

STAKEHOLDER ENGAGEMENT

GAZPROM NEFT'S STAKEHOLDER ENGAGEMENT SYSTEM AIMS TO ACHIEVE SUSTAINABLE DEVELOPMENT GOALS AND HARMONISE THE INTERESTS OF ALL STAKEHOLDERS. ENGAGEMENT WITH ALL STAKEHOLDERS IS BASED ON THE PRINCIPLES OF MUTUAL RESPECT AND COOPERATION, THE INFORMATION TRANSPARENCY OF THE COMPANY'S ACTIVITIES, REGULAR INTERACTION AND COMPLIANCE WITH OBLIGATIONS.

Gazprom Neft has a number of key groups of stakeholders whose interests are most inextricably linked to its activities and can have the greatest effect on the Company's ability to implement its strategic goals.

The main priorities of stakeholder engagement are reflected in corporate documents: the Corporate Conduct Code, Corporate Code and documents governing certain areas of business.

Gazprom Neft maintains a continuous dialogue with key stakeholders on all important matters. The dialogue agenda is based on the Company's continuous analysis of the internal and external social environment taking into its strategic targets and the priorities of stakeholders.

KEY GROUPS OF THE COMPANY'S STAKEHOLDERS



- Primary mechanisms for stakeholder engagement:
- > business contracts and cooperation agreements;
 - > business meetings and presentations;
 - > corporate communications system;
 - > public hearings;
 - > joint working groups;
 - > hotlines for employees and customers;
 - > surveys and studies on the opinions of employees, consumers and local communities;
 - > membership in public or expert associations;
 - > conferences and roundtables;
 - > corporate reporting.

The most effective mechanisms and tools are selected based on the goals and objectives of engagement and depend on the specific group of stakeholders.

SHAREHOLDERS AND INVESTORS

Engagement mechanisms:

- > General Meeting of Shareholders;
- > corporate reporting;
- > meetings with Company management;
- > conference calls for investors;
- > quarterly publication of an analyst's handbook and the monthly publication of a statistical compilation;
- > the Company's participation in the conferences of investment and broker organisations;
- > the annual Investor Day involving Gazprom Neft senior executives;
- > off-site meetings for investors at production and extraction sites;
- > updating of information in the 'Investors' section on the Company's website www.gazprom-neft.com

Key issues:

- > strategy implementation;
- > corporate governance and risk management;
- > respect for shareholder rights;
- > improving the efficiency of production and industrial safety levels

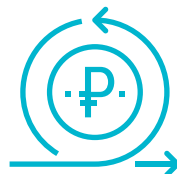
- > Read more about the General Meetings of Shareholders in the [Company's Annual Report for 2016](#)



The Company's largest shareholder is Gazprom PJSC, which owns a 95.68% stake in the Company's common shares. The remaining 4.32% of common shares are distributed among minority shareholders that include individuals and legal entities. The Company supports securities trading on the Moscow Stock Exchange through the regular disclosure of information and the release of documents in accordance with the requirements of the Exchange.

The procedures used to prepare for and hold General Meetings of Shareholders enable shareholders to review the necessary information, easily register as a participant in a General Meeting of Shareholders and take part in voting. The Regulation on the General Meeting of Shareholders guarantees shareholders' equal opportunity to express their opinion and ask any questions they might have (including to members of the Company's Management Board).

The Annual General Meeting of Shareholders held on 10 June 2016 considered the payment of dividends based on the results of the Company's activities in 2015 and decided to pay dividends in the amount of RUB 6.47 per share (taking into account dividends paid for the first half of the 2015 financial year).



RUB 6.47

dividend payments per share based on 2015 results

EMPLOYEES

> Engagement mechanisms:

- > internal corporate communications system;
- > meetings between work teams and managers at Gazprom Neft enterprises devoted to the current agenda of business and cooperation issues;
- > studies of the social and psychological climate at the Company's enterprises;
- > corporate events;
- > cultural and sporting events.

> Key issues:

- > remuneration and social support system;
- > safe working conditions;
- > employee training and development.

The Company's interaction with employees is governed by internal regulations, collective agreements and the Corporate Code. In following the principles of social partnership, the Company actively interacts with trade union organisations representing the interests of workers.

Gazprom Neft works continuously to improve its internal corporate communications system with special attention paid to feedback tools. The Company regularly conducts studies of the social and psychological climate based on which it identifies existing problems in the workforce and develops measures to eliminate them.

> Read more about employee engagement and the results of these activities in the 'Human Resource Development' p. 56

GOVERNMENT AUTHORITIES

> Engagement mechanisms:

- > agreement on socioeconomic partnership;
- > joint working groups, roundtables and meetings;
- > corporate reporting;
- > participation in commissions and conferences.

> Key issues:

- > improvements to the regulation and stimulation of the development of the oil and gas sector;
- > the Company's strategic development;
- > the development of the raw materials base;
- > the Company's role in developing its regions of operations;
- > the environmental impact of the Company's production activities;
- > compliance of the Company's activities with the legislative norms of the Russian Federation.

Gazprom Neft works with government authorities at the federal and regional levels. The Company is committed to contributing to the sustainable development of the regions where it operates and the country as a whole as well as modernising and developing the oil industry taking into account the actual socioeconomic situation and the goals for the development of the regions and the industry. Gazprom Neft specialists actively take part in drafting and improving regional legislation and the regulatory framework in the industry.

COOPERATION AGREEMENT

Gazpromneft – Bitumen Materials and FSUE Main Road and Airfield Construction Department under the Russian Federal Agency for Special Construction signed a cooperation agreement. The parties will join forces for R&D and laboratory testing to study binder compounds – from conventional and modified binders to bitumen derivative products – and monitor their quality taking into account the climatic and operating conditions of different regions. This cooperation will result in the development of high-quality bitumen materials for the future projects of the Federal Agency for Special Construction which will make it possible to increase the service life of road and airfield pavement.

> Read more about interaction with the government authorities and the results of these activities in the 'Regional Policy and Development of Local Communities' p. 112

SUPPLIERS AND CONTRACTORS

Engagement mechanisms:

- > competitive measures;
- > contracts and agreements;
- > business meetings and Company forums;
- > external conferences and exhibitions;
- > corporate website.

Key issues:

- > observance of mutual obligations;
- > support for domestic manufacturers;
- > transparency, openness and competitiveness in the selection of contractors;
- > observance of business ethics and anti-corruption.

> Read more about interaction with suppliers and the results of these activities in the 'About the Company' p. 10

Gazprom Neft develops mechanisms for cooperation with contractors with a focus on being transparent for the market, market pricing as well as long-term and structured relationships. The Company pursues long-term contracting, adapts pricing mechanisms to current influential factors and introduces additional components of motivation for counterparties.

Gazprom Neft is committed to providing comprehensive support to domestic producers in helping them to develop new types of products and technologies and promotes the development of a national production base and network of suppliers. When choosing services and equipment to implement its projects, the Company gives preference to goods, work and services of Russian origin. More than 90% of the funds that Gazprom Neft spends on procurements go to Russian contractors. The Company is also actively involved in the work of intersectoral groups to support initiatives associated with the establishment of joint ventures and the localisation of production capacity as well as the R&D of leading foreign producers working in Russia.

CUSTOMERS

Engagement mechanisms:

- > contracts;
- > mass media;
- > business meetings, including off-site meetings;
- > conferences and forums;
- > complaint handling system;
- > reporting.

Key issues:

- > product quality;
- > improved customer service level;
- > transparent pricing;
- > ethical business practice.

Engagement with the Company's customers aims to build long-term mutually beneficial relationships. In order to achieve this goal, the Company carries out programmes to improve the quality and environmental friendliness of its products, strives to provide customers with prompt and reliable information about its products and fosters a dialogue with customers. Some of the key tools of this dialogue include Gazprom Neft conferences for customers and distributors, off-site meetings and fact-finding missions during which future customers and clients that already cooperate with the Company can see the production process

LONG-TERM PROGRAMME FOR COOPERATION WITH MAINTENANCE STATIONS

In April 2016, Gazpromneft-Lubricants presented an updated concept for partner relations in 2016 at the fourth 'Association of Automobile Dealers' (AAD) convention. The package proposal offered to automobile dealers by Gazpromneft-Lubricants includes the development of a long-term cooperation programme that aims to retain existing and attract new customers to the dealer maintenance stations, form an individual supply plan for G-Energy oil, maintain attractive prices for products, provide technical training for service station personnel and conduct joint marketing events.



We strive to meet the emerging needs on the Russian market to the maximum extent and actively cooperate with large industrial giants as well as with small maintenance stations. This is possible due to the large volume and wide range of products as well as flexible service programmes and skilled technical support.

Alexander Klimashin

Gazpromneft Lubricants Deputy General Director for Sales

in person, study products in detail and discuss important issues. The Company regularly analyses the demand and level of satisfaction among its customers and develops a system to address their complaints.

> Read more about interaction with customers and the results of these activities in the 'About the Company' p. 10

LOCAL COMMUNITIES

> Engagement mechanisms:

- > social projects as part of the 'Native Towns' social investment programme;
- > public hearings, roundtables and dialogues;
- > corporate and external media relations;
- > the Company's reporting.

> Key issues:

- > the Company's contribution to the socioeconomic development of the regions where it operates and improvements to the quality of life of the local population;
- > the development of human capital in the regions, stimulation of the population's activity and competency in solving the socioeconomic development problems and objectives of their region;
- > transparency of the Company's activities and decisions;
- > the Company's financial stability;
- > the industrial and environmental safety of the Company's activities and nature conservation measures.

The Company develops constructive engagement with local communities to support the socioeconomic development of the regions, create a favourable environment for the activities of Gazprom Neft and preserve cultural traditions as well as the environment of such regions.

The results of dialogues with local communities and studies of the social climate in these areas serve as the foundation for the development of the Company's social projects. The Company strives to involve the local population in their implementation since it views the social activity of local communities as an essential factor for regional development.

In order to generate awareness about its activities and collect comments and suggestions, the Company has developed the practice of holding dialogues and roundtables with local communities in the regions. Public hearings are also a key mechanism of engagement when developing and implementing production projects.

> Read more about interaction with local communities and the results of these activities in the 'Regional Policy and Development of Local Communities' p. 112

PUBLIC ORGANISATIONS

> Engagement mechanisms:

- > conferences and exhibitions;
- > roundtables;
- > joint implementation of social projects;
- > reporting.

> Key issues:

- > environmental and industrial safety of the Company's activities and nature conservation measures;
- > the Company's involvement in regional development;
- > information openness and transparency of activities.

The Company is involved in different public and expert organisations, in particular the activities of the Russian Union of Industrialists and Entrepreneurs and the Chamber of Commerce and Industry of the Russian Federation, among others. These activities aim to promote the sustainable development of the country and the industry.

Gazprom Neft enlists experts from public organisations to develop and implement social and environmental projects as well as to discuss the Company's activities at roundtables and conferences in the regions.

EXPERTS AT THE MOSCOW OIL REFINERY

Executives and experts from the country's leading environmental organisations – the World Wildlife Fund (WWF Russia), the Development and Environment Foundation, the Green Patrol non-profit organisation and the Russian Bird Conservation Union visited the Moscow Oil Refinery in 2016. The environmentalists inspected the existing system of mechanical treatment facilities, studied the operation of the integrated environmental monitoring system and visited the construction sites of key projects undergoing the second stage of modernisation – the Biosphera innovative biological treatment facilities and the latest Euro+ combined oil refining unit.