

Supply chain responsibility

The compliance of activities performed by contracting organisations with corporate standards in matters of HSE, OS and CD is one of the basic criteria the Company uses to select contracting organisations. In 2015, Gazprom Neft revised its strategy and updated the standard for cooperation with contracting organisations.

In accordance with the updated standard, cooperation with contractors entails:

- forming qualification/pre-qualification requirements in matters of environmental protection when selecting a contractor;
- concluding separate agreements with the contractor on industrial, environmental and occupational safety;
- managing the effectiveness of the contractor's activities: establishing key performance indicators, monitoring activities and delineating responsibilities and powers;
- analysing the effectiveness of the contractor's work in matters of HSE, OS and CD based on which contracts are extended, and maintaining databases (with the ability to search for and record the history of interaction with contracting organisations);
- improving the skill, motivation and awareness levels of personnel from contracting organisations on matters concerning environmental protection.

The Company held a special forum for key contractors to introduce its partners to the updated work standards. In 2015, Gazprom Neft organised the first forum "Improving Effective Interaction with Contracting Organisations in Industrial Safety". The forum speakers included Gazprom Neft executives and leading foreign experts in the industry. The forum addressed the main tools and methodologies for developing safety culture. Gazprom Neft specialists presented the "Steps" programme that aims to introduce corporate safety rules at contracting organisations. In 2016, Gazprom Neft plans to introduce a system to rate contracting organisations in terms of HSE, OS and CD as well as a corporate database of contractors.

CONTEST AMONG CONTRACTING ORGANISATIONS

The Company has been conducting competitions among the contracting organisations of subsidiaries since 2015 to determine the leaders in HSE, OS and CD. The competitions determine the leaders in HSE, OS and CD, among other things. Winners are selected based on a number of criteria. For example, the rating of the Eco-Leader competition held at the Messoyakha branch of Gazpromneft-Razvitie was compiled based on 20 criteria for compliance with environmental safety: the environmental condition of production facilities and area, the organisation of waste handling work and compliance with environmental impact requirements, among others.

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" Each year Gazprom Neft facilities employ more than 100,000 employees from contracting organisations. Statistics show that the vast majority of accidents occur with contractors. This situation requires us to adjust our relationships with contracting organisations. The implementation of the "Steps" programme will enable us to evaluate the development level and attitudes of contractors towards safety issues during the tender stage. We will select the ones that are willing to meet our requirements and are familiar with our safety philosophy".