PRODUCT QUALITY
CONTROL AND IMPROVEMENT

GAZPROM NEFT INVESTS HEAVILY IN THE MODERNISATION OF ITS OIL REFINERIES IN AN EFFORT TO IMPROVE THE QUALITY OF ITS PETROLEUM PRODUCTS.

The Company works continuously to enhance the effectiveness of customer support processes and improve the quality of its products and the reliability of its surveillance modes. The key areas of work to improve product quality and comply with regulatory requirements include:

> modernising and rebuilding process equipment;
> commissioning new technological facilities and technologies;
> increasing the safety of petroleum products through stricter control;
> identifying and eliminating systemic problems with the quality of petroleum products;
> introducing innovations in exploration and production, and conducting R&D and organisational and technical measures that aim to stabilise product manufacturing technologies and product quality at oil refineries;
> manufacturing new types (brands) of products that meet the modern quality requirements of the market (customers);
> introducing in-line quality inspection at technological facilities;
> improving the skills level of personnel and optimising operational processes;
> developing cooperation with and informing customers about matters concerning product quality.

Quality control management at Gazprom Neft is integrated into the general management systems. The management systems of a number of the Company’s subsidiaries and enterprises (Gazpromneft-Lubricants, Omsk Oil Refinery, Moscow Oil Refinery and Gazpromneft-Ryazan Bitumen Materials Plant) are certified for compliance with the requirements of the international quality standard ISO 9001. In 2016, Gazpromneft-Lubricants underwent a recertification audit of its management system for compliance with the requirements of ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 and a compliance audit according to the standard ISO TS 16949:2009. Gazpromneft-Ryazan Bitumen Materials Plant underwent a verification audit for compliance with the international certificate of conformity of the factory production control (EN 14023:2010 (16 brands) and EN 12591:2009 (four brands)). The Moscow Oil Refinery received an EN 12591:2009 certificate for two brands.

The oil refineries have testing laboratories that provide product quality control at all stages of production, from analysing raw commodities and materials to shipments to consumers. In addition to intra-plant inspections, outside surveyor organisations may be additionally hired at the request of customers to perform random product quality control during its shipment to customers.

The products manufactured by the Company’s subsidiaries comply with the requirements of Russian and international standards and regulations. In particular, Gazpromneft-Lubricants products undergo an impact assessment on human health and environmental safety and comply with the requirements of the Customs Union’s technical regulation ‘On the requirements for lubricants, oils, special liquids’ (TR TC 030/2012), the standards of the international organisations API, ISO, ACEA, ILSAC, DIN and others.

CASES IN WHICH THE COMPANY’S PRODUCTS FAILED TO COMPLY WITH REGULATORY REQUIREMENTS

<table>
<thead>
<tr>
<th>Case Description</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of cases when products failed to comply with regulatory requirements as identified by a laboratory</td>
<td>1,101</td>
<td>558</td>
<td>563</td>
</tr>
<tr>
<td>Cases when products failed to comply with regulatory requirements resulting in a fine or penalty</td>
<td>Not found</td>
<td>Not found</td>
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¹ Surveyor activities involve an assessment of the quality of freight based on its physical, chemical and biological condition.
Safety data sheets are developed for exported products in accordance with REACH regulations (Registration, Evaluation and Authorisation of Chemicals)\(^2\); safety data sheets have been developed for products put into circulation on Russian territory in accordance with applicable legislation. Products for the domestic market comply with Russian GOST requirements.

The products of Gazpromneft-Lubricants also have roughly 300 confirmed approvals by original equipment manufacturers that impose additional requirements on product quality.

The Company is implementing the Gazprom Neft Target Fuel Quality Safety Programme for fuel sales. An independent comprehensive service has been developed for the Company’s subsidiaries to preserve and monitor the quality of petroleum products. Investigations are conducted for each discrepancy to determine their cause, and developments are made to eliminate them. The Company is working to improve the effectiveness of monitoring facilities and counterparties and thoroughly verifies carriers. In 2016, contracts were terminated with several unscrupulous companies, which were entered on a ‘list of unscrupulous drivers’ and not allowed to transport Gazprom Neft petroleum products.

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### KEY MEASURES TO IMPROVE PRODUCT QUALITY IN 2016

**PRODUCTION AUTHENTICATION SYSTEMS**

Gazpromneft-Lubricants introduced a unique system to verify the authenticity of products manufactured under the Gazpromneft brand. The factory places a unique code on the label of each canister of the most popular packaging in 4 and 5 litres under a special protective layer. Any customer can verify the authenticity of the product in real time by texting this code to a short number or by entering it on a special website. The system will confirm whether this code exists in the database and notify the customer about the purchase of the original product.

**Quality control improvement:**
- more precise methods for controlling the quality of oils were introduced to comply with the level of foreign requirements;
- a system was introduced to verify the authenticity of products manufactured under the Gazpromneft brand\(^3\).

**Production of new types of products with higher quality attributes:**
- a programme was prepared to develop product lines in the oils segment, use in the Arctic and the pipe industry;
- a programme was implemented for the qualification assessment of a pilot sample of the Company’s own group 3 base oils;
- the development of new kinds of innovative bitumen products manufactured by NOVA-Brit LLC in which Gazpromneft – Bitumen Materials purchased a stake in 2016;
- four brands of polymer-bitumen binders were developed and put into production;
- the modernisation of Unit 36/1 No. 1 at the Omsk Oil Refinery was completed in an effort to create eco-friendly TDAE-type softening oils;
- 33 new products were created and the quality attributes of 20 products of Gazpromneft-Lubricants were improved;
- more than 100 training events were conducted on products of Gazpromneft-Lubricants for consumers and partners;
- the oils and petrochemistry laboratory of the Omsk Lubricants Plant finished developing a research method for the production of transmission oils;
- a pilot plant was commissioned for the development of IKA Master Plant 10 lubricant technologies, which makes it possible to develop production technologies and greases for various purposes in laboratory conditions with subsequent scaling to industrial equipment and also to improve the existing compounds in an effort to reduce the cost of finished products.

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\(^2\) REACH is a European Union regulation (Regulation (EC) No. 1907/2006) that has regulated the production and turnover of all chemical substances, including their mandatory registration, since 1 June 2007.

\(^3\) High-quality motor and transmission oils for cars are produced under the Gazpromneft brand.
ENGAGEMENT WITH CUSTOMERS

GAZPROM NEFT IS COMMITTED TO BUILDING DIRECT AND LONG-TERM RELATIONSHIPS WITH ITS CUSTOMERS. THE COMPANY ENGAGES IN DIALOGUES WITH CUSTOMERS BY PROVIDING THEM WITH TIMELY AND RESPONSIBLE INFORMATION ABOUT ITS PRODUCTS, IMPROVING THE CUSTOMER COMPLAINT SYSTEMS AND STUDYING THE LEVEL OF CUSTOMER SATISFACTION WITH THE QUALITY OF PRODUCTS AND SERVICE.

Each batch of products that is sent to customers is accompanied by a quality certificate for the particular product. The quality certificate for each batch products must specify:

> the name and brand of the product;
> all quality indicators according to the regulatory requirements for the product;
> the standards and actual values of the quality indicators.

The following information is printed on the labels of packaged products:

> the scope of the product;
> specifications and approvals from equipment manufacturers that describe the product’s performance parameters;
> information on compliance with safety rules when using the product;
> a reference to the document that regulates the transportation and storage of the product;
> the name of the most dangerous substance for human health and the environment contained in the product;
> information about the disposal of used products and packaging.

The maximum possible and most effective communication channels are used to create awareness among each group of consumers.

Extensive media campaigns are held among motorists to position the Gazprom Neft fuel quality control system. Media tours are conducted of the Company’s industrial facilities for high-profile journalists and bloggers who write about automotive issues. The capabilities of the Gazpromneft filling station network’s mobile laboratories for the operational control of fuel quality are regularly demonstrated at major automobile events.

Corporate and small-scale wholesale customer are made aware about the quality of Gazprom Neft’s fuel at industry and expert events such as exhibitions, conferences and roundtables and also via newsletters and brochures, information in the business media, direct dialogue between the Company’s management and customers at events and at technical training sessions and seminars for partners and customer.