

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.



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).



Gazprom Neft
at a glance



Sustainable
development
management



Customer
care



Health
and safety



Environmental
safety



Employee
development



Social
policy



Appendices

Risk management process at Gazprom Neft



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

+ For more details on the risk management system, see Gazprom Neft's Annual Report 2020

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).

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.

To minimise the risks associated with labour relations and local employment, the company implements employment and employee development programmes at its production facilities.



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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.

[+](#) For more details on the company's key risks, see Gazprom Neft's Annual Report 2020

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 climate-related risks, see "Climate change" on page 98