td>0.539</td>
</tr>
<tr>
<td>Number of people injured in accidents (Gazprom Neft Group employees)</td>
<td>69</td>
<td>74</td>
<td>85</td>
<td>68</td>
<td>75</td>
</tr>
<tr>
<td>Fatalities (Gazprom Neft Group employees)</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Number of people injured in accidents (contractor employees)</td>
<td>68</td>
<td>64</td>
<td>92</td>
<td>83</td>
<td>80</td>
</tr>
<tr>
<td>Fatalities (contractor employees)</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>9</td>
<td>3</td>
</tr>
</tbody>
</table>

#### Industrial safety

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incidents</td>
<td>2,385</td>
<td>2,183</td>
<td>1,068</td>
<td>920</td>
<td>600</td>
</tr>
<tr>
<td>Accidents</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

#### Environmental safety

**Greenhouse gas (GHG) emissions (million tonnes CO\(_2\) equivalent)**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL GHG EMISSIONS</td>
<td>23.8</td>
<td>22.8</td>
<td>24.5</td>
<td>28.9</td>
<td>26.1</td>
</tr>
<tr>
<td>direct GHG emissions (Scope 1)</td>
<td>15.4</td>
<td>16.2</td>
<td>20.0</td>
<td>22.0</td>
<td>21.7</td>
</tr>
<tr>
<td>CO(_2)</td>
<td>14.5</td>
<td>14.9</td>
<td>18.8</td>
<td>20.9</td>
<td>20.7</td>
</tr>
<tr>
<td>CH(_4)</td>
<td>0.9</td>
<td>0.8</td>
<td>0.9</td>
<td>0.6</td>
<td>0.7</td>
</tr>
<tr>
<td>indirect GHG emissions (Scope 2)</td>
<td>8.4</td>
<td>6.6</td>
<td>4.5</td>
<td>6.9</td>
<td>4.4</td>
</tr>
<tr>
<td>Scope 3</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>198.5</td>
</tr>
</tbody>
</table>

---

1 — Gazprom Neft’s assets in the Russian Federation, joint ventures under the operational management of Gazprom Neft, including Gazprom Neft’s foreign assets in Serbia, Iraq, Italy, Eastern Europe and Central Asia, are included in the accounting of injury and environmental indicators.

2 — Fatal accident rate – calculated as follows: total number of fatalities ÷ total hours worked by all employees × 100 million man-hours.

3 — Lost time injury frequency – calculated as follows: total number of lost time injuries (including fatalities) in the workplace ÷ total hours worked × one million man-hours.
**GHG emissions breakdown by business**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DIRECT GHG EMISSIONS</strong> (Scope 1, million tonnes CO₂ equivalent)</td>
<td>20.0</td>
<td>22.0</td>
<td>21.7</td>
</tr>
<tr>
<td>Including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upstream</td>
<td>14.09</td>
<td>16.26</td>
<td>15.25</td>
</tr>
<tr>
<td>Refinery</td>
<td>5.28</td>
<td>5.38</td>
<td>6.17</td>
</tr>
<tr>
<td><strong>INDIRECT GHG EMISSIONS</strong> (Scope 2, million tonnes CO₂ equivalent)</td>
<td>4.5</td>
<td>6.9</td>
<td>4.4</td>
</tr>
<tr>
<td>Upstream</td>
<td>2.49</td>
<td>5.02</td>
<td>2.57</td>
</tr>
<tr>
<td>Refinery</td>
<td>1.58</td>
<td>1.64</td>
<td>1.47</td>
</tr>
<tr>
<td><strong>TOTAL GHG EMISSIONS</strong> (Scope 1 + Scope 2, million tonnes CO₂ equivalent)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upstream GHG intensity (million tonnes CO₂ equivalent per tonne of oil equivalent production)</td>
<td>0.219</td>
<td>0.270</td>
<td>0.233</td>
</tr>
<tr>
<td>Downstream GHG intensity (million tonnes CO₂ equivalent per tonne of processed crude)</td>
<td>0.196</td>
<td>0.207</td>
<td>0.231</td>
</tr>
</tbody>
</table>

**APG production and utilisation** (million cubic metres)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>APG flaring</td>
<td>1.933</td>
<td>2.726</td>
<td>3.112</td>
<td>1.830</td>
<td>1.615</td>
</tr>
<tr>
<td>APG utilisation rate (%)</td>
<td>79.8</td>
<td>76.2</td>
<td>78.4</td>
<td>89.0</td>
<td>91.1</td>
</tr>
</tbody>
</table>

**Air emissions (thousand tonnes)**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROSS EMISSIONS</strong></td>
<td>600.8</td>
<td>474.3</td>
<td>508.3</td>
<td>529.4</td>
<td>452.6</td>
</tr>
<tr>
<td>Including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NO₂</td>
<td>19.2</td>
<td>22.1</td>
<td>25.6</td>
<td>26.7</td>
<td>28.6</td>
</tr>
<tr>
<td>SO₂</td>
<td>128.4</td>
<td>69.0</td>
<td>74.8</td>
<td>38.9</td>
<td>18.4</td>
</tr>
<tr>
<td>VOCs</td>
<td>128.3</td>
<td>120.3</td>
<td>96.7</td>
<td>102.1</td>
<td>90.7</td>
</tr>
</tbody>
</table>

1 — From 2020, indirect GHG emissions (scope 2) are recalculated using refined regional coefficients. The recalculation of comparable data was made for the period of 2018 and 2019. The change in the coefficient did not have a significant impact on earlier periods.

2 — In the Russian Federation, excluding joint ventures.
### Water consumption (million cubic metres)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total water withdrawal</td>
<td>446.1</td>
<td>416.2</td>
<td>372.2</td>
<td>371.2</td>
<td>256.9</td>
</tr>
<tr>
<td>from surface water sources</td>
<td>36.2</td>
<td>40.1</td>
<td>35.0</td>
<td>31.4</td>
<td>32.6</td>
</tr>
<tr>
<td>Total water consumption for Company needs</td>
<td>428.9</td>
<td>370.0</td>
<td>316.4</td>
<td>314.2</td>
<td>226.3</td>
</tr>
<tr>
<td>Total water discharge to surface water</td>
<td>43.5</td>
<td>47.5</td>
<td>56.3</td>
<td>57.8</td>
<td>33.5</td>
</tr>
<tr>
<td>1.7</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>1.8</td>
<td></td>
</tr>
</tbody>
</table>

### Waste generation and treatment

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste generation (thousand tonnes)</td>
<td>1,376</td>
<td>1,476</td>
<td>1,565</td>
<td>1,790</td>
<td>1,849</td>
</tr>
<tr>
<td>Waste treatment and recycling (thousand tonnes)</td>
<td>1,310</td>
<td>1,298</td>
<td>1,517</td>
<td>1,720</td>
<td>1,844</td>
</tr>
<tr>
<td>Waste treatment and recycling (%)</td>
<td>95</td>
<td>88</td>
<td>97</td>
<td>96</td>
<td>99.7</td>
</tr>
</tbody>
</table>

### Energy consumption

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy consumption (million GJ)</td>
<td>199.3</td>
<td>215.2</td>
<td>226.5</td>
<td>229.2</td>
<td>230.9</td>
</tr>
</tbody>
</table>

### Employment data

#### Headcount (people)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>HEADCOUNT</td>
<td>66,561</td>
<td>67,882</td>
<td>70,648</td>
<td>78,847</td>
<td>82,960</td>
</tr>
</tbody>
</table>

Including:

- **men**
  - 40,835
  - 40,254
  - 42,917
  - 49,734
  - 54,210

- **women**
  - 25,726
  - 27,628
  - 27,731
  - 29,113
  - 28,750

Including:

- **under 30 years old**
  - 15,583
  - 14,647
  - 14,422
  - 15,152
  - 15,437

- **30-50 years old**
  - 40,464
  - 42,736
  - 45,361
  - 51,740
  - 54,893

- **over 50 years old**
  - 10,514
  - 10,499
  - 10,865
  - 11,955
  - 12,630
### Employee turnover (%)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover rate</td>
<td>15.2</td>
<td>15.1</td>
<td>12.9</td>
<td>11.1</td>
<td>8.0</td>
</tr>
</tbody>
</table>

### Employee costs (₽ million)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>82,576</td>
<td>89,777</td>
<td>101,461</td>
<td>121,519</td>
<td>140,045</td>
</tr>
<tr>
<td>Including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>payroll</td>
<td>79,316</td>
<td>86,600</td>
<td>97,865</td>
<td>117,776</td>
<td>135,905</td>
</tr>
<tr>
<td>social payments</td>
<td>3,260</td>
<td>3,177</td>
<td>3,596</td>
<td>3,743</td>
<td>4,140</td>
</tr>
</tbody>
</table>

### Employee training (hours)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average training hours per employee</td>
<td>36</td>
<td>46</td>
<td>33</td>
<td>45</td>
<td>37</td>
</tr>
</tbody>
</table>

### Social policy data

#### Social investment (₽ billion)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of social investment</td>
<td>4.1</td>
<td>4.3</td>
<td>6.8</td>
<td>7.5</td>
<td>6.4</td>
</tr>
</tbody>
</table>

#### Corporate volunteering

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of volunteers</td>
<td>2,856</td>
<td>4,567</td>
<td>4,773</td>
<td>5,756</td>
<td>3,036</td>
</tr>
<tr>
<td>Volunteering initiatives</td>
<td>287</td>
<td>282</td>
<td>350</td>
<td>675</td>
<td>126</td>
</tr>
</tbody>
</table>
Identification of the Report’s material topics

In presenting information about sustainability activities in the Report, Gazprom Neft seeks to cover the issues most relevant to stakeholders.

Non-financial Reporting Principles:
• stakeholder engagement
• sustainability context
• materiality
• completeness
• accuracy
• balance
• clarity
• comparability
• reliability
• timeliness

The Report’s disclosures cover business obligations, including those set out in Russian and international documents (the UN Global Compact and the Social Charter of the Russian Business). Since 2017, the Company has included information on its contribution to the achievement of the UN Sustainable Development Goals in the Report.

In order to determine the most material topics and respective indicators to be disclosed, the Company analyses:
• the results of monitoring the scope and scale of its impact on the economy, society and the environment;
• stakeholder engagement themes and requests for information;
• research on Russian and international industry management practices in respect of sustainable development and sustainability reporting.

In the process of its interaction with stakeholders and identification of the Report’s material topics, the Company analysed the following:
• GRI guidelines;
• the results of internal and external stakeholder surveys for the purpose of defining the key topics of the Report;
• interviews with the Company’s management and employees;
• materials relating to Gazprom Neft’s regular interaction with key groups of stakeholders;
• mass media coverage on the Company.

Based on the identification process, the Company mapped out the most material topics.
Prioritisation matrix for the Report’s material topics

The impact of Gazprom Neft on sustainable development factors

List of topics that were identified to be most significant for the Company and its key stakeholders:

<table>
<thead>
<tr>
<th>ECONOMIC PERFORMANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Financial stability and operational efficiency</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ETHICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2  Supplier relations</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
</tbody>
</table>

**CONSUMER CARE**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>6</td>
<td>Product safety and quality</td>
</tr>
</tbody>
</table>

**HEALTH AND SAFETY**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Occupational health and safety</td>
</tr>
</tbody>
</table>

**ENVIRONMENTAL SAFETY**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>8</td>
<td>Energy economy and efficiency</td>
</tr>
<tr>
<td>9</td>
<td>Water use</td>
</tr>
<tr>
<td>10</td>
<td>Land and vegetation protection</td>
</tr>
<tr>
<td>11</td>
<td>Emissions</td>
</tr>
<tr>
<td>12</td>
<td>Waste generation and management</td>
</tr>
<tr>
<td>13</td>
<td>Compliance with environmental laws and regulations</td>
</tr>
</tbody>
</table>

**EMPLOYEE DEVELOPMENT**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>14</td>
<td>Employee relations</td>
</tr>
<tr>
<td>15</td>
<td>Employee-employer relations, freedom of association</td>
</tr>
<tr>
<td>16</td>
<td>Employee training and development</td>
</tr>
<tr>
<td>17</td>
<td>Non-discrimination</td>
</tr>
</tbody>
</table>

**SOCIAL POLICY**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>18</td>
<td>Indirect economic impact</td>
</tr>
<tr>
<td>19</td>
<td>Respect for the rights of indigenous people</td>
</tr>
<tr>
<td>20</td>
<td>Development programmes for local communities</td>
</tr>
</tbody>
</table>
This Report is mostly focused on the Material topics, relevant for the Company and its stakeholders. GRI Standards (Core option) and the Key Performance Indicators (KPIs) of the Russian Union of Industrialists and Entrepreneurs (RSPP) were used as the basis for this Report.

<table>
<thead>
<tr>
<th>GRI Indicator</th>
<th>Indicator description</th>
<th>UN SDG</th>
<th>IPIECA Indicator</th>
<th>Page</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRI 101: Foundation (2016)</td>
<td></td>
<td></td>
<td></td>
<td>p. 3-5</td>
<td>p. 167-169</td>
</tr>
<tr>
<td>GRI 102: General disclosures (2016)</td>
<td>Organisational profile</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102–1</td>
<td>Name of the organisation</td>
<td></td>
<td></td>
<td>p. 3</td>
<td></td>
</tr>
<tr>
<td>102–2</td>
<td>Activities, brands, products, and services</td>
<td></td>
<td></td>
<td>p. 8-17 AR 2020 p. 6-11 AR 2020 p.62-114</td>
<td></td>
</tr>
<tr>
<td>102–3</td>
<td>Location of headquarters</td>
<td></td>
<td></td>
<td>p. 192</td>
<td></td>
</tr>
<tr>
<td>102–4</td>
<td>Location of operation</td>
<td></td>
<td></td>
<td>p. 157 AR 2020 p.27-30</td>
<td></td>
</tr>
<tr>
<td>102–5</td>
<td>Ownership and type of incorporation</td>
<td></td>
<td></td>
<td>p. 27-30</td>
<td></td>
</tr>
<tr>
<td>102–6</td>
<td>Markets served</td>
<td></td>
<td></td>
<td>p. 8-10 AR 2020 p.6-11</td>
<td></td>
</tr>
<tr>
<td>102–7</td>
<td>Scale of the organisation</td>
<td></td>
<td></td>
<td>p. 8-10 p. 127-138 p. 162</td>
<td>Capitalisation (total liabilities and equity) = ₽4,259,174 million, current liabilities = ₽786,223 million, non-current liabilities = ₽1,210,504 million, and equity = ₽2,262,447 million.</td>
</tr>
<tr>
<td>GRI Indicator</td>
<td>Indicator description</td>
<td>UN SDG</td>
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<td>204-1</td>
<td>Proportion of spending with local suppliers</td>
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<td>SOC-14</td>
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The Company and its subsidiaries take advantage of tax benefits as allowed by the applicable tax law.
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<td>205-1</td>
<td>Operations assessed for risks related to corruption</td>
<td>SDG 16</td>
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<td>The Company has a corporate risk management framework in place that covers all its business units and operations. The Company routinely assesses all risks.</td>
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<td>Communication and training about anti-corruption policies and procedures</td>
<td>SDG 16</td>
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<td>205-3</td>
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<td><strong>GRI 206 Anti-competitive Behaviour (2016)</strong></td>
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<td>206-1</td>
<td>Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices</td>
<td>SDG 16</td>
<td></td>
<td>p. 174</td>
<td>The Company does not prevent competition. Gazprom Neft has approved an Anti-Monopoly Policy and has been working consistently to prevent and minimise anti-trust and monopoly risks. In 2020, Russia’s Federal Anti-Monopoly Service did not initiate any anti-monopoly proceedings against Gazprom Neft.</td>
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<tr>
<td>103 Management approach</td>
<td>CCE-6</td>
<td>p. 26-30</td>
<td>p. 106-108</td>
<td>Disclosed except for: Energy consumed on heating or cooling and steam energy consumed; Amount of electric energy and fuel sold, heating and cooling energy sold and steam energy sold. Total energy consumption disclosed for the Upstream and Downstream Divisions. Fuel consumption disclosed for the Upstream Division. Energy consumption within the organisation is disclosed except for renewable energy consumed. Calculations of gas consumed in the Upstream Division exclude gas consumed for heat and electricity production and the Company's non-fuel needs. Calculations of gas consumed in the Upstream Division exclude gas used for boilers, gas injections, flares etc. &quot;Methodological guidelines for calculating the energy mix of the Russian Federation in accordance with international practice&quot; were used to convert units of measurement.</td>
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<td>302-1 Energy consumption within the organisation</td>
<td>SDG 7 SDG 8 SDG 12 SDG 13</td>
<td>CCE-6</td>
<td>p. 106</td>
<td>Disclosed except for indicating the extent of reductions in heating, cooling, and steam consumption.</td>
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<td>302-4 Reduction of energy consumption</td>
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**MATERIAL TOPIC: WATER USE**

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**Sustainable Development Report 2020**

Gazprom Neft at a glance

Sustainable development management

Customer care

Health and safety

Environmental safety

Employee development

Social policy

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<td>Disclosed except for breakdown by sources of water withdrawal</td>
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<td>Water discharge</td>
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<td>Disclosed except for indicating the quality of discharge water (except for discharge to surface waters)</td>
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**MATERIAL TOPIC: LAND AND VEGETATION PROTECTION**

**GRI 304 Biodiversity (2016)**

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<th>p. 112-113</th>
<th>The Company has no production assets within the boundaries of specially protected natural areas of federal or regional significance. No rare or endangered species of animals, plants or mushrooms were identified. However, when planning its economic activities, the Company thoroughly assesses potential environmental risks and seeks to avoid serious or irreversible environmental violations.</th>
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<td>Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas</td>
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<td>Significant impacts of activities, products, and services on biodiversity</td>
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<td>Habitats protected and restored</td>
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<td>304-4</td>
<td>International Union for the Conservation of Nature (IUCN) Red List species and national conservation list species with habitats in areas affected by operations</td>
<td>SDG 6</td>
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<td>p. 176 No rare or endangered species of animals, plants or mushrooms were identified in the areas where the Company's production assets are located.</td>
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**MATERIAL TOPIC: WASTE GENERATION AND MANAGEMENT**

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<tr>
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</tr>
<tr>
<td>306-2</td>
<td>Management of significant waste-related impacts</td>
<td></td>
</tr>
<tr>
<td>306-3</td>
<td>Waste generated</td>
<td>SDG 3</td>
</tr>
</tbody>
</table>

**MATERIAL TOPIC: COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS**

**GRI 307 Environmental compliance (2016)**

<table>
<thead>
<tr>
<th>103</th>
<th>Management approach</th>
<th>SOC-4</th>
<th></th>
<th></th>
<th>p. 26-30</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>SOC-15</td>
<td></td>
<td></td>
<td>p. 32</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>p. 96-97</td>
</tr>
</tbody>
</table>

| 307-1         | Non-compliance with environmental laws and regulations | SDG 16 |                  |      | p. 178     | In all cases of non-compliance with environmental laws and regulations that occurred during the reporting period, remedial measures were taken within the time limits set by the supervisory bodies. |

**SOCIAL**

**MATERIAL TOPIC: LABOUR RELATIONS AND EMPLOYMENT**

**GRI 401 Employment (2016)**

<table>
<thead>
<tr>
<th>103</th>
<th>Management approach</th>
<th>SDG 5</th>
<th></th>
<th></th>
<th>p. 26-30</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>SDG 8</td>
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<td>p. 32</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SDG 10</td>
<td></td>
<td></td>
<td>p.120-143</td>
</tr>
</tbody>
</table>

| 401-1         | New employee hire and employee turnover | SDG 3  |                  |      | p. 127-128 | New employee hires disclosed except for a breakdown by gender and age group, employee turnover disclosed except for a breakdown by age group, gender and region. |
|---------------|---------------------------------------|--------|------------------|------|------------|
|               |                                       | SDG 5  |                  |      |            |
|               |                                       | SDG 8  |                  |      |            |

| 401-2         | Benefits provided to full-time employees that are not provided to temporary or part-time employees | SDG 3  |                  |      | p. 178     | Basic social benefits are provided to employees regardless of the employment type |
|---------------|---------------------------------------------------------------------------------|--------|------------------|------|------------|
|               |                                                                                | SDG 5  |                  |      |            |
|               |                                                                                | SDG 8  |                  |      |            |
**MATERIAL TOPIC: EMPLOYEE-EMPLOYER RELATIONS, FREEDOM OF ASSOCIATION**

**GRI 402 Labour/Management Relations (2016)**

<table>
<thead>
<tr>
<th>GRI Indicator</th>
<th>Indicator description</th>
<th>UN SDG</th>
<th>IPIECA Indicator</th>
<th>Page</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>103</td>
<td>Management approach</td>
<td>SOC-6</td>
<td></td>
<td>p. 26-30 p. 34-35 p. 120-143</td>
<td></td>
</tr>
<tr>
<td>402-1</td>
<td>Minimum notice periods regarding operational changes</td>
<td>SDG 8</td>
<td></td>
<td>p. 179</td>
<td>The Company complies with the Russian Labour Code which requires a minimum notice period prior to the implementation of significant operational changes (not later than two months before the start of relevant changes in general case and not later than three months before the start of relevant changes if the decision to reduce the headcount may lead to major layoffs)</td>
</tr>
</tbody>
</table>

**MATERIAL TOPIC: OCCUPATIONAL AND PRODUCTION HEALTH AND SAFETY**

**GRI 403 Occupational Health and Safety (2018)**

<table>
<thead>
<tr>
<th>GRI Indicator</th>
<th>Indicator description</th>
<th>UN SDG</th>
<th>IPIECA Indicator</th>
<th>Page</th>
<th>Commentary</th>
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</thead>
<tbody>
<tr>
<td>103</td>
<td>Management approach</td>
<td>SHS-4</td>
<td></td>
<td>p. 26-30 p. 76-88</td>
<td></td>
</tr>
<tr>
<td>403-1</td>
<td>Occupational health and safety management system</td>
<td>SDG 8</td>
<td>SHS-1 SHS-4</td>
<td>p. 29 p. 80-82</td>
<td></td>
</tr>
<tr>
<td>403-2</td>
<td>Hazard identification, risk assessment, and incident investigation</td>
<td>SDG 8</td>
<td>SHS-1 SHS-7</td>
<td>p. 32 p. 81</td>
<td></td>
</tr>
<tr>
<td>403-3</td>
<td>Occupational health services</td>
<td>SDG 8</td>
<td>SHS-1</td>
<td>p. 29 p. 80-82 p. 85-86</td>
<td></td>
</tr>
<tr>
<td>403-4</td>
<td>Employee participation, consultation and communication on occupational health and safety</td>
<td>SDG 8 SDG 16</td>
<td>SHS-1</td>
<td>p. 85 p. 138-139</td>
<td></td>
</tr>
<tr>
<td>403-5</td>
<td>Employee training on occupational health and safety</td>
<td>SDG 8</td>
<td>SHS-1</td>
<td>p. 85 p. 138-139</td>
<td></td>
</tr>
<tr>
<td>403-6</td>
<td>Promotion of employee health</td>
<td>SDG 3</td>
<td>SHS-2</td>
<td>p. 88</td>
<td></td>
</tr>
<tr>
<td>GRI Indicator</td>
<td>Indicator description</td>
<td>UN SDG</td>
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</tr>
<tr>
<td>403-7</td>
<td>Prevention and mitigation of occupational health and safety impacts</td>
<td>SDG 8</td>
<td>SHS-1</td>
<td>p. 83-88</td>
<td></td>
</tr>
<tr>
<td>403-9</td>
<td>Work-related injuries</td>
<td>SDG 3, SDG 8, SDG 16</td>
<td>SHS-3</td>
<td>p. 83</td>
<td></td>
</tr>
</tbody>
</table>

**MATERIAL TOPIC: EMPLOYEE TRAINING AND DEVELOPMENT**

**GRI 404 Training and Education (2016)**

| 404-1 | Average hours of training per year per employee | SDG 4, SDG 5, SDG 8, SDG 10 | SOC-7 | p. 132 | Disclosed except for a breakdown by gender and employee categories. |
| 404-2 | Programmes for upgrading employee skills and transition assistance programmes | SDG 8 | SOC-7 | p. 125-126, p. 132-143 | Disclosed except for a description of assistance programmes to support employees after retirement or termination of employment. |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | SDG 5, SDG 8, SDG 10 | SOC-7 | p. 142-143 | Disclosed except for a breakdown by gender. Percentage of employees having received regular performance reviews totals %. |

**MATERIAL TOPIC: FAIR REMUNERATION AND SOCIAL BENEFITS**

**GRI 405 Diversity and Equal Opportunity (2016)**

<p>| 103 | Management approach | SOC-5 | p. 26-27, p. 36-37 | |
| 405-1 | Diversity of governance bodies and employees | SDG 5, SDG 8 | SOC-5 | p. 28, p. 127, p. 180 | Women account for 8% of the members of the Board of Directors. |
| 405-2 | Ratio of basic salary and remuneration of women to men | SDG 5, SDG 8, SDG 10 | SOC-5 | p. 130 | |</p>
<table>
<thead>
<tr>
<th>GRI Indicator</th>
<th>Indicator description</th>
<th>UN SDG</th>
<th>IPIECA Indicator</th>
<th>Page</th>
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</thead>
<tbody>
<tr>
<td>MATERIAL TOPIC: EMPLOYEE-EMPLOYER RELATIONS, FREEDOM OF ASSOCIATION</td>
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<td></td>
</tr>
<tr>
<td>103 Management approach</td>
<td>SOC-6</td>
<td>p. 36</td>
<td>p. 128</td>
<td></td>
<td></td>
</tr>
<tr>
<td>407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk</td>
<td>SDG 8</td>
<td>SOC-3</td>
<td>p. 181</td>
<td>No such operations or suppliers were identified during the reporting period.</td>
<td></td>
</tr>
<tr>
<td>MATERIAL TOPIC: HUMAN RIGHTS</td>
<td></td>
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<tr>
<td>103 Management approach</td>
<td></td>
<td></td>
<td>p. 26-30</td>
<td>p. 36-37</td>
<td></td>
</tr>
<tr>
<td>410-1 Security personnel trained in human rights policies or procedures</td>
<td>SDG 16</td>
<td>SOC-3</td>
<td>p. 181</td>
<td>Human rights are part of the mandatory training programmes that cover 100% employees in the security function (including contractors providing services for the company).</td>
<td></td>
</tr>
<tr>
<td>MATERIAL TOPIC: RESPECT FOR THE RIGHTS OF INDIGENOUS PEOPLES</td>
<td></td>
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</tr>
<tr>
<td>GRI 411 Rights of Indigenous Peoples (2016)</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>103 Management approach</td>
<td>SOC-10</td>
<td>p. 26-30</td>
<td>p. 157-158</td>
<td></td>
<td></td>
</tr>
<tr>
<td>411-1 Incidents of violations involving rights of indigenous peoples</td>
<td>SDG 2</td>
<td>SOC-10</td>
<td>p. 181</td>
<td>No incidents of violations involving rights of indigenous peoples were identified during the reporting period.</td>
<td></td>
</tr>
</tbody>
</table>
### MATERIAL TOPICS: LOCAL COMMUNITIES DEVELOPMENT PROGRAMMES

#### GRI 413 Local Communities (2016)

| 103 | Management approach | SOC-9 | p. 26-30 |
| 413-1 | Operations with local community engagement, impact assessments, and development programmes | SOC-9 | p. 182 |
| 413-2 | Operations with significant actual and potential negative impacts on local communities | SDG 1 SDG 2 | SOC-9 | p. 33 |

- Local community engagement programmes are implemented by all key operations of the Company.
- Disclosed except location of operations with significant current or potential negative effect on local communities.

#### MATERIAL TOPIC: PRODUCT SAFETY AND QUALITY

#### GRI 416 Customer Health and Safety (2016)

| 103 | Management approach | SHS-5 | p. 26-30 p. 58-73 |
| 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | SDG 16 | SHS-5 | p. 182 |

- In 2020, no cases of non-compliance with the international and Russian quality assurance and authenticity laws were identified.
Independent Limited Assurance Report

To the Management of Public Joint Stock Company Gazprom Neft:

Introduction
We have been engaged by the Management of Public Joint Stock Company Gazprom Neft (hereinafter – the “Company”) to provide limited assurance on the selected information described below and included in the Sustainability Report of the Company for the year ended 31 December 2020 (hereinafter – the “Sustainability Report”). The Sustainability Report represents information related to the Company and its subsidiaries and controlled entities (hereinafter together – the “Group”).

Selected information
We assessed the qualitative and quantitative information, that is disclosed in the Sustainability Report and referred to or included in the GRI Content Index (hereinafter – the “Selected Information”). The Selected Information has been prepared in accordance with GRI Sustainability Reporting Standards (Core option) (hereinafter – the “GRI Standards”), published by the Global Reporting Initiative (GRI).

The scope of our limited assurance procedures was limited to the Selected Information for the year ended 31 December 2020. We have not performed any procedures with respect to earlier periods or any other items included in the Sustainability Report and, therefore, do not express any conclusion thereon.

Reporting criteria
We assessed the Selected Information using relevant criteria, including reporting principles and requirements, in the GRI Standards (hereinafter – the “Reporting Criteria”). We believe that the Reporting Criteria are appropriate given the purpose of our limited assurance engagement.

Responsibilities of the management of the Group
Management of the Group is responsible for:

- designing, implementing and maintaining internal control relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing internal methodology and guidelines for preparing and reporting the Selected Information in accordance with the Reporting Criteria;
- preparing, measuring and reporting of the Selected Information in accordance with the Reporting Criteria; and
- the accuracy, completeness and presentation of the Selected Information.

Our responsibilities
We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the management of the Group.
This report, including our conclusion, has been prepared solely for the management of the Group in accordance with the agreement between us, to assist management in reporting on the Group’s sustainability performance and activities. We permit this report to be disclosed in the Sustainability Report, which will be published on the Company’s website, to assist management in responding to their governance responsibilities by obtaining an independent limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the management of the Group for our work or this report except where the respective terms are expressly agreed in writing and our prior consent in writing is obtained.

**Professional standards applied and level of assurance**

We performed the limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

**Our independence and quality control**

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and the ethical requirements of the Auditor’s Professional Ethics Code and Auditor’s Independence Rules that are relevant to our limited assurance engagement in respect of the Selected Information in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Work done**

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of the Group’s management, including the Sustainability Reporting (SR) team and those with responsibility for SR management and group reporting;
- conducted interviews of personnel responsible for the preparation of the Sustainability Report and collection of underlying data;
- performed analysis of the relevant internal methodology and guidelines, gaining an understanding of the design of the key structures, systems, processes and controls for managing, recording, preparing and reporting the Selected Information;
- performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported; and

---

1 The maintenance and integrity of the Company’s website is the responsibility of management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on the Company’s website.
• reviewed the Selected Information for compliance of the disclosures with the relevant requirements of the Reporting Criteria.

**Reporting and measurement methodologies**

Under the GRI Standards there is a range of different, but acceptable, measurement and reporting techniques. The techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The Selected Information should therefore be read in conjunction with the methodology used by management as described in the Sustainability Report and for which the Group is solely responsible.

**Our conclusion**

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe, that the Selected Information for the year ended 31 December 2020 has not been prepared, in all material respects, in accordance with the Reporting Criteria.
Terms and abbreviations

AI
artificial intelligence

APG
associated petroleum gas – a mixture of gaseous hydrocarbons dissolved in oil and released during oil production.

CIS
Commonwealth of Independent States – currently comprising Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

COVID-19
A severe acute respiratory infection caused by the SARS-CoV-2 coronavirus (2019-nCoV).

CSR
corporate social responsibility

EBITDA
earnings before interest, tax, depreciation and amortisation

ECG
electrocardiogram

EIA
environmental impact assessment

EnMS
The Gazprom Neft Energy Management System.

EU
European Union

FAR
fatal accident rate – calculated as follows: total number of fatalities ÷ total hours worked by all employees × 100 million man-hours.

GHG
greenhouse gases

GJ
gigajoule

GRI
Global Reporting Initiative – an international organisation developing and promoting a recognised and credible sustainability reporting framework that can be applied by all organisations regardless of their size, sector or location.

GRI Standards
The most recent version of the internationally accepted sustainability reporting framework developed by the Global Reporting Initiative (GRI).

GWh
gigawatt hour

HAZID/ENVID
hazard identification

HAZOP
hazard and operability study

HEI
higher educational institution

HR
human resources

HSE
health, safety and environment

IIoT
Industrial Internet of Things
IPIECA
International Petroleum Industry Environmental Conservation Association – a global non-profit oil and gas industry association promoting environmental and social issues

IRMF
integrated risk management framework – utilised in delivering a continuous streamlined process used in identifying, assessing, monitoring and responding to risks, at all levels.

ISO 14001
The international standard specifying the requirements for an effective environmental management system.

ISO 26000
The international social responsibility standard, published in 2010 and covering all companies and sectors, providing guidance on the general terms and principles of corporate social responsibility activities.

ISO 8217
The international standard specifying the requirements for fuels for use in marine diesel engines and boilers, prior to conventional onboard treatment (settling, centrifuging, filtration) before use.

ISO 9001
The international standard establishing the criteria for a quality management system, with guidance on achieving sustainable outcomes.

IT
information technology

ITAT
The Gazprom Neft Information Technology, Automation and Telecommunications department.

IUCN
International Union for Conservation of Nature and Natural Resources – an international organisation working in nature conservation and the sustainable use of natural resources.

km
kilometre

kt
kilotonne

LTIF
lost time injury frequency – calculated as follows: total number of lost time injuries (including fatalities) in the workplace ÷ total hours worked ÷ one million man-hours.

m3
cubic metre

Material topics
Typically used in the context of economic, environmental or social value, this term is applied to issues that may reasonably be considered important for reflecting an organisation’s economic, environmental and social impacts, or influencing the decisions of stakeholders.

Motor fuel class
Emissions standards introduced under Government Decree No. 118 of 27 February 2008, "Technical regulation on requirements for automotive and aviation gasoline, diesel and marine fuel, jet fuel and heating oil", similar to European emissions standards (Euro 1–6).

mt
million tonnes

mtoe
million tonnes of oil equivalent

MW
megawatt

NEMS
National Emergency Management System

NOx
Nitrogen oxides

Oilfield services
Oil- and gas-field services, including well drilling, rig installation, cluster-pad installation, well workovers, and the repair of drilling equipment.

OMS
operations management system

percentage point
PDCA
Plan-Do-Check-Act – a four-step management method used in business for the control and continuous improvement of processes and products.

PHSER
HSE risk analysis

PMAC
polymer-modified asphalt cement

PR
public relations

PRMS
Petroleum Resource Management System

PSE
process safety event

R&D
research and development

RBI
risk-based inspection – an analysis methodology and process involving the qualitative or quantitative assessment of the probability of failure (PoF) and the consequence of failure (CoF) associated with a specific process unit.

RCA
root cause analysis – a problem-solving methodology used in identifying the root causes of faults or problems.

RCM
reliability-centred maintenance – a structured process for identifying problems which, once addressed, improve equipment productivity and/or reduce maintenance costs.

ROACE
return on average capital employed

Rospririodnadzor
Federal Service for the Supervision of Natural Resources (Russian Federation)

RSPP
Russian Union of Industrialists and Entrepreneurs

SO₂
sulphur dioxide

SPE
Society of Petroleum Engineers

Sustainability (non-financial) reporting/
an individual or entity with a direct interest in another organisation’s operations, with the potential to impact or be impacted by such organisation’s activities and performance.

Sustainable development
a sustainability report is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization’s values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy.

UN SDGs
United Nations Sustainable Development Goals

VHI
voluntary health insurance

VOC
volatile organic compound

VR
virtual reality

VTS
vehicle tracking system

WBCSD
World Business Council for Sustainable Development

WRI
World Resources Institute

WWF
World Wildlife Fund
Contacts and feedback

We welcome your feedback on this report. Your feedback and suggestions on the information we provide help us improve the quality of our non-financial reporting - and help improve the company’s effectiveness and efficiency, as a whole.

If you would like to let us know your views, or if you have any questions on anything of interest to you, please get in touch using the contact information below.
We will take all comments and questions on board in preparing next year’s Gazprom Neft Sustainable Development Report.

Investor relations

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