



Rosneft:

**Contributing to Implementation
of UN Sustainable Development Goals**



Gerhard Schröder

Chairman of the Board
of Directors
Rosneft Oil Company

In the recent years the Company strengthened its role in the global energy market and demonstrated excellent performance of its core operations due to efficient project execution, application of new technical solutions, and continuous efficiency improvements, which had a positive impact on investor perceptions and was reflected in the increased Company value.

However, value for the Company cannot be created without creating value for the society. The theme of sustainable development has up to these days been a consistent theme in my political life. In my younger years, and later on as Chancellor of the Federal Republic of Germany I consistently pushed the agenda of business accountability to society, not only by virtue of value creation, but also by caring for the environment, societal well-being and harmonious development.

As participants of the UN Global Compact, we diligently work for meeting the growing global energy demand which is a prerequisite for harmonious socioeconomic development and improved living standards.

Therefore I am pleased to introduce the vision and guidelines for the Company's sustainable development, which reflect our responsible approach and contribution to achieving the 17 Sustainable Development Goals of the United Nations that are integrated in strategic and policy documents of the Company.



Igor Ivanovich Sechin

Chairman of the Management Board,
Chief Executive Officer
Rosneft Oil Company

As a responsible producer and a participant of the global energy market, the Company is focused on the rational use of natural resources and implements large-scale upstream projects, refinery upgrades, production of modern environment-friendly fuels and minimization of its environmental footprint.

While executing the Strategy "Rosneft-2022" the Company implements initiatives aimed at entering the first quartile in the area of health, safety and environment, combatting climate change, developing employee potential, and contributes to regional socioeconomic development.

High agility and flexibility of our business model, establishing partnerships in integrated production and marketing businesses on a global, national and regional levels ensure the Company can achieve solid results despite volatility in commodity markets.

This document is another proof that business responsibility is one of the Company's core values, and it complements the reports and policies in the area of sustainable development that we publish regularly for the purpose of informed and sustainable dialogue with our stakeholders.

Rosneft-2022 Strategy contributes to achieving the Sustainable Development Goals of the United Nations¹

The Board of Directors of Rosneft Oil Company approves the strategic guidelines and public statement “Rosneft: Contributing to Implementation of the UN Sustainable Development Goals”

Sustainable Development Goals of Strategic Priority



Acting within execution of the Rosneft-2022 Strategy, the Company is guided by the principles of responsibility and works for the benefit of its shareholders and other stakeholders. Starting with 2010, Rosneft has participated in the UN Global Compact, that urges its members to contribute to achieving the UN Sustainable Development Goals (SDGs).

[On 20 December, 2018, the Board of Directors of Rosneft Oil Company](#) has approved the following UN SDGs of strategic priority for its core businesses:

- Good health and well-being;
- Affordable and clean energy;
- Decent work and economic growth;
- Climate action;
- Partnerships for the goals.

Sustainable Development Goals integrated in current operations



The Company's operations directly contribute to achieving the UN goals which is also supported by Rosneft's participation in various projects and initiatives aimed at improving living standards in the regions of our operations, and developing public health services, science and education, culture and ecology.

The Company's mission, values, objectives and strategic guidelines of sustainable development are aligned with the UN Sustainable Development Goals.

¹ Sustainable Development Goals of the United Nations [approved by the UN General Assembly Resolution on 25 September, 2015] aim to achieve significant progress in meeting global economic, social and environmental challenges.

Good health and well-being



In 2018, about 25 thousand employees from 92 Company subsidiaries took part in Rosneft's annual Spartakiad Games.

3.1 Protecting health and ensuring safe working environment. Promoting labour safety of suppliers and contractors

The Company aims at achieving leading results in accident-free operations and ensuring the safety of Rosneft employees and contractors.

Before the end of 2022, we intend to enter the first quartile of the international peer group with regard to health, safety and environment performance.

The Company maintains an [effective integrated HSE management system](#) which aligns with the OHSAS 18001 international standard, and is externally audited. We use internationally recognized indicators (including LTIF and PSER Tier 1) to measure safety performance. Both employees and contractors are included in these indicators from the start of 2018.

Health and safety indicators are included as part of the management KPIs.

Company HSE performance is monitored quarterly both at the Board level, and at the management HSE Committee.

Leaders at all levels provide clear HSE direction by following consistent Company Leadership Principles, priority of human life, health and safe working environment. Employees and contractors, wherever they work, must adhere to our Golden Safety Rules, and act to stop the job if it endangers human life or health.

The Company has a [Programme for enhancing safety culture and conscious safety leadership](#). The programme's main achievement is reduced injury frequency among Company employees and contractors.

3.2 [Environmental Policy and Commitments](#)

Preserving the environment for future generations is an integral part of Rosneft corporate culture and business principles. The Company aims at becoming the leading performer in minimizing the environmental footprint of its operations and in sustainability of its production facilities.



Rosneft carries out annual studies of Arctic polar bears. The Company has also put under its care all polar bear species held in Russian zoos.

In 2018-2022 our “green” investments will total RUB 300 bln.

The Company’s environmental targets up to 2022 include the following

- Reducing GHG emissions with a view to combatting climate change;
- Minimizing the environmental footprint through application of best-in-class available environmental technologies, waste recycling, effective waste water treatment, and consistent implementation of environmental investment projects and initiatives;

■ Taking action for ecosystems and biodiversity protection and natural resources recovery, including land remediation.

The Company prioritizes preventive action with regard to emergency situations. The corporate integrated HSE management system is aligned with [the ISO 14001 international standard](#). Environmental risk management is aligned with the Company’s internal control and HSE risk management systems.

In 2018, Rosneft’s “green” investments amounted to RUB 45.6 bln. In the past five years, the Company’s “green” investments exceeded RUB 240 bln. In 2018, the area of legacy oil contaminated soil reduced by 14% from the previous year, polluted discharge and oil spills dropped by 7% and 9% respectively, and the volume of treated waste exceeded the volume of waste generation by 15%.

The Company has launched new environment-friendly business – retail stations offering natural gas motor fuel.

In 2018, 10 modules of compressed natural gas were installed at operating retail stations, ensuring reduced hazardous transport emissions. The Company offers its consumers new motor fuels with improved technical characteristics (Pulsar 100 and Euro-6, and a range of ACTIVE motor fuels). The Company has also started installation of chargers for electric vehicles at its retail network (8 chargers installed in 2018, for further information please go to [Section 11.2](#)).

3.3 [Risk and incident management](#)

The Company aspires to accident-free operations and ensuring the safety of its employees and contractors.

The Company maintains an HSE risk management system which establishes a uniform streamlined framework for identifying hazards and assessing risks that may bring harm to employees and contractors, and actions that eliminate or mitigate the identified risks. The Company draws lessons from each and every incident and accident. Corporate procedures for accident investigation are primarily aimed at identifying the root causes and preventing similar accidents in the future.

3.4 Road safety

The Company participates on an ongoing basis in activities aimed at ensuring road safety and carries out initiatives to prevent road accidents.

Our employees and contractors drive almost 2 billion kilometres annually due to the scale of the Company's operations and the magnitude of distances.

The Company has adopted a framework for its road safety management system which also includes contractors and subcontractors and sets standards for drivers, vehicles, and equipment.

At the end of 2018, 83% of vehicles were equipped with in-vehicle monitoring systems and 71% of vehicles were equipped with dash cams.

The Company uses indicators, including SVAR and RTAF, to benchmark transportation safety performance and maintains a road safety communications program which includes regular safety awareness campaigns.

3.5 Developing favourable social environment

Rosneft acts in compliance with the highest standards of social responsibility with a particular focus on health protection and comfortable working conditions, support and promotion of healthy lifestyle, improved housing and living standards for Company employees and their families, and financial support of veterans and retired people. The Company also contributes to developing favourable social environment in the regions of its operations.

The Ministry of Energy of the Russian Federation recognized Rosneft as the company of the highest social responsibility in Russia's oil and gas industry for two years running (2017 and 2018).

Our contribution to development of favourable social environment focuses on:

- Improvement of social and living conditions at our production sites, including in remote regions and areas with severe climate conditions;
- Emergency medical aid at Company facilities;
- Comprehensive housing programme including corporate mortgage loans;
- Corporate pension programme and veteran social support project;
- Insurance programme: over 300 thousand employees are insured with voluntary health insurance policies, and with voluntary accident insurance programmes.



The opening of a high-technology multipurpose health centre in the city of Gelenzhik on the Black Sea shore in the south of Russia took place in February, 2018. The centre was built with Rosneft's support, and has the equipment for in-depth study of arteries and veins, the first in Russia, the magnetic resonance tomography Magnetom Aera expert equipment, and other modern facilities.

The Company applies uniform standards of medical support and emergency care at its production facilities. Starting with 2017, Rosneft has put in place a comprehensive Programme for using ambulance aircraft for employee evacuation from its production facilities. The Company sets high standards for the pre-hospital medical care at its remote and isolated facilities, supports ongoing skills upgrade and development of medical staff on the on-site health centres, as well as progress in telemedicine technologies.

Rosneft: Contributing to Implementation of UN Sustainable Development Goals. Sustainable Development Goals of Strategic Priority

Along with developing the corporate retirement plan, in 2018 the Company approved the Active Longevity programme, aimed at improving the living standards of retired non-working employees by one-time indexation of corporate pensions granted before 2010 (inclusively) and holding annual indexation of all corporate pensions through the investment income of the NEFTEGARANT non-state pension fund.

We focus on providing our employees with timely medical treatment of high quality, health resort and preventive treatment. In 2018, over 78 thousand Company employees received treatment at health resorts of the Krasnodar region in the south of Russia, the Altai region in West Siberia, and Republic of Bashkortostan.

Rosneft renders significant support to health care services and development of medicine in the regions of its operations. The Company provided financial support to the following projects:

- Construction of a unique multifunctional health care centre in Gelenzhik in the south of Russia, equipped with cutting edge facilities (opened in February 2018);
- Construction of a new building of the children's regional hospital in the city of Saratov in the Volga-Urals region of Russia;
- Acquisition of modern medical equipment for the Krasnoyarsk regional hospital, Turukhansk regional hospital, Igarka city hospital, Krasnoyarsk interdistrict hospital № 20, Krasnoyarsk children's antituberculous early treatment centre;
- Establishment of a comprehensive emergency response health care system in the Far North. The system includes medical centres in the Vankor cluster, the Igarka airport, the Igarka city hospital and Krasnoyarsk regional hospital.

Following our intent to support sports and promote healthy lifestyle, Rosneft holds Winter and Summer Spartakiada Games on an annual basis. In 2018, 25 thousand employees from 92 Company subsidiaries took part in Spartakiada Games taking into account the preparatory, team selection period.

The Company supports development of professional and amateur sports. Rosneft sponsors the CSKA hockey club (Moscow) and the Arsenal football club (Tula). We support domestic car-makers and promote motor sports in Russia by sponsoring the Lada Sport ROSNEFT motor racing team. Rosneft is also a general sponsor of the International Sambo Federation.

Please see [Section 1.2](#) for further details.



In its capacity as the general sponsor of the International Sambo Federation, Rosneft has been engaged in promoting sambo, the art of self-defence, in Russia and globally, as well as all the competitions held by the Federation, since 2016.

Affordable and clean energy

7 AFFORDABLE AND CLEAN ENERGY



The Vankor 200 MW gas-turbine thermal power plant provides power and heating energy to the Vankor hydrocarbon cluster which is developed by Rosneft's RN-Vankor subsidiary, one of the largest employers in the Krasnoyarsk region in East Siberia.

7.1 Increasing Company energy efficiency in all operating segments

The Company is one of the largest consumers of fuel and energy resources: its share in the country's energy balance exceeds 4%. Since 2009 Rosneft has been implementing [the Energy Saving Programme](#). The programme aims at reducing energy consumption and improving economic, environmental and operating performance.

The Board of Directors controls achievement of energy efficiency targets in the reporting period which are included in top management KPIs.

Since 2013 the Company has adopted and improves an energy management system which is aligned with the international ISO 50001 standard. The corporate Policy on energy efficiency and energy saving is in place. In 2018, investment in the Energy Saving Programme amounted to RUB 1.4 bln, while energy savings exceeded RUB 9.3 bln (4.1% of the Company's overall energy costs).

7.2 Taking action conducive to [improved energy efficiency](#) when using Company products

Most greenhouse gas emissions associated with the use of products manufactured by the oil and gas industry relate to the consumer use. In order to minimize the environmental footprint and to combat climate change the Company is consistently:

- commissioning new and upgraded refinery facilities (over 30 units have been commissioned, including 23 capital projects and technical upgrades of operating units), expanding the list of low-carbon products with improved fuel efficiency metrics;
- communicating better environmental and operating characteristics of produced fuels and new products release; changing its product mix in favour of environmentally friendly products, increasing natural gas production and its share in the energy mix.

In 2013-2018, Company gas output increased from 38.2 Bcm to 67.3 Bcm per annum – the highest growth rate in absolute terms among the Russian independent producers. Beyond 2020, gas output should exceed 100 Bcm per annum.

The Company is working on increasing the level of the associated petroleum gas (APG) utilization within implementation of the Gas investment programme.

In 2018, Rosneft completed 19 facilities for APG utilization, including facilities for gas re-injection, power generation, gas treatment and utilization, as well as gas infrastructure. The Programme for increasing the beneficial use of APG is implemented in all regions of Company operations.

The Company employs a comprehensive approach to greenfield development, whereby project design takes into account the required rate of the beneficial APG utilization and the time frame for reaching it. In 2013-2018, Rosneft invested over RUB 125 bln in projects aimed at APG utilization and beneficial use, which is comparable to “green energy” investments of global majors.

The Company has completed transition to Euro-5 motor fuel supplies to the domestic market as a result of a number of refinery development projects and technical upgrades of operating units within the time frame set by the Russian Technical Regulations.

In 2018, Rosneft launched oil products with improved environmental and performance characteristics: AI-100 high-octane gasoline at the Ryazan Refining Company and Euro-6 gasoline with improved environmental and performance characteristics at the Ufa Refining Group and the Saratov Refinery.

Euro-6 gasoline contains

- less sulphur, which decreases corrosive activity;
- less benzene, which decreases toxic exhausts;
- less olefinic hydrocarbons which carbonize engine during combustion;

- less aromatics, which also decreases engine carbonizing;
- less tar concentration;
- increased fuel stability.



In 2018, the Company launched sales of the high-octane Euro-6 gasoline in the Republic of Bashkortostan in the Southern Urals and the Krasnodar region in the south of Russia.

In total, due to the lower general level of sediments, the above characteristics prevent engine wear, increase the operational life of the aftertreatment system and reduce toxic exhausts.

New gasoline grades have less components that lead to excessive sediment formation on engine parts, confirmed by tests. In particular, they have lower sediments on induction valves and the car combustion chamber by 12.5% and 12.7% correspondingly. The volume of most toxic compounds is also reduced: CO (carbon monoxide) is lower by 9.5%, CH (various hydrocarbon compounds) is lower by 3.6%, and NOx (nitrogen oxide) is lower by 3.9%.

7.3 Ensuring access to energy and reliable energy supplies to consumers, including the emerging markets

The Company is a prominent participant in the global energy market, and acknowledges its role and responsibility for timely, reliable energy supplies to consumers, equally affordable and at competitive prices.

The Company has established a diversified system of energy supplies accessible for consumers with different levels of economic development, in compliance with modern energy security requirements, and offering a wide range of cooperation options, including tender sales and long-term contracts. We focus on increasing hydrocarbon production and improving our incremental product mix.

Rosneft's share in the global crude oil production amounts to 6%.

7.4 Innovation activities

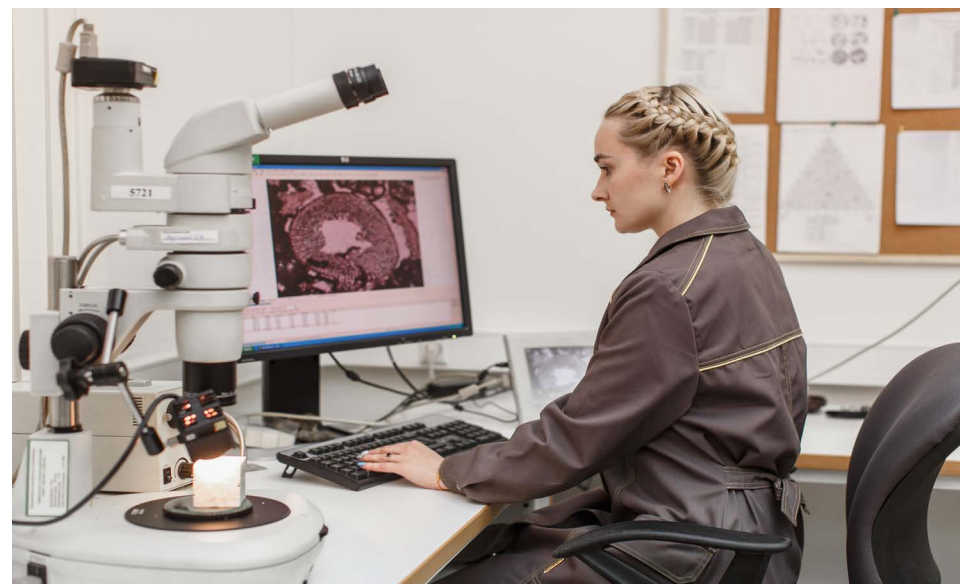
Leadership in innovation and R&D activities is an important growth driver for the Company. Rosneft innovation effort includes development and application of new products and technologies, and business process management know-how.

The Company has adopted and regularly updates [the Innovative Development Programme](#) aimed to make the Company one of the industry technology leaders. In 2018, the programme investments amounted to RUB 53.9 bln, including R&D investments of RUB 32.1 bln. Priority activity areas include:

- elaboration of new technologies, equipment and materials with a view to increasing energy and operating efficiency, and developing new types of reserves, including development and application of proprietary geological and hydrodynamic field modelling tools and geophysical and hydrodynamic well logging;
- development of new products, improving the Company product mix;
- process-focused and other innovations aimed at incremental operational safety and improved business efficiency;
- introduction of smart production processes and development of digital technologies including dedicated software.

In 2016-2018, confirmed economic benefit from piloting new technologies and introducing results of dedicated innovation projects/technologies exceeded RUB 15 bln.

The Rosneft R&D and project design complex consists of 29 scientific-research and design institutes,

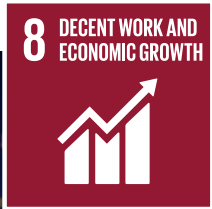


Innovative science and research activity is a key driver of the Company's development. In 2018, Rosneft allocated RUB 53.9 bln for implementation of the Innovative Development Programme.

employing over 13 thousand people, including more than 700 employees with Ph.D and doctorate degrees. Institutes of the Corporate R&D and project design complex implement project feasibility studies, engineering design of field development and infrastructure, well engineering and drilling technical support.

Institutes of the Corporate R&D and project design complex have created a number of unique technologies, including an Arctic catalyst enabling fuel to work at temperatures minus 47 degrees Celsius, unique biotechnology for eliminating oil pollution at below-freezing temperatures, polymer proppant for hydraulic fracturing and a range of proprietary high-tech software.

Decent work and economic growth



Rosneft provides social protection for its employees and members of their families. The Company supports freedom of association, recognizes the employee right to concluding collective agreements and the right of each employee for collective representation of their interests.

8.1 Contributing to sustainable development and diversification of the national economy

The Company contributes to sustainable development and technical progress of the economy, creation of new industries, highly productive jobs and value-adding products through a transfer to long-term contracts with consumers, suppliers and contractors, as well as a system of anchor orders.

The Company's [programme of import substitution and localization of equipment manufacturing](#) provides for development of related industries and gradual localization of foreign equipment production, including partnerships with leading world manufacturers.

8.2 Protecting employee health and safety, contributing to health and safety of contractors and suppliers

Please refer to [Section 3.1](#).

8.3 Creation of favourable social environment

Please refer to [Section 3.5](#).

8.4 Supporting family and childhood

The Company ensures social protection for employees and their families. Female employees, following the end of their maternity leave, have a guaranteed work place and smooth integration in the corporate team.

In group subsidiaries payment for the period of temporary disability in connection with pregnancy and childbirth is based on an average salary calculation.

The Company provides assistance for construction of social and health care facilities for children within the framework of its social and economic partnership with the regions.

8.5 Freedom of association and collective bargaining

The Company supports freedom of association, acknowledges the integrity of the employees' right to conclude [collective agreements](#), and the right of every employee to collective representation of his/her interests, including trade unions. These norms are stipulated in [Rosneft's Code of Business and Corporate Ethics](#).

More than 76% of Company employees are part of the labour contract.

The Company management maintains engagement with the Interregional trade union of Rosneft, with the Standard collective agreement template in place.

Representatives of trade unions carry out independent monitoring and assessment of industrial safety and labour protection at the Company's sites through their authorized representatives with regard to health and safety.

8.6 [Productivity growth and efficiency improvement](#)

The Company focuses on improving operational efficiency, increasing productivity and creating incremental added value.

A comprehensive set of measures aimed at productivity growth has been elaborated and put in place, which includes steps to raise profitability and cut costs. Efficiency improvement programmes designed for specific business streams are under way.

Targets related to productivity growth and cost cuts are included in the key performance indicators for assessing Company top management activities (KPIs).

8.7 Education as a means of integrating young people into the energy sector

Being a responsible employer and a key industry player, the Company implements a policy focussed on ensuring a steady inflow of professionally trained [young specialists](#) from among the best graduates.

The corporate system of continuous education «School - Higher school - Enterprise» is a key element of the corporate youth policy.

The Rosneft-classes project of pre-university training and professional orientation is implemented in 26 regions of the Russian Federation. The total number of project participants exceeds 2.6 thousand people in 62 schools and 56 residential areas.

Rosneft provides opportunities for young people to get their first professional experience through internship and recruitment programmes as part of the Company's university engagement. In 2018, the Company provided internship opportunities for over 7.0 thousand students. Every year, more than 1 thousand graduates join the Rosneft team.



For many years Rosneft has cooperated with the International Institute of Energy Policy and Diplomacy of the MGIMO University. With the Company's support, MGIMO has established the specialized department «Global energy policy and energy security», which has become one of the University's education pillars.

8.8 Establishing sustainable procurement system along the entire value chain

The Company aims to cooperate with suppliers and contractors that are interested in sustainable development of their supply chains, and application of new technological and innovative solutions.

Rosneft is one of the largest consumers of goods, works and services among Russian private and partially state-owned companies.

In 2018, the volume of goods, works and services purchased by the Company (Rosneft and its subsidiaries) from third parties amounted to RUB 2.1 trln,

and the persistently high demand for goods, works and services in the context of continuous business development is a powerful driver of the Russian and global economy.

The Company expects its suppliers and contractors to adhere to the principles stipulated in the [Code of Business and Corporate Ethics of Rosneft](#)

which are aimed at observing human rights, health and safety, environmental protection, prevention of corruption, fraud and conflict of interest, statutory compliance and promotion of economic and social development.

When choosing suppliers and contractors, the Company is guided by the following key principles –

1. Openness (information transparency of procurement)
2. Competitiveness (ensuring equality, fair play, lack of discrimination and unjustified limitation of competition with regard to procurement participants)
3. Relevance (compliance with acting legislation of the Russian Federation and lack of barriers to participation by establishing unmeasurable requirements to procurement participants)

4. Efficiency (appropriate and economically viable procurement spending (if necessary, taking into account the lifecycle cost of the purchased goods) and implementation of cost optimization initiatives).

8.9 Increasing Company energy efficiency in all operating segments

Please refer to [Section 7.1](#).

8.10 [Creating decent living and labour conditions in remote regions](#)

The Company commits to ensuring decent working and leisure conditions when conducting operations in remote regions with challenging climate conditions.

In 2018, 35 thousand Company employees and contractors were living in 95 field and shift camps. The Company has established uniform standards for design, construction, operation and management of field camps and field support bases for crew, team, and shop personnel.

In 2018, investment in construction and development of production and social facilities amounted to RUB 8 bln.

The Company carries the costs for comprehensive servicing and maintenance of on-site production and social facilities, as well as catering services (RUB 7.6 bln in 2018).

Climate action



The Krasnoyarsk region of East Siberia. In 2018, Company subsidiaries set out about 1 mln of forest plants as part of the forest preservation initiatives.

13.1 Risks and opportunities related to climate change

The Company identifies and assesses risks and opportunities inherent in its business, as well as the activities of its suppliers and contractors.

The approach of the Company management and the flexibility of its business model provide high adaptability to possible changes in the energy landscape.

Our medium-term goals are in line with the growing climate-related society expectations and are aimed at

- Increasing the natural gas production, the use of which can significantly reduce greenhouse gas emissions as compared with other fuels;
- Implementing refinery development projects, increasing output of products in demand and feedstock for petrochemicals;
- Reducing emissions and increasing efficiency at the Company's production facilities;
- Developing and producing new products that allow consumers to reduce emissions and improve energy efficiency.

Rosneft is developing various scenarios of global energy evolution. Our strategic planning and engagement in consideration of industry documents takes into account risks and opportunities for the Company and the energy sector of the Russian Federation associated with climate change and transition to the low-carbon energy.

13.2 Improving Company energy efficiency in all operating segments

Please refer to [Section 7.1](#).

13.3 Taking action conducive to improved energy efficiency when using Company products

Please refer to [Section 7.2](#).

13.4 [Environmental policy and commitments](#)

As a participant of the UN Global Compact the Company strives to reduce the impact from its operations on climate change.

The Rosneft-2022 Strategy provides for reducing greenhouse gas emissions. The Company implements the Gas investment programme and the Energy efficiency programme which ensure effective reduction of greenhouse gas emissions with the forecast emissions prevention in the volume of more than 8 mln tonnes of CO₂ equivalent by 2022.

The Gas investment programme focuses on achieving the reduction of associated petroleum gas flaring to less than 5%, in line with the Russian Government target. We will reach this target by applying a comprehensive approach to field development and establishing infrastructure for gas gathering, utilization and transportation to consumers, as well as constructing gas re-injection facilities.

13.5 [Innovative activities](#)

The Company implements innovative projects focused on developing technologies aimed at using renewable energy for power supply of oil and gas producing enterprises, as well as technologies and equipment for treating and using natural gas and associated petroleum gas, including for power generation. The Company specialists have received a number of patents in that respect.

Partnerships for the goals



Igor Sechin, Rosneft Chief Executive Officer, delivered a keynote address at the Energy Panel, held within the framework of the XXII St. Petersburg International Economic Forum. The Energy Panel is a key discussion platform for oil and gas leaders, state representatives, and acknowledged industry experts. In 2018, the Energy Panel session provided a comprehensive analysis of the oil and gas future, as well as an opportunity of opinion exchange.

17.1 Participation in global initiatives

The Company is a participant of the UN Global Compact, shares the principles of the Social Charter of Russian Business and supports the Anti-Corruption Charter of Russian Business. The Company is also supportive of general principles and values of the Universal Declaration of Human Rights, and the Declaration of the International Labour Organization on Fundamental Principles and Rights at Work.

We support initiatives aimed at sustainable development, higher transparency, combating corruption, respecting the fundamental human rights, closing the inequality gap, and protecting the environment.

17.2 Participating in sustainable energy development

The Company acknowledges the importance of sustainable development of the global energy sector and responsible behavior of key producers.

This includes sufficient investment needed for the resource base renewal, timely and efficient reserve development, and reliable supplies to consumers in developed and developing countries. Given modern challenges, creating obstacles to producers' participation in the global energy market, as well as building barriers barring investment in effective energy projects is unacceptable.

The Russian oil and gas sector on the whole and the Company in particular continue to increase supplies to the global market responding to the growing demand from the global economy. The Company takes part in building dialogue aimed at sustainable development of the energy sector, in particular, through

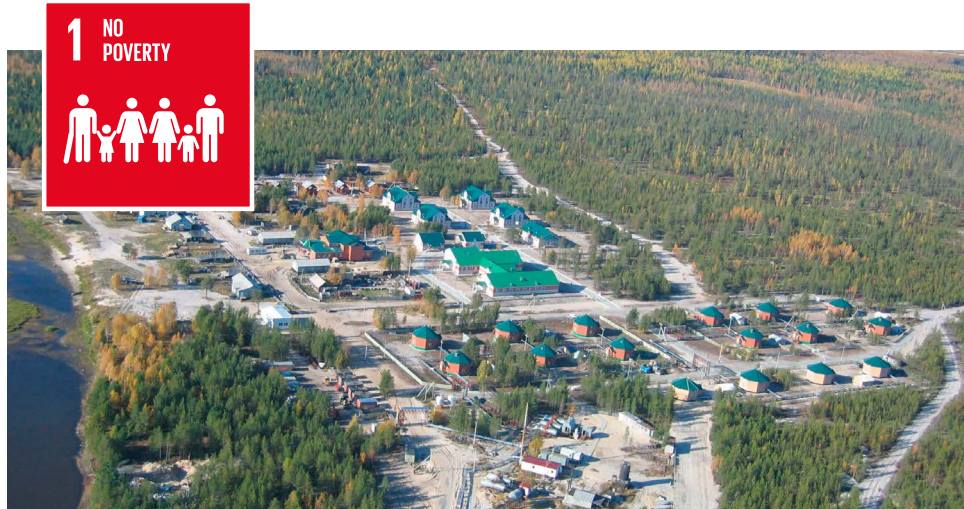
- changes in the regulatory environment, elaboration of fiscal initiatives with a view to improving the efficiency of resource base development, crude oil refining, and petrochemicals;
- creation of integrated supply chains, new capacities and technological solutions;
- enhanced partnerships with domestic and international industry participants, including cooperation in the area of health, safety and environment (with BP, [Equinor](#), and ExxonMobil).

17.3 Effective partnership with state organizations, businesses and society

The Company is committed to an open, constructive dialogue and responsible cooperation with state organizations, businesses and society. In this dialogue we comply with the applicable legislation and high standards of the corporate and business ethics. This helps to enhance the Company's opportunities and promotes creation of favourable conditions for developing its business. Key areas of engagement include development of the federal and regional laws and the industry normative base, promotion of key initiatives for sustainable development of the industry and the regions.

Since 2007 the Company has been conducting annual round-table workshops in core regions of its operations. The workshops centre on priorities in the development of the Group's subsidiaries, environmental protection, industrial safety and labour protection, the Company's contribution to developing the regional economy and infrastructure, social and charity matters, and support for science and education.

No poverty



The Kharampur village in the Yamalo-Nenets autonomous okrug was modernized in the mid-2000s. With the support of Rosneft's subsidiary RN-Purneftegas local residents were provided with comfortable eight-square brick cottages in the national style, a residential school, a fish processing shop, and other social facilities.

1.1 Contributing to regional socioeconomic development and better well-being

Rosneft is the largest public oil and gas company in terms of crude oil reserves and production and plays a strategic role in the Russian energy industry and the national economy.

In 2018, the Company accounted for 5.8% of Russia's GDP, 5.3 % of the country's investments and 18% of revenues to the federal budget.

Company operations contribute to sustainable development of regions and related industries, creation of added value and workplaces across the entire value chain, better well-being and sustainable social development.

Rosneft is one of the largest employers in Russia. In 2018, our average headcount amounted to 308 thousand people.

1.2 Social responsibility and social investments

The Company is committed to the principles of high social responsibility, and takes a comprehensive approach to social investments.

We support programmes focused on promoting health care, education, fitness and sports, science and technology, and social equality. The Company establishes partnership relations with the regions of its operations by concluding agreements with regional authorities and participating in charity projects.

The Company is consistently increasing its social investment. In 2018, our investments in the social sphere increased by almost 22% and amounted to RUB 45.7 bln. In 2018, 81 agreements with authorities in the regions of Company operations were in force. The overall financing amounted to RUB 9.5 bln, including investments in developing social infrastructure in residential areas, support of health care and education, development of culture and popular sports. In 2018, our contribution to charity projects amounted to almost RUB 3.2 bln, while sponsorship support equaled RUB 2.1 bln.

Zero hunger



Rosneft subsidiary Kondaneft has completed construction of more than 200 km of motor roads in the Khanty-Mansiisk autonomous okrug (Yugra). Winter roads will help residents from remote regional townships to spend twice less time on their travels to city centres, for example from the Tsingaly township to Yugra.

2.1 Meeting energy demand

Responsible business conduct is one of the Company's priorities, including equal access to products of guaranteed quality and offered at a fair market price.

The Company's infrastructure, a well-developed network of retail stations and oil depots, and participation in exchange-based trading system provide domestic consumers of the Russian Federation with equal access to our products of guaranteed quality at a fair price that is necessary for smooth operation and balanced development of industry and agriculture, particularly during peak demand in planting and harvesting seasons. The Company's retail business is present in 66 regions of Russia, and 5 international markets and includes almost 3 thousand petrol stations. Rosneft also owns 13 refineries in Russia, as well as stakes in 5 refineries abroad (3 refineries in Germany, the Mozyr refinery in Belarus and a refinery in India's Vadinar). The Company and its partners are considering projects for constructing new refineries in China and Indonesia.

2.2 Supplying remote regions and promoting shared use of infrastructure

Infrastructure, created by the Company in the course of its operations, contributes to better living standards and socioeconomic development which is particularly important for Russia's remote regions.

When realizing projects in the remote regions of Siberia and the Far East, the Company implements construction of road infrastructure, including winter roads and water crossings which are used both for shipment of equipment and personnel to Company sites, and by local dwellers aiming to ensure uninterrupted delivery of food, consumer goods, and fuels to remote regions. The Company's subsidiaries contribute to oil product deliveries to Russia's northern areas in order to ensure ample energy supplies for the winter period.

2.3 Supporting indigenous people of the North and local communities

The Company respects the cultural heritage, traditions, and rights of people.

Rosneft supports projects which contribute to sustainable development of indigenous people of the North and local communities.

These projects are aimed at preserving unique ethnic culture, traditional lifestyle and economic activities of indigenous people, and providing proper education and health care services.

[Our philosophy](#) is embedded in [the Rosneft Code of Business Conduct and Ethics](#). The Company provides support for various sports and ethno-cultural activities, and allocates funds for acquiring equipment needed for hunting and fishing activities, construction and repair of residential properties, social and infrastructure facilities.

For two years, the Company has been acting as the sponsor and the organizer of the ECOARCTIC environmental forum,

which involves holding round tables with a view to discussing the status of Arctic ecosystems, the problems of household deer farming, environmental security when developing the Arctic natural riches, implementation of conservation initiatives in nature reserves, the role of local government in regulating the relations of subsoil users and local residents, and the aspects of maintaining the traditional life style of the indigenous peoples of the North. In 2017-2018, 4 round tables were held in the Krasnoyarsk region and Republic of Sakha (Yakutiya). The stakeholders – participants of the round tables included representatives of the Krasnoyarsk executive authorities and the local government, representatives of the regional nature reserves and scientific and research institutes, non-governmental organizations and associations. The Company organizes creativity competitions, orientation lectures in environmental security and Arctic nature preservation for pupils of the primary and high school. Every year the forum concludes with traditional sled deer races, national wrestling, lasso (maut) throwing, leaping over sledges and other numerous competitions like cooking national dishes, making the best harness, and presenting produce of bone-carvers and embroideress. These and many other events are held while celebrating the Day of Reindeer Herder and the Day of the Spirit of Hunting and Fishing (Baianai).



Rosneft acts as the sponsor and the organizer of the ECOARCTIC environmental forum held with a view to discussing the status of the Arctic ecosystems, environmental security, maintaining the traditional lifestyle of the indigenous peoples of the North, and other topical issues. In 2019, the forum was held in the Republic of Sakha (Yakutiya).

Quality education



Rosneft and the Kidzania children's educational park held an excursion for children from rehabilitation centres and children's homes.



The «Rosneft class» school-to-workplace project is one of the Company's priorities. In 2018, 678 «Rosneft class» graduates, who received industry-specific higher education, joined 52 Company subsidiaries.

4.1 Corporate system of continuous learning and employee education

Competent and highly qualified employees are the main asset of the Company and a prerequisite for its sustainable development. The Company has established a uniform corporate system of continuous learning and education that reaches out to all business segments, staff categories and is accessible to more than 300 thousand of Company employees.

The corporate Standards “On professional training” and [“On employee assessment and professional skills development”](#) are in place. The Company has developed over 1.3 thousand professional and technical skills sets, as well as procedures for skills assessment for core business processes. Within the framework of the corporate continuous learning and employee education

- **The Company incorporates more than 60 corporate learning centres**, and develops successful cooperation with leading domestic and international educational institutions;

- **On an annual basis, the Company conducts more than 500 thousand person-hours of mandatory professional, technical and management training**,

as well as secondment and knowledge-sharing programmes with international partner companies;

- The Company develops management expertise with the help of MBA programmes and promotes professional skills with more than 200 specialized programs of the corporate professional and technical training.

4.2 Supporting secondary and higher professional education

The Company cooperates with Russian and international educational institutions with a view to creating new programmes, modern educational facilities and training centres of excellence.

Our support of secondary and higher professional education includes the following:

■ **Rosneft has established partnerships with 60 Russian and international universities and institutes, and 24 organizations of vocational education;**

- The Company supports 23 proprietary academic departments;
- Projects are under way aimed at the development of scientific and educational university infrastructure; staff training programs are enhanced and upgraded;
- The Company supports efforts to obtain higher education, including scholarship programmes for foreign students.

4.3 Education as a means of integrating young people into the energy sector

Please refer to [Section 8.7](#).

Gender equality



The Company provides equal opportunities for employee professional growth and development.

5.1 Increasing employee capabilities and equal opportunities for professional growth and development

The Company creates comfortable working conditions aiming to unlock the potential of each employee and operates in compliance with the Social Charter of Russian Business and the Universal Declaration of Human Rights.

Every individual is guaranteed the rights and freedoms proclaimed in these two documents.

We apply a uniform transparent approach to employee remuneration, assessment, motivation and career development.

The Company provides equal opportunities for professional growth and employee development. In 2018, the share of women among employees amounted to 32.3%, including 23.4% among senior officers and 13.5% among top management of group subsidiaries, and 18.2% in the Company's Management Board.

The Company implements programmes for developing the succession pool and employee professional skills. Since 2005 we have been holding an annual corporate contest "Best in profession", with over 20 thousand employees taking part every year.

Young specialists participate in a comprehensive corporate programme, including orientation classes, development of engineering thinking, professional and leadership skills. Every year more than 55% of young specialists take part in corporate scientific and technical conferences which have become platforms for career growth.

5.2 Supporting family and childhood

Please refer to [Section 8.4](#).

Clean water and sanitation



The Company has commissioned a key environmental facility - a biological treatment unit at Bashneft-Ufaneftekhim which is a unique project for Russia and Eurasia.

6.1 Water management

Access to water resources and prudent management of fresh water ecosystems are critically important for people's health, environment preservation and sustainable development.

The Company is committed to ensuring the rational use of water resources within its operations

and taking action to protect and replenish them.

Rosneft is committed to complying with the water management legislation. This is achieved by carrying out timely repair and upgrading activities where necessary, and introducing best

available technologies where appropriate. The Company monitors the state of environment on an ongoing basis, which allows us to take timely action for minimizing our environmental footprint.

The Company carries out annual inspections of wellheads which were earlier drilled in areas of seas, and executes environmental monitoring of marine ecosystems and environmental and fishing mapping at the Company's offshore licence areas.

In three years, water management expenses (waste water collection, treatment, transportation and discharge) more than doubled.

In 2018, the share of recycled and reused water remained at 93% of the total water consumption in our operations.

6.2 Water treatment and recycling programmes

Implementation of large corporate environmental projects improves water management efficiency at Rosneft production facilities and water quality in the water supply facilities of cities and residential areas in the regions of Company operations. Construction and upgrades of water treatment facilities are an integral part of the large-scale corporate refinery maintenance programme.

The Company implements 8 priority environmental projects

within the framework of the Cooperation Agreement with the Russian Ministry of Natural Resources and Environment and the Federal Agency for Natural Resources Supervision.

Six of them are related to the improvement of water quality and higher efficiency of water use.

The following projects have already been executed in that respect:

- In 2018, the Company commissioned a new biological treatment unit at Bashneft-Ufaneftekhim, a unique project for Russia and Eurasia, which is designed to treat all industrial, rain and utility waste water from the Bashneft refineries, and 66 local businesses. As a result, by using purified waste water, we reduce fresh water consumption by 2.5 times.

- The Company commissioned an advanced water treatment facility incorporating a membrane bioreactor at the Novokuibyshevsky Refinery with a view to increasing water treatment efficiency and reducing fresh water use consumption by maximizing the use of treated waste water, and ensuring complete automation of the process.

In the Company's upstream operations, we are increasing water management efficiency by incorporating water re-injection technology to maintain formation pressure and enhance oil recovery, resulting in minimal fresh water take-off from surface water bodies.

6.3 Minimizing oil spill footprint and managing risks

The Company strives to prevent, reduce and minimize the footprint of oil spills.

The Company has established and improves an Emergency Oil Spill Response System which ensures prompt response to crude oil and oil product spills, their localization and elimination with a view to minimizing the environmental footprint, including the impact on water resources.

The Company is implementing the Programme “On improving pipeline integrity in 2015-2019” which is aimed at reducing the level of pipeline failures and minimizing the probability of oil and product spills.

Based on the 2018 results, the crude oil and product spills indicator reduced 9% year on year.

6.4 Innovative activities

The Company implements innovative projects aimed at developing technologies for drilling waste and oil sludge treatment, emergency oil spill response, oil decontamination of northern seas and land remediation.

The Company owns licences for strains of pure growth bacteria and microbial species which are designed for decontaminating sea areas and coastlines of northern seas.

Industry, innovation and infrastructure



Rosneft's Joint R&D Centre «RN-TsIR», with assistance from Rosneft subsidiary «RN-Lubricants» have developed and received the patent for receiving the eco-friendly TDAE technical oil, which is used for production of synthetic rubbers, tyres and other rubber goods.

9.1 Promoting development of infrastructure, related sectors and industrial complexes

The Company Investment programme and anchor orders provide powerful stimulus for development of related sectors and the national economy as a whole, ensuring higher level of industrialization and application of new technologies. Implementation of our oil and gas

projects leads to creation of new oil producing provinces and promotes regional development, particularly due to infrastructure construction which is important for the oil industry and its oilfield services segment.

The Company invested over RUB 3.7 trln in its business development over the last 5 years, including the launch of oil and gas greenfield projects, modernization of existing facilities, and establishing resilient modern infrastructure for conducting business in the regions of Company operations.

The Company's investment portfolio and anchor orders create foundation for new, improved and expanding activities in various industries.

The Company contributes to creating infrastructure for new projects (in East Siberia and other remote areas), oilfield equipment manufacturing and the development of related industries, including metals, chemicals, engineering, and electronics.

9.2 Creating economic value

The Company has a sustainable value-adding integrated business model aimed at using the opportunities which result from changes in the global energy mix, structural changes in commodities markets, and technological advancement. This approach, along with efficient investment portfolio management, corporate governance system, and effective stakeholder partnerships promote incremental profitability, creation of added value across the entire value chain, and unlocking

the full resource potential. The Company takes into account global energy trends, including the growing role of natural gas, development of new types of reserves and new production regions.



The Company ensures sustainable production growth and reserves renewal at its brownfield and greenfield asset base due to the application of advanced technologies.

Information security is based on the risk-oriented approach, with consideration of legislative requirements and international best practice. Information security management processes are integrated in the corporate governance system. In the context of external limitations, the Company's sustainable development is ensured, among other things, by implementation of advanced digital programmes and development of proprietary digital solutions, including such projects as "digital field", "digital refinery", big data, digital assistant and so on.

9.3 Innovative activities

Please refer to [Section 7.4](#).

9.4 Ensuring sustainable infrastructure

Cybersecurity is one of the key factors ensuring sustainability of Company infrastructure in the context of digitalization and provides for safe sustainable operations of corporate business and management systems, as well as industrial automation.

Reduced inequalities



Every year Rosneft subsidiary «RN-Uvatneftegas» holds a fair of traditional crafts of indigenous peoples of the Uvat district of the Tyumen region. The fair creates opportunities for local residents to offer their traditional produce, such as fish, slices of frozen fish, forest nuts and berries, national clothes, decorations, footwear and so on, to shift workers.

10.1 Partnerships and social investments in the regions of operations

Please see [Section 1.2](#).

10.2 Fiscal stability and budget revenues assurance

As [the largest taxpayer](#), the Company supports the fiscal stability of Russia and its regions, contributing to creating conditions for a balanced social and economic state policy.

In 2018, the Company accounted for RUB 4.0 trln payments to budgets of all levels and off-budget funds,

including RUB 3.5 trln in payments to the federal budget (18% of all federal budget revenues).

In key oil producing regions where we operate, Rosneft is a significant taxpayer, with RUB 393 bln of taxes paid to the regional budgets in 2018.

10.3 Developing human talent and providing equal opportunities for professional growth and development

Please see [Section 5.1](#).

10.4 Social policy

Rosneft adheres to the principles of high social responsibility, and ensuring decent living standards for its employees (please refer to [Section 3.5](#)). The Company is striving to maintain the labour remuneration at a level which exceeds an average salary in the regions of its operations, conducting an annual salary indexation.

Rosneft: Contributing to Implementation of UN Sustainable Development Goals. Sustainable Development Goals integrated in current operations

The Company has a collective agreement template that contains a list of benefits, guarantees and compensations providing additional social protection for employees. In 2018, social payments amounted to RUB 15.4 bln.

10.5 Supporting indigenous people of the North and local communities

Please refer to [Section 2.3](#).

10.6 [Compliance and combating corruption](#)

The Company adheres to the principle of zero tolerance of corruption in any form and manifestation. Any manifestations of fraud are unacceptable. The Company takes active measures aimed at combating fraud.

In 2010, the Company joined the UN Global Compact and the Social Charter of Russian Business, and has been providing support for the Anti-Corruption Charter of Russian Business since 2013.

The Company's principles and approach are stipulated in its local normative acts: [the Policy for Combating Corporate Fraud and Involvement in Corrupt Activities](#), [the Code of Business and Corporate Ethics of Rosneft](#), the [Regulation on Insider Information](#), and the Procedure for Managing Conflict of Interest at Rosneft and its subsidiaries.

Management bodies and the Board of Directors regularly assess corruption risks incidental to sectors and jurisdictions in which the Company operates, review facts revealed in conjunction with the conflict of interest. The Company undertakes activities under a Comprehensive Programme for Preventing Fraud and Corruption on an annual basis.

When working with suppliers and contractors, Rosneft consistently controls contracting procedures, pricing and discounting mechanisms which allow the Company to effectively discover symptoms and actual cases of affiliation, selfish interest and potential fraud. In 2018, the Company checked over 122 thousand enterprises willing to participate in tender procedures.

10.7 Creating favourable social environment

Please refer to [Section 3.5](#).

Sustainable cities and communities



In 2018, Rosneft launched sales of new motor fuels with improved characteristics, Euro-6 and Pulsar 100. The Company's retail network is a promising platform for developing the electric vehicles charging infrastructure.

11.1 Meeting the growing demand for energy resources

The Company acknowledges that in the long-term crude oil and natural gas will retain an important role in the energy mix, with a growing share of gas as a clean fuel. As a responsible producer, the Company steadily increases the volumes and efficiency of hydrocarbon production.

In compliance with the Rosneft-2022 strategy, the Company targets the organic production growth of liquid hydrocarbons (up to 250 mln tonnes) and gas (over 100 bln cub. m) that will meet the country's growing energy demand through greenfield execution.

The Company's key strategic goal in monetizing gas resources is implementation of obligations with regard to gas supplies to our consumers, as well as expanding the portfolio of long-term contracts in order to have guaranteed sales of incremental gas production. In its gas business development, the Company is focused on holding the market share of 20 % in the gas market of the Russian Federation, as well as maintaining a leading position among independent Russian producers due to development of trading skills and consumer engagement.

Currently, the Company supplies gas to more than 35 regions of the Russian Federation, acting as the main supplier in a number of them.

11.2 Improving living standards in cities and other residential areas

The Company's activities contribute to higher living standards, ensuring environmental sustainability and reducing the environmental footprint of the automobile transport.

Rosneft is constantly improving characteristics of its motor fuels and expanding the geography of its supplies, as well as the range of available products and additional services at petrol stations (including non-fuel business). Please go to [Section 7.2](#).

In 2018, the Company launched sales of new motor fuels with improved technical characteristics, including the high octane Pulsar 100 motor fuel, and the Euro-6 fuel on the basis of AI-95 gasoline, as well as a new range of ACTIVE fuels at the BP-branded retail network.

The Company also plans to expand its retail network of natural gas motor fuels (in 2018, the natural gas retail framework included 10 facilities in 4 regions, over 1.6 thousand vehicles filled daily). In the context of developing this business, the Company is working on creating a joint venture with the Chinese Beijing Gas with a view to establishing in Russia a natural gas retail network. The Russo-Chinese company aims to build in Russia up to 170 natural gas retail stations.

Developing a retail network of natural gas motor fuels in Russia is one of Rosneft's priorities in its retail business. Using gas as a motor fuel ensures better transportation efficiency due to lower carriage costs and significantly reduce the automobile environmental impact.

Rosneft's retail network has the potential of becoming a platform for developing the charging infrastructure for electric vehicles and is ready to introduce this service on a federal level. In 2018, 8 petrol stations in the Krasnodar region had charging devices for electric vehicles installed. In 2019, the Company plans to implement a pilot project on installation and operation of fast-charge stations for electric vehicles at its petrol stations.

11.3 Environmental policy and commitments

In accordance with its [Policy on Health, Safety and Environment](#), the Company, wherever possible, tries to avoid operations within residential areas.

In case a corporate asset is located inside the city of community, the Company elaborates relevant environmental measures, also providing avoidance of the negative impact on population. Besides, environmental control and monitoring are environmental. The Company regularly conducts voluntary Saturday clean-up activities and other initiatives in the areas of its operations. Through agreements on social and economic cooperation local authorities receive additional investment for regional development and environmental campaigns (please refer to [Section 1.2](#)).

In 2018, the volume of the Company's expenditure on environmental initiatives amounted to RUB 77.3 bln.

11.4 Supporting indigenous people of the North and local communities

Please refer to [Section 2.3](#).

11.5 Culture and heritage

The Company respects the cultural heritage, traditions, and rights of people and supports cultural heritage projects.

We support the following projects:



The Company supports the St. Petersburg State Academic Theatre of Boris Eifman, which tours with concerts Russian cities.

- [Financial support for the academic symphonic orchestra](#) of the St. Petersburg Philharmonic named after Shostakovich which is internationally recognized as one of Russia's symbols; support for the State Academic Mariinsky theatre and the Music Centre in St. Petersburg;
- Holding unique cultural projects in the Pushkin State Museum of Fine Arts, the State Hermitage, and a joint exhibition with the State Tretyakov Gallery;
- Support for annual on-stage appearances of the Choir of the Sretensky Monastery in the regions of Company operations (22 cities) with various programmes (since 2015), tours of Boris Eifman's St. Petersburg State Academic Ballet Theatre in the cities of Russia;
- [Conducting the annual corporate festival «Rosneft discovers talent \(the Star is born\)» \(since 2011\), unlocking creative potential of Company employees and their family members;](#)
- Reconstruction and restoration of cultural and historical heritage sites, including a complex of the Konev Monastery of the Nativity of the Virgin and the cathedral of the Nativity of the Christ in Yuzhno-Sakhalinsk.

11.6 Creating favourable social environment

Please refer to [Section 3.5](#).

Responsible consumption and production



Preserving the environment is an integral part of the Company's corporate culture. Rosneft employees regularly take part in numerous environmental initiatives and voluntary Saturday work which include setting out forest plants and cleaning up forests and waste.

12.1 Environmental policy and commitments

Environmental responsibility is an integral part of the Company's culture ensuring its sustainable development.

In order to prevent potential environmental footprint the Company is committed and takes the necessary action with a view to protecting the environment, preserving and recovering natural resources. The Company's commitment is supported by continuous improvement of our products, as well as processes and working environment for the Company employees and partners.

12.2 Sustainable development and efficient use of natural resources

The Company follows the principles of sustainable development and efficient use of natural resources, while implementing the following initiatives:

- extending the life of field development and increasing the oil recovery factor, in particular, by introducing modern enhanced oil recovery techniques, implementing well intervention programmes and increasing the share of highly productive horizontal and multilateral wells (up to 40% of the total amount of annually commissioned new wells by 2022);
- shared use of infrastructure within cluster field development ensuring lower environmental footprint;
- effective utilization of associated petroleum gas and other byproducts of crude oil and gas production;
- transitioning to more sustainable production by improving refinery yields, undertaking refinery upgrades, and changing the product mix as a result of incremental environmental requirements;
- applying new technologies and technological solutions in order to expand sustainable production methods and reduce the level of losses along the entire value chain.

12.3 Effective procurement system

The Company is developing an effective procurement system based on fair selection of contractors and suppliers of goods and services on conditions of openness, transparency, and competition.

All corporate competitive procedures are held at the TEK-Torg electronic trading platform which registers over 40 thousand contractors.

The Company applies a uniform comprehensive approach of compliance with corporate requirements with a view to selecting reliable contractors and suppliers:

1. Accreditation. All contractors and suppliers intending to conclude agreements with the Company or a Group subsidiary should go through the procedure of checking the compliance with the minimum established requirements with regard to the legal status, financial sustainability, integrity, and business reputation which is carried out under the initiatives of countering corporate misdoing and involvement in corrupt activities.

In 2018, 7 566 suppliers of goods, works and services, with 76% (5 769) belonging to small and medium business, had valid accreditation for participation in the Company procurement procedures.

2. Expertise by the product type. A procedure of checking the compliance of contractors and suppliers with specific requirements, confirming the ability of timely delivery of high quality products (goods, works and services) of a certain type, including requirements of having specific expertise, resource base potential, and the necessary approvals, as well as other requirements.

3. Technical audits. The objective of the technical audit is becoming familiar with a contractor's operating and technology performance, technology potential, capabilities, and a product/equipment range, as well as assessing a contractor's ability to produce and deliver products/equipment in the required quantities and in compliance with the Company's technical specifications. The decision to carry out the technical audit may be taken within the framework of the purchase procedures, as well as in compliance with the schedule, approved by the Company in advance.

4. Technical inspections. The Company has elaborated and employs uniform requirements for carrying out supervisory controls of the production and dispatching of materials and resources at the manufacturers/ suppliers' production sites with a view to determining the manufacturers/ suppliers' ability to honour their obligations with regard to the delivery date and quality. When carrying out technical inspections, the Company exercises control and assesses compliance of manufacturing processes, dispatching and materials and resources with the Company's contractual requirements.

Important selection criteria for contractors and suppliers include commitment to the values and norms adopted by the Company in the area of industrial safety, labour protection,

and minimization of the environmental footprint, as well as prevention of corruption, fraud, and conflict of interest.

Life below water



Rosneft supports the programme for studying the Black Sea dolphins, executed by the Oceanology Institute of the Russian Academy of Science named after Pyotr Shirshov.

14.1 Biodiversity of marine ecosystems

The Company follows the principle of maintaining favourable environment and biological diversity in all regions where we operate. Preservation of the marine ecosystems of the Arctic zone is in the focus of our attention.

High standards of environmental security form a cornerstone of the Rosneft-2022 Strategy.

Environment preservation is an integral part of the Company's corporate culture and social responsibility. Rosneft prioritizes environmental security, preservation and recovery of natural resources in every area of its activities.

The Company has approved and implements the Programme for the Conservation of the Biological Diversity of Marine Ecosystems at the licensed sites of Rosneft located in the Arctic zone of the Russian Federation.

Since 2012, and on a regular basis, the Company conducts complex research expeditions aimed at studying marine Arctic ecosystems, with particular attention paid to marine mammals (walruses and seals), and the polar bear population. The Company also conducts ongoing environmental monitoring at its marine licence areas.

In 2018, the Programme for biodiversity preservation included the following:

- "Guidelines for the companies, working in the Arctic region, to prevent conflict situations between the human being and the polar bear" were elaborated.
- Environmental monitoring of the marine ecosystem at the Medynsko-Varandeiskiy licence area in the Pechora Sea was completed.
- Within the framework of the focused innovation project "Creating microbial drug for utilization of hydrocarbon pollution in the Arctic seas: scaling up technologies and drug testing", the Company developed a technological form of the microbial drug on the basis of psychrophile microorganisms for utilization of oil pollution of the northern seas. The project is implemented under the partnership of Rosneft and the Moscow State University named after Mikhail Lomonosov on the basis of the Laboratory of Microbial Biotechnology of the National Intellectual Development Fund. The developed microbial drug will lead to a breakthrough in safe oil product utilization in marine environment under freezing temperatures and will be applicable for ensuring environmental security, in particular, during bunkering at sea, in port areas, and at the oil terminals of the Company's Arctic projects.

Since 2017 Rosneft has been providing financial support to the study of the Black Sea dolphin carried out by the Institute of Oceanology of the Russian Academy of Sciences named after Pyotr Shirshov. First studies took place in September, 2018. We analyze and publish the obtained results so that the Company can improve its approach to minimizing the environmental footprint from its operations on marine mammals.

In 2018, the Company carried out analysis of the baseline data, monitoring and observation of the Black Sea birds and , mammals, carried out a field expedition on studying the Cetacean in Russia's territorial waters of the Black Sea.

In 2019, Rosneft plans to implement

- Activities aimed at studying the populations of key species and species – biological indicators of the ecosystems sustainability, including the Atlantic walrus in the Pechora Sea, and the polar bear in the Arctic seas.
- Observation of marine mammals and birds within the industrial environmental control and monitoring at the Vostochno-Prinovozemelskiy 1 and 2 licence areas in the Kara Sea.



The Company regularly carries out scientific-research expeditions for studying the status of marine Arctic ecosystems, with an emphasis on marine mammals, including walruses.

14.2 Environmental policy and commitments

The Company ensures that action plans are in place to protect ecosystems and biodiversity at all stages of project development.

The Company Environmental Impact Assessment process is the key element in project planning.

When carrying out work in offshore areas, the Company follows the provisions of international conventions such as the "Convention on the Prevention of Sea Pollution by Dumping of Wastes and Other Materials", and the "Convention on the Protection of the Black Sea Against Pollution". The Company is also governed by the requirements of the national legislation on the continental shelf of the Russian Federation; on the exceptional economic zone of the Russian Federation; and on inland waters, the territorial seat of the adjacent zone of the Russian Federation. Ships used by the Company comply with the provisions of the International Convention for the Prevention of Pollution from vessels. Field work at chartered vessels is allowed only after the technical audit aimed at establishing compliance with the Company's requirements is complete.

Offshore projects are executed upon receipt of all required approvals and permissions from the competent public authorities and positive findings of the state ecological appraisal, and positive outcomes of public hearings. In 2018, the Company held 16 meetings with local communities (14 public hearings and 2 public polls) related to offshore development and biodiversity preservation.

In 2019, the Company plans to hold public hearings in the municipalities of the Murmansk region, the Nenets and Yamalo-Nenets autonomous okrugs. The project documentation will receive the necessary approvals from the Federal Agency for Fishery (Rosrybolovstvo) and the Federal Service for Supervision in the Sphere of Natural Resource Use of the Russian Federation, as well as other state agencies.

14.3 Innovative activities

Within its Innovation programme, the Company continues to identify and implement solutions to protect marine ecosystems, including development of a list of species that are bio-indicators of sustainable marine ecosystems in the Company's license areas in the Arctic seas, and creation of a new biological product based on psychrophilic microorganisms to effectively clean the water and coastline of high-latitude seas of pollution (please go to [Section 14.1](#)).

During 2018, the Company submitted 20 biotechnology patent applications,

including 15 patents for pure growth bacteria and 5 patents for integrated microbial drugs for cleaning water areas of pollution.

Life on land



In 2018, the Company implemented the pilot project «Well flowback with treatment of gas-condensate blend after hydraulic fracturing» at the Vostochno-Urengoiyskiy licence area of the Rospan project. As a result, the duration of well flowback was reduced, on average, from 10 to 2 days.

15.1 Biodiversity of terrestrial ecosystems

The Company is committed to ensuring actions are in place to protect ecosystems and biodiversity, paying particular attention to protected environmentally sensitive areas. Our strategic goal is to continually reduce legacy remediation.

With a view to achieving this objective, Rosneft has introduced a new Standard for reclamation of disturbed lands. The Company constructs and renovates industrial waste utilization sites and provides its production units with modern machinery and equipment for oil sludge processing.

A key element in the evaluation of future projects is the Company Environmental Impact Assessment process. Decisions are made based on the analysis of background environmental conditions, including the condition of valuable and specially protected flora and fauna. Projects are implemented only after compliance with environmental requirements is established.

The Company has established the Register of protected environmentally sensitive areas in the regions of its operations and undertakes further steps to minimize its environmental footprint on the basis of results obtained from environmental monitoring.

15.2 Sustainable management of natural resources and minimized environmental footprint

We are committed to the prudent use of the natural resources (including increased recycling) and give consideration to the environmental impact of our operations.

We focus on preserving environmental integrity and project execution in environmentally sensitive areas. Preventive action and other environmental initiatives aimed at minimizing our environmental impact constitute a distinctive area of the Company's activities, including forest recovery, land management and landscape monitoring in oil and gas provinces. The Company is executing a number of programmes and projects, which minimize our environmental footprint, including

- The Gas investment gas programme with a view to increasing the beneficial use of the associated petroleum gas (APG) at both existing and new fields (see [Section 13.4](#));
- A wide range of environment protection projects with the goal of reducing the consumption of fresh water (see [Section 6.2](#));
- The processing and safe disposal of waste, such as drilling waste re-injection;
- Introduction of cordless seismic surveying which ensures lower impact on ecosystems;

■ The Energy efficiency programme aimed at improving the efficient use of fuel and energy resources while maintaining the target production level, and refining and sales volumes of hydrocarbons (the expected energy saving between 2019 and 2023 is 4.3 mln toe).

15.3 Promoting ecosystems sustainability in the regions of Company operations

The Company recognizes the need to support sustainable ecosystems in the regions of its operations and commits to protecting ecosystems and biodiversity.

The Company, wherever possible, avoids activities in protected environmentally sensitive areas, in compliance with the corporate policy. In the case when our operations may impact protected environmentally sensitive areas, the Company takes action to reduce the impact, and carries out environmental control and monitoring.

The Company implements projects on preserving biodiversity in the regions of our operations,

including the Evenkiysky Reindeer project in the Krasnoyarsk region, the repopulating of fish into rivers and water reservoirs in the Arkhangelsk, Vologda, Novosibirsk, and Tyumen regions, the Yamalo-Nenets autonomous okrug, Republic of Karelia, Republic of Sakha (Yakutiya), and bird population monitoring in the swamp areas of Upper Dvubiye in the Khanty-Mansiysk autonomous okrug (Yugra).

In 2018, the Company carried out a number of initiatives aimed at manmade repopulation of marine biological resources aimed at mitigating potential impact on them and their habitat. In particular, almost 3.6 mln species of young peled, Siberian sturgeon, grayling, red salmon, Atlantic salmon, Siberian salmon, and muksum, were repopulated in the Republic of Sakha (Yakutia), the Krasnoyarsk, Kamchatka and Arkhangelsk regions, the Republic of Karelia and the Khanty-Mansiysk autonomous region.



In 2018, the Company released the fry of different fish species in the Krasnoyarsk and Kamchatka regions, the Republics of Sakha (Yakutiya) and Karelia, the Arkhangelsk region and the Khanty-Mansiysk autonomous region (Yugra).

Peace, justice and strong institutions



The Company acts in strict compliance with the Social Charter of the Russian business and the Universal Declaration on Human Rights. More than 76% of Rosneft employees are part of the labour contract.

16.1 Human rights and freedoms

The Company operates in strict compliance with the Social Charter of Russian Business and the Universal Declaration of Human Rights. We acknowledge the importance and value of fundamental human rights and freedoms proclaimed by the United Nations, including the freedom of association, the right to conclude collective agreements, labour rights, the right to favourable environment and health protection, and the rights of indigenous people.

Rosneft is a participant of the UN Global Compact.

The Company's commitment to human rights is reflected in the Rosneft Code of Business and Corporate Ethics, internal policies and local normative acts.

The Code of Business and Corporate Ethics applies to all subsidiaries, in which the Company possesses a majority of votes. Main mechanisms for monitoring and assessing activities in the area of human rights are in place.

16.2 Establishing sustainable procurement system along the entire value chain

Please refer to [Section 8.8](#).

16.3 Developing stakeholder engagement

The Company is focused on developing stakeholder engagement based on partnership and long-term, fruitful, trustworthy and mutually beneficial relations with its stakeholders, including shareholders, investors, consumers, authorities, general public and business community.

Effective communications based on principles of openness, mutual respect and responsibility contribute to our sustainable development.

16.4 Compliance and combating corruption

Please refer to [Section 10.6](#).

Rosneft: strategic guidelines for sustainable development

Reference list for compliance with themes aligned with Sustainable Development Goals of the United Nations

STRATEGIC GUIDELINES	APPROACH AND IMPLEMENTATION MECHANISM	INDEXES
Leading with agility in the age of energy transition	<ul style="list-style-type: none"> ■ Flexible business model ■ Balanced investment portfolio ■ Robustness across the cycle and value creation ■ Energy security and energy access 	2.1, 3.2, 7.1, 7.2, 7.3, 7.4, 8.6, 8.8, 8.9, 9.1, 9.2, 9.3, 11.1, 12.2, 13.1, 13.2, 13.3, 13.4, 16.2, 17.2
Securing people, environment and values	<ul style="list-style-type: none"> ■ Safety culture and performance ■ Working environment and benefits for employees ■ Security for people, business and assets 	3.1, 3.3, 3.4, 3.5, 8.2, 8.3, 9.4, 10.4, 10.6, 10.7, 11.6, 12.3, 16.2, 16.4, 17.2, 17.3
Doing business the right and responsible way	<ul style="list-style-type: none"> ■ Integrity across all business units and operations ■ Transparency and reporting ■ Respect of human rights ■ Ethics, compliance and anti-corruption ■ Risk management 	2.1, 3.1, 3.2, 3.3, 3.5, 4.1, 4.3, 5.1, 5.2, 7.3, 8.2, 8.3, 8.4, 8.5, 8.7, 8.10, 9.4, 10.2, 10.3, 10.4, 10.6, 10.7, 11.6, 12.3, 13.1, 16.1, 16.3, 16.4, 17.1, 17.2, 17.3
Enhancing economic and social development	<ul style="list-style-type: none"> ■ Direct and indirect economic contribution ■ Supply chain and related industries development ■ Employment and workforce training ■ Industrial and social infrastructure ■ Energy access, new products and solutions 	1.1, 1.2, 2.1, 2.2, 2.3, 3.5, 4.1, 4.2, 4.3, 5.1, 5.2, 7.4, 8.1, 8.3, 8.4, 8.7, 8.8, 8.10, 9.1, 9.2, 9.3, 10.1, 10.2, 10.3, 10.4, 10.5, 10.7, 11.1, 11.2, 11.4, 11.5, 11.6, 12.3, 16.2
Addressing threats of climate change	<ul style="list-style-type: none"> ■ Climate-related governance ■ Emissions reductions ■ Energy intensity of our industrial operations ■ Use of our products 	3.2, 6.1, 6.2, 7.1, 7.2, 8.9, 11.2, 12.1, 12.2, 13.1, 13.2, 13.3, 13.4, 13.5, 14.1, 14.2, 14.3, 15.1, 15.2
Efficiently managing our environmental impact	<ul style="list-style-type: none"> ■ Environmental stewardship ■ Water management ■ Ecosystems and biodiversity 	3.2, 6.1, 6.2, 6.3, 6.4, 11.3, 12.1, 12.2, 12.3, 13.1, 13.4, 14.1, 14.2, 14.3, 15.1, 15.2, 15.3
Partnering with our stakeholders	<ul style="list-style-type: none"> ■ Efficient partnerships ■ Respect of human rights ■ Labour rights, comfortable working conditions and social protection for our employees ■ Company's values across our supply chain 	1.2, 3.5, 4.1, 4.2, 5.1, 5.2, 6.2, 8.1, 8.3, 8.4, 8.5, 8.8, 9.2, 10.1, 10.3, 10.4, 10.7, 11.5, 11.6, 16.1, 16.2, 16.3, 17.1, 17.2, 17.3