EFFECTIVE STRATEGY FOR GROWTH

2012 SUSTAINABLE DEVELOPMENT REPORT
ABOUT THE REPORT

Welcome to Gazprom Neft’s 2012 Sustainable Development Report. This is our sixth Sustainable Development Report since our first publication in 2007. Since 2008, Sustainable Development Reports have been published at the same time as Annual Reports. This provides stakeholders with a comprehensive view of our business and presents information about Gazprom Neft’s strategy and practices in the context of its objectives for sustainable development and social responsibility.


Unless otherwise indicated in the text, data on the Company’s social and labor relations and its performance in environmental protection includes figures for Gazprom Neft and its subsidiaries and affiliates based in Russia and the CIS countries. The data was gathered and organized within corporate information systems to meet the information requests based on the recommendations of the Global Reporting Initiative, GRI (version G3.1). When applying GRI, the Company followed Level B requirements, which call for broad disclosure that covers both standard performance indicators and management approaches. Some indicators from the GRI Supplement for the Oil and Gas Sector were also used. There were no significant changes to the scope of information relative to the previous reporting period.

The scope of sustainable development issues reflects the Company’s strategic priorities and information requests made by stakeholders regarding the economic, social and ecological aspects of its business. The primary areas (subjects) of the report were selected taking into account discussions on the Company’s strategy for sustainable development with its stakeholders during the preparation of the Report. The Company also applied the recommendations of ISO 26000:2010 – Guidance on Social Responsibility. The Report addresses all the key areas (subjects) of social responsibility specified in this international standard. The range of issues covered by this Report is reflected in the Table of Contents.

The Report was subject to an independent public affirmation by the Council for Non-Financial Statements of the Russian Union of Industrialists and Entrepreneurs. The certificate of public affirmation is published in Appendix 1 to the Report.

The Report contains medium- and long-term plans. This information is of a forward-looking nature. The feasibility of the declared intentions depends, among other things, on factors (economic, social and legal) that are beyond the Company’s influence. Therefore, the actual results may differ from the indicative ones specified in the plans.

The Report is published in Russian and in English.

It is also available online via the Company’s Web site.

1. A table showing the location of information corresponding to the standard GRI-G3 elements in this Report is provided in Appendix 2.

2. For details, see the Sustainable Development Management & Stakeholder Engagement Section

3. For detailed information on the Council for Non-Financial Statements of the Russian Union of Industrialists and Entrepreneurs and on the rules of public affirmation, see: http://pssp.ru/simplespage/138
## Structure of the Contents of the Report According to ISO 26000:2010 Recommendations Regarding Core Subjects and Issues of Company Practice

<table>
<thead>
<tr>
<th>Subjects</th>
<th>Core subjects and issues of Company practice covered by the Report</th>
<th>Section of the Report</th>
</tr>
</thead>
</table>
| **Organizational Governance**   | • Governance principles: accountability, transparency, ethical behaviour, respect for stakeholder interests, respect for the rule of law, respect for international norms of behaviour and respect for human rights  
                                 • Due diligence  
                                 • Management, decision-making processes and structures                                                                          | SUSTAINABLE DEVELOPMENT MANAGEMENT & STAKEHOLDER ENGAGEMENT                          |
| **Human Rights**                | • Fundamental principles and labor rights  
                                 • Economic, social and cultural rights  
                                 • Redress of grievances  
                                 • Civil and political rights                                                                                                         | SUSTAINABLE DEVELOPMENT MANAGEMENT & STAKEHOLDER ENGAGEMENT                          
                                                                                                                                          | HUMAN RESOURCES DEVELOPMENT                                                            |
|                                 |                                                                                                                                                                                          | REGIONAL POLICY & LOCAL COMMUNITY DEVELOPMENT                                       |
| **Labor Practices**             | • Recruitment and employment relations  
                                 • Working conditions and social protection  
                                 • Social dialog  
                                 • Health and safety at work                                                                                                           | HUMAN RESOURCES DEVELOPMENT                                                            |
| **Environment**                 | • Prevention of pollution  
                                 • Sustainable nature management  
                                 • Mitigation of climate change  
                                 • Protection of the environment and biodiversity and restoration of natural habitats                                                     | SAFE DEVELOPMENT: HEALTH SAFETY & ENVIRONMENT                                         |
| **Fair Business Practices**     | • Anti-corruption  
                                 • Responsible political engagement  
                                 • Promoting social responsibility in the value chain                                                                                  | SUSTAINABLE DEVELOPMENT MANAGEMENT & STAKEHOLDER ENGAGEMENT                          |
| **Consumer Issues**             | • Protection of consumer health and safety  
                                 • Consumer service and support, resolution of complaints and disputes  
                                 • Education and awareness                                                                                                              | SUSTAINABLE DEVELOPMENT MANAGEMENT & STAKEHOLDER ENGAGEMENT                          
                                                                                                                                          | SAFE DEVELOPMENT: HEALTH SAFETY & ENVIRONMENT                                         |
| **Community Involvement and Development** | • Community involvement  
                                 • Education and culture  
                                 • Employment creation and development of skills  
                                 • Development of and access to technologies  
                                 • Creation of wealth and income  
                                 • Health  
                                 • Social investment                                                                                                                   | REGIONAL POLICY & LOCAL COMMUNITY DEVELOPMENT                                       |
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## CONTACTS & FEEDBACK ........................................................................ 116
In 2012, Gazprom Neft reaffirmed its reputation as one of the most efficient Russian oil and gas companies. Hydrocarbon production by Gazprom Neft increased by more than 4%, the volume of refining by 7% and revenues grew by 19.5%.

In the past year, the Company continued to expand its operations in Russia and globally. It has consolidated its assets in a new region, the Orenburg Region, received a license for the major Novoportovskoye field in the north of the Yamalo-Nenets Autonomous District, extracted its first oil as part of another new project, the Messoyakhskoe field, and increased production at the Priobskoye field in the Khanty-Mansi Autonomous District (Yugra). The Company’s portfolio was strengthened by the addition of new assets outside Russia, namely, in the Middle East.

In oil refining, the Company is implementing large-scale programs to upgrade its production facilities and to introduce new technologies that enable it not only to improve the quality of products, but also to minimize their environmental footprint. Starting from 2013, Gazprom Neft intends to switch over to producing gasoline and diesel fuel of high environmental classes only that meet the Euro-4 and Euro-5 standards. Gazprom Neft’s efficiency can be seen not only in its performance against operating and financial performance indicators, but also in the results of its social and environmental activities. The Company successfully implemented projects to improve operational safety, and allocated significant resources to provide healthcare, training and social support for its employees.

Gazprom Neft supports government authorities and local communities in their challenge to meet the most pressing demands of social development in the regions where the Company operates. In 2012, total Company expenditure on social projects in these regions amounted to 2.4 billion rubles. Gazprom Neft’s social and environmental programs make a significant contribution to the sustainable development of its operating regions, creating a favourable environment and improving the quality of life.

Gazprom Neft’s strategic approach to the challenges of sustainable development and high social responsibility are the very factors that strengthen the Company’s reputation and competitiveness in its global markets, and help it to achieve its objectives as set out in its Development Strategy.

ALEXEY MILLER
Chairman of the Board of Directors of JSC Gazprom Neft
ADDRESS BY THE CHAIRMAN OF THE MANAGEMENT BOARD

The past year, 2012, was another record year for Gazprom Neft. The Company not only fully implemented its plans, but also reached, ahead of schedule, a number of performance targets set by its Development Strategy for the period up to 2020. As of the end of 2012, Gazprom Neft was the leading company among the largest vertically integrated oil companies in Russia in terms of production growth rates. At the same time, the Company remains one of the industry leaders in terms of efficiency.

In the past year, the Company continued to modernize its refining assets to improve the quality of its oil products. In 2012, Gazprom Neft became the largest supplier of light petroleum products to the Russian market.

The Company invests in the development of all areas of its business, providing a platform for further, and sustainable, growth. Gazprom Neft places great importance on employee relations. One of its basic principles is to give its employees a wide range of opportunities for a rewarding, professional development. In 2012, the Company’s investment in employee training amounted to 168.3 million rubles and 80% of its employees participated in various training programs. During the year, online training and professional employee development systems were developed significantly. The Company maintains an ongoing dialog with employees, involving them in joint solving of strategic tasks. For the past three years, Gazprom Neft has held corporate forums – an effective platform for sharing views and strengthening the corporate culture.

Gazprom Neft aims to be an efficient social investor. During the reporting year, the Company adopted the ‘Home Towns’ social investment program which aims at further developing tools to involve both local communities and the Company’s employees in the process of shaping the portfolio of projects, and in directly implementing social programs.

Under this program, Gazprom Neft invested in the development of social infrastructure in the regions where it operates. Among the largest projects in 2012 were the construction of the Avangard Hockey Academy in Omsk and the opening of the Zenith sports complex in Noyabrsk.

Another Company priority is to ensure safe production and environmental protection through the introduction of an integrated system for managing industrial safety, occupational health and environmental protection at Gazprom Neft’s production facilities. In 2012, the Company took a number of steps to protect the air, reduce water pollution risks, reclaim land, and maintain biodiversity. The total amount invested in ecological safety reached approximately 3.4 billion rubles.

ALEXANDER DYUKOV
Chairman of the Management Board of JSC Gazprom Neft
ABOUT THE COMPANY

JSC Gazprom Neft, a subsidiary of JSC Gazprom, is one of the largest and fastest-growing Russian oil and gas companies. The Company’s proved hydrocarbon reserves, according to SPE (PRMS) classification, amount to 1.2 billion TOE, which puts Gazprom Neft on a par with the 20 largest oil companies in the world.

Gazprom Neft is a vertically integrated oil company with key businesses in oil and gas exploration, development, production and sales, as well as the production and sales of oil products. As of the end of 2012, Gazprom Neft was the fifth largest Russian producer of hydrocarbons and is the leading Russian vertically integrated oil company (VIOC) in terms of production growth rates. It is the third largest oil company nationwide in terms of oil refining. The Company employs about 58,000 people.

Gazprom Neft’s shares are traded on the major Russian exchanges: MICEX and RTS. As of December 31, 2012, the market capitalization of the Company stood at USD 22.248 billion.
MISSION & STRATEGIC VISION

The Company’s Competitive Position

- 1st major Russian VIOC in terms of production growth rates.
- 5th in Russia in terms of hydrocarbon production volumes.
- 3rd among Russian oil companies in refining output volumes.

The Company’s main competitive advantages are largely determined by its industry leadership in terms of efficiency. At the end of 2012, the Company ranked first in terms of operating income per barrel of oil equivalent (BOE) and second in terms of operating cash flow per BOE, and second in return on investments.

As of the end of 2012, Gazprom Neft’s operations accounted for 10% of oil and gas production, 14.6% of oil refining in Russia, and 5.6% of Russia’s oil exports within the Transneft system.

Business targets for the Company

Key strategic targets of Gazprom Neft for 2020 by operating segments:

**PRODUCTION**

- 100 million tonnes of oil equivalent per year production
- 20 years reserves-to-production ratio
- a minimum of 50% field production share at initial phases of development
- 10% share of production to come from foreign projects

**REFINING**

- 70 million tonnes per year refining
- 40 million tonnes per year refining volumes in Russia
- 90% increasing refining depth rate in Russia
- 77% increasing yield of light petroleum products in Russia
- 25-30 million tonnes per year increasing access to refining facilities outside Russia

**SALES TO END CONSUMERS**

- 40 million tonnes of oil equivalent per year annual sales to Russian and foreign end-users
- including:
  - 22 million tonnes sales of automotive fuels (in Russia and CIS)
  - 18 million tonnes product-related premium sales (aviation fuel, bunkering, lubricants, bitumens and petrochemicals)

In 2013, Gazprom Neft plans to update the Strategy adopted in 2010 to address changing internal and external factors. Since the adoption of the current Strategy the Company has achieved high levels of operating performance, the portfolio of its assets has changed dramatically, refinery development programs have been implemented, market conditions have changed significantly, and the tax system has been frequently amended. The Company plans to incorporate the above factors into the revised Strategy, reviewing some of the targets in the production segment and the refining and marketing segment. However, Gazprom Neft’s general drivers of growth will not undergo significant changes. The horizon for the updated Strategy will extend through 2025.

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4 For detailed comments on the competitive position of the Company, see Gazprom Neft’s 2012 Annual Report (pp. 22–23).
5 Excluding gas production by Gazprom and Novatek.
6 Including the shares in production of NGK Slavneft, Tomskneft, SPO, SeverEnergia, and net of production abroad (NIS). According to data from INFOTECH.
7 Including the share in the refining by NGK Slavneft, net of refining abroad (NIS). According to data from INFOTECH.
8 According to data from INFOTECH.
Gazprom Neft’s enterprise operate in the largest oil and gas areas of Russia: the Khanty-Mansi (Yugra) and Yamalo-Nenets Autonomous Districts, and the Tomsk and Omsk Regions. In addition, a production cluster is being developed in the Orenburg Region. The Company’s principal refining capacities are located in Moscow and in the Omsk and Yaroslavl Regions. Gazprom Neft’s foreign assets include companies in Serbia, Italy and Austria. The Company is implementing production projects in Iraq, Venezuela, Cuba and Equatorial Guinea.

As of the end of 2012, the Company’s filling station chain (including owned, leased and franchised branches) consisted of 1,609 stations in Russia, the CIS and Europe. Gazprom Neft Group is a major exporter of crude oil and petroleum products. During 2012, Gazprom Neft Group exported 16.7 million tonnes of oil in absolute terms.
The largest production subsidiaries of Gazprom Neft are OJSC Gazprom Neft-Noyabrskneftegaz; Gazprom Neft-Khantos LLC; and Gazprom Neft-Vostok LLC. They develop fields in the Yamalo-Nenets and Khanty-Mansi Autonomous Districts, and in the Omsk, Tomsk, Tyumen, Orenburg and Irkutsk Regions.

In addition to its own production, Gazprom Neft owns a 50% share in the output of affiliated companies: NGK Slavneft, Tomskneft, Salym Petroleum Development (SPD) and SeverEnergia.

The Company’s most important refining asset is the Omsk Refinery, one of the most advanced refineries in Russia and one of the largest refineries in the world. Core products at the Omsk Refinery include automotive gasoline, diesel fuel, fuel oil (mazut), jet fuel, as well as a range of aromatic hydrocarbons, liquefied hydrocarbon gases, various lubricating oils, additives, catalysts and other products.

Other refineries and petrochemical enterprises of Gazprom Neft:
- OJSC Gazprom Neft-Moscow Refinery, a fuel plant with deep conversion;
- OJSC Slavneft-Yaroslavnefteorgsintez (YaNOS) (owned and managed by the Company jointly with TNK-BP), a producer of fuel and lubricating oil with deep conversion (installed capacity 15.3 mln TPA). Slavneft-YaNOS makes a broad range of petroleum products ranging from high-octane gasoline to high-quality bitumens.

Gazprom Neft sells petroleum products in Russia and CIS countries mainly through its 14 subsidiaries (14 petroleum product suppliers) specializing in the wholesale and retail marketing of petroleum products.

Major changes to the Company’s structure in 2012:
- Gazprom Neft acquired a new asset in Orenburg.
- The Board of Directors of Gazprom Neft approved the Company’s shareholding in LLC Gazprom Neft Novy Port, which holds the license for the large Novoportovskoye oil and gas field. As a result, Gazprom Neft acquired the Novoportovskoye field.
- Gazprom Neft acquired Bitumen Plant LLP, a new bitumen production facility with an annual capacity of 280,000 TPA, located in southern Kazakhstan near the city of Shymkent.

Gazprom Neft’s largest foreign asset: NIS, a diversified company. NIS is the largest oil company in the Balkans and one of the largest oil companies in South-East Europe. It is engaged in the exploration and production of oil and gas in Serbia, Angola, Bosnia and Herzegovina, and Hungary. Its refining facilities comprise:
- an oil refinery in Pančevo, which, after the commissioning of the MHC/DHT complex in November 2012, produces a full range of products that comply with the Euro-quality standard: motor gasoline, diesel fuel and input materials for the petrochemical industry;
- a refinery in Novi Sad, where the Company is working to prepare for a switch over to the production of base oils.
Gazprom Neft's Group structure
**Business model**

**Hydrocarbon Production in the Russian Federation**
- 58.04 mn t

**Exports**
- 16.53 mn t
- Other consumers and public procurement
  - 4.69 mn t

**Refining in the Russian Federation (Omsk Refinery, Moscow Refinery, TANOS)**
- 39.26 mn t

**Other consumers and public procurement**
- 1.67 mn t

**Purchases**
- 1.67 mn t
- 11.29 mn t

**International Refining**
- 4.08 mn t

**International Hydrocarbon Production**
- 1.67 mn t

**Total Yield of Petroleum Products***
- 70.03 mn t

**Sales of Hydrocarbons**
- 26.72 mn t
- 9.66 mn t

**Purchases of Hydrocarbons**
- 11.29 mn t

**Purchases of Petroleum Products**
- 4.08 mn t

**Petroleum Products Suppliers** (distribution and retail)
- 15.66 mn t

**Purchases of Petroleum Products**
- 3.64 mn t

**Total Hydrocarbons**
- 58.04 mn t

**SALES OF HYDROCARBONS**
- 26.72 mn t

**INTERNATIONAL REFINING**
- 4.08 mn t

**INTERNATIONAL HYDROCARBONS**
- 11.29 mn t

**Petroleum Products**
- 15.66 mn t

**Petrochemical Products**
- 0.98 mn t

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*Less sales by joint ventures (0.97 mn t)

**TOTAL YIELD OF PETROLEUM PRODUCTS***
- 70.03 mn t

**SALES OF HYDROCARBONS**
- 26.72 mn t

**INTERNATIONAL HYDROCARBONS**
- 11.29 mn t

---

*Difference of 0.06 mn t between hydrocarbons production and sales is due to an adjustment in reserves.

**TOTAL YIELD OF PETROLEUM PRODUCTS***
- 70.03 mn t

**SALES OF HYDROCARBONS**
- 26.72 mn t

**INTERNATIONAL HYDROCARBONS**
- 11.29 mn t

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*Difference of 0.03 mn t between hydrocarbons production and refining and sales is due to an adjustment in reserves.
Gazprom Neft Group's operating geography
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<th>Subsoil use</th>
<th>Gazpromneft Marine Bunker</th>
<th>Gazpromneft Aero</th>
<th>Refining</th>
<th>Lubricants materials</th>
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<tr>
<td>72</td>
<td>Tyumen region</td>
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<tr>
<td>18</td>
<td>Udmurt Republic</td>
<td>●</td>
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<tr>
<td>73</td>
<td>Ulyanovsk region</td>
<td>●</td>
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<td></td>
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<tr>
<td>27</td>
<td>Khabarovsky territory</td>
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<td></td>
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<tr>
<td>86</td>
<td>Khanty-Mansiysk Autonomous District – Yugra</td>
<td>● ●</td>
<td>●</td>
<td></td>
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<tr>
<td>74</td>
<td>Chelyabinsk region</td>
<td>●</td>
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<td></td>
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<tr>
<td>21</td>
<td>Republic of Chuvashia</td>
<td>●</td>
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<td></td>
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</tr>
<tr>
<td>89</td>
<td>Yamalo-Nenets Autonomous District</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>76</td>
<td>Yaroslavl region</td>
<td>●</td>
<td>●</td>
<td>●</td>
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<td>●</td>
<td></td>
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</table>

International:
- Angola ●
- Bulgaria ●
- Iraq ●
- Italy ●
- Kazakhstan ●
- Cuba ●
- Kyrgyzstan ●
- Republic of Belarus ●
- Romania ●
- Serbia ●
- Tajikistan ●
- Ukraine ●

See overleaf for continuation and legend
2012 KEY RESULTS:
GROWTH IN ALL AREAS OF BUSINESS

- **22%** growth of the resource base in the ABC1 category
- **24%** increase in the average sales of petroleum products per filling station
- **4.3%** increase in production
- **7%** increase in refining
- **19.5%** increase in revenue
- **7.7%** increase in EBITDA
- **9.9%** increase in net profit

The resource base in the ABC1 category increased by 22% compared to 2011. The increase in production amounted to 4.3%, and in refining to 7%. Refining volumes reached 43.3 million tonnes (including share in joint ventures), having surpassed the targets of the Development Strategy until 2020. The targets for 2020 were also exceeded in a number of other areas, including the increase in the average petroleum product sales per filling station, the growth of the average turnover of tank farms, the number of airports with a Gazprom Neft presence, and Gazprom Neft’s share in the Russian bitumen market.

Revenues in 2012 increased by 19.5% (reaching 1.2 trillion rubles) and EBITDA by 7.7%. Net profit growth amounted to 9.9%. At the same time, the growth rate of the unit cost in production and refining remained among the lowest in the industry – the result of a systematic effort to optimize costs and increase efficiency.
### KEY PERFORMANCE INDICATORS 2010–2012

#### Key financial indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2012¹</th>
<th>2011¹</th>
<th>2010²</th>
<th>2009²</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue, mn RUB</td>
<td>1,230,266</td>
<td>1,029,803</td>
<td>793,871</td>
<td>641,378</td>
<td>19.5</td>
</tr>
<tr>
<td>Adjusted EBITDA, mn RUB</td>
<td>323,106</td>
<td>300,077</td>
<td>220,812</td>
<td>191,512</td>
<td>7.7</td>
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<tr>
<td>Net income relating to Gazprom Neft, mn RUB</td>
<td>176,296</td>
<td>160,362</td>
<td>95,692</td>
<td>95,994</td>
<td>9.9</td>
</tr>
<tr>
<td>Net cash from operations, mn RUB</td>
<td>231,073</td>
<td>180,871</td>
<td>163,718</td>
<td>110,999</td>
<td>27.8</td>
</tr>
<tr>
<td>Capital investments, mn RUB</td>
<td>158,102</td>
<td>130,788</td>
<td>100,247</td>
<td>83,590</td>
<td>20.9</td>
</tr>
<tr>
<td>Dividends paid, mn RUB</td>
<td>35,195</td>
<td>29,911</td>
<td>22,109</td>
<td>29,725</td>
<td>18.1</td>
</tr>
<tr>
<td>Price per share at year-end, RUB (MICEX)</td>
<td>142.52</td>
<td>148.18</td>
<td>128.27</td>
<td>163.64</td>
<td>–3.8</td>
</tr>
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</table>

#### Key financial ratios

<table>
<thead>
<tr>
<th>Ratio</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base and diluted income per common share, RUB per share</td>
<td>37</td>
<td>34</td>
<td>20</td>
<td>20</td>
<td>9.9</td>
</tr>
<tr>
<td>Dividends per share, RUB</td>
<td>–</td>
<td>7.30</td>
<td>4.44</td>
<td>3.57</td>
<td>–</td>
</tr>
<tr>
<td>Return on average capital employed (ROACE), %³</td>
<td>19.49</td>
<td>20.58</td>
<td>15.83</td>
<td>15.44</td>
<td>–1.1 pp</td>
</tr>
<tr>
<td>Adjusted EBITDA per barrel produced, RUB/BOE</td>
<td>735.97</td>
<td>711.69</td>
<td>566.99</td>
<td>520.58</td>
<td>3.4</td>
</tr>
</tbody>
</table>

¹ IFRS financial indicators (RUB statements).
² US GAAP financial indicators (USD statements). Yearly indicators are expressed in RUB at an average annual exchange rate. Year-end indicators are expressed in RUB at the exchange rate as of the date.
³ 2010 and 2009 ratio calculations are based on US GAAP statements without RUB equivalents.

#### Key operating indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydrocarbon reserves (PRMS-SPE), mn TOE</td>
<td>1,200</td>
<td>1,130</td>
<td>1,023</td>
<td>1,018</td>
<td>6.3</td>
</tr>
<tr>
<td>Marketable hydrocarbon production by dependent companies, mn TOE</td>
<td>40.32</td>
<td>37.86</td>
<td>33.60</td>
<td>32.44</td>
<td>6.5</td>
</tr>
<tr>
<td>Marketable hydrocarbon production including share in production of affiliates, calculated by share in equity (Slavneft, Tomskneft VNK, SeverEnergia, SPD), mn TOE</td>
<td>19.39</td>
<td>19.41</td>
<td>19.21</td>
<td>17.73</td>
<td>–0.1</td>
</tr>
<tr>
<td>Marketable hydrocarbon production by Gazprom Neft Group of Companies</td>
<td>59.71</td>
<td>57.27</td>
<td>52.81</td>
<td>50.17</td>
<td>4.3</td>
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</table>

**Oil refining**

<table>
<thead>
<tr>
<th>Sub-category</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>at own refineries, mn t</td>
<td>33.8</td>
<td>33.1</td>
<td>30.8</td>
<td>26.6</td>
<td>2.1</td>
</tr>
<tr>
<td>at contracted refineries, mn t</td>
<td>9.6</td>
<td>7.4</td>
<td>7.2</td>
<td>6.8</td>
<td>29.7</td>
</tr>
</tbody>
</table>

Source: Company data
Exploration & Production of Crude Oil & Gas

83% exploration drilling success rate in 2012

IN 2012, GAZPROM NEFT RETAINED ITS POSITION AS ONE OF THE INDUSTRY LEADERS AMONG RUSSIAN OIL COMPANIES IN OIL AND GAS PRODUCTION

Exploration drilling and further exploration resulted in the discovery of the South Shinginskoye field with C₁+₄ oil reserves of 1.2 million tonnes and of the North Romanovskoe field with C₁+₄ oil reserves of 6.0 million tonnes. 39 new hydrocarbon deposits were discovered, mainly in the Ety-Pur (14) and Vyngapurovskoye (7) fields, with recoverable C₁ reserves of 17.9 million tonnes, and C₃ reserves of 10.0 million tonnes. The figure also includes the increase in Gazprom Neft’s active recoverable C₁ oil reserves in the Tsarichanskoye license block in the Orenburg Region by 3.7 million tonnes.

In 2012, the Company acquired Novoportovskoye, Baleykinskoe and South Kinyaminskoe deposits with total ABC₁ reserves of 460 million TOE.

The Company’s oil production in Russia is mainly carried out by its subsidiary operators. Gazprom Neft is also a party to several production sharing agreements and upstream projects in Iraq, Venezuela, Cuba and Equatorial Guinea⁹.

Gazprom Neft has been consistently building its portfolio of international assets, which by 2020 should account for at least 10% of consolidated hydrocarbon production. Exploration projects and production assets of the Company are located in nine countries.

LLC Gazprom Neft-Khantos operates at the promising Priobskoye field in the Khanty-Mansi Autonomous District (Yugra).
Overall production in 2012 in this field amounted to 12,304 tonnes, which is a 12% increase in production compared with 2011. Such high production rates were achieved by exceeding the plan for the commissioning of new wells by 10% (381 wells were put into operation) and the effective building of a system for maintaining reservoir pressure.
Active development of the Priobskoye field began in 2004; by 2008, it already accounted for over 23% of total production and by 2011 the production volume represented 35.6% of crude oil extraction from the Company’s own fields. Priobskoye is a key asset that will play a strategic role in the future development of the Company.

A large increase in output was achieved by Gazprom Neft’s overseas enterprise – the Serbian NIS.
During 2012, its production increased by 10%, reaching 1,223 thousand tonnes (versus 1,107 thousand tonnes in 2011).

⁹ See the ABOUT THE COMPANY Section for details of the Company’s structure.
In 2012, Gazprom Neft retained its position as one of the leading Russian oil companies in terms of the rate of growth in oil refining. During the year, the Company increased its oil refining and production of petroleum products by 7.0%: to 43.3 million tonnes and 41.0 million tonnes respectively.

Gazprom Neft owns five refining assets, the major ones being the Omsk and Moscow refineries (where the Company’s share in refining is 100%) and the YaNOS refinery (where the Company’s share in refining is 50%).

Modernization programs at the Company’s refineries and optimization of the product range in 2012 resulted in an increase in production of motor gasoline by 6.2%, aviation fuel by 3.9%, and diesel fuel of Euro-4 and Euro-5 by 26.1%.
Gazprom Neft makes a wide range of petroleum products and petrochemicals. Its key product lines include motor gasolines and diesel fuels, oils, construction and road bitumens, marine fuels, boiler oils (mazut), jet fuel, paraffin and wax products, as well as a variety of aromatic hydrocarbons, liquefied hydrocarbon gases and catalysts.

The Company’s main priorities in making petroleum products are increasing production efficiency, improving the environmental performance of fuels, increasing the oil conversion ratio, and increasing the throughput and product mix (high-octane gasolines, diesel fuels, aromatic hydrocarbons, coke, advanced bituminous materials and petrochemicals).

The main areas of development for the Moscow Refinery are increasing the oil conversion ratio (construction of the facility for vacuum gas oil hydrocracking, flexicoking plant), improving product quality (construction of a combined oil refining plant, including the crude desalter unit ELOU-AVT-6, diesel fuel hydrotreatment unit and continuous catalytic reforming unit (CCR)), and carrying out environmental programs to reduce environmental impact. Since 2012, the Moscow Refinery has produced only Euro-4 and Euro-5 fuels to 2.38 million tonnes, which is over 30 times higher than in 2011. The main benefits of the plant’s modernization program are improving the environmental performance of motor fuels, increasing the oil conversion ratio and expanding the range of high-octane gasolines, diesel fuels, coke, advanced bitumen materials, and petrochemical products.

The quality of the products at the Omsk Refinery is demonstrated by the results of the annual 100 Best Russian Products competition, in which the facility has participated and won prizes since 2003. In 2012, products of Omsk Refinery once again performed well at the 100 Best Russian Products contest. Laureate diplomas were awarded to the SuperEuro-98 motor gasoline and the BND 90/130 viscous construction bitumen. Prizes in the ‘Technical and Industrial Goods’ nomination were awarded for: ‘Regular-92’ automotive unleaded gasoline, ‘CMT (DMA) type E’ marine low-viscosity fuel, ultra-pure oil benzene and Euro-3 summer diesel fuel. The latter was also named ‘Innovation of the Year’.

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10 The WRA (World Refining Association) is one of the world’s leading information agencies in the oil and gas sector. The association was founded in 1997 and has gained prestige through organizing professional conferences on current issues involving the world’s leading experts.
Sales of Petroleum Products

Gazprom Neft has one of the most extensive petroleum products distribution networks in Russia. In 2012, the Company strengthened its position in the petroleum products retail market, becoming the largest supplier of light petroleum products to the Russian market. Gazprom Neft’s share in this market amounted to 21.6%. The Company sells petroleum products in Russia and the CIS mainly through its 14 subsidiary downstream companies that sell petroleum products, both wholesale and retail, through filling stations.

The development of petroleum products retail sales is one of the key focus areas of the Company’s business. The Company has its own national brand with a high degree of brand awareness and consumer confidence in product quality that helps it to achieve one of its strategic goals – to become the leader in sales of petroleum products in Russia. During the past four years, from 2009 to 2012, the Company has built 95 new filling stations, remodelled 255 and rebranded 552 existing ones.

As of December 31, 2012, the number of filling stations operated by the Company’s marketing subsidiaries in Russia and the CIS had increased by 20 and totalled 1,265. The average volume of refined products sales per station within Russia increased by 24% and amounted to 17.7 tonnes per day.

In 2012, sales of petroleum products through filling stations within Russia increased by 34% to 6.6 million tonnes. Gasoline sales rose by 26% to 4.0 million tonnes, while diesel fuel sales increased by 51%, reaching 2.4 million tonnes.
Gazprom Neft is a major exporter of crude oil and petroleum products. The main oil export shipments in 2012 were made via seaports (Novorossiysk and Tuapse on the Black Sea, Primorsk on the Baltic Sea), the Czech Republic and Germany (via the Druzhba pipeline).
Premium Business Segments

In order to increase the efficiency of petroleum product sales, Gazprom Neft has created specific premium business segments that include the sale of aviation fuel, lubricants, bitumen materials and petrochemical products, and ship bunkering. Gazprom Neft is the clear leader in the domestic market of bunkering and sales of aviation fuel. In addition, the Company’s motor oils compete successfully with products from top global manufacturers.

Ship bunkering

LLC Gazprom Neft Marine Bunker, the leader in the Russian bunker market, sells marine fuel and marine lubricants for marine and river transport at all major marine and river ports of the Russian Federation. In 2012, the LLC Gazprom Neft Marine Bunker increased its market share from 18.25 to 18.6%. ‘Direct-to-vessel’ sales of marine fuels increased by 37% compared with 2011, reaching 1.8 million tonnes.

Aircraft Refueling

The sales network of JSC Gazprom Neft-Aero (small wholesale and retail sales of aviation fuel and services to supply aviation fuels and lubricants to aircrafts) is the largest among Russia’s vertically integrated oil companies. It comprises 31 integrated fueling facilities in Russia and the CIS. Subsidiaries of Gazprom Neft Aero provide services for aircraft refuelling at airports in Moscow, Saint Petersburg, Novosibirsk, Murmansk, Tomsk, Bryansk, Ulyanovsk, Kemerovo, Krasnoyarsk, and Bishkek (Kyrgyzstan). At the end of 2012, Gazprom Neft-Aero was the absolute leader in the retail market for aviation fuel in Russia. Retail sales of aviation fuel grew by 26% and its share in the Russian retail market increased from 18% in 2011 to 19% in 2012. Under partnership programs, the company provides fuel supply services for aircrafts in 97 airports in South-East Asia, Europe, Africa, Australia, North America, and Latin America. Since 2008, Gazprom Neft-Aero has been a strategic partner to the International Air Transport Association (IATA) for aviation fuel supply.

During 2012, it expanded its sales geography significantly. Today, Gazprom Neft-Aero’s aircraft refuelling services cover 38 countries (compared with 30 countries in 2011).
Production & sales of motor oils

LLC Gazprom Neft-Lubricants has manufacturing assets in Western Siberia (Omsk), the European part of Russia (Yaroslavl), the Moscow Region (Fryazino), Italy (Bari) and Serbia (Novi Sad). The company uses international expertise to create high-tech manufacturing facilities in Russia and produce affordable products that match the high quality of foreign equivalents.

At the end of 2012, Gazprom Neft-Lubricants’ share of the Russian market had increased from 13 to 14%. Sales of premium G-Family oils had grown 2.5 times (domestic and foreign markets). In total, Gazprom Neft-Lubricants sold 149 tonnes of packaged oils.

During the reporting year, the premium sales channels for motor oils were further expanded. The Company started supplies of oil to the assembly lines of Autotor (General Motors, Hyundai), Mercedes-Benz Trucks Vostok, and Derways (Lifan), as well as to the main assembly line of the GAZ Plant. Gazprom Neft-Lubricants covered half of JSC Gazprom’s demand for lubricants. It has commenced supplies of premium oils to the Volga Pipe Plant, Chusovskoy and Taganrog Metallurgical Works, VSMPO-AVISMA Corporation and a number of other major Russian industrial enterprises. There has also been a significant expansion of sales in the premium retail channels: to hypermarket chains and automotive spares stores.

In 2012, Gazprom Neft-Lubricants continued to expand into international markets, by broadening the geography of lubricant sales outside Russia. It has started to supply oils to Turkey, Bulgaria, Iraq, and Turkmenistan. Today, the company sells its products in 38 countries.

Manufacture and sales of bituminous materials

Each Gazprom Neft refinery produces bituminous materials. The 2012 results show that Gazprom Neft retained its leading position in the Russian market for bitumens, holding a 26% share of sales. Its overall sales of bituminous materials in 2012 amounted to 1,445 thousand tonnes. According to the 2012 results, Gazprom Neft achieved a nine-fold increase in the volume of sales of polymer-bitumen binders and bitumen emulsions (PBB and BE) compared with the same period in 2011. Sales of petroleum coke increased by 4% compared with the 2011 figure. Sales of bituminous materials to end users increased by 10%.
**Petrochemical products**

Gazprom Neft is the largest Russian producer of a number of basic petrochemical products — aromatic hydrocarbons (benzene, para-xylene, ortho-xylene, and toluene) and propane-propylene fraction (propylene-containing liquefied hydrocarbon gas). Gazprom Neft enterprises that manufacture petrochemicals are located at refineries in Russia (Omsk, Yaroslavl, and Moscow) and Serbia. The share of the Company’s products in 2012 amounted to 19% of the total volume of aromatic hydrocarbon consumption in Russia, and to 35% of total exports. The sales of aromatic hydrocarbons produced by the Company in 2012 amounted to 383 thousand tonnes, of which 286 thousand tonnes were sold in the domestic market. The Company’s production of propane-propylene fraction in 2012 amounted to 317 thousand tonnes, which accounts for 47% of Russia’s overall production.
Gazprom Neft is actively introducing new technologies at all stages, from exploration to refining and petroleum products sales, and is conducting its own development in innovation, in conjunction with major research institutions. Using more innovation in priority business areas is a prerequisite for the Company’s successful long-term development. The attention paid to this topic by the Board of Directors is testament to the strategic importance of innovation to the Company.

In October 2012, the Board of Directors examined the forecasted impact of adopting new production technologies. According to Gazprom Neft experts, the use of innovative solutions at the Company’s existing fields can ensure an additional extraction of 700-950 million tonnes of oil.

To generate and effectively use new technological developments, Gazprom Neft has created and is cultivating a technology management system, which enables it to monitor and adopt new technologies, and to gain and share knowledge and expertise within the Company. Gazprom Neft has agreed to set up a Regional Competence Center (RCC) in all its subsidiaries and affiliates to work on key technological challenges. The RCCs will become the centers for the sharing of advanced technologies and best practices among the Gazprom Neft subsidiaries and affiliates. To date, the Company has four RCCs: at Gazprom Neft-Khantos, Gazprom Neft-Vostok, Gazprom Neft-Muravlenko branch and Gazprom Neft-Noyabrskneftegaz.

A Joint Scientific and Research Center for Innovation Technologies (JSRC) established by Gazprom Neft Science and Technology Center in collaboration with the Saint Petersburg State Mining University (SPSMU) was opened on February 2, 2012. The JSRC will focus on the development of innovative physical and chemical stimulation techniques, introduction of new hydraulic fracturing methods, development and testing of drilling muds, and control of corrosion and bio-corrosion of metals. The JSRC has, as its base, eight scientific research laboratories fitted with the latest equipment. Along with Gazprom Neft STC and SPSMU employees, the Center’s scientific and

Between 2013 and 2020, the Company plans to invest over 15 billion rubles in the innovative development of its upstream sector. According to some forecasts, by 2020 more than 50% of all oil will be produced by using new technologies.

Neft-Vostok, Gazprom Neft-Muravlenko branch and Gazprom Neft-Noyabrskneftegaz.

A Joint Scientific and Research Center for Innovation Technologies (JSRC) established by Gazprom Neft Science and Technology Center in collaboration with the Saint Petersburg State Mining University (SPSMU) was opened on February 2, 2012. The JSRC will focus on the development of innovative physical and chemical stimulation techniques, introduction of new hydraulic fracturing methods, development and testing of drilling muds, and control of corrosion and bio-corrosion of metals. The JSRC has, as its base, eight scientific research laboratories fitted with the latest equipment. Along with Gazprom Neft STC and SPSMU employees, the Center’s scientific and

11 LLC Gazprom Neft Science and Technology Center is a subsidiary of JSC Gazprom Neft, responsible for engineering of reservoirs, scientific and technical support of oil and gas production, improvement of the efficiency of reservoir development and expansion of Gazprom Neft’s mineral resources base.
A large-scale innovation project (undertaken jointly with the Institute of Hydrocarbon Processing, Siberian Branch of the Russian Academy of Sciences) is the development and introduction of bizeolit catalysts for catalytic cracking at the Gazprom Neft-Omsk Refinery. The introduction of the new catalyst helped the Omsk Refinery to increase the yield of light oil products, improve the oil conversion ratio and reduce the sulphur content in the product, while cutting its operating costs. Gazprom Neft is currently the largest domestic manufacturer of microsphere catalysts for catalytic cracking. In 2012, the corporate author at the Gazprom Neft-Omsk Refinery received three positive opinions for patents on new brands of cracking catalysts.

In January 2012, in collaboration with a team of consultants from Schlumberger, the Company launched the project of the Center of Geological Support for construction of high-tech wells. As of the beginning of 2013, the Center will support drilling of such wells in fields developed by JSC Gazprom Neft-Noyabrskneftegaz, Gazprom Neft-Muravlenko branch, Gazprom Neft-Khantos, Gazprom Neft-Orenburg, and Gazprom Neft-Development.

According to the Strategy for Development of Innovation and Scientific Research in Oil Refining and Petrochemical Production up to 2020, the Company has made provisions for the funding of R&D in oil refining and petrochemical production of up to 450 million rubles annually until 2015.

Innovative solutions significantly increase the efficiency of business. For example, in 2012, the implementation of multistage HRF\textsuperscript{12} in horizontal wells resulted in an average daily oil increase in production to 79.2 tonnes per day.

Additional oil extraction as of January 1, 2013 amounted to 640.6 thousand tonnes. Spudding in of side-holes at Gazprom Neft’s deposits of the 3rd and 4th stages of development in complex geologic conditions enabled hard-to-extract and residual stocks to be accessed. As a result, an additional 233.1 thousand tonnes of oil were produced.

The introduction of rotary steerable systems (next-generation downhole drilling tools) has reduced capital costs by 1.4%, while contributing to 0.5 million tonnes of additional hydrocarbon extraction.

Gazprom Neft also uses the benefits of innovation in collaborative projects with major international oil and gas companies. In the past year, Salym Petroleum Development – a joint company of Gazprom Neft and Shell – launched a pilot project for alkali-surfactant-polymer (ASP) flooding to increase oil recovery in the West Salym field.

In 2012, the Inter-Agency Committee for Technological Development within the Presidium of the Presidential Council on Economic Modernization and Innovative Development of the Russian Federation approved the Program of Gazprom Neft Innovative Development in Oil Refining and Petrochemical Production up to 2020. The Program defines the principles and key performance indicators for innovation management in logistics, processing and marketing, as well as the main areas for improving innovative technologies in oil refining and petrochemical production. These areas include improving product quality (in particular, the reduction of sulphur and aromatics content in gasoline and diesel fuels), increasing the oil conversion ratio, developing new products, and increasing the efficiency and environmental sustainability of production.

R&D in oil refining and petrochemical production is carried out in partnership with the leading Russian research institutions that specialize in technological areas that are a priority for Gazprom Neft.

The Company’s partners include the Topchiev Institute of Petrochemical Synthesis, Gubkin Russian State University of Oil and Gas, Institute of Hydrocarbon Processing SB RAS (Siberian Branch

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\textsuperscript{12} HRF – horizontal reservoir fracturing.
of RAS), All-Russia Research Institute of Oil Refining (Joint Stock Company), JSC SIE Neftehim, etc.

In 2012, both major long-term innovation projects aimed at the development of strategically important technologies (oil tar hydrocracking with nanoscale catalysts, solid acid alkylation, etc.), and R&D projects that meet the technology needs of specific refineries were implemented at the Company’s refineries.

In 2012, the Company initiated a work schedule for the production of high-quality components for motor fuels, which is expected (among others) to result in the development of in-house high-performance catalysts for diesel fraction isodewaxing and oligomerization and the development of a technology for the processing of low-octane fractions (raffinates) into high-octane motor gasoline components (isomerizate) yielding at least 90%. Research work was carried out to develop new formulations of bitumen, including polymer-bitumen binders.
MEDIUM-TERM PLANS

The Company’s plans for the next three years project a strong performance against key financial indicators targets (revenues, EBITDA) across all operating segments.

Production

FOCUS ON NEW PROJECTS AND TECHNOLOGIES
- Launch major projects in the northern part of the Yamalo-Nenets Autonomous District.
- Develop the northern continental shelf. Commence production at the Prirazlomnoye field.
- Optimize commercial production conducted using the current resource base, including production from complex reserves.
- Test new technologies for developing non-conventional reserves.
- Further international development.

Refining

FOCUS ON INCREASING EFFICIENCY
- Migrate the Moscow Refinery to the production of Euro-5 motor fuels.
- Increased the production of Euro-5 motor and diesel fuels.
- Further growth in oil refining depth.
- Increase in light petroleum product yield and considerable reduction in irretrievable losses.
- Further reduction of energy consumption for oil refining.

The main drivers of growth in the refining segment will come from the commissioning of new refining plants and the implementation of the program for operational improvements.

Sales to End Consumers

FOCUS ON INCREASING SALES
- Further increase in sales volumes through premium channels (aviation fuel, ship fuel and lubricants).
- Significant increase in sales of the G-Drive fuel through the retail network.
- Market launch of new products for selling to end consumers.
- Expand the refuelling facility chain at airports.
- Expand the filling station chain.
- Expand the bunkering infrastructure.
SUSTAINABLE DEVELOPMENT STRATEGY

THE COMPANY’S POSITION CONCERNING SUSTAINABLE DEVELOPMENT & SOCIAL RESPONSIBILITY

Gazprom Neft has been consistently integrating the principles of sustainable development and social responsibility into its business strategy and views the adherence to these principles as a key factor of long-term sustainability and competitiveness.

By setting ambitious strategic goals, Gazprom Neft seeks to balance the interests of business development with the interests of society, ensure high rates of growth and preservation of the environment, and regularly analyze the impact of its activities on the environment and society. The Company pays paramount attention to industrial safety, labor health and safety and invests in people and the social potential of the regions where it operates. It understands that large-scale growth of a business entails a load on the environment and therefore seeks to minimize the negative environmental impact of oil production and refining and to improve the environmental compatibility of its products.

The Company’s self-assessment activity, conducted in accordance with the international standard ISO 26000, has shown that the understanding of the principles of sustainable development and social responsibility at the Company meets the requirements of this international standard in terms of terminology and general principles contained in the corporate documents, and in the documents that formalize the relationship with key stakeholders.

MAIN DEFINITIONS

**Sustainable development** is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

**Corporate social responsibility** is the responsibility of an organization for the impact of its decisions and activities on society and the environment through transparent and ethical behaviour that:

- contributes to sustainable development, including health and the welfare of society;
- takes into account the expectations of stakeholders;
- is in compliance with applicable law and consistent with the international norms of behaviour;
- is integrated throughout the organization and practiced in its relationships.

*Source: ISO 26000*
Across its activities, Gazprom Neft is focused on balanced and long-term growth, and strengthening the Company’s reputation as a major player in the global market.

Gazprom Neft aims to combine strong growth with the optimal balance of the economic, environmental and social components of the Company’s business, to continue creating an environment conducive to business and to developing the innovative potential of employees. This approach helps to mitigate against environmental and social risks, and creates margins for steady growth and high competitiveness in the future.

The strategic priorities for sustainable development are determined by the Company’s mission and its strategic vision. The Company endeavours to take account of expectations regarding its socially responsible behaviour, as reflected in the international social responsibility standards, Russian laws, the Company’s contractual obligations, or identified in the course of cooperation with its stakeholders.

Gazprom Neft’s strategic priorities for sustainable development:
- Increase the efficiency of core operations;
- Develop human resources that are able to meet the specific challenges of the sector;
- Improve occupational safety;
- Support local communities in the operating regions;
- Minimize the environmental footprint;
- Improve energy efficiency and energy saving.

The Company continues to build a comprehensive, systemic approach to managing its impact on socio-economic and ecological systems. The Company’s priorities for sustainable development form a system of interrelated activities under a single Company strategy.
## SUSTAINABLE DEVELOPMENT OBJECTIVES

The Company’s sustainable development objectives are determined by the nature and scale of its core business, the challenges of the current market situation and the issues facing the industry in terms of future development.

The current challenges include maintaining high rates of hydrocarbon production from a deteriorating quality of reserves, as well as meeting more demanding requirements for greener production and an improved environmental performance of products from customers and regulating bodies. With this sector of the economy facing a shortage in skilled employees, special attention must be paid to working with employees.

### SUSTAINABLE DEVELOPMENT KEY GOALS AND OBJECTIVES FOR 2011–2013

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<td><strong>SUSTAINABLE DEVELOPMENT MANAGEMENT</strong></td>
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<td>• Development of systems and organizational structures of governance for sustainable development</td>
<td>• Adoption of a new version of the Code of Corporate Conduct</td>
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<td>• Improvement in sustainability reporting</td>
<td>• Development of an integrated risk management system</td>
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<td>• Development of an integrated management system in industrial and environmental safety, health and civil protection</td>
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<td>• Development of anti-corruption procedures</td>
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<td>• Development of a dialog with internal and external stakeholders within the framework of existing cooperation mechanisms</td>
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<td>• Application of version G 3.1. of the Sustainability Reporting Guidelines issued by the Global Reporting Initiative</td>
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<td>• Application of international industry standards for the disclosure of information on activities in the area of sustainable development</td>
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<td>• Arrangement for external certification of corporate reports on sustainable development</td>
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<tr>
<td><strong>IMPROVING ECONOMIC STABILITY AND EFFICIENCY OF CORE OPERATIONS</strong></td>
<td><strong>Oil and Gas Production</strong></td>
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<tr>
<td>• Improvement of the efficiency of oil production, development of new fields</td>
<td>• Implementation of major projects in oil production, integration of new acquisitions</td>
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<td>• Increasing the oil conversion ratio and output of light oil products</td>
<td>• Intensification of exploration and the start of the development of new deposits</td>
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<td>• Transition to new standards of motor fuel quality</td>
<td>• Maintaining stable yield at existing fields.</td>
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<td></td>
<td>• Refining</td>
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<td></td>
<td>• Modernization of refining facilities and transition to new standards of motor fuels</td>
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<td>• Development of Retail Chain</td>
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<td>• Expansion and completion of the rebranding of the filling station chain</td>
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<td>• Increase in sales of petroleum products through marginal distribution channels</td>
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<td>• Development of Exchange Trade</td>
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<td>• Achieve leading positions among VIOCs in terms of trading on exchanges</td>
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<td>• Becoming a guaranteeing supplier of the Saint Petersburg International Mercantile Exchange</td>
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<tr>
<td>Areas of Activities for Sustainable Development</td>
<td>Key Objectives</td>
<td>Key Goals</td>
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<tr>
<td>LABOR PRACTICES AND DEVELOPMENT OF HUMAN RESOURCES</td>
<td>• Enhancing employee motivation and loyalty system</td>
<td>• Introduction of a unified remuneration system for all enterprises</td>
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<td>• Professional development of employees, targeted training</td>
<td>• Introduction of a unified system of social benefits and enhancement of non-financial incentives</td>
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<td>• Development of a succession pool</td>
<td>• Approval of the Corporate Code\footnote{13}. Development of Mechanisms for Effective Corporate Culture</td>
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<td>• Development of skills in managing large projects</td>
<td>• Organization of personnel training programs for staffing of foreign projects and filing stations</td>
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<td>• Staffing support for technological upgrading</td>
<td>• Introduction of organizational and technical support for training in developing competencies in new areas, as required by the Company</td>
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<td>• Establishment of a unified recruitment infrastructure</td>
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<td>• Selection of personnel to support strategic objectives</td>
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<td>• Creation of a management succession pool</td>
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<td>• Young talent development</td>
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<td>CONTRIBUTION TO THE DEVELOPMENT OF OPERATING REGIONS, SUPPORT FOR ADVANCEMENT OF LOCAL COMMUNITIES</td>
<td>• Development of a systematic approach to relations with the regions accounting for the Company’s long-term priorities for sustainable development</td>
<td>• Conclusion of comprehensive socio-economic agreements with the authorities of the constituent entities of the Russian Federation</td>
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<td>• Enhancing the efficiency of the Company’s assistance to regions in addressing the challenges of socio-economic development</td>
<td>• Monitoring of the socio-economic situation in the regions</td>
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<td>• Recognition of specific regional concerns in the implementation of large investment projects</td>
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<td>• Creating opportunities for self-fulfilment of the Company’s employees in social volunteering</td>
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<td>• Participation in programs in support of national identity and culture of the indigenous peoples living in the Company’s operating regions</td>
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<td>• Building a stakeholder engagement system in the regions</td>
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<td>LABOR SAFETY, INDUSTRIAL SAFETY, MINIMIZATION OF THE ENVIRONMENTAL FOOTPRINT; ENERGY EFFICIENCY AND ENERGY SAVING</td>
<td>• Development of an integrated HSE and civil defence system ensuring compliance with the laws of the Company’s operating regions in Russia and abroad, and guided by best international practices</td>
<td>• Development of comprehensive programs and projects through a regular analysis of the current situation and improvements in the management systems based on an assessment of their effectiveness</td>
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<td>• Implementation of programs aimed to reduce employee injuries and the environmental footprint</td>
<td>• Development of practices for auditing HSE and civil defence management systems in subsidiaries</td>
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<td>• Implementation of the corrective actions following results of inspections, audits, and risk assessments</td>
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<td>• Building up a Health and Safety personnel training system</td>
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<td>• Regular monitoring of the situation at the Company’s production facilities, introduction of standards for waste management, remediation of contaminated and damaged land, and risk management</td>
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<td>• Development of corporate training programs in environmental safety</td>
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<td>• Development of collaboration with state, expert and public organizations in environmental protection</td>
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<td>• Implementation of the program for the remediation of sludge pits, oil-contaminated and damaged land</td>
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<td>• Enhancing the effectiveness of APG utilization</td>
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<td>• Implementation of programs for energy saving and enhancing of energy efficiency</td>
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\footnote{13}{The Corporate Code is the summary of the Company’s corporate values, ethical norms and rules of employee conduct.}
PROSPECTS FOR SUSTAINABLE DEVELOPMENT: SOME PARAMETERS

- By 2020, the improvement in production methods will have established the most efficient way to develop promising assets, alongside the rational use of the potential of existing assets. Modern integrated refining facilities will be set up at existing plants and will be at least on par with the world’s best refineries in terms of performance (including environmental).
- By 2020, oil refining at Gazprom Neft’s refineries in Russia should reach 40 million TPA with another 30 million tonnes produced by foreign assets.
- By 2018, the refineries of Omsk, Moscow and Yaroslavl will have implemented the program of upgrading and constructing new facilities, which will enable a better oil conversion ratio.
- In 2013, two years ahead of the deadline set by the Technical Regulations, the Company will have shifted all production to the Euro-5 standard for petroleum products.
- From April 2013 the Company will sell gasoline, diesel and jet fuel in accordance with the approaches set out in the JSC Gazprom Neft’s Rules of Commercial Practices, which were recognized by the Federal Antimonopoly Service of the Russian Federation as ‘not contrary to the requirements of the antitrust law’.
- In 2013, the Company will introduce a program for regular employee assessment through an extended set of criteria in a number of its subsidiaries and affiliates (in pilot mode), and a program of employee evaluation for employees in the Corporate Center (in full operational mode).
- By 2014, the enterprises of Gazprom Neft will have adopted a unified system of social benefits.

- In 2013, in order to confirm the compliance of the Company’s environmental management system with best international practices, and with the obligations for environmental safety, environmental protection and sustainable use of natural resources as set out in the Corporate HSE Policy and in the Corporate Code, Gazprom Neft plans to certify its environmental management system in accordance with ISO 14001:2004.
- By 2015, the estimated reduction in heat and electricity consumption at the Company’s refineries will be about 5% of the estimated consumption of electricity and heat for the period 2013–2015.
- For 2013–2015, Gazprom Neft has developed a program to improve the reliability of and to modernize its electrical equipment and networks at its production subsidiaries and affiliates, with the aim of reducing the number of electricity outages and oil losses.
- The Company will continue its cooperation with regions to improve education and health, create infrastructures for children’s and grassroots sports, improve the urban environment and preserve the national and cultural traditions of indigenous peoples of Northern Russia.
- The Company will implement its regional policy based on the ‘Home Towns’ program, which defines a systematic approach and common standards for social investment in the regions.
- In 2013, the Company will continue to fund the construction of the Avangard Hockey Academy branches.
SUSTAINABLE DEVELOPMENT MANAGEMENT & STAKEHOLDER ENGAGEMENT

CORPORATE GOVERNANCE

The establishment of the sustainable development strategy and the monitoring of its implementation are assured by the corporate governance system.

Gazprom Neft’s corporate governance system complies with applicable Russian legislation, the Company’s Articles of Association and in-house regulations. Gazprom Neft also takes full account of best international practices in this area. Gazprom Neft’s Corporate Code of Conduct is aimed at ensuring the effective protection of the rights and interests of shareholders, transparency of decision-making by management, and professional and ethical responsibility of members of the management and control bodies of the Company, its employees and counterparties.

Gazprom Neft’s Corporate Code of Conduct\(^{14}\) includes the obligation to adhere to the following basic principles:

- Compliance with the applicable laws of the Russian Federation, the Company Articles and in-house regulations, as well as adherence to generally accepted standards and principles of corporate conduct;
- Respect for and effective protection of the rights of Company shareholders in accordance with the applicable law;
- Respect for the rights of Company stakeholders and employees;
- Equal treatment of Company shareholders, holding shares of the same type (class);
- Compliance with a high level of business ethics in relations with shareholders, investors, employees, contractors and other market players;
- Prevention of corruption both within the Company and in its relations with third parties;
- Compliance with high standards of social responsibility in the Company’s activities;
- Exercise by the Company’s Board of Directors of strategic management of the Company and the effective control over the Company’s executive bodies, and accountability of the members of the Board of Directors to the General Meeting of Shareholders;
- Reasonable, fair and efficient management of the Company by executive bodies, and their accountability to the Board of Directors and the General Meeting of Shareholders;
- Effective control over the Company’s financial and business operations;
- Efficiency of internal control and audit;
- Timely and full disclosure of accurate information about the Company, including its financial position, economic performance, ownership and management structure.

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\(^{14}\) The Code of Corporate Conduct establishes the system of principles, norms and rules for the Company’s governance and control. This system regulates the interaction between the shareholders, Board of Directors, executive bodies and other corporate relations.
The General Meeting of Shareholders is the highest management body whose jurisdiction covers the most essential issues related to the Company’s business. According to the Articles of Association, the General Meeting of Shareholders elects the Board of Directors. The Board of Directors exercises general management of the business and is responsible for strategic management to increase the Company’s shareholder value. The Board of Directors monitors and ensures the efficient working of the Company’s executive bodies. Members of the Board must have the necessary competencies and experience to meet these challenges.

The Board of Directors of Gazprom Neft includes members of the Management Committee of JSC Gazprom and is headed by Alexey Miller, Chairman of the Gazprom Management Committee. The gender composition of the Board is as follows: in 2012, a woman held one of the 11 seats in the Board of Directors.

The Board of Directors of Gazprom Neft is largely independent of the Company’s management: the only executive director on the Board of Directors is Alexander Dyukov, Chairman of Gazprom Neft’s Management Board.

In 2012, the workload of the members of the Board of Directors increased significantly. Compared to 2011, the number of Board meetings held in the reporting year increased by over 80%, while the number of in-presentia meetings almost doubled.

The Company carries out an annual evaluation of the Board’s performance, taking into account its actual contribution to the Company’s operating results. The evaluation of the Board of Directors, held in 2012 by the Human Resources and Compensation Committee, noted an improvement in the Board of Directors’ effectiveness as a result of a greater number of topics discussed in Board meetings and the active involvement by Board members in the meetings.

In 2012, the Board of Directors considered a number of significant sustainable development issues, including strategic and investment planning, budget planning, funding of the Company’s business and corporate governance. The agenda of the Board of Directors in 2012 also covered social investment, including the sponsorship of sports clubs in Gazprom Neft’s operating regions (Zenith Football Club and SKA Hockey Club) during sports seasons.

15 For a list of the Management Board members, their background data and specific qualifications, the number of in-presentia meetings attended by each member, refer to JSC Gazprom Neft’s Annual Report for 2012.
GAZPROM NEFT GROUP
2012 SUSTAINABLE DEVELOPMENT REPORT

For a list of the Management Board members, their background data and specific qualifications, refer to JSC Gazprom Neft’s Annual Report for 2012.

16 For a list of the Management Board members, their background data and specific qualifications, refer to JSC Gazprom Neft’s Annual Report for 2012.

The executive bodies of Gazprom Neft responsible for the implementation of the objectives, strategy and policy are the Management Board (collegiate executive body) and the General Director (Chief Executive Officer), who is also the Chairman of the Management Board ex-officio. The Articles of Association of Gazprom Neft and the Regulations regarding the Chief Executive Officer and the Management Board govern the functioning of the executive bodies. The Chief Executive Officer and the Management Board report to the Board of Directors and the General Meeting of Shareholders. The Chief Executive Officer of the Company is Alexander Dyukov. As of December 31, 2012, the Management Board of Gazprom Neft consisted of 10 members. The gender composition of the Management Board is as follows: in 2012, a woman held one of the 10 seats in the Management Board.

Gazprom Neft’s Board of Directors has two committees: the Audit Committee and the Human Resources and Compensation Committee. The purpose of the Committees is to carry out preliminary in-depth research into matters within their jurisdiction. The procedures governing committee creation and activities are outlined in the respective Regulations. The Audit Committee of Gazprom Neft’s Board of Directors assists the Board of Directors in exercising control over the Company’s business and financial activities by assessing the efficiency of internal control systems. The Audit Committee also monitors the risk management system. The main task of the Human Resources and Compensation Committee under the Board of Directors of JSC Gazprom Neft is to make a preliminary comprehensive preliminary comprehensive examination of topics included within the jurisdiction of the Board of Directors and to prepare recommendations for the Board of Directors to adopt resolutions regarding the Company’s human resource policies and compensation for members of the Company’s management bodies and the Audit Committee.

Within the Management Board, the Company’s activities for sustainable development with regard to health and industrial safety are supervised by Alexander Dyukov, the Chief Executive Officer and Chairman of the Management Board; employee management issues are the responsibility of Vitaly Baranov, Deputy Chairman of the Management Board, Deputy CEO for Administrative Issues. Regional socio-economic development programs are coordinated by Alexander Dybal, member of the Management Board, Deputy CEO for Corporate Communications.

In 2012, there were 14 meetings of the OJSC Gazprom Neft Management Board and 7 votes by poll, during which the following main issues were considered:

- The information technology strategy of the OJSC Gazprom Neft group of companies;
- The system of risks of the Gazprom Neft group of companies in terms of economic security. The risk mitigation program;
- The strategy for developing the related business of OJSC Gazprom Neft;
- The concept of reorganizing the regional sales model;
- The strategy for developing the aviation fuel business for OJSC Gazprom Neft to 2025;
- The strategy for developing the bunker business for OJSC Gazprom Neft to 2025;
- The strategy for developing the lubricants business for OJSC Gazprom Neft to 2025;
- The strategy for foreign exploration and production operations for OJSC Gazprom Neft;
- The efficiency of implementing the OJSC Gazprom Neft investment program;
- Instruments for OJSC Gazprom Neft to enter foreign oil and oil product markets.

The purpose of the Committees is to carry out preliminary in-depth research into matters within their jurisdiction. The procedures governing committee creation and activities are outlined in the respective Regulations. The Audit Committee of Gazprom Neft’s Board of Directors assists the Board of Directors in exercising control over the Company’s business and financial activities by assessing the efficiency of internal control systems. The Audit Committee also monitors the risk management system. The main task of the Human Resources and Compensation Committee under the Board of Directors of JSC Gazprom Neft is to make a preliminary comprehensive preliminary comprehensive examination of topics included within the jurisdiction of the Board of Directors and to prepare recommendations for the Board of Directors to adopt resolutions regarding the Company’s human resource policies and compensation for members of the Company’s management bodies and the Audit Committee.

16 For a list of the Management Board members, their background data and specific qualifications, refer to JSC Gazprom Neft’s Annual Report for 2012.
The Internal Audit Department reports directly to the CEO.

The Head of the Internal Audit Department is appointed by the Board of Directors.
As one of the tools for providing additional information on the Company’s performance to the members of the Board of Directors, the Articles of Association and Regulations of the OJSC Gazprom Neft Management Board provide for management accounts to be sent to the members of the Board of Directors every quarter.

To ensure control over the Company’s financial and business activities, the General Meeting of Shareholders elects the Audit Commission responsible for inspecting and reviewing the Company’s financial situation, internal control, and risk management systems, and for verifying the legality of business operations. For the annual auditing of the financial statements under Russian Accounting Standards (RAS) and International Financial Reporting Standards (IFRS), Gazprom Neft engages an external auditor. The choice of independent auditor is approved annually by the General Meeting of Shareholders at the suggestion of the Board of Directors.

The Company has a structured program for the fair compensation of top and senior management, which establishes the link between short-term goals, including those related to sustainable development, and the amount of remuneration.

The Company implements mechanisms to eliminate possible conflicts of interest in its senior management bodies.

Gazprom Neft seeks to maintain a high level of transparent information. The Company publishes its financial statements prepared under international reporting standards, management reports, and sustainable development reports. Since 2008, it has synchronized the drafting process and publishes the whole set of reports simultaneously. These documents are also available on the official corporate Web site. This provides stakeholders and the public with access to information on all aspects of the Company’s operations. The mechanisms that enable the shareholders of Gazprom Neft to influence the actions of the Company’s management bodies are established in the Company’s Corporate Code of Conduct. The information on compliance with the Corporate Code of Conduct can be found in the Company’s Annual Report for 2012.

To ensure a high level of transparency, the Company actively engages shareholders and improves its relations with the investment community. The high level of information disclosure to Gazprom Neft’s shareholders and investors has been noted in a number of studies by independent investor relations agencies and confirmed by awards in this area presented to the Company.

The principles that guide Gazprom Neft in the management of sustainable development, which are documented in the Company’s corporate guidelines and include the Code of Corporate Conduct and the Corporate Code, are consistent with the scope of social responsibility principles of the international ISO 26000 standard (Guidance on Social Responsibility).

The principles of social responsibility highlighted by ISO 26000 include:

- Accountability,
- Transparency,
- Ethical behaviour,
- Respect for stakeholder interests,
- Respect for the rule of law,
- Respect for international norms of behaviour,
- Respect for human rights.

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17 For information on the remuneration to the members of the Company’s Board of Directors and Management Board, refer to Gazprom Neft’s Annual Report for 2012.
18 For further information regarding compliance with the Code of Corporate Conduct, refer to Gazprom Neft’s Annual Report for 2012.
19 See further details in this chapter of the Report.
RISK MANAGEMENT

Effective risk management is a key component of sustainability management.

Gazprom Neft has a Risk Management Policy that defines the goals and principles of risk management in order to make the Company’s business more secure in both the short and the long term. The Company’s goal in risk management is to ensure that Gazprom Neft can achieve its strategic goals, as far as possible, by identifying and guarding against risks, and by putting effective mechanisms in place to deal with them.

Gazprom Neft’s risk management system ensures the smooth operation of the Company’s production and business processes by anticipating threats and mitigating the impact of adverse external and internal factors.

The Company has developed and formalized a uniform approach to handling risk management processes, which is fully contained in the ‘Integrated Risk Management System’ (IRMS) corporate standard.

Gazprom Neft’s IRMS is a systematic, continuous process that identifies, assesses and manages risks.

Its key principle is that responsibility for the management of various risks is assigned to various management levels depending on the expected financial impact of the specific risks.

As of late 2011, the Company had implemented basic IRMS processes at most of its major subsidiaries and affiliates, and was thus able to develop a detailed corporate risk map for 2011 by consolidating risk events from individual subsidiary and affiliate levels to the entire Company. In 2012, the scope of the IRMS was extended as the portfolio grew, with 11 new assets in the Exploration and Production Segment (EPS) and 4 assets added to the Logistics, Refinement and Sales Segment (LRSS).

This approach made it possible to outline responsibility areas for risk management and monitoring at every level of corporate management, and to have customised response plans to address material risks at each subsidiary/affiliate and throughout the Company. Risk-related hierarchical structures for the key EPS business areas (production, industrial safety, procurement, projects) have been developed along the same lines for the LRSS key business areas (refinement, sales). This approach enables consistency in the regular re-evaluation of risks, and analysis of root risk factors that impact the achievement of financial targets.

The Company continuously works to improve its basic IRMS processes with particular emphasis on efforts to assess risks and integrate risk management processes into key corporate processes such as business planning, project management and M&A.

The company’s risk management goal is to further safeguard the achievement of strategic objectives through early detection and prevention of risks and the use of effective measures to mitigate them.

The Company’s risk management scope encompasses both the financial risks and risks of an environmental and social nature. The mitigation of the latter is the objective of the corporate policies and management systems in the areas of environmental protection, occupational safety, human resources and regional development.

A full description of key risks is provided in Gazprom Neft’s Annual Report for 2012.
### Management of Key Non-Financial Risks

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<th>Risks</th>
<th>Risk Description</th>
<th>Risk Management Actions</th>
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<td><strong>Political Risks</strong></td>
<td>The political situation in Russia is stable at present, with strong executive branches at the federal and regional levels of government. OJSC Gazprom Neft is a registered taxpayer in the city of Saint Petersburg, the second-largest city in the Russian Federation, and the capital of the Northwest Federal District, which has enormous natural resource potential, advanced industries, and a dense transportation network. Subsidiaries of OJSC Gazprom Neft are present in the following Federal Districts: Central, Northwest, Ural, Volga, Siberia, and the Russian Far East.</td>
<td>On the whole, the Company views the political situation in Russia as stable and does not see any risk of negative developments at present.</td>
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<tr>
<td><strong>Risks Associated with Changes in Tax Laws</strong></td>
<td>Gazprom Neft is one of the largest taxpayers in the Russian Federation; it pays federal taxes, regional and local taxes, including the value-added tax, corporate income tax, mineral extraction taxes, corporate property taxes and land taxes</td>
<td>In the course of its business, the Company constantly monitors all changes in tax law, and changes in the interpretation and application of existing tax law. The Company also advises the Government on improving legislation and on creating new regulatory acts in the field of taxation.</td>
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<td><strong>Risks Related to Changes in License Compliance for Main Business Lines</strong></td>
<td>Sub-soil legislation is evolving towards detailed regulation of sub-soil usage by the Government, more rational use of sub-soil areas, and strict compliance with legal standards for environmental protection.</td>
<td>Gazprom Neft operates its license areas in strict conformity with the requirements of Russian sub-soil law, and updates its license agreements to keep them compliant with relevant laws. The Company analyzes and assesses legislative initiatives by relevant ministries and departments in the sphere of sub-soil law and licensing. Gazprom Neft is not aware of any legal risks associated with the loss of sub-soil rights or violation of current law due to changes in the law.</td>
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<td><strong>Environmental Risks</strong></td>
<td>Gazprom Neft’s operations have an inherent risk of damage to or pollution of the natural environment. This may give rise to civil law liability and require action to mitigate such damage. The Company is fully aware of its responsibility before the public, and its obligation to ensure safe working conditions and protection of the natural environment. The Company ensures that its operations comply with applicable environmental standards and that it implements environmental protection programs.</td>
<td>The environmental policy of Gazprom Neft aims to comply with the effective provisions of environmental regulations by investing considerable funds in environmental activities, including the use of technologies that minimize adverse impacts on the environment. As a result, risks related to environmental pollution have been greatly reduced.</td>
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<td><strong>Corruption Risks</strong></td>
<td>As the Company actively enters new international markets, there are increasing risks of anti-corruption laws in the US and UK being extended to the Company. Meanwhile, new anti-corruption rules are being introduced into Russian law, along with the developing practice of holding organizations liable for violations thereof.</td>
<td>Gazprom Neft is working on a program to control corruption risks. Essentially, the strategy is to make proactive efforts that minimize the risks of liability for any lack of procedures to avert bribery. The program will assess the role of corruption risk in the Company’s risk management system, design corporate regulation, and devise a strategy for communication, support and appropriate employee training.</td>
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Gazprom Neft’s corporate culture unites its employees through a platform of shared values. The Company attaches high strategic importance to the development of its corporate culture. The Company’s ambitious strategic goals must go hand in hand with a corporate culture that guides people towards achieving high performance. In 2011, the Company approved the Corporate Code that defined its core values and established a concept for the further development of its corporate culture based on Gazprom Neft’s mission and values and aimed at supporting the Company’s strategic goals.

**Gazprom Neft’s Corporate Values**

- **Integrity**: we keep our word
- **Leadership**: we strive to be the best
- **Responsible owner’s mentality**: we protect the resources of our company, our country and our planet
- **Mutual respect and trust**: we trust professionalism and respect the opinion of colleagues
- **Winning mentality**: the most important things for us are self-development and self-conquest
In 2012, all major subsidiaries created plans to change the corporate culture, taking into account the specific characteristics of each enterprise. In order to build a unified, results-oriented corporate culture the Company selected several key areas or ‘levers’. These include the development of management by objectives (MBO) system, the creation of internal economic competition, and the use of new management methods, such as ‘management by walking around’\(^{21}\). These ‘levers’ are intended to improve business performance through more effective goal setting, internal competition, and opportunities for the Company’s managers to personally take part in the day-to-day work lives of employees. The “levers” also include the establishment of a feedback system and the communication of values. Such a large-scale transformation is impossible without the active participation of top executives. The most important element of the change process is the personal example set by top managers.

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\(^{21}\) Management by Walking Around (MBWA) means regular communication of a manager with the employees at their workplaces.
STAKEHOLDER ENGAGEMENT

The Company engages with its stakeholders based on the principles of transparency, regularity and reliability of the information that it provides. The main priorities of stakeholder engagement are stated in the corporate regulations (the Corporate Code of Conduct, the Corporate Code, and documents governing individual business areas).

STAKEHOLDER ENGAGEMENT PRINCIPLES

- Responsible fulfilment of obligations
- Sound business practices and compliance with business ethics
- Transparency and availability of information
- Respect for individual and human rights
- Openness to dialog
- Transparent and competitive mechanisms for partner selection
- Mutual responsibility

Following the recommendations of ISO 26000:2010 (‘Guidance on Social Responsibility’), the Company is committed to respecting the interests of its stakeholders — not just those who may be connected to the Company’s own goals and commitments, but also those with the interests of society as a whole.

The Company identifies a number of key stakeholder groups whose interests are most noticeably linked with its activities and who, in turn, can have the most significant impact on the Company’s ability to implement its strategic goals:
- Shareholders and investors;
- Public authorities;
- Personnel;
- Business partners, suppliers and customers;
- Local communities.

In forming its approaches to shareholder engagement the Company takes into account the level and scale of the relationships (federal, regional or local), as well as the extent of formalization (informal/fixed in the contracts or other documents). As the interests of the various stakeholders do not always coincide, the Company seeks to build a balanced approach to stakeholder engagement.

Gazprom Neft constantly analyzes its internal and external social environment and changes the agenda for shareholder engagement taking into account its strategic goals and the priorities of its stakeholders. In 2012, the Company continued to develop a detailed stakeholder map to gain a more exact understanding of the value of each stakeholder group (and their sub-divisions) in the context of the Company’s strategy. The Company takes steps to involve stakeholders in the implementation of its projects. This allows the Company to adjust the progress of projects according to stakeholders’ expectations and to identify and eliminate existing risks in good time. For example, a distinction is made within the Company’s HR structure between operating personnel, various levels of management, and young professionals, whereas the ‘local communities’ category is sub-divided into groups such as school leavers and students, war veterans, indigenous peoples of Northern Russia, and public associations specializing in environmental and social work.

22 The Company’s stakeholders are the organizations and individuals whose interests are in some way or another affected by the decisions or operations of the Company and who, in turn, can affect the Company's performance.
### Key Stakeholder Engagement Areas and Lines

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<tr>
<th>Stakeholders</th>
<th>Engagement Areas</th>
<th>Engagement Lines</th>
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<tbody>
<tr>
<td><strong>SHAREHOLDERS AND INVESTORS</strong></td>
<td>Increasing the Company’s value and investment attractiveness</td>
<td>• Improving the quality of corporate governance</td>
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<td>• Strengthening the Company’s brand and reputation</td>
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<td><strong>PERSONNEL</strong></td>
<td>Labor efficiency, product quality, occupational safety, environmental protection,</td>
<td>• Working to increase occupational safety</td>
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<td>respect for human rights, and generation and implementation of social programs</td>
<td>• Creating the necessary conditions for professional growth and social well-being</td>
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<td>targeted at staff and local communities</td>
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<td>• Improving material and non-material incentive schemes</td>
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<td>• Social support to workers and veterans</td>
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<td>• Staffing of major projects and related opportunities for professional growth</td>
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<td>• Developing the dialog with trade unions</td>
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<td>• Establishing an effective corporate culture</td>
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<td>• Introducing the new version of the Corporate Code</td>
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<td><strong>RUSSIAN GOVERNMENT AUTHORITIES</strong></td>
<td>Meeting the challenges of sustainable development of the industry and the</td>
<td>• Participation in the drafting of legislation</td>
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<td>Company’s operating regions</td>
<td>• Responsible and efficient use of human and natural resources</td>
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<td>• Promoting socio-economic development of the regions</td>
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<td>• Introduction of innovation</td>
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<td><strong>REGIONAL AND MUNICIPAL AUTHORITIES</strong></td>
<td>The Company’s regional policy, meeting the challenges of regional socio-economic</td>
<td>• Support for regional development programs under agreements on social and economic</td>
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<td>development</td>
<td>cooperation.</td>
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<td></td>
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<td>• Development and implementation of corporate social programs</td>
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<td><strong>BUSINESS PARTNERS, SUPPLIERS AND CUSTOMERS</strong></td>
<td>Compliance with contractual obligations and ensuring regular supply, better product quality and improved industrial and environmental safety</td>
<td>• Implementing programs to improve the quality of products and services</td>
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<td>• Developing long-term mutually beneficial relationships</td>
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<td>• Inclusion of contractors in the perimeter of the corporate standards concerning</td>
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<td>industrial and environmental safety</td>
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<td>• Introduction of anti-corruption procedures</td>
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<td><strong>LOCAL COMMUNITIES IN THE OPERATING REGIONS</strong></td>
<td>Company’s regional policy programs to support local communities</td>
<td>• Improving the efficiency of the Company’s social programs</td>
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<td>• Implementing programs to support youth and sports</td>
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<td>• Support of the conservation and improvement of sites of cultural and historical</td>
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<td>• Support of indigenous peoples of Northern Russia</td>
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<td>• Implementation of environmental measures</td>
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<td>• Holding of public hearings and consultations, and charity work</td>
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<td><strong>PUBLIC ORGANIZATIONS</strong></td>
<td>The Company’s regional policy and environmental protection</td>
<td>• Cooperation in social and cultural projects</td>
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<td>• Cooperation in meeting the challenges of environmental protection</td>
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**Key Mechanisms of Stakeholder Engagement:**
- Interaction formalized in business contracts, agreements and cooperation agreements;
- System of corporate communication channels;
- Regular employee and customer surveys;
- Public opinion studies within the Company and its operating regions;
- Negotiations and meetings;
- Public hearings;
- Joint working groups;
- ‘Hot lines’ for employees and customers;
- Investor presentations;
- Membership of public and expert associations;
- Conferencing.
Shareholders and Investors

The Company abides steadfastly by the rules of effective legislation, aimed primarily at ensuring respect for and protection of shareholder rights. According to Gazprom Neft’s Articles of Association, the Company’s authorized capital consists of 4,741,299,639 ordinary shares. At the end of 2012, Gazprom Neft had no preferred shares. The major holder of Gazprom Neft shares was JSC Gazprom. It held, directly and indirectly, 95.68% of the total number of the Company’s ordinary shares. The remainder of ordinary shares (4.32%) was distributed among minority shareholders – individuals and corporations. As of December 31, 2012, 9,136 business accounts were registered in the shareholder register, including: 15 corporations, 9,112 individuals, one beneficial owner and eight nominees.

In its resolution of June 8, 2012, the Company’s annual General Meeting of Shareholders approved the payment of dividends for 2011 amounting to 22% of the consolidated net profit under US GAAP or 34.6 billion rubles.

The procedures for the preparation and holding of General Meetings of Shareholders ensure that all shareholders can review all necessary information, freely register to take part in a General Meeting of Shareholders, and vote. The procedure rules of the Shareholders’ General Meetings guarantee that shareholders have an equal opportunity to express their opinions and ask questions on the agenda (including questions addressed to the members of the Management Board).

The Company places great emphasis on proactive engagement with existing and potential shareholders. The level of information disclosure for Gazprom Neft’s shareholders and investors has significantly increased recently, which is confirmed by a series of investor relations studies conducted by independent agencies as well as the Company’s awards for achievements in this area.

Gazprom Neft publishes the “Management’s analysis of financial position and operating results,” on a quarterly basis as an attachment to OJSC Gazprom Neft financial statements, prepared in accordance with US GAAP and IFRS standards.

23 See Gazprom Neft’s Annual Report for 2012 for details
In 2012, the company was honored with several awards for investor engagement:
- IR Global Rankings recognized Gazprom Neft as the best global oil and gas company in 2012 for the disclosure of financial information.
- The Company received the winner’s certificate in the category ‘Best IR-Section of the Corporate Website’ at the 5th Saint Petersburg Contest for Corporate Websites and Annual Reports.

For a detailed analysis of the Company’s performance, a Databook and Datafeed are also published.

In order to improve the level of understanding of the Company’s business, the Company holds regular meetings with investors and shareholders, and participates in all large conferences for investment and broker organizations. In 2012, the Company held about 350 meetings with investors; the investor relations team took part in 19 conferences for financial and broker organizations, and organized four tours for investors (non-deal Roadshows).

Each year the Company organizes an Investor Day which is attended by the top management of OJSC Gazprom Neft; during this event analysts and investors from investment companies may ask questions and receive answers directly from the Company’s management.

In 2012, the Company hosted a delegation of analysts and investors (50 representatives from investment and broker companies) during a business trip to Saint-Petersburg. The Company’s management team presented the main performance results and Gazprom Neft’s future development plans.

Gazprom Neft also regularly familiarizes investors and analysts with the Company’s operations by organizing roadshows at its industrial and production sites. In 2012, Gazprom Neft’s shareholders were given the opportunity to learn more about oil production at the Priobskoye Oil Field in the Khanty-Mansi Autonomous District, and oil refining at the Moscow Oil Refinery.

Each quarter from 2011 to 2012, Gazprom Neft’s Web site was ranked first out of the 30 largest Russian companies (by market capitalization) incorporated in the RTS Standard index, according to an analysis by Investis, the European leader in consultancy services and Web site development.

Gazprom Neft’s Annual Report was awarded a number of prizes in Russian annual report contests. In the XV Annual Contest for Annual Reports and Websites, organized by the Securities Market journal and Investor.ru social network with assistance from the Russian Federal Financial Markets Service, the Company’s annual report was acknowledged as number one in the “Best Annual Report in the Fuel and Energy Sector” and “Best Annual Report of an Issuer of the North-Western Federal District”. Based on the results of the XV Annual Report Contest organized by the Moscow Stock Exchange, the Company’s annual report took second place in the ‘Best On-Line Annual Report’ category.

The Company’s Employees

The Company’s relations with its employees are based on principles such as respect for the individual and for the employee rights (including non-discrimination), rights to freedom of association and collective bargaining in compliance with the current legislation, transparency of employee policies, economic reasonableness, objectivity in evaluating employee results, and openness to dialog.

The Company’s interaction with its employees is governed by the Corporate Code, the Corporate Code of Conduct and mutual obligations stipulated in employment contracts. Gazprom Neft places great importance on both the effectiveness of its employee management structure and the building of an efficient and transparent corporate communications system.

Trade unions play an important role in how the Company deals with its employees. They take part in discussions and problem-solving associated with employees’ professional and labor rights. The Company holds regular meetings between the heads of HR departments and trade unions. Gazprom Neft’s interaction with trade unions is based on the principle of social partnership.

The Company conducts regular studies of the social and psychological climate at its facilities to identify any existing problems in the workforce and to develop measures to solve them. The Company also regards employee training programs as a channel for communicating with its employees. During training sessions, employees not only acquire new knowledge, but also obtain information on the activities of other Company departments and businesses and meet people who work in other regions.

During corporate events, Gazprom Neft’s employees are given extensive information about the Company’s development plans, its priorities, opportunities for their professional growth and career development. The largest of such events is Gazprom Neft’s annual Corporate Forum.
Current information about the Company is published regularly using a variety of channels. The Company’s Web site, other corporate Internet resources, and publications such as ‘Neftegazeta’ and ‘Siberian Oil’ cover, in addition to business information, social and cultural projects, the professional achievements of individual employees, and interviews with the Company’s executives. The Company has developed a tradition of running corporate cultural and sporting events that allow it to create a more informal atmosphere for communicating with its employees. The system of internal communication channels makes it possible for each employee to voice his/her opinions to the Company’s senior executives.

**Government Authorities**

As one of Russia’s largest companies, Gazprom Neft engages with both federal and regional government authorities. The Company endeavours to be a reliable partner to the government in addressing the issues of socio-economic development. Gazprom Neft continues to strengthen its dialog with federal authorities to improve legislation in the oil and gas sector and establish a favourable investment climate in Russia. In 2012, the Company was actively involved in developing, monitoring, analyzing and adjusting documents related to the unified methodology for exemptions from customs duties. Specifically, this methodology was tested through the example of the Company’s Mesoyakha field cluster. In addition, the Company’s experts were engaged in the promotion of federal rules and regulations in the field of industrial safety, with amendments drafted for inclusion in Federal Law 116-FZ On Industrial Safety.

In 2012, the Company also prepared a bill to makes amendments to Federal Law 223-FZ On Procurement of Goods, Works and Services by Certain Types of Legal Entities; the draft was widely discussed by industry, scientific and expert organizations (Russian Union of Industrialists and Entrepreneurs, National Research University - Higher School of Economics, Moscow State University, Law Society of Russia, Russian Corporate Counsel Association). Their recommendations were submitted to the Prime Minister and First Deputy Prime Minister. The Company has also held consultations with Open Government and the Presidential Administration. This work resulted in prompt consideration of the draft by the State Duma in the first, second and third readings and approval by the Federation Council. Federal Law 324-FZ was signed by the President on December 30, 2012 and came into force on December 31, 2012.
To improve the regulatory environment in the gas sector, the Company has prepared proposals and supporting materials to amend the Tax Code of the Russian Federation to the extent applicable to determining natural gas MET rates for OJSC Gazprom Neft at the level of independent oil companies. A draft on amending Article 342 of the Tax Code has been agreed with the Ministry of Finance and the Ministry of Energy and was positively received by Deputy Prime Minister Arkady Dvorkovich.

As a major industry expert, the Company is actively involved in the development and improvement of regional legislation aimed at promoting the investment attractiveness of these regions and improving the social and economic situation. The Company’s experts take part in the work of regional legislature establishments – the Legislative Assembly of the Yamal-Nenets Autonomous District, Tyumen Regional Duma, etc. The Company’s experts regularly monitor current legislative activities and carry out draft appraisals. Together with regional parliaments, the Company participates in appraisals of federal sectorial legislation.

The Company is building its regional policy taking into account the objectives of its regional development. In tackling these challenges, the Company collaborates with regional and municipal authorities under agreements on social and economic partnership. This work is detailed in the chapter ‘Regional Policy & Local Community Development’ of this Report.

The Company strictly complies with all laws regarding political activities and does not participate in political movements or organizations. The Company can cooperate with the authorities in the development of legislation that may affect its interests, and reserves the right to state its position concerning any issues that affect its activities, such as, without limitation, the interests of its employees, customers, shareholders and local communities. In compliance with its Corporate Code, the Company does not interfere with the political activities of its employees.
Suppliers

The Company strives to build constructive relations with its suppliers and contractors based on the principles of business ethics and a common approach to achieving production objectives and the required product quality.

Gazprom Neft seeks to ensure that its suppliers and contractors comply with the rules of industrial and environmental safety, health and civil protection (HES and CP) adopted by the Company. The Company has introduced, as its standard, the 'Procedure for Management of Contractors and the Organisation of Relations in HSE and Civil Defence.'

Customers

Taking responsibility for product quality, understanding customer expectations and engaging with customers to increase levels of service, are viewed by the Company as vital elements to improve its competitiveness. The Company regularly reviews customer requirements and satisfaction levels, and considers its customers as important partners in establishing programs aimed to improve product quality and environmental safety.

In 2013, Russia will no longer be allowed to sell fuel of classes lower than Euro-3. The implementation of quality programs at Gazprom Neft’s refineries allowed the Company to achieve this milestone ahead of time.

Gazprom Neft promotes the adoption of international standards in the Russian market not only in the area of fuel quality, but also in the quality of services. For example, Gazprom Neft-Aero, a company that provides refuelling services for aircrafts, was one of the first companies in Russia to insure against risks associated with possible compensation for damage to third parties and the environment. Since 2008, Gazprom Neft-Aero has been a strategic partner to the International Air Transport Association (IATA) for refuelling services.

Confidence in the quality of the Company’s branded products contributes to the growth of its customer base. In the reporting year, the Company continued to expand its motor oils sales channels. The Company began delivering oils to the Avtotor assembly lines (General Motors, Hyundai), Mercedes Benz Trucks Vostok and Derveis (Lifan), as well as to the GAZ main assembly line. LLC Gazprom Neft-Lubricants fulfilled half of OJSC Gazprom business units’ demand for lubricants. The Company began delivering premium-grade oils to the Volga Pipe Works, the Chusovoy and Taganrog Steel Works, and VSMPO-AVISMA. It also succeeded in increasing sales through premium retail channels. The customer base of service stations was expanded from 300 to 1,500 customers, with deliveries made to the largest service station chains – RRT (Subaru, Honda), Truck Center (MAN, IVECO), and Avtomir (AvtoVAZ, Daewoo, Geely, Chery). The Company started supplying O’KEY, Lenta, and PRIZMA hypermarket chains, the EXIST.RU online store, the AGA chain in Russia and eight hypermarket chains in Italy (totalling 500 outlets) – Auchan, Carrefour, and PUNTO LEGNO. At the end of 2012, the Russian market share of Gazprom Neft-Lubricants had increased from 13 to 14%. Sales of G-Family premium oils have risen by times.

An important part of customer engagement is the system for responding to customer dissatisfaction with the quality of products or services. The Company has a claims settlement mechanism based on the corporate-wide document – ‘Methodical Guidelines for Handling Inconsistencies during Sales of OP, LHG and AG&S at Filling Stations’.

Gazprom Neft actively supports the development of commodity exchange sales of petroleum products in Russia, viewing it as a mechanism to ensure fair and transparent pricing and sales of petroleum products.

In 2012, the Company sold over 2 million tonnes of oil products through exchange trading, which accounted for 14.5% of the Company’s sales in the domestic market and 7.5% of its manufactured petroleum products.

At the end of 2012, SPIMEX (Saint Petersburg International Mercantile Exchange) recognized Gazprom Neft as the ‘Leader of Exchange Trade’ among the vertically integrated oil companies. The Company constantly works to improve its business processes associated with the advancement of exchange technologies and tools.

While actively expanding its retail distribution network and developing new distribution channels, the Company seeks to build a relationship of trust and mutual benefit with its customers, widely informs them about the features of its products and complies strictly with advertising legislation. In 2012 the federal loyalty program for individuals, ‘We Are Going the Same Way’, (launched by the Company in 2010) was successfully continued. The loyalty program offers a system of deferred discounts: after buying products or services from Gazprom Neft’s filling stations, participants are entitled to discounts, that are recorded as bonuses on their cards. The cardholders can use the bonuses they accumulate to pay for other goods and services. At present, the program has been adopted in 26 regions where Gazprom Neft has network filling stations, including Moscow, Saint Petersburg, Omsk, Ekaterinburg and elsewhere. Since the loyalty program was launched, it has already been joined by 3.2 million people all over the country.

Local Communities

Gazprom Neft cooperates constructively with local authorities and communities to address pressing social, economic and environmental issues. This cooperation is an important factor in developing the social potential of the regions and creating a favourable social environment for the implementation of the Company’s strategy. Gazprom Neft actively engages with local communities in the development and implementation of social programs that it supports. In 2012, the Management Board of the Company approved the ‘Home Towns’ program, which refines the Company’s approach to social investment in its operating regions.
In its cooperation with local communities, the Company abides by the following principles:
- Balance between strategic goals and priorities of regional development;
- Regular and systemic collaboration in addressing pressing social and environmental challenges in the regions;
- Transparency of decision-making.

In the process of devising and implementing social projects, the Company regularly amends and improves its methods of engagement with local communities, which includes:
- Identification of the main project target groups;
- Verification that the project’s objectives correspond with the expectations of the community;
- Definition of channels for ensuring awareness of the project;
- Identification of opportunities to involve local residents in the planning and implementation of the project;
- Evaluation of the effectiveness of the implemented project.

During the reporting year, the Company took an inventory of its social projects portfolio, which identified the most successful practices tried and tested by the Company in various regions over the period from 2007 to 2012. This can serve as a model to spread throughout the Company’s area of operation.

During its engagement program with local communities, the Company maintains an ongoing dialog with stakeholders such as:
- Local authorities,
- Public organizations,
- Educational, medical and cultural institutions,
- Company employees,
- Local residents,
- Indigenous peoples of Northern Russia.

An important factor for effective engagement with local communities is the regular and wide circulation of information about the Company’s activities. Main topics discussed include the Company’s environmental footprint, development of social infrastructure in the regions and preservation of cultural traditions.

Gazprom Neft regularly carries out social monitoring in the regions where it operates. In 2012, it designed a program of sociological research, which in March 2013 was launched in the Yamalo-Nenets Autonomous Area, Khanty-Mansi Autonomous Area – Yugra, and the Orenburg and Omsk Regions. The aim of the research was to identify the main expectations of local communities with regard to the Company’s activities in the regions and to evaluate current social investment projects, proposals for the development of corporate volunteering and charitable activities.

The studies included:
- Surveying of local residents;
- Expert interviews with representatives of regional and local authorities and public organisations’ activists;
- Focus groups with employees of the Company, public organisations’ activists, and locals.

The research allowed the Company to assess the effectiveness and relevance of social programs in its operating regions, as well as to identify opportunities to engage both Company employees and local residents in social and charity projects.

Focusing on the needs and expectations of local communities allows the Company to successfully implement social programs that are of strategic importance to the region and as well as to the Company. An example is Gazprom Neft’s program to promote healthy lifestyles and create a modern sports infrastructure in the regions, which was met with a very warm response from the local residents.

The presence of Gazprom Neft’s facilities in areas inhabited by the indigenous peoples of Northern Russia imposes additional social and environmental obligations on the Company, making it necessary for it to steer a middle course between the expansion of industrial production and the preservation of the areas for the traditional life of the peoples of Northern Russia. When planning its activities, the Company enables discussions to take place with representatives of the indigenous peoples on ways to minimize the effects of industrial activities on their traditional way of life (for example, the location of pipelines, making special paths for deer, etc.).

See the details in the ‘Regional Policy and Local Community Development’ chapter of this Report.
Corporate communications is a key mechanism of stakeholder engagement. Gazprom Neft’s internal communications system allows an ongoing dialog to be maintained with employees on topics and issues that are relevant to the Company’s development and of importance to its employees. The Company’s external communications forges dialog with external audiences, which are interested, in one way or another, in information about Gazprom Neft’s activities and with whom the Company seeks to build a relationship of trust and cooperation.

Internal communications activities include dissemination of information via corporate communication channels, regular employee meetings with Gazprom Neft’s executives and the organization of joint leisure activities for employees, such as sports and art competitions, festivals and events, which enable employees to feel part of the team.

The Company uses interactive forms of communication. In 2012, the Company continued its practice of holding investor meetings, Corporate Forums, conferences with business partners, government officials and experts, as well as public hearings on social and environmental issues of primary interest to stakeholders. To promote the dialog with its stakeholders Gazprom Neft actively employs modern information and communication technologies.

The ‘Corporate Forum’ is a flagship event within the Company’s internal communications program. It is attended by representatives across all of Gazprom Neft’s companies and groups of employees. The Forum allows the representatives to obtain first-hand information and to discuss any issue directly with the Company’s top management. In 2012, the tradition of corporate-wide forums was continued.
The key goals of the Company’s external communications are to promote its brand and to provide information about its activities in the regions. The Company uses a wide range of tools and channels to communicate with a wide range of stakeholders which include the official Web sites of the Company, its subsidiaries and affiliates, and the corporate magazine ‘Siberian Oil’. The individual Web sites of the Gazprom Neft Group of Companies are integrated into one system, allowing interested audiences to access information on all Group activities from one place. According to the IQ Benchmark, Gazprom Neft’s Web site remains in 1st place in the ranking of Web sites of Russia's 30 largest companies included in the RTS Classic Index. In 2012 Gazprom Neft’s Web site traffic increased by 30% compared to 2011 and it also won the 12th ‘Golden Website’ All-Russian Internet competition.

The Company actively uses a traditional range of communication tools, including press releases, press tours, conferences and round tables, competitions, exhibitions, presentation events and materials. Through these tools, information about Gazprom Neft is disseminated to federal and regional media, as well as via external online resources. In 2012, the Company published 126 official statements and the Company’s top management gave 21 media interviews. As part of the official press tours, journalists from various regions were given the opportunity to visit the Company’s production facilities – the Omsk and Moscow Refineries, the Novoportovskoye field and other Gazprom Neft industrial facilities, located in the regions where the Company operates. Gazprom Neft’s top managers held press conferences and briefings for journalists, where they talked about the Company’s work and answered media questions.

In 2012, the Company ran promotional campaigns in the media and through outdoor advertising and continued to support leading sports clubs. Gazprom Neft considers sports sponsorship as an effective marketing tool that appeals to its target consumer audiences. At the same time, partnerships with famous clubs help to support elite sport and promote healthy lifestyles. The Company’s promotional activities and sponsorship programs aim to promote Gazprom Neft’s corporate brand as dynamic, highly efficient and socially responsible, thereby strengthening its position in the market.
DEVELOPMENT OF SUSTAINABILITY REPORTING

Gazprom Neft publishes its Sustainable Development Reports annually. Since 2008, it has synchronized the drafting of its Sustainable Development Report with the Annual Report through a Joint Working Group. This allows the reports to be published simultaneously, facilitates a consistent improvement in the quality of sustainable development and social responsibility reporting and ensures that this information is presented in a wider strategic context.

In line with corporate reporting global trends and drawing on the experience gained by integrating the annual and sustainability reporting process, the Company is considering the possibility of preparing and publishing an integrated corporate report in the future.

The Company has considered and implemented the principles of sustainable development reporting as set out in the International Sustainability Reporting Guidelines of the Global Reporting Initiative. The Company endeavours to consistently improve the quality of its reports. In 2011 (during the preparation of the 2010 Sustainability Report) GRI confirmed the Company’s compliance with GRI level B requirements. In the course of preparing the 2011 Report, the Joint Working Group assessed the Company’s compliance with the provisions of ISO 26000 and the application of the approaches, as recommended by the Standard, to the organization of its activities in accordance with the principles of responsible business practices.

The Company considers its ISO 26000-based internal assessment to be an essential component of continuous improvement of its activities in sustainable development and social responsibility.

This work continued in 2012. The assessment covered the management systems for sustainable development and corporate social responsibility. The Company improved its analysis of practical engagement with local communities. The contents of the Report were also expanded to include the set of topics defined by ISO 26000.

The relevance of core topics, defined by ISO 26000 to the Company, were assessed on the following criteria:

- Importance for the Company;
- Importance for key stakeholders;
- Importance in terms of social context and business commitments, including those contained in international (UN Global Compact) and Russian documents (Social Charter of Russian Business).

The core topics of primary importance for the stakeholders were defined based on the analysis of feedback, sociological studies, media monitoring and focus groups as well as in the course of direct dialog as part of specific activities of the Company. Their key issues are reflected in the Report’s contents.

The 2012 Report has expanded its coverage of sustainable development leadership and management, as well as of stakeholder engagement issues. The presentation of the Company’s future objectives has been widened to include a number of specific measurable parameters.

27 For detailed information on the application of the principles, see Gazprom Neft’s Sustainable Development Report 2010.
To improve the quality and credibility of the Report, the Company considers it necessary to engage with stakeholders in the course of its preparation. In 2012, the Company started the practice of discussing publically its performance information prepared for inclusion in the Report. For example, during the preparation of the Sustainable Development Report for 2012, the Company presented its strategy for building the portfolio of social projects at the open corporate seminar ‘Management of Social Projects’ at the European University in Saint Petersburg (March 26, 2012), which was attended by representatives of major Russian companies, Russian and international business associations, NPOs and expert communities.

The following issues were discussed:

- Priorities of the Company’s social policy;
- Key problems of building a social project portfolio;
- New formats to promote the Company’s social programs and their expected outcome.

The 2012 Report was subject to an independent public affirmation by the Council for Non-Financial Statements of the Russian Union of Industrialists and Entrepreneurs. In the future, the Company plans to complement this procedure with external auditing.

In 2012, NIS, a part of Gazprom Neft, published its second Sustainable Development Report. Similar to Gazprom Neft’s sustainable development corporate reports, NIS prepares its reports based on GRI Guidelines. During the preparation of the Report, NIS took part in active dialog with stakeholders including representatives of the state and municipal authorities, business organizations, sports and cultural institutions, and public organizations. Through this process NIS identified the most important topics, such as protection of employees’ health and the environment, personnel policy and responsibility in the supply chain. The Report demonstrated notable progress against a number of key indicators. For example, during the year, the number of injuries at work decreased by almost 25%, the amount of particle emissions at the refinery in Pančevo dropped three-fold, and a number of key eco-infrastructure facilities worth around 20 million euros were renovated or constructed from scratch. The company spent about 2 million euros on the training and development of its employees — twice the amount spent the year before.
DEVELOPMENT OF HUMAN RESOURCES

Gazprom Neft’s continued growth requires appropriate staffing. Establishing a team capable of competing at the global level is a strategic corporate challenge. The Company respects its employees’ labor rights, and provides competitive salaries and opportunities for personal growth. The Gazprom Neft corporate culture unites its employees through shared values.

KEY COMPANY HUMAN RESOURCES OBJECTIVES FOR 2011–2013

- Improving the efficiency and quality of work, the incentive system and loyalty of staff and the quality of personnel management;
- Ensuring proper staffing for the Company’s activities: recruitment and training of personnel, creation of a succession pool, training of young professionals;
- Professional employee development and competences management.
DESCRIPTION OF COMPANY PERSONNEL

Gazprom Neft employs more than 57,000 people across its corporate divisions and facilities. They work across 24 regions of Russia, as well as in the CIS and non-CIS countries.

61% of the staff are workers, and 39% are managers, experts and office staff.

About 19% of employees work in the Yamal-Nenets Autonomous District where the main mining facilities and oilfield services are located. Approximately 15% of the workforce is concentrated in the city of Omsk. About 16% of the Company’s personnel are part of the multi-company holding of NIS, Serbia. A number of businesses with a diversified scope of activities are located in Moscow and the Moscow Region. These employ about 13% of the Company’s staff, of whom one-third work at the Moscow refinery. The average age of employees is 38.

EMPLOYEE DISTRIBUTION BY REGION, HEADCOUNT AS OF DECEMBER 31, 2012, PEOPLE

<table>
<thead>
<tr>
<th>Region</th>
<th>Headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moscow and the Moscow Region</td>
<td>7,665</td>
</tr>
<tr>
<td>Saint Petersburg and the Leningrad Region</td>
<td>4,107</td>
</tr>
<tr>
<td>Omsk Region</td>
<td>8,519</td>
</tr>
<tr>
<td>Khanty-Mansi Autonomous Area</td>
<td>1,407</td>
</tr>
<tr>
<td>Yamalo-Nenets Autonomous Area</td>
<td>10,415</td>
</tr>
<tr>
<td>Tyumen Region</td>
<td>2,003</td>
</tr>
<tr>
<td>Kemerovo Region</td>
<td>1,794</td>
</tr>
<tr>
<td>Sverdlovsk Region</td>
<td>2,117</td>
</tr>
<tr>
<td>Tomsk Region</td>
<td>630</td>
</tr>
<tr>
<td>Novosibirsk Region</td>
<td>2,998</td>
</tr>
<tr>
<td>Yaroslavl Region</td>
<td>774</td>
</tr>
<tr>
<td>Chelyabinsk Region</td>
<td>825</td>
</tr>
<tr>
<td>Orenburg Region</td>
<td>574</td>
</tr>
<tr>
<td>Other Russian Regions</td>
<td>1,217</td>
</tr>
<tr>
<td>CIS</td>
<td>3,951</td>
</tr>
<tr>
<td>Further Afield</td>
<td>8,286</td>
</tr>
</tbody>
</table>

Source: Company data
Compared with the previous year, the average headcount in 2012 decreased by around 7% due to the restructuring of the business. The Group has completed the process of removing a number of oilfield service companies from the Group, which began in 2011.

The restructuring of Sibir Energy was also accomplished – a number of its constituent companies were sold, while some others were attached to the core business areas of Gazprom Neft Group.

Meanwhile, the headcount as of December 31, 2012, remained at the previous year’s level (more than 57,000 people), reflecting the gradual build-up of assets, as well as the development of companies that had already joined the Group. For example, mining enterprises located in the city of Orenburg, Yamal-Nenets Autonomous District and Tomsk Region joined the Group in 2012. In addition, the extension of a chain of companies which sell petroleum products and aviation fuel is under way. The turnover rate in 2012 was 15.4% (15.8% in 2011).

Gazprom Neft is introducing advanced techniques of organizational development, allowing the Company to maintain optimal staffing levels to achieve goals that have been set, and to reduce labor costs by introducing new technologies in the field of computer-aided manufacturing.
POLICY & MANAGEMENT

The key principles of the Company’s Employee Policy are stated in Gazprom Neft’s Corporate Code. The Company respects individual freedom, rights and qualities, prevents any form of discrimination or harassment, and requires the same of its employees.

Gazprom Neft continues to pursue a policy of equal opportunities, respects the rights of its employees and ensures equal opportunities for them to develop their abilities. All employees and job candidates are given equal opportunities to fulfil their personal goals. HR decisions are based entirely on employee qualifications and professional skills, his/her work achievements and business needs. Filling vacant positions with internal candidates is a widely applied practice which reduces recruitment costs and time spent adjusting to new roles. In addition, this practice provides greater career development opportunities for employees across the Group, as it allows them to demonstrate their abilities and skills in new disciplines and at different management levels.

The current in-house regulatory documents and programs for social and labor relations as well as the Collective Agreement have been drawn up in strict compliance with the Russian Constitution and Russian laws, including the Russian Labour Code, and do not contain provisions that lead to inequality based on gender, age or otherwise, that are not stipulated by the current law (which contains restrictions on the employment of women and young persons under 18 for certain heavy-duty or dangerous jobs). The Company monitors and supervises the adherence to the labor laws through its officials; there are
procedures for monitoring compliance with the Company’s obligations under the Collective Agreement.

The Company has adopted its HR management strategy until 2020, which ensures that work in this area is aligned with the overall corporate strategy. The HR management strategy covers both the optimum use of human resources to achieve the Company’s strategic goals and the system of measures to meet the socio-economic expectations, needs and interests of its employees. The mechanisms for implementing the Strategy include employee selection and recruitment, creation of a succession pool, compensation package management, evaluation of employee performance, organization of training and development, and improvement of HR management efficiency. At the same time, the Company strives to carry out this work to ensure there is a clear relation between the processes of assessment, development and recruitment, and staff turnover. The general goals of the Strategy are incorporated into specific objectives at the Company’s production units.

In 2012, the Company completed the relocation of the Group Corporate Center and head offices of Gazprom Neft-Aero, Gazprom Neft Business Service and Gazprom Neft Marine Bunker from Moscow to Saint Petersburg. This gradual move of the head offices of Gazprom Neft’s subsidiaries to Saint Petersburg facilitates better interaction between the Corporate Center and the subsidiaries, the creation of a single team and the promotion of the unified corporate culture.

In 2012, the Company continued its efforts to improve its incentives and compensation system and to establish a system to manage the labor efficiency of its employees.

The employee performance management system uses a number of indicators for different management levels and a number of individual targets for each employee that make it possible to assess quickly and monitor the efficiency of an employee’s work.

In 2012, Gazprom Neft adopted ‘The Principles of Business Conduct for HR’. This is based on the Corporate Code and values (which are outlined in this document) and specify the basic principles for running the HR departments. One of the key principles is: ‘We are building mutual relations through a unified values system. The Company endeavours to be the employer of choice, welcomes the initiatives and personal contributions of each employee in achieving its strategic goals and creates equal opportunities for professional and personal growth.’ This document is binding for all HR departments of the Corporate Center, subsidiaries and affiliates of Gazprom Neft.

The Company continues to introduce the system of regular employee assessment that complements the performance management system with an annual employee assessment using universal professional, ethical and management-related criteria. The professional criteria assess the employees’ quality of work; ethical criteria account for the employees’ attitude towards their work; whereas the criteria specially developed for managers assess management competencies. The assessment results are taken into account in career planning and inclusion in the succession pool, and also affect the revision of wages and the level of annual bonus.

In 2012, the Company performed a pilot employee assessment at the Corporate Center, the results of which were used to revise wages. The 2013 results of the Corporate Center employee assessment will be used to revise salaries and to define annual bonuses. In addition, the Company has scheduled a pilot cycle of regular performance and potential assessments in its 15 upstream and six downstream subsidiaries and affiliates for 2013, based on the results of 2012. All of Gazprom Neft’s core enterprises have implemented the grading system, which makes it possible to introduce clear and transparent principles of employee compensation, training, and assessment which are standard across all enterprises.

The system of management by objectives, which has been adopted, allows the Company to measure the performance of every employee and assess his/her contribution to the common cause. The idea of this system is to break up the Company’s strategic goals into individual objectives for units, directorates, departments, divisions and enterprises, and convert them into specific goals and targets for employees. This helps the Company to assess the extent to which strategic and operational goals are being achieved.
In conjunction with the geographical expansion of the business, the Company has developed and is introducing a unified concept of employee relocation, i.e. the human resources required for implementing major projects, including those in foreign countries. The concept defines the procedure for moving employees to work in the regions of Russia and abroad and the rules on compensations and benefits, to further motivate relocated employees.

The HR organizational structure includes the HR Department of the Corporate Center (as a part of the Organizational Issues Block), the HR Administrations in the production units and HR divisions in the subsidiaries and affiliates. These structural units, each at their respective levels, are responsible for implementing strategic programs, improving the Company’s human resources and supporting activities in all areas of personnel management.

In 2012, to improve the communications across the HR management hierarchy, the Company has started to distribute roles and powers across the HR departments of the Corporate Center, subsidiaries and affiliates, and to describe the authorities of senior management and collective management bodies in the context of personnel management.
Effective staff motivation plays a key role in helping the Company to achieve business objectives.

The Company is building a comprehensive incentive system based on competitive salaries, bonuses and a social component. This system is focused on implementing the Company’s business strategy and promoting good employee performance.

The company keeps up-to-date with market average wages in terms of the sectorial labor market. Wages and salaries are revised annually. The total average wage growth since 2009 has been 35%. In 2012, the average salary of the Company’s employees was RUB 59,828, practically the same as in 2011. Personnel expenses in 2012 amounted to RUB 42.3 billion, which is 6.7% less than in the previous year.

Gazprom Neft also places special emphasis on non-material incentives. The Company has developed the concept of non-material incentives, serving as a basis for systematic work in this direction. The current system of incentive measures adopted by Gazprom Neft allows employees to feel that the Company appreciates their work and contribution to the collective success. It includes professional competitions, sports and recreational activities, and corporate communications sessions. The Company annually awards two kinds of honorary titles, which are corporate merit badges for work: ‘Honored Worker of Gazprom Neft’ and ‘Veteran of Gazprom Neft.’ These titles are assigned as part of an awards campaign; the awarding procedure is regulated by the corporate standard ‘Procedure for Arranging Award Campaigns.’

### Social Package and Benefits, thous. RUB

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free and subsidized meals</td>
<td>573,546</td>
<td>509,864</td>
<td>493,052</td>
</tr>
<tr>
<td>Voluntary health insurance</td>
<td>535,239</td>
<td>438,862</td>
<td>529,623</td>
</tr>
<tr>
<td>Paid-for holiday package</td>
<td>128,924</td>
<td>101,722</td>
<td>109,761</td>
</tr>
<tr>
<td>Payments to retiring employees</td>
<td>658,304</td>
<td>623,067</td>
<td>321,874</td>
</tr>
<tr>
<td>Housing program</td>
<td>103,179</td>
<td>118,413</td>
<td>124,132</td>
</tr>
<tr>
<td>Sports and cultural events</td>
<td>248,498</td>
<td>314,003</td>
<td>290,222</td>
</tr>
</tbody>
</table>

Source: Company data
The Company has established an Employer Value Proposition – a set of financial, professional, and social benefits that it offers to its employees. The Employer Value Proposition was formed taking into account the results of dialog with employees to understand their values and their expectations of the Company. Key components of the value proposition include the opportunity to work in a stable, yet dynamic, company that offers broad prospects for professional development and has a unified corporate culture.

The Company’s enterprises have adopted collective agreements and other regulations and rules setting various social benefits for employees above and beyond those set by law. The social packages for most enterprises incorporate voluntary health insurance, accident insurance, free meals, financial aid, holiday vouchers and other benefits. Under the corporate voluntary health insurance agreement, the Company’s employees obtain expert medical advice, and, if necessary, treatment in leading Russian hospitals.
To assist employees in acquiring housing, a corporate mortgage program was launched in a number of regions. The program offers either a partial compensation of the loan interest paid to banks or the granting of instalment credits by the Company.

In 2012, the Group’s enterprises implemented and improved the unified system of social benefits adopted in 2011. The unified system of benefits was designed to unify the list of benefits and the procedures for providing them to employees. The unified system of benefits will be introduced fully in 2014.

Maintaining employee health and cultivating a team spirit in Gazprom Neft’s enterprises are human resource priorities. The Company has a tradition of supporting a broad range of sports and recreational health events. Gazprom Neft’s employees also participate in inter-corporate competitions. In 2012, compared with 2011, the number of Company employees who participated in sports events almost doubled, reaching about 3,500 people. In the reporting year, the Company held its traditional winter and summer Spartakiads (sporting events), a football tournament between the refineries’ teams and a number of other events. Gazprom Neft’s team participated in the winter Spartakiad of JSC Gazprom.
WORKING WITH TRADE UNIONS

In developing and implementing its social programs the Company works closely with trade unions. The trade unions, which unite over two thirds of the Company’s employees, address matters affecting professional, social, and labor rights and employee interests.

The interregional trade union organization within the Company represents the employees’ position in respect of labor relations and the Company’s socio-economic strategy.

Mutual Company and employee obligations in respect of socio-economic issues are reflected in collective agreements. The standard collective agreement defines the responsibilities of the employer and trade union organizations to ensure and monitor occupational safety and health (OSH) measures and performance. It lists the areas of involvement for occupational safety representatives, members of OSH commissions (committees) and representatives of the relevant elected bodies of the primary trade union organizations in relation to the steps needed to create safe working conditions, and prevent occupational injuries and diseases. The standard contract regulates the balance between the interests of the employer and employees in the event of a Company reorganization or reduction in the workforce and staff cuts. It also specifies the minimum notice time, prior to the start of relevant activities, for notifying the respective employment agencies and the elected primary trade union organization representative.

The Company’s trade union organizations actively engage with young employees. Trade union committees involve young people in addressing issues related to improving working conditions, housing, and public services and create committees to work with young employees. These committees participate in developing and implementing programs to help new, young employees to adapt to working life and prepare programs and proposals relating to the interests of young employees, which are further taken into account when the relevant sections of the enterprises’ collective agreements are drafted. The committees also organize youth leisure activities and carry out cultural, sports and recreational health events.

The Company has a tradition of holding meetings for the heads of HR departments that are also attended by trade union leaders of the major Gazprom Neft subsidiaries. During August 27–29, 2012, this offsite meeting took place in Saint Petersburg. The participants discussed current issues in all areas of HR management, including the implementation of the Unified Social Benefit Systems, non-material incentives, the handling of “hot-line” inquiries and the possibilities of specialist relocation within the Company. As part of the event, the trade union leaders met with V. V. Baranov, Gazprom Neft’s Deputy Chairman of the Management Board & Deputy CEO for Administrative Issues. They discussed the interaction of trade unions with employees and top managers of the enterprises and the promotion of new corporate HR approaches and standards in the regions.

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28 At least two months before the start of relevant activities, and if the decision to reduce the workforce or staff cuts may result in widespread layoffs, at least three months before the start of relevant activities.
Employee development in the Company is based on the learning and development standards common across all divisions and facilities. In 2012, work continued on updating the personnel learning and development system, orienting it towards current business challenges and a new corporate competency model.

In 2012, two strategic programs for the Company’s top management and its subsidiaries and affiliates were launched: ‘Team 2020’ and ‘Management Tools in Global Business’. The Company also implemented a number of dedicated programs to meet the business strategies of corporate divisions:

- Innovative Technologies for Organizing the Commercial Collection and Preparation of Anomalous (Heavy and Ultra-Light) Oil and the Shipping thereof (in collaboration with Transeuropean Centre Limited, Canada);
- ‘Economic Aspects of Oil Field Exploration’ and ‘Hydraulic Fracturing and its Quality Control’ (under the aegis of the Training Center of Schlumberger, Next);
- ‘Oil Trader Academy’ (International Business House Ltd., London, United Kingdom);
- ‘Global Experience in Manufacturing High-Quality Bitumens: New Technologies and Modern Grades of Bitumen Materials’ (Transeuropean Centre Limited, Frankfurt, Germany/Amsterdam, The Netherlands);
- ‘Five +’ (personal growth for high-potential employees to fill managerial positions within Group subsidiaries and affiliates, in collaboration with ECOPSY, under the aegis of the Moscow School of Management SKOLKOVO);
- Project Academy (training of managers and experts involved in major projects, under the aegis of the Moscow School of Management SKOLKOVO).

For senior and line managers a program entitled ‘Team 2020’ has been developed with the Stockholm School of Economics. The program helps to develop key managerial competencies: enhancing operational efficiency, improving asset management, optimizing business processes with automation, and establishing a world-class team with a strong corporate culture.
Program Objectives:
- Understanding and acceptance of the Company’s Strategy, understanding of their roles and responsibilities in the implementation of the Company’s strategic initiatives;
- Forming a deep understanding of the Company’s business and how to handle problems across all three planning horizons;
- Creating a common concept of performance management and a shared set of tools for increasing the operating efficiency across all three of Gazprom Neft’s business sectors;
- Developing skills in cross-functional sharing of best management practices, strengthening horizontal relations (exchange of information and knowledge between sectors/directorates);
- Developing results-oriented leadership and team leadership skills;
- Building commitment to seek opportunities for the Company and develop innovative business thinking.

In 2012, the Company completed the formation of technical competency profiles and establishing the test base for the Omsk refinery. The Company continues to improve its technical competence monitoring system, which allows the scheduling of technical training based on the results of employee testing.

The relocation of the Company’s office required collaboration with local employee training service providers; in 2012, six Saint Petersburg training companies were added to the list of corporate training providers. As part of the ‘SAPSAN’ project, the Company held 30 team-building events that involved more than 770 employees.

The Company is expanding its cooperation with Saint Petersburg universities. It reached an agreement with the Saint Petersburg State University on the internship of its students at the Company and began to define the scope of cooperation with the Saint Petersburg State University of Economics.

Gazprom Neft actively uses new educational technologies. E-learning is becoming more and more popular. Using multimedia and Internet technologies allows knowledge to be acquired on-the-job under a personalized schedule. Moreover, the results achieved are often better than the results from traditional full-time study. A survey conducted by the Company showed that the majority of employees appreciate the advantages of this form of learning.

The Company has been employing the e-learning system since 2010. Today, it includes 23 courses. It covers employees of the Corporate Center and 22 subsidiaries. In 2012, the Company’s employees attended 881 courses. Recently, the corporate distance learning matrix was widened to include a specialized ‘HR for non-HR’ program. The program is intended for line managers and serves as a tool to support the improvement of personnel management skills.
In 2012, the Company spent 249.3 million rubles on employee training. 80% of the Company employees attended various training programs (according to Malakut Consulting Company, the average percentage for Russia is 75-80%). Training costs per employee in 2012 amounted to an average of 50 thousand rubles, which exceeds the national average, which is 30-40 thousand rubles (according to Malakut Consulting Company).

**MAIN DEFINITIONS**

**Competencies Model** is a document that represents the set of skills required by employees to achieve maximum success. This model is used to evaluate a potential candidate for a vacant position or an existing employee, or to determine priorities for generating training programs and personal development plans. Following the adoption of the Corporate Code, the competencies model was updated and supplemented with indicators for employee appraisal against additional management criteria based on the Company's values. For example, the managers' competency profile now includes indicators on support of initiatives from direct reports, individual initiatives to increase efficiency of processes (including those in adjacent departments and the Company as a whole) and initiatives to reduce bureaucracy. For ordinary employees, additional indicators included: the ability to share experience and knowledge with colleagues, the ability to predict the results of their own actions, teamwork skills, and initiative. The competencies model is available on the intranet portal and may be used for quick self-assessment.
WORKING WITH YOUNG PROFESSIONALS

Employment of young professionals is governed by the respective corporate standard and is aimed to attract the best graduates to the Company, increase their loyalty and create a succession pool for professional and line-management positions.

In 2012, Gazprom Neft recruited 132 young professionals, including graduates of the Tyumen State Oil and Gas University, Ufa State Oil Technical University, Tomsk Polytechnic University, Omsk State Technical University, and other higher education institutions. As of the end of 2012, the number of young professionals on the Company’s payroll amounted to 368 people.

Each young professional undertakes targeted training that takes into account the challenges of the specific stage of his/her development. The development program is aligned with the corporate model of management competencies. Young professionals value highly the development opportunities provided by the Company – in 2012, feedback results showed that this program was held in high esteem, with the average rating exceeding 9 out of 10.

The Company actively collaborates with universities and vocational secondary schools with a view to recruiting qualified employees over the long term.

DISTRIBUTION OF YOUNG PROFESSIONALS AMONG THE COMPANY’S KEY BUSINESS AREAS, %

- Oil production: 52%
- Research & development: 12%
- Oil field services: 3%
- Other: 33%

Source: Company data

In the summer of 2012, Gazprom Neft held regular meetings with young professionals in the Moscow Region. Over three days, one hundred young promising Company employees studied the Company’s details, undertook a self-assessment of their managerial skills, and learnt to fully utilize their creativity.
CREATING A SUCCESSION POOL

The creation and development of a high-quality succession pool is one of the priorities of the Company’s HR department.

The shortfall of employees in the oil and gas industry is recognised as an urgent problem, associated with specific industry conditions. Professionals are in short supply throughout the management hierarchy, as well as along the entire value chain: from production to refining and sales. A succession pool enables the Company to guarantee the supply of employees, improve their quality by planning the career of key employees and protecting the positions that are particularly important for the Company’s strategic development.

In addition to reducing the time it takes to fill key positions, the succession pool makes it possible to increase the proportion of in-house appointments: internal candidates not only possess proven professional skills, but also are also well aware of the Company’s characteristics and share its values. Moreover, participation in the succession pool opens up new employee opportunities as well: the Company provides individual development and professional skills improvement programs. The Company is implementing the ‘Unified Succession Pool’ project that enables it to manage the succession pool across the entire Company based on common principles and rules.

In 2012 the first graduation from the ‘Project Academy’, created jointly with the Moscow School of Management SKOLKOVO, took place.

Gazprom Neft is building up its business, expanding its operating geography, and increasing its operational and organizational efficiency. Specific large-scale projects are at the heart of this work. Therefore, project management experts are in particularly high demand at the Company. During the year, 35 participants on the program studied the theory of managing large projects and relevant Gazprom Neft experience, modelled business processes, undertook an internship, and designed their own projects under the expert guidance of 15 of Gazprom Neft’s top managers. This work was aimed to ensure that the participants acquired a unified vision and a structured approach to addressing the current challenges of large-scale project management.
OBJECTIVES FOR 2013

In 2013, the Company’s main areas of work in human resources will include staffing the Company’s development programs in alignment with the approved Strategy, increasing employees’ professionalism, and improving employee motivation and loyalty. Priority tasks include the extension and quality improvement of the succession pool, development of professional competencies for managing large-scale Company projects in Russia and abroad, recruitment, personnel evaluation and motivation, and employee training and development systems.

For 2013, it is planned:

- To implement, in pilot mode, the program of regular employee assessment based on the extended set of criteria in a number of specialized subsidiaries and affiliates, and to carry out personnel assessment in the Corporate Center in full operational mode;
- To continue the roll-out of the Unified Social Benefit System across Gazprom Neft’s enterprises (scheduled for the period 2012–2014.)
- To enhance cooperation with trade unions, with the aim of creating favourable conditions for the development of the Company’s employees and the improvement of working conditions.

Working with young professionals and cooperation with specialized educational institutions also remain among the priority tasks.
SAFE DEVELOPMENT: ENVIRONMENT, HEALTH & SAFETY

POLICY & MANAGEMENT

The Company sees effective management of occupational risks that may potentially have an impact on employee life and health, equipment, property and the environment to be a key priority in the area of corporate social responsibility. The Company constantly strives to improve in the field of industrial and occupational safety. The basic principle of Gazprom Neft’s corporate policy in the area of industrial safety, labour, and environmental protection is ‘No economic, technical or other considerations shall be taken into account at the expense of the safety of workers, the general public or the environment’.

The Company strives to continuously improve its HSE performance. Gazprom Neft’s corporate policy on Industrial Safety, Labour, and Environmental Protection establishes the following targets for all its subsidiaries and units:

- consistently reduce rates of industrial accidents, work-related illnesses and adverse environmental impacts;
- ensure the safety of production operations and environmental protection by introducing an integrated industrial, occupational and environmental safety management system at Gazprom Neft production facilities. This system meets global standards and incorporates key processes of hazard identification and the assessment and management of occupational risks;
- consistently implement global best practice in the field of engineering, technology and the management of industrial, occupational and environmental safety at all Gazprom Neft production facilities.
The Company’s commitments regarding industrial and environmental safety, labor, and civil protection include:

- Creating conditions for HSE activities, including methods of motivation and engagement, so that each Gazprom Neft employee is aware of and responsible for his/her own safety and the safety of others and has the right to stop and/or refuse to perform any activity if it poses a threat to the life or health of the employee or others;
- Introduction, support and continuous improvement of efficient HSE management systems at the Company in compliance with international and national standards;
- Consistent implementation of comprehensive preventative measures to reduce the likelihood of accidents to a reasonable practicable level, based on the understanding that any planned or current business operation of Gazprom Neft or its subsidiaries or affiliates involves potential hazards;
- Continuous improvement of working conditions, industrial and environmental safety, and monitoring of such improvements;
- Complying with applicable legal requirements and using all available economically feasible possibilities to mitigate risks beyond the scope of legal requirements;
- Ongoing efforts to increase employees’ level of knowledge, competence and awareness with regard to health, safety and the environment using different types of training and mentoring;
- Provision of the resources necessary for the implementation of the HSE Policy;
- Implementation of relevant management methods with respect to Gazprom Neft’s counterparties and business partners to enforce compliance with the Policy requirements when such parties are engaged in operations at Gazprom Neft’s enterprises and facilities;
- Transparency of, and easy access to, HSE figures through appropriate exchange of information and dialog with all stakeholders;
- Timely updates and communication of corporate HSE Policies to all Gazprom Neft Group employees and third-party stakeholders.

GAZPROM NEFT GROUP
2012 SUSTAINABLE DEVELOPMENT REPORT

**Main company objectives in industrial and environmental safety, health and civil protection for 2012–2013**

- Further development of the integrated industrial and environmental safety, health and civil protection system;
- Reduction in employee injury rates;
- Systematic and effective reduction of adverse environmental impact caused by operations.

Activities in this area are integrated into the Company’s system of business planning: the main aspects of HSE activities are reflected in the business plans for exploration and production enterprises and the logistics, refining and marketing block for 2013–2015, as well as in the functional business plan of the Occupational Safety Department for 2013.

The Company’s HSE work conforms to its corporate Policy on Industrial and Environmental Safety, Health and Civil Protection and is coordinated at the Corporate Centre by the Occupational Safety Department. The Department has sub-divisions that specialize in industrial and fire safety, occupational safety and health, and environmental issues. The Special Programs sub-division deals with civil defence and emergency management. The Department reports directly to Gazprom Neft’s CEO. Respective HSE functions in all of Gazprom Neft’s subsidiaries and affiliates also report directly to their top management. This organizational scheme demonstrates the importance that the Company places on this area and provides an organizational and structural platform for improving HSE risk management. The Company has a collective body, the Industrial Safety, Occupational Health, and Environmental Protection Council, which facilitates the discussion of the most important occupational safety issues, formulation of new strategic objectives and adjusting of current objectives. The Council is composed of the managers of functional sub-divisions of the Occupational Safety Department and managers responsible for HSE at the Company’s major assets.

In 2012, scheduled work continued towards establishing an HSE and social protection system. An analysis of system efficiency and adjustments to the system as part of ongoing efforts to improve it were the main objectives towards this goal during the reporting year.

In 2011, the Company developed and successfully applied an integrated HSE and social protection indicator based on accident and injury rates, as well as measures of progress in implementing fire safety, transportation and environmental programs by subsidiaries and affiliates. Progress in implementing the HSE and social protection program is monitored on a quarterly basis.

In 2012, the practice of auditing HSE and social protection management systems at subsidiaries gained momentum as two audit checks of the HSE and social protection system were conducted.
Five enhanced technical audits aimed at assessing legal compliance were conducted along with an analysis of employee competence. This identified issues in the funding and implementation of programs to bring pre-existing facilities into compliance with the latest standards and regulations, to meet contemporary requirements and programs for replacing obsolete equipment, and to improve operational efficiency and reduce costs. Enhanced technical audits were conducted by corporate experts at three of the Company’s refineries (Gazpromneft-Omsk refinery, Gazpromneft-Moscow refinery, Slavneft-YaNOS) and by external auditors at the Gazpromneft-Ural and Gazpromneft-Shipping facilities.

The monitoring of supplier and contractor compliance with Gazprom Neft’s policy on industrial and environmental safety and social protection (HSE and social protection) is considered to be an important part of the Company’s corporate responsibility. The Company has adopted the standard ‘Procedure for managing contractors and cooperative arrangements in the field of industrial, environmental and occupational safety, and social protection.’ In addition to a contract, all contractors who provide services to the company sign an Agreement on HSE and social protection that stipulates mandatory compliance with legal requirements and company standards for HSE and social protection.

If a contractor violates safety requirements, penal sanctions up to and including termination of the contract are imposed. Prior to commencing work, all contractors undertake an induction briefing. The Company has established a process of unplanned briefings following accident investigations and communicating accidents by means of news bulletins. At the end of the contract, the customer (Gazprom Neft) conducts a comprehensive assessment of the contractor’s occupational safety performance, which allows it to rank contractors and use the results for future selection purposes. This rationale was also behind the introduction in 2011 of the Azimut IT control system for contractor accident accounting.

Regular training is an important component of continuous improvement in HSE and social protection. In 2012, the Company organized and carried out four online courses for the exploration and production enterprises: ‘Investigation and Reporting’, ‘Occupational Safety and Personal Protective Equipment’, ‘HSE System’, and ‘Road Safety’. Leadership training in the field of industrial safety and health was organized for the heads of the exploration and production enterprises. Corporate training in HSE standards continued. Training matrices are updated and adjusted annually according to the needs and risks involved, based on investigation and production control results.

Gazprom Neft has developed a practice of regularly exchanging HSE experience both within the Company and with external organizations. In 2012, the Company held another conference on occupational safety (such conferences have taken place since 2010). It was attended by over 150 participants from the Corporate Centre, the Company’s subsidiaries, government bodies, and suppliers of materials and equipment. A conference on fire safety also took place, which brought together more than 50 Company representatives and fire departments that provide fire protection services to its subsidiaries. Similar meetings were held at the subsidiaries and affiliates.

The number of people in 2012 trained by the Company in industrial and environmental safety

7,046 people

The number of people in 2012 trained by the Company in occupational safety and health

3,587 people
HEALTH & SAFETY

WHilst this performance is encouraging, the Company remains focused on continuous improvement in this area. In particular the reduction in the number of accidents and further reduction in the injury rate remain important objectives. Regular follow-ups of corrective actions, based on accident investigation, production control and audits, were carried out. In 2012, each case was followed by investigation, reasons were identified, corrective actions were proposed and implemented, and follow-up of their implementation was duly organized.

The Company will expand occupational safety and health training programs so that each employee is responsible and actively involved in ensuring his/her own safety and the safety of others.

Occupational safety and health of employees is an area of mutual responsibility and of constructive interaction between the Company management and the trade unions. Mutual commitment in this area is reflected in collective agreements and programs that aim to improve the health of employees.

Analysis shows that the Company’s main occupational safety risks are associated with road traffic accidents, failure to comply with rules for hazardous tasks, employee falls, and violation of the law and security rules by contractors. In 2012, the Company developed and implemented programs to prevent injuries and improve road and fire safety at all its subsidiaries and affiliates.

In 2012, initiatives to improve industrial safety resulted in a reduction in the lost time injury frequency rate of 1.2%. The number of traffic accidents decreased by 11.3% (125 accidents in 2012 versus 141 accidents in 2011), and the road accident rate decreased by 18.7%29. The number of fires was reduced by 35% (22 cases in 2012 versus 34 in 2011). The transparency of accident reporting improved, including the registration of minor accidents.

29 The road accident rate is defined as the number of road accidents / total kilometers travelled x 1,000,000.
In a competition organized by the Government of the Orenburg Region, Orenburg Regional Union of Industrialists and Entrepreneurs, and the Federation of Trade Unions of the Orenburg Region, Yuri Tomin won the award for best occupational safety professional among oil production enterprises in the Orenburg Region. Yuri is an employee of Gazprom Neft-Orenburg and a lead engineer in the Occupational Health and Safety Department.

Risk analysis and assessment jointly carried out by the Committees of Senior Operators has become regular practice.

Gazprom Neft regularly carries out employee medical examinations and health assessments. In 2012, the Company spent 144 million rubles on employee healthcare and occupational health measures.

A large portion of funds was spent on replacing obsolete equipment and purchasing new, more modern work clothes made of fire-resistant materials.

The Company has a corporate standard which defines the procedure for providing workers with personal protective equipment (PPE), and has carried out work to analyse the quality of PPE provision to its employees. In 2012, the Company developed a procedure describing the process of PPE laboratory testing and quality control and testing.

Total expenditure on occupational safety and health initiatives in 2012 amounted to 3,442 million rubles.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Incidents at Hazardous Production Facilities</th>
<th>Number of Accidents at Hazardous Production Facilities</th>
<th>Number of Employees Involved in Accidents at Work</th>
<th>Number of Employees Killed in Accidents at Work</th>
<th>Lost Time Injury Frequency Rate</th>
<th>Number of Instances When Employees Had to Be Evacuated from Their Work Places for Health Reasons Followed by Hospitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>3,566 cases</td>
<td>2 cases</td>
<td>47 people</td>
<td>3 people</td>
<td>0.60</td>
<td>46 cases</td>
</tr>
<tr>
<td>2011</td>
<td>3,413 cases</td>
<td>1 case</td>
<td>57 people</td>
<td>2 people</td>
<td>0.64</td>
<td>49 cases</td>
</tr>
<tr>
<td>2010</td>
<td>4,321 cases</td>
<td>3 case</td>
<td>51 people</td>
<td>3 people</td>
<td>0.59</td>
<td>67 cases</td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.77</td>
<td>101 cases</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Employees Trained and Certified in Industrial Safety</th>
<th>Number of Employees Trained and Tested in OSH Requirements</th>
<th>Number of Employees Trained and Tested in Industrial Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>3,567 people</td>
<td>7,046 cases</td>
<td>10,633 cases</td>
</tr>
<tr>
<td>2011</td>
<td>2,682 people</td>
<td>5,629 cases</td>
<td>8,311 cases</td>
</tr>
<tr>
<td>2010</td>
<td>3,903 people</td>
<td>8,311 cases</td>
<td>11,075 cases</td>
</tr>
</tbody>
</table>

Source: Company data
Road Safety

In recent years, the Company has made significant progress in improving road transportation safety by implementing a set of measures, including the development of regulatory instruments, conducting monthly safety campaigns, and training staff. Since 2010, the number of accidents has declined every year.

Emergency Response

In 2012, the Company’s main focus was in the following areas:
- Implementation of the state policy for emergency prevention and response;
- Further improvement of knowledge, skills and abilities of officials and employees in relation to emergency response, risk reduction and the mitigation of man-made emergencies. This is in accordance with Gazprom Neft plans for socio-economic development the aim of which is to improve sustainability at its subsidiaries, and improve the protection of production facilities and workers against natural and man-made threats.

Examples of measures to prevent emergencies in 2012 included:
- An educational meeting was held for defence and emergency professionals from subsidiaries and affiliates across the Company. At this meeting best practices were shared and the objectives of civil defence and emergency prevention for 2013 were defined. The meeting was attended by representatives of the Northwestern Regional Centre of the Russian Emergencies Ministry.
- Audits of the readiness of civil protection systems at the Company’s subsidiaries and affiliates were carried out. Ten inspections took place and 144 violations discovered. The inspection results were communicated to the management of subsidiaries and affiliates, the result statements were drawn up, approved by the Chairman of the Company’s Emergency & Industrial Safety Commission, and sent to the audited subsidiaries to organize remedial work.
- Exercises at Gazprom Neft-Noyabrskneftegaz, Gazprom Neft-Khantos and Gazprom Neft Shipping involving professional rescue teams and representatives of supervisory agencies of executive government took place. A total of 50 comprehensive and special tactical training exercises took place in subsidiaries and affiliates, to test the abilities, skills and general readiness in dealing with emergency situations.

On March 28, 2012, Gazprom Neft’s filling station № 48 in the Kurort District of Saint Petersburg took part, for the first time ever on such a scale, in special emergency drills, the main aim of which was to test the filling station personnel’s response in the event of potential accidents at the station. The exercises were designed to analyse how filling station employees liaised with the Saint Petersburg emergency prevention and response teams.

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REDUCTION OF NEGATIVE IMPACT ON THE ENVIRONMENT & EFFICIENT USE OF RESOURCES

The Company’s operations in one way or another affect the environment: the air, surface and underground water bodies, land, forest and biological resources.

As a good corporate citizen, Gazprom Neft, is developing an environmental management strategy based on an effective environmental management system and consistent implementation of global best practices in the field of engineering, technology and management. The Company’s strategic goal of environmental protection is to provide leadership among global oil and gas companies, and to strengthen its leadership through the results it achieves and the best practice it implements across the organization.

The Company is implementing a series of organizational and technical measures to mitigate against adverse environmental impacts.

### CURRENT EXPENDITURE ON PROJECT DOCUMENTATION DEVELOPMENT, OPERATIONAL CONTROL AND ENVIRONMENTAL MONITORING, M N RUBLES

<table>
<thead>
<tr>
<th>Year</th>
<th>Development of design documentation</th>
<th>Environmental monitoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>103.0</td>
<td>18.7%</td>
</tr>
<tr>
<td>2010</td>
<td>119.2</td>
<td>132.3</td>
</tr>
<tr>
<td>2011</td>
<td>175.4</td>
<td>197.3</td>
</tr>
<tr>
<td>2012</td>
<td>124.8</td>
<td>178.2</td>
</tr>
</tbody>
</table>

Source: Company data
Protecting the environment and preserving natural resources is an important objective of Gazprom Neft’s business, which applies to all Company subsidiaries across all segments. The use of an integrated environmental management system enables enterprises to adhere to this principle in all aspects of their activities.
Based on the 'Fundamentals of State Policy in the Field of Environmental Development in the Russian Federation for the Period through 2030' approved by the Russian President, the Company has developed a medium-term environmental safety program, which includes activities in the following areas:

- Protection of the air;
- Protection of water bodies;
- Management of production and consumption waste;
- Protection of land;
- Protection of forests and conservation of biodiversity;
- Elimination of accumulated environmental damage;
- Initiatives in cooperation with regional and municipal governments;
- Joint activities with not-for profit environmental organizations;
- Joint activities with the administrations of natural territories under special protection;
- Environmental education and the engagement of employees in the environmental policy implementation.

The Company’s subsidiaries develop and implement:

- programs to remediate affected and contaminated lands and waste recycling programs aimed primarily at removing the legacy effects;
- environmental health-checks (air cleanliness, waste water conditions, ground water and soil conditions at buffer zone boundaries, industrial and consumer waste management);
- environmental strategy (modernization of equipment to reduce adverse impacts on the environment);
- target-oriented environmental programs and investment projects to eliminate adverse impacts on the environment; industrial environmental monitoring programs;
- regulatory and procedural documents of the Company in the field of environmental protection.

Updates to project documentation on environmental protection and industrial and environmental monitoring are conducted in accordance with legislative requirements and allow for systematic control over the degree of impact on natural environments.

A significant increase in payments for discharging pollutants into the open air has resulted from the additional multipliers now in effect following the Decree of the Russian Government No. 7 dated January 8, 2009, on Measures to Stimulate the Reduction of Air Pollution from Associated Gas Flaring Products.

The increase in fees for waste disposal is due to increased amounts of slurry formed during pit-free drilling at the OJSC Slavneft-Megionneftegaz, as well as increased volumes of waste produced by petroleum product suppliers due to the consolidation of the assets of OJSC MTK and LLC Mosnefteprodukt with those of LLC Gazprom Neft - Center and the acquisition of assets from OJSC Gazprom Neft - Nizhny Novgorod. This has required payments to be made with an increased multiplier due to the expiry of environmental permits for a number of facilities incorporated into the newly purchased assets.

Improving Air Quality

In 2012, the Company took a set of measures to protect the atmosphere. In accordance with the requirements of environmental protection legislation, provisions have been made to draft standards for maximum permissible emissions (MPE) of air pollutants, and documents are being prepared to obtain permits for emissions, along with developing projects to arrange sanitary protection zones (SPZ). The Company’s subsidiaries have established annual environmental monitoring programs and have made provisions for laboratory control over the quality of air at sources of polluting emissions and along SPZ boundaries.

Fixed asset maintenance and repairs of AGMSs,​50 pumping equipment, gas pipelines, oil-gas separators, vertical steel tanks, flares, and furnaces have contributed to a reduction in air pollution risks. The Company monitors the compliance of its business units with relevant operational practices.

Provisions have been made for conducting control and adjustment operations associated with motor vehicle exhaust fumes (such as toxicity). The equipment used for this analysis – gas analysers and smoke meters – was calibrated within the specified time limits at the state supervision agencies.

Projects related to capital construction, reconstruction and repairs of fixed assets have all had a positive impact. Specific projects which have had a positive environmental impact include: the construction of associated gas capture and recycling facilities at LLC Gazprom Neft-East, the installation of pontoon equipment at OJSC Slavneft-YaNOS and LLC Gazprom Neft-Omsk Refinery tank farms, the conversion of diesel fuel hydrotreaters over to water blocks equipped with closed oil separators at the OJSC Gazprom Neft-Omsk Refinery, the construction of modern mechanical treatment facilities while simultaneously decommissioning obsolete treatment facilities at OJSC Gazprom Neft-Moscow Refinery, and the installation of filters on air valves of the tank battery at LLC Gazprom Neft-Center.

Overall atmospheric pollutant emissions from the exploration and production segment (EPS) increased year-on-year in 2012. This was due to an increase in oil production and changes in the accounting methodology for emissions of air pollutants from associated gas flaring products. EPS facilities carry out regular projects designed to reduce emissions of pollutants into the atmosphere. These include

50 AGMS – automated group metering station.
In 2012, the Company’s Board of Directors approved Gazprom Neft-Moscow Refinery’s Development Program to 2020. Total planned investment amounts to 165 billion rubles. Environmental safety is a main focus of the Program, which is aimed at increasing production efficiency and product quality significantly. Planned actions, such as the dismantling of decommissioned treatment facilities in 2013–2014 and the reclamation of vacated territories due to the introduction of modern mechanical treatment facilities, the upgrading of the sulphur production unit, and the equipping of the tank farm with floating roof equipment will have a significant positive environmental effect in 2013–2015.

The reconstruction of the sulphur production unit will increase the sulphur conversion rate, thereby significantly reducing emissions of sulphur dioxide (by more than 10 times) and hydrogen sulphide (by more than 70 times). The first phase of the project (which covers the configuration of facilities for shipping degassed sulphur and the reconstruction of the liquid sulphur loading rack) was implemented in 2012. The second phase (which covers the construction of tail gas treatment unit and facilities for shipping granulated sulphur) is scheduled for completion in 2014. This project will reduce existing carbon emissions by more than 80%. Equipping tank farms with floating roof equipment will reduce carbon emissions in 2015 by 98%. Since 2011, Gazprom Neft-Moscow Refinery has been working to introduce an automated emission monitoring system (AEMS) at the main controlled emission sources (eight process exhaust stacks) as part of the integrated environmental safety program. AEMS measurement data will be sent to the data room of the Unified State Environmental Monitoring System in Moscow which is operated by the public environmental agency Mosekomonitoring. As part of this work in 2012, the assembly of the AEMS on the first four sources of emissions was performed. Before 2013, AEMS is planned to be implemented at the diesel fuel hydro-treatment units (LCh-24-2000), catalytic cracking units (G-43-107), and sulphur and bitumen production units.

Specific emissions have been reduced at oil refineries. Air protection measures have reduced overall pollutant emissions into the air, despite the increasing volume of crude oil being refined.

**Water management**

A set of scientific, organizational and technical measures conducted as part of annual environmental safety programs contributed to reductions in water pollution risks.

In 2012, research was conducted which helped to determine the permissible residual oil content in soils near where water resources are utilized, as well as the maximum permissible level of crude oil and petroleum products in bottom sediments of surface waters. The classification of soils specific to water conservation districts of the taiga zone, Western Siberia, drafted in the course of the research, will improve the quality of water conservation and restoration projects at the Company’s EPS facilities in the future.

Conservation of the small bitumen plant and reconstruction of the large bitumen plant at the Moscow Refinery reduced emissions of air pollutants by more than by 100 TPA.

One of the research projects carried out in 2012 covers the development of aerobic and anaerobic bioremediation process for oil-contaminated marshes in Western Siberia. The issue is important for remediation and restoration work in this region which has complex climatic and hydrological conditions.

<table>
<thead>
<tr>
<th>OVERALL POLLUTANT EMISSIONS, THOUSAND TONNES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
</tr>
<tr>
<td>1,087.5</td>
</tr>
<tr>
<td>2011</td>
</tr>
<tr>
<td>781.4</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>678.7</td>
</tr>
<tr>
<td>2009</td>
</tr>
<tr>
<td>625.5</td>
</tr>
</tbody>
</table>

Source: Company data
In 2012, Gazprom Neft completed two transactions to sell emission reduction units (ERUs) under Kyoto Protocol procedures. The Company sold 3.93 million ERUs (with each unit corresponding to 1 tonne of CO₂), which is more than 13 times the volume put up for sale in May 2011 when Gazprom Neft first entered into a similar agreement. The ERUs were obtained following the implementation of joint projects at four of the Company’s fields – Ety-Purovskoye, Yarainerskoe, Sugmutskoye and Romanovskoye (the last two are combined into one project), developed by Gazpromneft-Noyabrkneftegaz and Muravlenkovskneft.

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The Company routinely performs laboratory and instrumental monitoring of surface water, groundwater and wastewater, and also assesses surface water bottom sediments. EPS facilities have conducted destructive testing and pipeline monitoring at water crossings. The Company has arranged for underwater surveys of the areas. Zones have been determined for maintaining water quality in areas of water usage, and laboratory monitoring of groundwater quality has been arranged along with maintenance and repairs. The increase in the volume of wastewater ground disposal in 2012 was due to the additional disposal of bottom water at the Severo-Pokurskoye field, OJSC Slavneft-Megionneftegaz. The increased volume of regulatory treated wastewater disposal into the surface water facility of OJSC Slavneft-YaNOS was due to increases in both the crude oil refining volumes and in the amount of precipitation (according to the Yaroslavl Center for Hydrometeorology and Environmental Monitoring, the amount of precipitation in 2012 exceeded 2011 levels by 39%).

**Land use and soil reclamation**

The conservation of the natural ecological system, natural landscapes and complexes is one of Gazprom Neft’s priorities. In 2012, the Company took measures to conserve and restore land resources, taking into account the climate, water, soil and vegetation conditions in the areas of its operations.

The EPS has compiled an inventory of affected, oil-contaminated lands and sludge storage. Reclamation projects based on the results of this inventory are now under development. They are continuously monitored and assessed in terms of their efficiency. License areas are cleared from unauthorized landfills and scrap metal.

To prevent pipeline ruptures, inhibitory corrosion protection is provided for pipelines. The Company monitors the corrosion rate of pipelines and inspects their condition. The end-to-end servicing and management of industrial oil-waste landfills is provided, with laboratory research conducted at the landfills.

**OVERALL AIR POLLUTANT EMISSIONS**

<table>
<thead>
<tr>
<th></th>
<th>2010*</th>
<th>2011*</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall air pollutant emissions, thousand tonnes</td>
<td>678.7</td>
<td>781.4</td>
<td>1087.5</td>
</tr>
<tr>
<td>CO</td>
<td>300.86</td>
<td>303.9</td>
<td>575.0</td>
</tr>
<tr>
<td>NOx</td>
<td>15.9</td>
<td>14.3</td>
<td>20.1</td>
</tr>
<tr>
<td>SO2</td>
<td>25.3</td>
<td>23.2</td>
<td>28.6</td>
</tr>
<tr>
<td>CH4</td>
<td>69.9</td>
<td>87.3</td>
<td>163.3</td>
</tr>
<tr>
<td>Gas flaring (APG)* mln m³</td>
<td>1,969</td>
<td>1,846</td>
<td>2,182</td>
</tr>
</tbody>
</table>

* The aggregate volumes include overall emissions from the following affiliates: Slavneft and Tomskneft.

**WATER CONSUMPTION, MN m³**

- **86.2 million cubic meters**
- **9.9%**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>From surface sources</td>
<td>45.9</td>
<td>38.0</td>
<td>23.3</td>
<td>0.002</td>
</tr>
<tr>
<td>Underground water supply</td>
<td>49.8</td>
<td>38.0</td>
<td>38.7</td>
<td>0.607</td>
</tr>
<tr>
<td>Received from other entities</td>
<td>46.3</td>
<td>58.8</td>
<td>78.7</td>
<td>105.1</td>
</tr>
</tbody>
</table>

Source: Company data

**WATER DISPOSAL, MN m³**

- **27.00 million cubic meters**
- **2.9%**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Into the ground</td>
<td>27.00</td>
<td>27.80</td>
<td>14.20</td>
<td>29.30</td>
</tr>
<tr>
<td>Into surface water bodies</td>
<td>6.10</td>
<td>11.82</td>
<td>6.61</td>
<td>11.27</td>
</tr>
<tr>
<td>Into municipal wastewater systems</td>
<td>5.44</td>
<td>2.35</td>
<td>4.21</td>
<td>5.40</td>
</tr>
</tbody>
</table>

Source: Company data

In 2012, the Moscow Refinery constructed a modern mechanical treatment plant and decommissioned obsolete facilities at the old treatment plant. This will reduce the emissions of pollutants from sewage treatment plants by 96%, and increase the quality of treatment of industrial waste water.
A set of scientific, organizational and technical measures conducted as part of annual environmental safety programs contributes to reductions in water pollution risks.

In 2012, the Company undertook research to develop an aerobic- and-anaerobic bioremediation technology for industrial land contaminated at a deep level. Due to sorption, soils in production areas can hold significant amounts of hydrocarbons after remediation using existing methods, which means that a secondary contamination of groundwater is possible. The bioremediation of this residual contamination based on the aerobic-and-anaerobic bioremediation technology may become an alternative to existing methods. This system would reduce the time and financial cost of reclamation, while increasing its quality.

During this research project, reactors were designed, chemicals selected and their conditions of use defined to simulate anaerobic- and-aerobic bioremediation technology in laboratory conditions. In future, it is planned to carry out field-testing in the Company’s operating regions.

### RECLAMATION OF OIL-CONTAMINATED LAND, HA

<table>
<thead>
<tr>
<th>Year</th>
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<tbody>
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Source: Company data

### ELIMINATION OF SLUDGE PITS, PITS

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<tr>
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<td>2009</td>
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Source: Company data

### PIPELINE RUPTURES, CASES

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Source: Company data

### PROCESSING OF INDUSTRIAL OIL-WASTE AT THE EXPLORATION & PRODUCTION ENTERPRISES, THOU. m³

<table>
<thead>
<tr>
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<th>Value</th>
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<tr>
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</tr>
<tr>
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</tr>
</tbody>
</table>

Source: Company data
Waste Management

In 2012, waste management operations focused on addressing problems such as regulatory compliance, mitigation of environmental impacts and economic costs. Work was also carried out to strengthen the bonding of multiple well platforms, tank farms, fuel and lubricant depots, and liquid chemicals storage facilities, install drainage tanks at multiple well platforms, prepare for the quarrying of peat and peat transfer to sludge collectors and upgrade sludge collectors and solid waste landfills. As a result of these activities, the amount of reclaimed sludge storage has exceeded targets by 12%, with large volumes of oily waste treated in accordance with the approved plan.

Other initiatives in 2012 included Gazprom Neft-Khantos’ transition to pitless drilling which enables sludge to be processed into secondary raw materials for further use at the enterprise.

Engagement with state, expert & public organizations for environmental protection

Gazprom Neft has been actively involved in the process of improving environmental legislation and a package of existing legal instruments in this area. The Company’s experts have participated in expert reviews and made proposals on a number of legislative drafts, including:

- ‘On the Protection of the Marine Environment Against Pollution by Oil During the Development of Hydrocarbon Deposits on the Continental Shelf and at the Internal Sea Waters and Territorial Sea of the Russian Federation’;
- ‘On Amendments to Certain Legislative Acts of the Russian Federation in Terms of Improving Standardization in the Field of Environmental Protection and the Introduction of Economic Incentives for Businesses to Introduce the Best Technology’;

At the same time, certain environmental legislation issues remain outstanding and this fact materially affects the operation of enterprises in the industry. An example is Resolution № 7 of the Government dated January 8, 2009, which sets a target for APG flaring and has been effective since January 1, 2012. It establishes the basis for the new procedure of calculating fees for pollutant emissions from AOG flaring. However, the methodology for applying additional coefficients to the standard exhaust emission fees has not been defined.

The Company is actively involved in projects, in collaboration with municipal authorities, to preserve natural resources and unique ecosystems in its operating regions. For example, it organized the compilation of an ecological passport for the Yamal region, jointly with the Department of Natural Resources Regulation, in the Yamalo-Nenets Autonomous Area.

The Omsk Refinery took part in the ‘Clean Air’ environmental campaign which was held from June 1 to July 6 2012 in Omsk. The event, which brought together industrialists, ecology scientists, government supervisors, members of non-governmental associations and experts from Omsk universities, aimed to ensure the enforcement of environmental legislation regarding atmospheric conditions and its impact on public health. During the ‘Clean Air’ campaigns, environmentalists check Omsk fuel and gas filling stations for compliance with Technical Regulations, national standards and specifications. Samples of light petroleum products and liquefied gas are tested at the accredited technical control laboratory of Gazprom Neft-Omsk Refinery, the only laboratory accredited to the appropriate standard in the region. The laboratory specialists of the Omsk Refinery analyzed over 100 samples of light petroleum products and liquefied gas. The ‘Clean Air’ action has been held in Omsk for over 20 years. During this time, the Omsk laboratory of the Omsk Refinery has examined the quality of fuel sold at Omsk filling stations. All tests are performed free of charge.
In addition, within the framework of the Cooperation Agreement, the Company and the Government of the Khanty-Mansi Autonomous Area – Yugra agreed environmental actions with the following objectives:

- Rational use of associated gas;
- Prevention and clean-up of oil spills;
- Reclamation of contaminated land;
- Assessment of the impact of projected activities on the environment;
- Informing the government of the Autonomous Area about the results of industrial environmental control.

In order to comply with state environmental policy and key aspects of the state system of environmental standardization, Company representatives participated in several conferences and forums, including:

- II Congress of Russian Ecologists (Moscow);
- III International Forum ‘Saint Petersburg – the Sea Capital of Russia. Ecology’ (Saint Petersburg);
- Forum ‘New Technologies in Waste Oil Processing & Reclamation of Contaminated Land’ (Moscow).

When addressing environmental problems, Gazprom Neft actively cooperates with expert and non-governmental (public) organizations. In 2012, together with the Regional Public Organization Marine Mammals Council and with the assistance of the World Wildlife Fund (WWF) Russia, the Company continued joint research in the regions of the Barents Sea. Earlier studies have identified species in these regions that are particularly valuable to the ecosystem. The analysis confirmed that the most vulnerable marine mammal in the south-eastern part of the Barents Sea and adjacent areas of the White and Kara seas is the Atlantic walrus. The objectives for the conservation of this species will be considered in the plans for economic development of the waters and shelf of the Barents Sea. In 2012, research was conducted to identify the necessary measures needed for an anthropogenic pollution monitoring system in the key habitats of endangered marine mammals.

Gazprom Neft is involved in international discussions on environmental issues. So, at the end of April 2012, as part of the Third International Environmental Conference, organized by Gazprom Neft and held at the NIS office center in Novi Sad (Serbia), experts from Russia, Serbia and the European Union discussed the issue of industrial waste disposal, which is vital for most major industrial companies. The event held at the NIS office centre in Novi Sad (Serbia) was attended by representatives of a number of international companies engaged in minimizing the industrial impact on the environment around the world, including Ludan Environmental Technologies SRL (Romania), Argus Limited (USA), FUGRO Group (Netherlands), Veolia Water Solutions & Technologies (France), and YUNIRISK (Serbia). The discussion was aimed at sharing experiences and finding effective ways to eliminate existing pollution and prevent further occurrences. The conference participants were introduced to the practices used by Gazprom Neft’s specialists and the developments and technologies used in the European companies represented at the conference.
ENERGY CONSUMPTION & ENERGY EFFICIENCY

Gazprom Neft works hard to promote energy efficiency.

The Company’s divisions are developing and implementing measures to reduce energy consumption, and introducing energy efficiency plans.

An active energy-saving policy is a strategic priority for the Exploration and Production division. As part of medium-term energy efficiency plans, energy-saving measures are intended to reduce the energy-related component in the overall unit production costs incurred by EPS facilities.

Key energy-saving measures in the exploration and production enterprises:
- Use of energy-efficient electric centrifugal pumps;
- Introduction of valve electric motors;
- Decommissioning of electric centrifugal pumps operating in the left margin of the operating range prior to failure in order to save energy;
- Optimization of downhole equipment configuration;
- Optimization of downhole equipment and pumps operation at the booster pump stations.

The main indicator of energy efficiency – the specific energy consumption (SEC) for the extraction of liquid – declined by 1.3% (from 25.02 kWh/t to 24.70 kWh/t) at Gazpromneft-Noyabrskneftegaz in 2012, by 1.9% (from 43.7 kWh/t to 42.88 kWh/t) at Gazpromneft-Khantos, and by 2.6% (from 34.46 kWh/t to 33.58 kWh/t) at Gazpromneft-East compared with 2011. In 2012, measures were introduced to reduce energy consumption; these saved 145 million kWh at EPS facilities, including 39 million kWh at Gazpromneft-Noyabrskneftegaz, 76 million kWh at Gazpromneft-Muravlenko, 23 million kWh at Gazpromneft-Khantos, and 6 million kWh at Gazpromneft-East.

Currently, the Company’s EPS facilities are focusing on establishing a regular, permanent system of energy saving – an energy management system that complies with the ISO 50001:2011 standard. The energy management system is based on the introduction of technical and system measures and mechanisms for monitoring, auditing, analysing and taking corrective actions. This will enable a shift from individual technical measures to systemic solutions both in technology and management.

To reduce emergency power curtailments and subsequent oil losses, the Company has developed a program to improve reliability and upgrade equipment and grids at Gazprom Neft production subsidiaries and affiliates for 2013 to 2015. In addition to technical measures, the program will include research on the current reliability of grids and electrical equipment, ranking and assessing damage risks, including those resulting from excessive climatic loads.

The main areas of the program are:
- Measures to strengthen thunderstorm and lightning protection of grids and power engineering facilities;
- Measures to upgrade (retrofitting electrical installations) grids and substations;
- Power grid and equipment overhauls;
- Re-engineering of power facilities.

In 2012, in accordance with the requirements of Federal Law No. 261-F3, energy audits were conducted at all subsidiaries and affiliates of the EPS. Based on the audit results, a set of energy-saving measures has been developed, along with the receipt of energy certificates. The measures are scheduled for implementation in 2013 and 2014.

The energy efficiency plan for Gazprom Neft’s logistics, refinement and sales segment for 2013 to 2015 aims to reduce the consumption of heat and electricity by 9,926.3 TJ (including 6,440.3 TJ at the Omsk refinery, 992.1 TJ at the Moscow refinery, and 2,493.9 TJ at YaNOS, which make up almost 5% of the designed consumption of electricity and heat during this period.

Main Areas of Energy Saving in Logistics, Refining and Marketing Subsidiaries & Affiliates:
- Introducing variable-frequency drives in electric motors (Omsk refinery, Moscow refinery, YaNOS);
- Modernizing compressor equipment: implementing step control, installing an anti-surge system; reconstructing instrumentation and controls for the air drying system (Omsk refinery);

Enhancing energy efficiency and optimizing the use of energy resources are deemed urgent tasks for oil companies: energy costs make up a significant portion of operating costs. Through implementing energy conservation measures by oil producers, the Company successfully saved RUB 804 million.

Reconstructing lighting systems using energy-saving technologies (Moscow refinery, Omsk refinery, YaNOS);

Increasing in-house steam production through waste heat recovery from process furnaces and streams (YaNOS, Omsk refinery);

Enhancing fuel efficiency in process furnaces: ceramic heating surfaces; hyperfine thermal insulation of furnaces; burner modernization, replacing tent stoves (with an efficiency coefficient of 63% to 70%) with vertical cylindrical furnaces (with an efficiency coefficient of 90%) at the Omsk refinery, Moscow refinery, and YaNOS.

In 2012, the LRSS-oriented corporate project ‘Enhancing the Efficiency of Energy-Saving Process Management at Oil Refining Facilities of OJSC Gazprom Neft (the energy management system – EMS)’ was launched as per the ISO 50001 standard. A unified methodological framework for implementing the energy management system at Gazprom Neft’s oil refineries was developed, including the ‘Energy Efficiency Technical Policy’, the basic standard for the ‘LRSS-oriented Energy Management System’, methodological documents on drafting the ‘Program for Energy Saving and Enhanced Energy Efficiency’ and monitoring the impact of implementing energy-saving measures. In 2013, the Company plans to introduce the energy management system at pilot facilities – OJSC Gazpromneft-Omsk Refinery.

In 2012, as a result of energy efficiency measures in the logistics, refinement and sales segment, the Company saved 3,141.2 TJ of heat and electricity, thus reducing energy costs by more than RUB 1.3 billion.

Gazprom Neft is exploring new possibilities for using alternative energy sources. At year-end 2012, the Serbian company, NIS, in which Gazprom Neft has a 56.5% interest, signed an agreement to construct a wind farm at Plandiste with Energowind. NIS has 50% of the project; the total cost of the wind farm, including development of the basic design and obtaining required permits, is EUR 160 million. Construction is scheduled to commence in the summer of 2013. The project will include the installation of 34 wind turbines with a total capacity of 102 MW in the Plandiste municipality. The wind farm at Plandiste will be the first wind farm in Serbia and will produce 212 GWh of electricity per year.
OBJECTIVES FOR 2013

In HSE
- Achieve a zero rate of fatal injuries and group accidents;
- Reduce the lost time injury frequency rate of injuries by 5% compared to 2012;
- Reduce the number of accidents from equipment (accidents and failures) by at least by 5% compared to 2012;
- Reduce the number of fires by at least 5% compared to 2012;
- Increase the level of compliance with the requirements of Russian legislation and Company standards in HSE by conducting advanced technical audits and operational control.

Key business initiatives to achieve these objectives in 2013 include:
- Increasing the efficiency of the management of industrial and fire safety and occupational safety and health;
- Monitoring the operational control measures and investigations, follow-up of corrective measures, evaluation of compliance with the law and legislative initiatives;
- Carrying out extended technical audits;
- Promoting a culture of safety at the Company (production and placement of videos, stands, posters, etc.);
- Creating a methodological framework and a competency centre for risk assessment in occupational safety and health and industrial safety.

Considerable attention will continue to be given to HSE work with suppliers and contractors (e.g. training contractors in compliance with the requirements of Russian legislation and Company standards and extending the liability of contractors to cover the violation of industrial safety requirements).

In Energy Consumption & Energy Efficiency

In order to ensure that the Company’s Environmental Management System complies with best international practices and fulfills its obligations as outlined in the corporate HSE Policies and the Corporate Code regarding eco-safety, environmental protection and rational use of nature resources, Gazprom Neft plans to certify its environmental management system to ISO 14001:2004.

In 2013, the Company plans to define the methodology for greenhouse gas accounting at its facilities to improve environmental performance and to establish a unified accounting procedure for greenhouse gas (carbon dioxide and methane) sources. This will include a unified calculation of emissions from each type of source and improve the quality of emissions information.

In Environmental Protection

Pursuant to the Decree of the Russian President concerning the 2013 ‘Year of Environment’ in the Russian Federation, and following the respective Order of the CEO, Gazprom Neft has designed a ‘Year of Ecology’ program within the Company in 2013.
Targets for logistics, refining and marketing enterprises

**Achievement of the 2013 Energy Program Targets, TJ**

<table>
<thead>
<tr>
<th></th>
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<th>Heat</th>
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<td>232.22</td>
<td>601.01</td>
<td>654.56</td>
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<td>YaNOS</td>
<td>10.27</td>
<td>379.35</td>
<td>116.28</td>
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</table>

Key areas of energy saving in engineering and technology:
- Optimization of compressor equipment operation
- Optimization of condensate collection and return systems
- More efficient heat transfer processes and improved fuel combustion in heating furnaces
- Optimization of the recovery system in industrial processes (the use of heat from product flows to heat raw materials, water and air streams).

Main objectives in improving energy management:
- Approval of Technical Policy for Energy Efficiency in logistics, refining and marketing enterprises
- The project to improve the energy management efficiency at the Company will allow the energy management system at Gazprom Neft-Omsk Refinery to be introduced in compliance with the requirements of ISO 50001-2011; the business processes for improving energy efficiency will be integrated into the existing business processes of the Corporate Centre and the subsidiaries and affiliates.
REGIONAL POLICY & LOCAL COMMUNITY DEVELOPMENT

In the regions where it operates, Gazprom Neft acts as a major social investor and a partner of local authorities in addressing the most pressing local problems of social development.

Gazprom Neft shapes its portfolio of regional social projects through dialog with governments, local communities, and the Company workforce representatives. In 2012, an enlarged meeting of the Management Board adopted the ‘Home Towns’ program, refining the Company’s approach to social investment in the regions where it operates as part of implementing the concept of regional policy, which was approved by the Management Board in December 2010. The ‘Home Towns’ program aims at further developing tools to involve both local communities and the Company’s employees in the process of shaping the portfolio of projects, and in directly implementing social programs.

Gazprom Neft views its social investments as a contribution to the growth of high-quality human capital, the development of the socio-economic and cultural potential of the operating regions of its subsidiaries and affiliates and, therefore, as a key factor in the effective implementation of the corporate strategy.

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32 For detailed information on the dialog with local communities, see the SUSTAINABLE DEVELOPMENT MANAGEMENT & STAKEHOLDER ENGAGEMENT Section of this Report.
The most significant projects within the ‘Home Towns’ social investment program are implemented by the Company under agreements on social and economic cooperation with regional and municipal authorities.

34 agreements were signed in 2012: six of them were signed with the governments of Russian Federation constituent entities (Yamalo-Nenets Autonomous Area, Khanty-Mansi Autonomous Area – Yugra and the Omsk, Orenburg, Vologda, and Kemerovo Regions); another 28 with the administration of municipalities where the Company’s major production units are situated.

The main parts of the ‘Home Towns’ program are:
- Urban development (housing, urban land improvement);
- Creating infrastructure for children and grassroots sports;
- Support and development of education and health-related initiatives and activities;
- Conservation of national and cultural traditions of the indigenous peoples of Northern Russia.

Social projects co-financed by the Company complied with the following principles:
- Relevance of the project to the local community;
- High potential for improving the quality of life in local communities;
- Compliance with the best practices of social management.

In 2012, Gazprom Neft’s total costs associated with implementing the ‘Home Towns’ program amounted to RUB 2,399 million, of which RUB 2,052 million were spent on social investment as part of social and economic agreements with the regions and RUB 347 million on supporting charitable initiatives.
DEVELOPMENT OF THE URBAN ENVIRONMENT

Improving the urban environment is one of Gazprom Neft’s traditional areas for social investments. The company collaborates along these lines with municipal authorities based on the belief that small town residents should have the same access to a high-quality urban environment as residents of large cities do.

A high-quality urban environment improves the sustainable development of local communities and the attractiveness of small towns as places to live. Consequently, this has a positive effect on the growth of human capital and socio-economic development in these areas.

Construction and upgrades of housing, as well as helping to improve the urban environment constitute one of the specific segments of the social investment program. For example, in 2012, the Company financed the construction of a modern apartment complex with 120 apartments in the town of Muravlenko (YANAD), and renovated houses in the villages of the Nizhnevartovsk Region (KhMAD-Yugra). By the end of 2015, a new 120-apartment residential complex, also funded by Gazprom Neft, will be built in Khanty-Mansiysk.

The lack of social housing, particularly in the remote centres of Gazprom Neft’s operating regions, is one of the reasons for the lack of qualified personnel in the social sector education, health and culture. The Company is involved in housing construction, as well as in financing the purchase of apartments for social workers. During the reporting period, Gazprom Neft bought five apartments in the Uvat district, Tyumen Region, and financed the construction of a 27-apartment house for young professionals in the village of Parabel (Tomsk Region).

For a number of years, the Company has been providing regular assistance to small municipalities, urban communities and rural settlements to retrofit their cultural centres. In 2012, it fitted out a Youth Centre in the town of Tarko-Sale (Yamalo-Nenets Autonomous Area).

In 2012, Gazprom Neft constructed a new office building in Khanty-Mansiysk. The eight-story building was built using the latest construction and architectural technology. The total living space exceeds 2.2 thousand m², and the total area exceeds 12 thousand m². All rooms are fitted with modern equipment. Underground and overground parking provides space for 86 cars. The project was implemented within a record time of 25 months. The construction cost was about average for the region, while the level of the architectural and design concepts was the highest. This ultra-modern building was quickly recognised as one of the town’s architectural landmarks. This is not the Company’s first successful architectural success in Khanty-Mansiysk: in 2010, Gazprom Neft constructed one of the most avant-garde buildings in Siberia – the building of Ugra Chess Academy, which was the winner of ‘The Best Building’ at an international competition for professional architects.

In the reporting year, the Company actively participated in the development and modernization of housing and public utilities, as well as of local village roads in a number of regions. The Company funded the construction of sewage treatment plants in the settlements of Kyskhy, Kedrovoy, Vykatnoy and Kirpichny and Elizarovo village, and of the water supply network in the Kedrovoy micro-district of Gomoprdinsk settlement Khanty-Mansi Autonomous Area Yuagra.

The Company supports important cultural events in its operating regions. Since 2007, Gazprom Neft has been the general partner of the Annual International Film Festival ‘Spirit of Fire’, held in Khanty-Mansiysk.

The Oilfield Workers’ Campus adjacent to the Omsk Refinery (within the Sovietsky Administrative District), is a traditional residence for Company’s employees and holds a special importance within the Company’s program of social investment for regional development and local community support. In 2012, the Company helped finance a leisure room for retired people in the ‘Family House’ library, equipped children’s clubs ‘Globus’ and ‘Iskra’ and the Municipal Children & Youth Centre, and also funded local celebrations and festivals in the district. A special program was implemented to improve the area. It included landscape gardening, tree trimming, the installation of benches, lamps, architectural features, as well as equipping children’s playgrounds and an area for a farmers’ mini-market.
The lack of up-to-date sports infrastructure is one of the most pressing problems in the regions. According to general statistics across the Russian Federation, sports halls with hard surfacing are accessible to 18% of the population, and only 5% can use swimming pools.

In 2012, Gazprom Neft completed the construction of the Zenith multipurpose sports complex (named after Yuri Morozov) in the town of Noyabrsk (Yamalo-Nenets Autonomous Area), designed to accommodate 650 people. The building has a total area of 7.4 thousand m² and houses a universal gym, a 25-meter swimming pool with six lanes, a children’s playroom, a workout facility and an aerobics room. On the ground floor there is a range of facilities for the treatment and rehabilitation of people with disabilities. Spectator stands in the gym can cater for 350 people and those in the swimming pool-hall for 100 people. The universal gym can be transformed into a space for concerts, meetings and conferences. It is equipped with protective coating, additional seats, and sound and lighting equipment.

The new complex is one of the many Zenith-branded facilities which are built by Gazprom Neft in its operating regions. Development of all Zenith sports complexes follows a single standard. This allows the right environment to be created for the active lifestyle of people of all ages, with different athletic backgrounds and health conditions, as well as for family sports. In addition, the sports complexes can be used for the towns’ cultural events. All facilities are open not only to employees of the Company, but also to the general public.

In 2012, the Company started the construction of multipurpose gyms under the Zenith brand in the Vyngapurovsky micro-district of Noyabrsk and in the Khanymey village (Yamalo-Nenets Autonomous Area).

Along with developing new infrastructure, the Company sponsors programs to modernize existing sports facilities. which are used by amateur sports teams and local residents. In the reporting year, the Company started to rebuild a fitness centre named after Pavel Sadyrin started as part of the ‘Home Towns’ program in the Yamalo-Nenets Autonomous Area.
The reconstruction includes the expansion of the playing ground to meet the standards for regional competitions, the building of a spectator area, and the construction of multi-purpose halls for boxing and wrestling. In addition, in 2012, the construction of a football and athletic stadium began in Noyabrsk (Yamalo-Nenets Autonomous Area) supported by the Company. In the town of Tara in the Omsk Region, the Company co-financed the construction of the ‘Olympus’ racetrack.

The Company places great importance on the creation of sport infrastructures for its own employees. During the year, the gym for employees working in the South licensed territory of the Priobskoye field (Khanty-Mansi Autonomous Area – Yugra) was refurbished and equipped with workout and exercise facilities.

One of the ways in which the Company supports grassroots sports and promotes active lifestyles among young people and family leisure activities is through its project to build all-weather open-air sports grounds. In summer, universal sports grounds with high-tech artificial surfacing can be used for playing football, basketball and volleyball, while in winter they are suitable for hockey. In 2012, seven such grounds were opened in the Yamalo-Nenets Autonomous Area (four in Noyabrsk and three in Muravlenko), and eight grounds opened in Omsk (two of them were built from scratch and the rest were reconstructed). Similar grounds will be opened in 2013 in the Orenburg Region and the Yamalo-Nenets Autonomous Area.

In support of children’s sports, in 2012 funds were allocated to teach teenagers from the ‘Rainbow’ children’s home in the Khanty-Mansi Autonomous Area – Yugra to scuba dive in the swimming pool of the Yugra State University.

To support fitness and sports in the Omsk Region, Gazprom Neft sponsors the Avangard Sports Club non-commercial partnership. The comprehensive system of training hockey players starting at age six is a key feature of the Avangard Sports Club as a social project. The structure of the non-commercial partnership includes the ‘Avangard’ youth sports school, which involves more than 700 children. The regional chain of youth sport schools in the Omsk Region has ten branches. Between 1996 and 2012, the youth sport school teams were prize winners at Russian championships 13 times, and since 2000, 14 pupils of the sport schools have become world champions as members of the Russian national team.

Alongside the construction and renovation of sports facilities, the Company actively supports sports events in the regions where it operates. The Company’s flagship social project in the field of children’s sports is actively developing: the Sixth International ‘Gazprom Neft Cup’ Tournament for Children KHL Teams was held in 2012, and attended by 16 teams. The tournament was organized in line with adult competition standards: matches were judged by KHL judges, the final match was broadcasted live on the Continental Hockey League television channel, and the games themselves were held on the ice arena of a professional club.

In 2012, as part of the ‘Gazprom to Children’ program, the Company launched a major inter-regional social project – ‘Avangard Hockey Academy’ – the goal of which is to establish a completely new contemporary system to train young players and develop hockey for children and youngsters. The project is being implemented under the aegis of Russia’s leading hockey club – Avangard Omsk, whose main foundations are the companies of the Gazprom Group.

From 2013, this project will establish branches of the Academy in a number of Gazprom Neft’s operating regions. The branches will use a common methodology, standards, development system and ideology. The most talented trainees will be transferred from the branches to the Academy centre in Omsk for further training at the highest level. Hockey training will be organized as a pyramid of clubs: sport school – youth team – KHL team. Currently, among all KHL clubs, the Omsk ‘Avangard’ has the largest number of trainees, who are regularly capped by the Russian youth and main Russian national teams. During the reporting year, the Company started building the central complex for the Avangard Hockey Academy in the city of Omsk. Together with the two existing hockey centres of the Avangard hockey club, located in Omsk, the complex will form the Academy’s central infrastructure. The first Academy branches are planned to open in the Yamalo-Nenets Autonomous Area sports facilities, the construction of which was financed by Gazprom Neft.
In 2012, the Company implemented a number of projects aimed at developing education. The lack of capacity in child day-care facilities and the poor quality of their equipment is one of the most acute problems of the regions. For example, according to the Education Committee of Khanty-Mansiysk, in January 2013, kindergartens were attended by 4,017 children aged 1.5 to 6 years, while the waiting list for a place in the Khanty-Mansiysk kindergartens numbered 5,899. On the one hand, this prevents a significant number of children from being engaged in the continuous learning system at the pre-school level, where the foundations of cognitive activity and social interaction are laid. On the other hand, this forces parents to extend their maternity leave, which causes involuntary disability and partial loss of skills. Finally, this reduces the attractiveness of towns which lack this social infrastructure as a place to live.

The kindergarten will be equipped with a video surveillance system, making it possible to overcome the physical distance between educational institutions and the family (traditionally, a considerable distance in this area). Once connected to the video system from home or from work, parents will be able to follow their children’s educational process more actively. During the reporting period, the Company also financed the construction of a kindergarten in the village of Mezhdurecky (in the Omsk Region) and provided furniture for kindergartens in Omsk.

The Company invested significantly in the renovation and equipping of educational institutions in its operating regions. In particular, schools in the Tarsky District (Omsk region) were renovated at the Company’s expense. The Company helped to equip a number of Omsk schools with computer labs, chemical labs, school cafeterias and gyms. In the Tomsk Region, the Company funded the overhaul of a school in the village of Staroyugino in Kargasoksky District. The school renovation included: complete replacement of the foundation, partial replacement of the old timber walls, renovation of the heating, water and electricity systems, fitting out of rooms using modern materials and technology, and the complete renewal of furniture and appliances. In the Khanty-Mansi Autonomous Area – Yugra the Company contributed to the state program to improve security and energy efficiency of educational buildings and to provide them with innovative equipment.

Gazprom Neft places emphasis on the field of healthcare, especially on the quality of health services. The Company invests annually in the healthcare systems of the regions where it operates by sponsoring health facility renovations and purchasing medical equipment. During the reporting year, the Company purchased equipment for Children’s Hospital No. 3, and paid for the repair of newborn rehabilitation rooms in Children’s Hospital No. 1 in Omsk. In the village of Yarki (Khanty-Mansi Autonomous Area – Yugra) Gazprom Neft participated in the construction of a medical and obstetric centre.

Gazprom Neft has helped a number of its operating regions to overcome this problem. During 2012, Gazprom Neft sponsored the construction of the ‘Planet Childhood’ day-care facilities in the city of Khanty-Mansiysk Khanty-Mansi Autonomous Area - Yugra, designed for 200 children. This children’s day-care centre sets a new standard for pre-schools. It is carefully designed to allow children to experience the whole range of emotional and intellectual stimulus they need. The kindergarten infrastructure allows for all necessary physical development (swimming pool, room for active games and sports), cognitive ability development (multimedia complex, a laboratory for young naturalists and a climate museum) and emotional development (an equipped art studio and a winter garden).
Gazprom Neft contributes to improving the quality of life for the indigenous peoples of the North – in KhMAD-Yugra and YANAD. The programs that the Company actively supports have been developed taking into account the cultural sensitivity of indigenous peoples of the North. They aim to integrate them into the modern economic and social landscape, while maintaining their cultural identity and traditional ways of life.

In 2012, as is tradition, the Company helped communities in the Yamalo-Nenets Autonomous Area to buy snowmobiles, fuel and lubricants, construction materials, and diesel power generators and assisted in transporting children from camps to schools by helicopters. Gazprom Neft was actively involved in the construction of the local cultural centre in the Kutopyugan national settlement.

In 2012, the Company continued its financial support to construct an ethnic day-care camp for children of indigenous peoples in the Russkinskaya village (Khanty-Mansi Autonomous Area – Yugra) (the construction completion is scheduled for 2014).

As in previous years, Gazprom Neft supported traditional national festivals – for example, the Reindeer Herder Day which took place in the Halyasovey and Russkinskiye villages (Yamalo-Nenets Autonomous Area). The celebration included competitions: sledge jumping, throwing the Tynzyan (a lasso belt that is up to 30 meters long) onto a three-meter driver’s pole, and reindeer sled racing. The Company awarded two Buran snowmobiles to the winners of the reindeer sled races.
CHARITABLE ACTIVITIES & VOLUNTEER PROGRAMS

Common approaches to organizing charitable activities are determined by the policy of charitable activities and the corporate standard ‘Charity Support Procedures.’ The Company’s charitable activities are coordinated by the Charity Commission. Similar commissions have also been established in the Company’s subsidiaries and affiliates.

Corporate charitable projects are implemented using the Company’s own resources, as well as through the involvement of employees in charitable activities. Employees are involved in the implementation of charitable projects both in the form of fund-raising, and in the form of individual participation in a variety of volunteer programs.

Main charity programs:
• A program of targeted aid in response to public requests in the Company’s operating regions (charity support from the Company’s budget, based on the Charity Commission decisions);
• A mutual solidarity program: practical solutions to help employee members and their families in difficult situations.

The Company is actively developing corporate volunteering. The volunteer programs include:
• ‘Donor Days’, held in the Corporate Centre and at the Company’s subsidiaries and affiliates, carried out in collaboration with Blood Centre of the Federal Medico-Biological Agency (FMBA) and local blood centres twice a year;

Employee participation in voluntary work adds value to the Company’s social programs with volunteers adding an element of human care to financial aid alone. Volunteer programs are also important for the volunteers themselves: they give employees the opportunity to demonstrate qualities that are not needed at work, to gain moral satisfaction and to strengthen team relationships. The Company actively supports volunteer programs as a tool to promote the principle of social responsibility in teams, build the corporate culture, and enhance motivation and creativity. Participation of the Company’s top management in such programs is a particularly important motivating factor.

YOUTH VOCATIONAL GUIDANCE

The Company holds an annual youth career event.

Jointly with the Saint Petersburg State Mining University, it organizes competitions for high school students in its operating regions. Based on their results, the students who demonstrated the best skills are automatically enrolled in the university. As part of these competitions the university lecturers give overview lectures for students of physics and chemistry.

Under the ‘Three Objectives’ program, Gazprom Neft’ introduced training (‘oil’ classes) for pupils in year 10 and 11 in schools in Omsk. At the end of these ‘oil’ classes, pupils can continue their education in professional colleges, and then return to their home towns to work at one of Gazprom Neft’s facilities.
In 2013, Gazprom Neft plans to increase the number of funded social projects in its operating regions. The Company seeks to develop those regional projects that correspond to the key areas of its social activities, in order to increase synergies.

All social programs implemented by the Company in its operating regions are subject to discussion and agreement with the local administration and residents. This allows the Company to take into account the needs of local communities and to identify the most successful tried-and-tested social practices, which can then be replicated in other areas.

The main areas of the Company’s social programs in 2013 include:
- Development of regional infrastructure for sports;
- Repairing and equipping medical and educational institutions;
- Housing construction and improvement of surrounding areas;
- Support of important local cultural and sporting events;
- Preservation of the traditions and customs of the indigenous peoples of Northern Russia.
In 2013, the Company plans to continue funding the construction of the Avangard Hockey Academy branches. The Company will continue to finance the construction of multipurpose and open-air sports grounds in its operating regions.

Gazprom Net will act as the organizer and sponsor of the Gazprom Neft Cup Tournament of children’s hockey teams.

Additional funds will be invested by the Company to repair and equip educational and pre-school centres in the Yamalo-Nenets Autonomous Area, Khanty-Mansi Autonomous Area – Yugra, and the Omsk and Orenburg Regions.

In 2013, the construction of the ‘Childhood Planet’ kindergarten equipped with innovative technology will be completed in Khanty-Mansiysk.

Construction and renovation of housing will continue in the Yamalo-Nenets Autonomous Area, Khanty-Mansi Autonomous Area – Yugra and the Omsk and Orenburg Regions. Gazprom Neft will allocate additional funds to improve urban areas and carry out road repairs.

In the coming year, the Company will continue to fund the Ethnic Day-Care Camp for children of indigenous peoples in the Khanty-Mansi Autonomous Area – Yugra.

The Company’s approach is to set a consistently high standard of social projects in each region where they are implemented. This approach will help to promote the Company as an efficient and reliable partner to regional authorities and local communities for regional social and economic developments.
APPENDICES

APPENDIX 1 CERTIFICATE OF THE REPORT AFFIRMATION
BY THE COUNCIL FOR NON-FINANCIAL STATEMENTS OF THE RUSSIAN UNION OF INDUSTRIALISTS & ENTREPRENEURS

PUBLIC VERIFICATION CERTIFICATE

TRANSLATION FROM RUSSIAN

Russian Union of Industrialists and Entrepreneurs

CERTIFICATE

Of Public Verification of Corporate Non-financial Report
Sustainable Development Report

JSC Gazprom Neft

Has passed public verification at the Non-Financial Reporting Council of the RUIE

The detailed Conclusion of the Council of the Russian Union of Industrialists and Entrepreneurs (RUIE) regarding public verification of the Sustainable Development Report of JSC Gazprom Neft for 2012 has been forwarded to the Company, and the Company may publish it without any changes and use both for in-house purposes and for communication with stakeholders.

Registration No. 038.01.026.01.12

President of the RUIE /stamp, signature
A.N. Shokhin
Seal: Russian Union of Industrialists and Entrepreneurs

Moscow, 2013
This Report makes use of indicators recommended by GRI Sustainability Reporting Guidelines (version G3.1). Also, some indicators from GRI Oil and Gas Sector Supplement were used in the Report (marked OG in the table).

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<tr>
<td>2.1</td>
<td>Name of the organization.</td>
<td>Full name: Joint Stock Company Gazprom Neft. Short name: JSC Gazprom Neft.</td>
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<td>2.2</td>
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<td>● About the Company.</td>
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<td>Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.</td>
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<td>2.4</td>
<td>Location of organization’s headquarters.</td>
<td>● 3-5, Pochtamtskaya str., Saint Petersburg, 190000, Russia</td>
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<td>2.5</td>
<td>Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.</td>
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<td>● About the Company. Sustainable Development Management and Stakeholder Engagement</td>
<td>8; 10; 16-18; 50-53</td>
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</table>

<sup>33</sup> Meaning of colours and marks: 1) Level of information disclosure in accordance with GRI Guidelines requirements: ● – completely, ● – partially, ● – information is not available; 2) Indicators: 1.1 – main, 1.1 – additional.
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<td>Scale of the reporting organization.</td>
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<td>About the Company. Development of Human Resources. Sustainable Development Management and Stakeholder Engagement. Sales statistics in money terms (earnings) are disclosed in total for the Company. The Company considers breakdown of sales revenues by regions to be confidential. Information about overall expenses of the Company is disclosed in the Annual Report 2011, p. 85. The Company considers breakdown of expenses by regions to be confidential.</td>
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<td>3.8</td>
<td>Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.</td>
<td></td>
<td>The Report includes information about enterprises where the Company’s interest is over 50%. In some environmental impact indicators information on 50% equity investees is also included. These cases are specifically mentioned in the Report.</td>
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<tr>
<td>3.9</td>
<td>Data measurement techniques and the bases of calculations.</td>
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<td>3.10</td>
<td>Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement</td>
<td></td>
<td>The Report does not contain re-statements of information from previous reports.</td>
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<td>4.1</td>
<td>Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.</td>
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<td>Sustainable Development Management and Stakeholder Engagement.</td>
<td>37-41</td>
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<tr>
<td>4.2</td>
<td>Indicate whether the Chair of the highest governance body is also an executive officer.</td>
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<td>4.3</td>
<td>For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.</td>
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<td>4.4</td>
<td>Mechanisms for stakeholders and employees to provide recommendations or direction to the highest governance body.</td>
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<td>4.5</td>
<td>Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization’s performance (including social and environmental performance).</td>
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<td>4.6</td>
<td>Processes in place for the highest governance body to ensure that conflicts of interest are avoided.</td>
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<td>Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.</td>
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<td>4.8</td>
<td>Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.</td>
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<td>9; 37; 44</td>
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<td>4.9</td>
<td>Procedures of the highest governance body for overseeing the organization’s identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.</td>
<td>●</td>
<td>Sustainable Development Management and Stakeholder Engagement.</td>
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<td>4.1</td>
<td>Processes for evaluating the highest governance body’s own performance, particularly with respect to economic, environmental, and social performance.</td>
<td>●</td>
<td>Sustainable Development Management and Stakeholder Engagement.</td>
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<td>4.11</td>
<td>Explanation of whether and how the precautionary approach or principle is addressed by the organization.</td>
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<td>Safe Development: Health, Safety and Environment. For expanded explanation see: Gazprom Neft 2010 Sustainable Development Report, p.99.</td>
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<tr>
<td>4.12</td>
<td>Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.</td>
<td>●</td>
<td>At present the Company has not formally subscribed to any such initiatives. The Company follows the principles set forth in ISO 26000 (Guidance on Social Responsibility) and publishes sustainability reporting adhering to GRI Reporting Guidelines.</td>
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<td>4.13</td>
<td>Memberships in associations (such as industry associations) and/or national/international advocacy organizations</td>
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<td>EC4</td>
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<td>●</td>
<td>In 2011, the Company did not receive any direct donations from the government. However, JSC Gazprom Neft is a subsidiary of OJSC Gazprom in which 50.002% of shares are controlled by the government.</td>
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<td>EC5</td>
<td>Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.</td>
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<td>EC6</td>
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<td>Direct energy consumption by primary energy source.</td>
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<tr>
<td>EN12</td>
<td>Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.</td>
<td></td>
<td>Safe Development: Health, Safety and Environment.</td>
<td>89</td>
</tr>
<tr>
<td>EN13</td>
<td>Habitats protected or restored.</td>
<td></td>
<td>Secure Development: Health, Safety and Environment.</td>
<td>87</td>
</tr>
<tr>
<td>EN14</td>
<td>Strategies, current actions, and future plans for managing impacts on biodiversity.</td>
<td></td>
<td>Safe Development: Health, Safety and Environment.</td>
<td>89</td>
</tr>
<tr>
<td>EN15</td>
<td>Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.</td>
<td></td>
<td>Safe Development: Health, Safety and Environment.</td>
<td>89</td>
</tr>
<tr>
<td>EN16</td>
<td>Total direct and indirect greenhouse gas emissions by weight.</td>
<td></td>
<td>Safe Development: Health, Safety and Environment.</td>
<td>85-86</td>
</tr>
<tr>
<td>EN17</td>
<td>Other relevant indirect greenhouse gas emissions by weight.</td>
<td></td>
<td>Safe Development: Health, Safety and Environment.</td>
<td>85-86</td>
</tr>
<tr>
<td>EN18</td>
<td>Initiatives to reduce greenhouse gas emissions and reductions achieved.</td>
<td></td>
<td>Safe Development: Health, Safety and Environment.</td>
<td>83-85</td>
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<tr>
<td>EN19</td>
<td>Emissions of ozone-depleting substances by weight.</td>
<td></td>
<td>Safe Development: Health, Safety and Environment.</td>
<td>86</td>
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<tr>
<td>EN20</td>
<td>NO(_x), SO(_x), and other significant air emissions by type and weight.</td>
<td></td>
<td>Safe Development: Health, Safety and Environment.</td>
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<tr>
<td>EN21</td>
<td>Total water discharge by quality and destination.</td>
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<td>Safe Development: Health, Safety and Environment.</td>
<td>86</td>
</tr>
<tr>
<td>EN22</td>
<td>Total weight of waste by type and disposal method.</td>
<td></td>
<td>Safe Development: Health, Safety and Environment.</td>
<td>87-88</td>
</tr>
<tr>
<td>EN23</td>
<td>Total number and volume of significant spills.</td>
<td></td>
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<tr>
<td>EN24</td>
<td>Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.</td>
<td></td>
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<tr>
<td>EN25</td>
<td>Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization’s discharges of water and runoff.</td>
<td></td>
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<td></td>
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<tr>
<td>Profile disclosure</td>
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</tr>
<tr>
<td>OG6</td>
<td>The volume of flared and vented hydrocarbons</td>
<td>Safe Development: Health, Safety and Environment.</td>
<td>85</td>
<td></td>
</tr>
<tr>
<td>OG7</td>
<td>The amount of drilling waste and its disposal</td>
<td>Safe Development: Health, Safety and Environment.</td>
<td>87</td>
<td></td>
</tr>
<tr>
<td>EN26</td>
<td>Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.</td>
<td>Sustainable Development Management and Stakeholder Engagement.</td>
<td>52-53</td>
<td></td>
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<tr>
<td>EN27</td>
<td>Percentage of products sold and their packaging materials that are reclaimed by category.</td>
<td>Safe Development: Health, Safety and Environment.</td>
<td>82</td>
<td></td>
</tr>
<tr>
<td>EN28</td>
<td>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.</td>
<td>Safe Development: Health, Safety and Environment.</td>
<td>82</td>
<td></td>
</tr>
<tr>
<td>EN29</td>
<td>Significant environmental impacts of transporting products and other goods and materials used for the organization’s operations, and transporting members of the workforce.</td>
<td>Safe Development: Health, Safety and Environment.</td>
<td>82</td>
<td></td>
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<td>EN30</td>
<td>Total environmental protection expenditures and investments by type.</td>
<td>Safe Development: Health, Safety and Environment.</td>
<td>82</td>
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<tr>
<td>LA1</td>
<td>Total workforce by employment type, employment contract, and region, broken down by gender.</td>
<td>Development of Human Resources.</td>
<td>60-61</td>
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</tr>
<tr>
<td>LA2</td>
<td>Total number and rate of new employee hires and employee turnover by age group, gender, and region.</td>
<td>Development of Human Resources.</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>LA3</td>
<td>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.</td>
<td>Development of Human Resources.</td>
<td>65-66</td>
<td></td>
</tr>
<tr>
<td>LA4</td>
<td>Percentage of employees covered by collective bargaining agreements.</td>
<td>Development of Human Resources.</td>
<td>68</td>
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<tr>
<td>LA5</td>
<td>Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.</td>
<td>Development of Human Resources.</td>
<td>68</td>
<td></td>
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<tr>
<td>LA6</td>
<td>Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.</td>
<td>Development of Human Resources.</td>
<td>68</td>
<td></td>
</tr>
<tr>
<td>LA7</td>
<td>Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.</td>
<td>Safe Development: Health, Safety and Environment.</td>
<td>78-79</td>
<td></td>
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<tr>
<td>LA8</td>
<td>Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.</td>
<td>Safe Development: Health, Safety and Environment.</td>
<td>79</td>
<td></td>
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<tr>
<td>LA9</td>
<td>Health and safety topics covered in formal agreements with trade unions.</td>
<td>Development of Human Resources.</td>
<td>68</td>
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<tr>
<td>LA10</td>
<td>Average hours of training per year per employee by gender, and by employee category.</td>
<td>Development of Human Resources.</td>
<td>70</td>
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<tr>
<td>LA11</td>
<td>Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.</td>
<td>Development of Human Resources.</td>
<td>69-71</td>
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<tr>
<td>LA12</td>
<td>Percentage of employees receiving regular performance and career development reviews, by gender.</td>
<td>Development of Human Resources. The Company’s staff strategy and the Corporate Code offer no possibility of gender discrimination. Gender characteristics are not relevant for participation in performance evaluation procedures.</td>
<td>63-64</td>
<td></td>
</tr>
<tr>
<td>LA13</td>
<td>Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.</td>
<td>Development of Human Resources.</td>
<td>38-39</td>
<td></td>
</tr>
<tr>
<td>LA14</td>
<td>Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.</td>
<td>The basic salary for women and men does not differ.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LA15</td>
<td>Return to work and retention rates after parental leave, by gender.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR1</td>
<td>Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR2</td>
<td>Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR3</td>
<td>Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR4</td>
<td>Total number of incidents of discrimination and actions taken.</td>
<td>In 2010 no incidents of discrimination were recorded.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR5</td>
<td>Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.</td>
<td>No operations in which the right to exercise freedom of association and collective bargaining may be at significant risk were identified.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR6</td>
<td>Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.</td>
<td>No operations as having significant risk for incidents of child labour were identified.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR7</td>
<td>Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.</td>
<td>No operations as having significant risk for incidents of forced or compulsory labour were identified.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR8</td>
<td>Percentage of security personnel trained in the organization’s policies or procedures concerning aspects of human rights that are relevant to operations.</td>
<td>All employees of security services are subjected to an obligatory briefing on compliance with Russian human rights legislation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR9</td>
<td>Total number of incidents of violations involving rights of indigenous people and actions taken.</td>
<td>No violations were recorded in 2011.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OG9</td>
<td>Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.</td>
<td>The relevant matters were contained in the annual study of the social and psychological climate at Company enterprises.</td>
<td>47; 53-54; 94-95</td>
<td></td>
</tr>
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<tr>
<td>HR10</td>
<td>Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place.</td>
<td>○</td>
<td>Regional Policy and Local Community Development.</td>
<td></td>
</tr>
<tr>
<td>HR11</td>
<td>Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.</td>
<td>○</td>
<td>Not recorded.</td>
<td></td>
</tr>
<tr>
<td>SO1</td>
<td>Percentage of operations with implemented local community engagement, impact assessments, and development programs.</td>
<td>○</td>
<td>All the Company's subsidiaries.</td>
<td></td>
</tr>
<tr>
<td>SO2</td>
<td>Percentage and total number of business units analyzed for risks related to corruption.</td>
<td>○</td>
<td>Sustainable Development Management and Stakeholder Engagement.</td>
<td>47;</td>
</tr>
<tr>
<td>SO3</td>
<td>Percentage of employees trained in organization’s anti-corruption policies and procedures.</td>
<td>○</td>
<td></td>
<td>50-51</td>
</tr>
<tr>
<td>SO4</td>
<td>Actions taken in response to incidents of corruption.</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SO5</td>
<td>Public policy positions and participation in public policy development and lobbying.</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SO6</td>
<td>Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SO7</td>
<td>Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SO8</td>
<td>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SO9</td>
<td>Operations with significant potential or actual negative impacts on local communities.</td>
<td>○</td>
<td>All oil and gas producing and refining enterprises have significant potential for negative environmental impact.</td>
<td>29-30; 84</td>
</tr>
<tr>
<td>SO10</td>
<td>Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.</td>
<td>○</td>
<td>Safe Development: Health, Safety and Environment</td>
<td></td>
</tr>
<tr>
<td>OG10</td>
<td>Number and description of significant disputes with local communities and indigenous peoples.</td>
<td>○</td>
<td>No significant conflicts noted in the reporting period.</td>
<td></td>
</tr>
<tr>
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<tr>
<td>OG12</td>
<td>Operations where resettlement of households took place, the number of such households, and how their livelihoods were affected in the process.</td>
<td>●</td>
<td>No such operations in the reporting period.</td>
<td></td>
</tr>
<tr>
<td>PR1</td>
<td>Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR2</td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR3</td>
<td>Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.</td>
<td>●</td>
<td>Sustainable Development Management and Stakeholder Engagement.</td>
<td>52; 56</td>
</tr>
<tr>
<td>PR4</td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR5</td>
<td>Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.</td>
<td>●</td>
<td>Sustainable Development Management and Stakeholder Engagement.</td>
<td>52</td>
</tr>
<tr>
<td>PR6</td>
<td>Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.</td>
<td></td>
<td>Marketing communications are checked by respective divisions of the Company for compliance with Russian legislation.</td>
<td></td>
</tr>
<tr>
<td>PR7</td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR8</td>
<td>Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR9</td>
<td>Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OG14</td>
<td>Volume of biofuels produced and purchased meeting sustainability criteria.</td>
<td></td>
<td>No biofuel produced or purchased</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX 3
SELECTED TERMS & ABBREVIATIONS

**Additives** – Substances added in small quantities to fuels and technical oils to improve their performances.

**Assets, Enterprises** – In the context of the Report, subsidiaries and associates of JSC Gazprom Neft.

**Associated Petroleum Gas, APG** – The mixture of various gaseous hydrocarbons dissolved in crude oil and emitted during its production.

**Charities Voluntary activity** – The transfer of property, including money, performance of work, provision of services and other support to individuals or legal entities on a selfless basis (gratuitously or on preferential terms).

**Class of motor fuels** is an environmental standard established by the Russian technical regulation ‘On the Requirements to Motor and Aviation Gasoline, Diesel and Marine Fuel, Jet Fuel and Heating Oil’ and similar to the European standards. For example, class 5 of the Technical Regulations corresponds to the ‘Euro-5’.

**Company** – In this Report, JSC Gazprom Neft and all of its subsidiaries and associates.

**Corporate Communications** – Interaction, including information exchange, between the Company and its stakeholders.

**EBITDA** – Earnings before interest, depreciation and amortisation

**Grade** – A group of positions of approximately the same value to the Company, i.e. close by the level of functionality, competence, experience and responsibility requirements.

**GRI** – Global Reporting Initiative, an international organisation with the principal purpose of developing and implementing an authoritative and trusted sustainable development reporting system that may be used by organisations regardless of their size, activity and location.

**GRI** – Guidelines is an internationally recognized methodology of preparing reports on sustainable development, developed by the Global Reporting Initiative (GRI).

**GS** – Geological survey.

**Head Office/Headquarters** – The managing company, JSC Gazprom Neft.

**HSE** – Health, Safety and Environment.

**IPG** – Individual Protective Gear.

**IR Global Rankings (IRGR)** is a comprehensive international ranking system for IR-websites (corporate websites addressed to investors), online annual reports, financial disclosure procedures, corporate governance practices, etc. The ranking system is based on the research of publicly traded companies using the methodology of MZ Consult, one of the leading consultants in investor relations.

**IRMS** – Integrated Risk Management System. Risk management is a continuous, regular process covering risk identification, assessment, monitoring and response at all levels within the Company.

**ISO 14001** – The International Standardisation Organisation’s standard ‘Environmental Management Systems. Requirements with Guidance for Use’, 2004, which is one of the most widely used environmental management standards.

**ISO 26000** is the international social responsibility standard for organizations of all sectors and types that was adopted in 2010. ISO 26000 is a guiding standard, defining the general concepts and principles of the organization of activity.

**KhMAO-Yugra** is the Khanty-Mansi Autonomous Area – Yugra.

**Multiple well platform** is a limited territory of a field, on which a special area is prepared for a group of wells, oil and gas production equipment, service and amenities premises, etc.

**Non-Financial Reporting** See Sustainability Reporting.

**NO_x** – Nitric oxides.

**Oil Service** – Oil and gas field development service, including drilling of wells, assembly of rigs, arrangement of well pads, repairs of wells and drilling equipment etc.
Oil Service – Oil and gas field development service, including drilling of wells, assembly of rigs, arrangement of well pads, repairs of wells and drilling equipment etc.

PE – Petroleum equivalent (a reference fuel).

Sludge Pit – The place where drilling wastes are stored.

SO₂ – Sulphur oxide.

Stakeholders – All individuals and legal entities interested in the Company’s activity, which affect, or are affected by, the Company’s performance.

Subsidiaries – Subsidiaries of the company.

Sustainability Reporting (Non-Financial Reporting) – The aggregate of systems and processes for collecting, consolidating and submitting information reflecting the balance between financial, operational, social and environmental aspects of the Company’s business, principles and mechanisms for taking account of the interests of a wide range of stakeholders, managing the interaction with them in attaining goals important for the Company and the society.

Technical Regulations [in the Russian Federation] – A document (regulatory legal act) establishing mandatory requirements to items liable to technical regulation (products, including buildings, constructions and structures, production, operation, storage, transportation, sale and disposal processes).

Well utilization rate is the ratio of the actual time of a well operation over a specific period to the total calendar time in this period.

YaNAD – Yamalo-Nenets Autonomous District.
CONTACTS & FEEDBACK

We are keen to receive feedback concerning the present Report: your opinions on the issues discussed in this publication are very important to the Company. By taking part in the discussion of this Report, you can help to increase the efficiency of Gazprom Neft’s activities.

To comment on the Report or ask any questions, please contact us by phone, mail, e-mail or fax using the following contact details:

**Corporate Communications Unit**

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**OTHER CONTACTS ARE AVAILABLE ON THE COMPANY’S WEB-SITE**

http://www.gazprom-neft.ru/company/contacts/

**YOU CAN ALSO SEND AN E-MAIL FROM THE COMPANY’S FEEDBACK PAGE:**

http://www.gazprom-neft.ru/company/feedback.php

All questions you ask and all opinions you express will be taken into account for preparation of the Company’s next Sustainable Development Report.
JSC GAZPROM NEFT

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