

## **Opinion of the RUIE Non-financial Reporting Board based on a Review of the Sustainability Report for 2015 by Gazprom Neft PJSC for purposes of Public Certification**

The Non-financial Reporting Board (“the Board”) of the Russian Union of Industrialists and Entrepreneurs (“the RUIE”), established by resolution of the Bureau of the Board (Resolution dated June 28, 2007), has, on the initiative of the Company Gazprom Neft PJSC (“Gazprom Neft”), reviewed the Sustainability Report of that Company for 2015 (“the Report”).

The Company requested the RUIE to carry out public certification of the Report by the offices of the Board. The Board reached its opinion on the completeness and relevance of the information on the Company's business presented in the Report from the viewpoint of the Social Charter of Russian Business, which sets out principles for responsible business practices.

The members of the Board examined the contents of the Report submitted by the Company in the period from May 2 to May 23, 2016 and prepared this Opinion in accordance with the RUIE’s approved Regulations on the Public Certification of Corporate Non-financial Reports. The Board members have the required expertise in the sphere of corporate responsibility, sustainable development and non-financial reporting; their assessment complies with the ethical requirements of independence and objectivity, and they express their personal expert opinion rather than the opinion of the organizations represented by them.

The Report was evaluated based on the following criteria for the completeness and relevance of the information contained in it:

Information is considered relevant to the extent that it reflects the Company's actions to implement the principles of responsible business practice that are set out in the Social Charter of Russian Business ([www.rspp.ru](http://www.rspp.ru)).

Completeness implies that the Company presents its business in the Report comprehensively, encompassing underlying business values and strategic guidelines, management systems and structures, achievements and key performance indicators, and its system of interaction with stakeholders.

The Company's use of international reporting systems is taken into account as part of the public certification of the Report. However, confirmation of the level of the Report's compliance with international reporting systems is beyond the scope of this Opinion.

The Company is responsible for the information and statements contained in the Report. The public certification does not attempt to ascertain the reliability of factual data contained in the Report.

This Opinion has been prepared for Gazprom Neft. The Company may use this Opinion both for internal purposes and for communication with stakeholders, publishing it without any alterations.

## **FINDINGS**

Based on the analysis of the Report as well as public information posted on the Company's official corporate website and collective discussion of the results of independent evaluation of the Report by the members of the RUIE Non-financial Reporting Board, the Board confirms the following:

**The Sustainability Report of Gazprom Neft PJSC for 2015 contains relevant information on key areas of responsible business practice in accordance with the principles of the Social Charter of Russian Business, and discloses information about the Company's business in these area with sufficient completeness.**

**Recommendations of the Board arising from the public certification of the Report of Gazprom Neft for 2014 have been reflected in the Report for 2015. For instance, the production results are more fully disclosed in the context of analysis of the existing economic situation, more information is provided on production, environmental and social risk management, systematic data are included concerning a number of material aspects of the Company's operations with a breakdown by region and key enterprises. More exposure is given to the procedures for selecting material subjects for the Report.**

The Report for 2015 contains important information on the following aspects of responsible business practice:

**Economic Freedom and Responsibility:** The Report informs about the progress with implementing, in the reporting year, the Company's development strategy the long-term objectives of which were not revised under the influence of the changes on the petroleum market situation. It presents the dynamics of the production operation results, the financial and economic parameters for the Company as the whole and for the key business segments. It contains information about the investment projects, including completion of the Arctic Gates sea terminal, development of northern oilfields, upgrade of oil refineries. It covers the results of implementing new technologies. It talks, among other things, about successful tests of new technologies for disposing of associated petroleum gas, a number of innovative projects which make it possible, among other things, to extract hard-to-recover reserves. It includes information about the active development of the gas line in the business structure. The results of the import substitution programme are presented. The Report talks about the Company's priorities in sustainable development, including the scope of responsibility of the Board of Directors, it defines the benchmarks in comparison to the strategic objectives. It contains information related to corporate governance and risk management. It informs about the Code of Corporate Management update and improvement of information transparency in this regard. The Report includes information about the activities under the Anti-corruption Policy, inclusion of corruption risks in the Company's integrated risk management system.

**Partnership in business:** The Report informs about the directions, priorities, forms of interaction with stakeholders. The processes in this area are covered in the context of sustainable development objectives. The Report shows the procedures for interaction with investors, mechanisms for ensuring that the shareholders' interests are met. It comprehensibly discusses the matters of personnel management, human resources policy, systems for motivation, development, social security for employees. It talks about regular surveys of the social and psychological climate in the teams. The Report informs about the responsible interaction with business partners, including establishment of strategic and technological partnerships for joint development of oilfields. In the context of responsibility in the supply chain, it discusses the relationships with suppliers on the basis of open-bid procurement, mainly on the domestic market. It describes the large-scale project to improve the industrial safety culture which extends not only to the Company's employees, but also to contractors.

The Reports shows interaction with consumers aimed at improving the quality of the products taking into consideration their opinions and needs. It also includes information on cooperation with the authorities in matters related to social and economic development of the territories of the Company's presence, with educational and research organizations, partnership with representatives of local communities in various matters related to the Company's operations. The Report informs about the implementation of projects in partnership with mass media on subjects related to the development of the Arctic. It describes interaction with stakeholders in the course of preparation of the Report.

**Human rights:** The Report informs on observance by the Company of human rights, ensuring equal opportunities. It covers the practice of observance of the employees' employment rights, actions aimed at protecting the personnel's health, improving the social and household conditions of the employees. It is stated that, when planning the operations in the territories of residence of the small indigenous peoples of the North, the Company aims to minimize the consequences of the industrial impact impairing their habitat, implements the programs for support of the traditional way of life of such peoples.

**Environmental protection:** The Report says that the Company sees mitigation of the negative impact on the environment, efficient use of resources as some of the main principles of business; such principles define the corporate policy and practice and are reflected in strategic documents, including agreements on social and economic cooperation with the regions. It is noted that the environmental management system is in compliance with the requirements of international standard 180 14001:2004, which is confirmed by the audit conducted in the reporting year. It presents detailed information about the actions implemented to reduce the environmental impact. It shows the dynamics of the data on the use of resources, including consumption of various kinds of energy. The Report contains the results of the activities aimed at reducing emission of pollutants into the air, waste handling, land reclamation, preservation of biological diversity. It also contains information about the implementation of the measures aimed at increasing the greenhouse gas disposal levels. It provides the results of evaluating the quantity of greenhouse gas emissions at the Company's facilities. It reports on implementing technological solutions aimed at improving the environmental safety of the production and products, implementation of a number of large environmental projects, including construction of water treatment facilities, disposal of associated petroleum gas. It also mentions approval of the comprehensive program for improving the reliability of energy supply to oil refineries in 2016-2018. It includes information about the actions related to ensuring energy efficiency and the results of implementing the Company's energy policy.

**Participation in local community development:** The Report contains information reflecting the Company's contribution to the sustainable development of the territories of its presence. It is reported that the Company's activities in this sphere are carried out under corresponding agreements with regional and municipal authorities. The Company widely uses, as it claims, in the development and implementation of the production projects, the mechanism of public hearings attended by representatives of local communities. The Report covers the development of the social investment program Home Towns, new formats of its implementation aimed at enhancing the social activity of local communities as an important factor of regional development. In particular, the Report talks about implementing the evaluation system for the projects financed via the Program, when the projects are evaluated by the residents of such cities via online voting, about the survey of the sustainability of the financed projects and their adjustment on the basis of the results. It presents the information about the technologies for selecting and supporting the projects within the Home Towns program, including grant competitions, training for contenders, arranging discussion of best practices. The Report also mentions participation of employees in volunteering.

## **Final provisions**

On the whole, the Report covers in sufficient detail the Company's operations and results of its responsible business practices, it reflects connection between the sustainable development matters and the Company's business strategy. A comprehensive approach is implemented with regard to disclosing information about the Company's impact on the society and the environment, including the economic, environmental and social aspects. Interaction with stakeholders is shown in the context of sustainable development. The report contains a significant number of performance indicators.

The Report was prepared pursuant to the GRI G4 Guidelines, as applicable to Russian and international accounting practice, which ensures comparability with the reports of other companies. It contains information about the procedure for selecting material subjects, the results of liaison with stakeholders were taking into consideration when selecting such subjects, as well as the provisions of international standard 180 26000:2010 – Guidance on social responsibility, which also corresponds to the provisions of the Social Charter of the Russian Business.

The Report of Gazprom Neft PJSC on sustainable development for 2015 is the ninth report made by the Company, which demonstrates consistency in the development of the reporting process and the Company's movement along the path of increasing information transparency.

## **RECOMMENDATIONS**

While noting the strengths of the Report, the Board draws the attention of the Company to a number of significant issues for stakeholders regarding the relevance and completeness of the information, which is disclosed, and recommends that they should be taken into account in the Company's reporting practice in the future.

The Board notes that it is recommended to apply the recommendations prepared on the basis of the analysis of the Company's previous reports in the Company's reporting practice in the future.

The Report contains information about the Company's benchmarks in comparison with the results in a number of important lines of its business. In the subsequent reporting cycles, this approach should be further developed, the scope of relevant subjects should be expanded along with the development of the relevant systems for which such data are provided. It is also recommended for the future, along with the qualitative parameters of targets, to include quantitative parameters. In particular, it concerns the subject of human resources management, personnel policy.

The quality and wider range of the products made was duly reflected in the Report. It is recommended, in subsequent reports, to give more details and specifics about the Company's strategy in this area in the context of global trends of the fuel market development and demand for oil refinery products.

The Report informs about the use of monitoring tools for various aspects of the Company's operations, researches into the dynamics of energy efficiency, consumer satisfaction, social climate in the provinces, in the teams, arranges open meetings and public hearings with stakeholders, which testifies that advanced practices in this area are in place. In the future, it is advisable to disclose this information in more detail. It is recommended to give quantitative results of the research conducted in the dynamics for several years, add information about how the Company uses the results received, how they influence management decisions, improvement of the procedures adopted in the Company, the choice of materials subjects for reports.

The Report presents the Company's important work on improvement of its activities related to the

protection of the environment, covers large projects in this field. It is recommended to include in subsequent reports information about the progress and results of implementing such projects as, for example, upgrade of refineries, handling of previously accumulated waste, disposal of associated petroleum gas etc.

It is also recommended to provide more details concerning development of the Arctic, including the Company's participation in the development and implementation of the decisions made by the government in this area, to describe in more detail the Company's plans and activities related to the prevention of possible negative impact in the long-term. The significance of this information lies in the fact that the decisions made today to a large extent define the future for the given province. Special attention should be paid to the subject of rational use of resources and preservation of the Arctic ecosystems.

The Report describes the unique, for Russian companies, practice of evaluating the sustainability of projects financed under Home Towns program. It is recommended to continue to show how this technology works and how the results received influence the management decisions and improvement of performance in this area.

Taking into consideration the importance of the matters related to responsibility in the supply chain, it would be useful to present more details about the matters connected with the supplier rating made by the Company, to show the criteria for their assessment.

Attention should be paid to the fact that, to better understand such important questions as disposal of associated petroleum gas, water consumption, energy efficiency dynamics, more comprehensive comments should be given with respect to the parameters included in the reports so as to avoid ambiguity in their interpretation. Clear interpretation of quantitative data is an important component of the quality of reports.

Taking into account the Company's transition to using version 04 of Guidance СЖ1, it is recommended to describe in more detail the methodology for selecting the material subjects and approaches to balancing the opinions of representatives of various stakeholders. It would be useful to also include information about what issues they raise and to describe the Company's response.

The RUIE Board for Non-Financial Reporting gives a positive assessment of the Report and applauds the commitment of Gazprom Neft to the principles of responsible business practices and, noting consistent development of the reporting process, confirms that Sustainability Report of Gazprom Neft PJSC for 2015 has successfully passed its Public Certification.

Chairman of the RUIE Board for Non-financial Reporting

F.T. Prokopov

Deputy Chairman of the RUIE Board for Non-financial Reporting

E.N. Feoktistova