



APPROVED BY

Rosneft Board of Directors

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COMPANY POLICY

ON SUSTAINABLE DEVELOPMENT

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INTRODUCTORY PROVISIONS

PURPOSE

This Policy constitutes an underlying high-level document aimed to express the Company's position with regards to sustainable development and to formalize the common approach of the Company to the activities in the sphere of sustainable development, including:

- setting up of Company's goals and targets in this sphere as well as defining and systematization of the common principles of Company's sustainable development activities which will serve as the basis for the corresponding performance assessment;
- definition of the key business lines of the Company in the sphere of sustainable development;
- declaration of commitment on the main principles and standards for sustainable development;
- establishment of the main reporting principles on sustainable development.

The Policy was elaborated in accordance with the requirements of the Russian legislation, applicable requirements of the international legislation, requirements of the Russian and international standards on sustainable development, taking into consideration the experience gained in Rosneft, as well as the leading practices in the sphere of sustainable development.

The Policy shall contribute to regulation and unification of activities on sustainable development in all Group Entities.

SCOPE

This Policy is binding upon employees of all structural units of Rosneft and all subsidiaries of Rosneft, with regard to which Charters of Entities, shareholder and other agreements with companies - partners provide for no special procedure for implementation by shareholders/participants of their rights, including for the Entity's management.

This Policy is of advisory nature for employees of other Group Entities, which are not subsidiaries of Rosneft.

Requirements of this Policy will be subject to compulsory implementation in subsidiary of Rosneft and other Group Entity, after they are implemented in the Entity in accordance with its Charter with due consideration of the specificity of conditions of contracts or agreements on joint activity and pursuant to the procedure established in the Entity.

Orders, local regulatory documents and any other internal documents shall not conflict with this Policy.

VALIDITY AND AMENDMENT PROCEDURE

This Policy is a permanent local regulatory document.

This Policy is approved at Rosneft by a decision of the Board of Directors of Rosneft and put into effect at Rosneft by Rosneft's order.

This Policy shall be amended subject to amendments to the legislation of the Russian Federation; change of the organizational structure or powers of the management.

Amendments to the Policy shall be initiated by the top management of Rosneft and Group Entity subject to approval of Rosneft Vice President of Human Resources and Social Policy.

1. TERMS AND DEFINITION

TERMS AND DEFINITIONS FROM THE CORPORATE GLOSSARY

BUSINESS UNIT – a group of Rosneft’s structural units, reporting directly to the top-manager of Rosneft, responsible for a business area; Group Entities and / or structural units of the Group, involved in business area activities.

STAKEHOLDER ENGAGEMENT – procedures and processes implemented in the Company for involvement of the stakeholders into its activity with consideration of their interests while performing such activity.

BUSINESS ETHICS – set of values and business principles of the Company based on the rules of morality and law that defines the style of interaction of the employees of the Company between each other and with stakeholders.

ACTIVITY OF THE COMPANY ON SUSTAINABLE DEVELOPMENT – activity of the Company aimed to growth of its shareholder value by means of its economic performance improvement, employee development and stable workforce retention, maintenance of the high level of operation security for the employees of the Company, contractors, population and environment, and facilitation of social and economic development of the operations areas.

STAKEHOLDERS – partners and contractors of the Company, sectorial and nationwide business communities, non-commercial and non-governmental organizations, educational institutions as well as employees of the Company, population or other persons interested in interaction with the Company, or dependent - to one extent or another – from the activity of the Company performed in the operations area, excluding national regulatory and administrative authorities.

CORPORATE-WIDE RISK MANAGEMENT SYSTEM – a set of interrelated components, integrated in various business processes of the Company, including processes of strategic and business -planning, carried out at all levels of management by all employees of the Company, for the purposes of:

- creation and preservation of the Company’s value;
- effective achievement of the objectives set, including strategic goals and business plan performance indicators.

The corporate-wide risk management system consists of two interrelated blocks: risk management infrastructure and risk management process.

FACILITY-BASED SECTION OF THE RUSSIAN UNIFIED EMERGENCY RESCUE SERVICE – corporate bodies, manpower and resources of Rosneft or the Group Entity, designed to emergency prevention and mitigation.

ENVIRONMENT - an aggregate of components of natural environment, natural and natural-man-made objects and also man-made objects [Federal Law No. 7-FZ “On Protection of Environment” as of 10.01.2002].

REPORTING ON SUSTAINABLE DEVELOPMENT (NONFINANCIAL REPORTING) – informational representation of the Company’s operation on sustainable development by means of issuing of periodical reporting on the range of issues on sustainable development and other aspects engaging stakeholders’ attention.

COMPANY SUBSYSTEM OF THE RUSSIAN UNIFIED EMERGENCY RESCUE SERVICE (RUERS COMPANY SUBSYSTEM) – unified system combining corporate bodies, manpower and resources of Rosneft and Group Entities, responsible for protection of employees and facilities of the Company from the emergency situations and performing their activity for the purposes of compliance with Federal Law No. 68-FZ “On Protection of Population and Territories from Natural and Man-Made Emergencies” as of 21.12.1994.

EMERGENCY PREVENTION – system of measures taken beforehand to minimize as much as possible the risk of an emergency, preserve people’s health and reduce environmental and financial damage if it is sustained.

COMPANY’S REGIONS OF OPERATION – administrative-territorial units where the Company performs or plans to perform its operations.

SUSTAINABLE DEVELOPMENT – the development of the society that meets the needs of the Present without compromising the ability of future generations to meet their own need.

EMERGENCY SITUATION – circumstances in particular territory, settled as a result of accident, hazardous natural phenomenon, disaster, acts of elements or other adversity that may result or have resulted in fatalities, damage to people’s health or environment and also significant material losses and misbalance of living conditions of people [Federal Law No. 68-FZ “On Protection of Population and Territories from Natural and Man-Made Emergencies” as of 21.12.1994].

2. DESIGNATIONS AND ABBREVIATIONS

UN GLOBAL COMPACT – United Nations Global Compact, a voluntary initiative in the area of corporate social responsibility representing the basis for business community representatives who wish to adopt ten widely accepted principles in the areas of human rights, labor, the environment and anti-corruption.

COMPANY – a group of legal entities of various organizational legal forms, including Rosneft, for which the latter acts as a parent or a predominant (participating) entity.

GROUP ENTITY (GE) – business entity in which Rosneft's direct or indirect ownership percentage of shares or participating interests in the charter capital is 20 percent or more.

REGULATORY AND ADMINISTRATIVE AUTHORITIES – federal state governmental authorities, state governmental authorities of the subjects of the Russian Federation, local authorities in Company operations areas.

HEALTH, SAFETY AND ENVIRONMENT (HSE) – industrial safety, labor and environmental protection, including road traffic safety, fire, radiation and blowout safety, consistency of the production facilities, fire and emergency prevention and response.

IPIECA REPORTING GUIDELINES – Oil and gas industry guidance on voluntary sustainability reporting: Reporting 2015 (3rd Edition) / International Petroleum Industry Environmental Conservation Association (IPIECA), American Petroleum Institute (API), International Association of Oil & Gas Producers (IOGP).

RSPP – Russian Union of Industrialists and Entrepreneurs.

RUERS – Russian Unified Emergency Rescue Service.

GRI STANDARDS – Global Reporting Initiative™ (GRI) Sustainability Reporting Standards.

RUSSIAN BUSINESS SOCIAL CHARTER – the code of basic principles of socially responsible business practices developed at the initiative of the Russian Union of Industrialists and Entrepreneurs and adopted by the RSPP Conference. The Social Charter is officially recognized as a national document that conforms to the UN Global Compact.

SUBDIVISION – a Rosneft or Group Entity structural unit with its individual functions, tasks and responsibility within the scope of its competence, determined under the Regulations on Subdivision.

UN SUSTAINABLE DEVELOPMENT GOALS – goals adopted by the UN General Assembly as a part of the 2030 Sustainable Development Agenda aimed to save the resources of the planet and ensure prosperity for all, and that contains a range of indicators that shall be achieved in the World within 15 years.

EMERGENCY – emergency situation.

3. GENERAL PROVISIONS

3.1. SUSTAINABLE DEVELOPMENT ACTIVITY GOALS OF THE COMPANY

The main sustainable development goal of the Company – is to facilitate the realization of the Company strategy on development of the leading positions in the industry, efficient resource utilization and energy security of the Russian Federation, making positive contribution to social and economic development, maintaining the high standards of environmental and industrial safety, corporate governance and social responsibility and meeting the requirements of protection from threats of natural and industrial nature.

3.2. SUSTAINABLE DEVELOPMENT TASKS

The main tasks of sustainable development activity:

- increase of the shareholder value of the Company and maintenance of the high standards of the governance;
- development of efficient and transparent system of interaction with the stakeholders;
- facilitation of the professional and personal growth of the employees of the Company;
- facilitation of social and economic development of the Company's regions of operation and entire country;
- safety assurance for the employees of the company, personnel of the contractors and the population when carrying out Company's operation;
- minimization of the negative influence of the Company's operations on natural, human and production environment;
- efficient and rational use of the natural resources;
- implementation of innovation and new technologies at all stages of the Company's operations.

3.3. PRINCIPLES OF THE COMPANY'S ACTIVITY IN THE AREA OF SUSTAINABLE DEVELOPMENT

Company's activity in the area of sustainable development is based on the following principles:

- **Compliance with the legal requirements and other obligations taken by the Company.** Company's operation is performed in accordance with the requirements of the Russian legislation, rules of the international law, international treaties of the Russian Federation and applicable national laws of other jurisdictions. Additionally, the Company meets all the obligations taken that are declared in its internal documents as well as those given to the stakeholders. The Company operates in strict compliance with the Russian Business Social Charter, principles of the UN Global Compact, the Universal Declaration of Human Rights, and also tends to implement the best of the world's practice on sustainable development and considers UN Sustainable Development Goals.
- **Consideration of the interests and expectations of the stakeholders.** The Company regularly determines and analyzes the interests and expectations of the stakeholders. The

Company's stakeholder engagement is based on mutual interest in the result of cooperation. In the process of its operation, the Company tends to maintain the balance of interests of all stakeholders.

- **Observance of human rights.** According to the Universal Declaration of Human Rights, everyone is entitled to all the rights and freedoms set forth therein, without distinction of any kind, such as race, color, sex, age, language, religion, political or other opinion, national or social origin, property, birth or other status. The Company acknowledges inviolability of human rights, including labor rights and the right to favorable environment. The Company tends to avoid any form of discrimination or violation of human rights. Employment of the minors is performed by the Company strictly pursuant to the terms and procedures set forth by the legislation of the Russian Federation.
- **Integration of the principles of sustainable development into day-to-day activities of the Company.** The Company aims to incorporate principles of sustainable development into its day-to-day operations by planning its sustainability activities and integrating them into corporate business plans. The sustainability concept is included into the Company's development strategy and is taken into consideration while developing and implementing of all business processes of the Company. In case any new Group Entity is included into the Company, such Entity is led through consistent process on implementation of principles, approaches and standards on sustainable development utilized in the Company.
- **Understanding and acknowledgement of the regional specifics.** The Company undertakes its sustainability activities with consideration of social and economic, natural and cultural peculiarities of its regions of operations, as well as business needs and perspectives of the development of the Company in the region of operations.
- **Performance assessment and continual improvement.** The Company regularly assesses efficiency of its activities on sustainable development. For this purpose, the goals are set for all major directions of sustainability activities and its performance assessment is conducted on yearly basis. The Company tends to gradually improve the achieved performance targets and its results on the goals that have been set.
- **Risk management.** The activity of the Company on risk management is aimed to constant identification and assessment of the risks at various organizational levels of the Company, within different subdivisions and business processes, performance of the complex of regular risk management activities and revealing of its correlation with the corporate governance processes, and also raising stakeholders' awareness of the internal and external risks. Risk management in the Company is governed by Company Policy "Risk Management and Internal Control System" No. P4-01 P-01, other local regulations and local regulations on core operations in the area of sustainable development.
- **Information transparency.** The Company aims to improve stakeholders' awareness of all aspects of its operations and to ensure accuracy, wealth, timeliness and promptness of the information provided. For this purpose, the Company prepares financial and non-financial reports that are submitted to independent auditors for verification; publishes information on its corporate website; issues press releases on significant corporate events; arranges various public events, including environmental hearings, roundtable discussions with the stakeholders. The Company also actively interacts with the leading consulting and rating agencies that provide investors with the comparative analyses of the industry players in the area of sustainable development.

4. CORE AREAS OF COMPANY'S SUSTAINABLE DEVELOPMENT ACTIVITY

Company's sustainable development activity is aimed to increase of the shareholder value of the Company by means of its economic performance improvement, employee development and stable workforce retention, maintenance of the high level of safety for the Company's employees, contractors, population and environment, and facilitation of social and economic development of the regions of operation.

The above goals are achieved by means of efficient stakeholder engagement and realization of the system of consequent actions on the following core areas of activity:

- interaction with the personnel;
- interaction with the business society;
- interaction with the society;
- industrial safety, labor and environmental protection;
- emergency prevention and response;
- increase of energy efficiency and energy saving;
- scientific and technical development management.

Essential component of the achievement of the Company's goals on sustainable development is the yearly reporting on sustainable development in order to inform the wide range of the parties concerned about the results of Company's activity in the area of sustainable development.

4.1. EMPLOYEE INTERACTION

The Company recognizes employees as its key asset and aims to ensure their well-being, professional growth and personal development, retention of high performing staff to improve efficiency of its business processes. The Company bases its relationship with employees on the principles of social partnership, ensuring safe and comfortable working conditions, competitive remuneration level and social protection.

The Company pays special attention to the issues of industrial safety, labor and environmental protection, considering human life as the supreme value.

4.1.1 REGULATION OF THE ACTIVITY ON EMPLOYEE INTERACTION

Company's activity on the interaction with the personnel is governed by the main regulations: Regulation on remuneration and compensations, collective agreements that secure guarantees, benefits and remunerations, regulations on employee's training and other documents.

4.1.2 APPROACHES TO EMPLOYEE INTERACTION ACTIVITY

The Company's activities in this area include:

- formation of the system of remuneration and motivation aimed at increasing the employee's interest in the results of work, maintaining competitive salary level;
- training of the personnel, formation and development of the talent pool of the Company for the leading positions of various levels;
- cooperation with labor unions and ensuring observance of mutual obligations of the employer and employees;
- development of the corporate social programs (housing program, corporate pension program, etc.) for the employees and composition of the social package;
- establishing safe and comfortable working and living conditions for production personnel;
- development of the corporate culture and ensuring observance of business ethics principles.

4.2. BUSINESS COMMUNITY INTERACTION

The Company aims to increase shareholder value and to achieve the highest standards of governance, being convinced that these two objectives are correlated. Commitment to transparent and responsible business management is important to maintain the confidence of investors and to provide the Company's shareholders with the maximum profit.

Building of the dialogue and further development of cooperation with business partners and business community facilitates the most efficient management decision-making and active participation in formation of the Russian and international standards and operation principles.

The Company tends to achieve top financial and operational performance results in the oil and gas sector. Achievement of this goal directly depends on the efficient cooperation of the Company and its contractors and industry partners that is based on principles of transparency and fair competition.

4.2.1. REGULATION OF THE ACTIVITY ON BUSINESS COMMUNITY INTERACTION

The core principles of interaction with the representatives of the business community are stipulated in Rosneft Corporate Governance Code No. P3-01 KS-01, Code of Business and Corporate Ethics No. P3-01.06 P-01, Company Policy on Combating Involvement in Corruption Activities P3-11.03.01 P-01, Company Policy on Regional Development and Interaction with the Subjects of the Russian Federation No. P3-01.08 P-01 and Company Policy on Countering Corporate Fraud No. P3-11.03.02 P-01, Rosneft Regulation "On Procurement of Goods, Works and Services" No. P2-08 P-0019.

4.2.2. APPROACHES TO THE BUSINESS COMMUNITY INTERACTION ACTIVITY

The Company's activities in this area include:

- observance, protection and the fullest realization of the rights and interests of the shareholders with consideration of the requirements of the current legislation, accepted Russian and international standards of corporate governance;
- observance of the principles in the area of corporate governance and development of the corporate governance system in accordance with the best world practice;
- assurance of Rosneft's strategic management being conducted by efficient and professional Board of Directors;

- informing of the shareholders and investors by means of preparation, publication and presentation of the reports and other required information;
- observance of the business ethics rules;
- improvement of the informational transparency;
- transparency of the procurement activities, equality, fairness, non-discrimination and prohibition of ungrounded competition restrictions, in strict compliance with the legislation on procurement activities.

4.3. SOCIETY INTERACTION

The Company is concerned about social and economic development of regions of operation and of the country as a whole, realizing that their high development rates are among the key factors contributing to the sustainable development of the Company in the long-term perspective. In its regions of operation the Company aims to achieve and maintain the status of the best employer and the best partner both in business and in engagement with the governmental authorities, educational, non-commercial and social institutions, corporate clients, consumers and society as a whole, including indigenous small-numbered peoples of the North.

4.3.1. REGULATION OF THE ACTIVITY ON SOCIETY INTERACTION

The core principles of interaction with the society are stipulated in Code of Business and Corporate Ethics No. P3-01.06 P-01, Company Policy on Combating Involvement in Corruption Activities P3-11.03.01 P-01, Company Policy on Countering Corporate Fraud No. P3-11.03.02 P-01 and Company Policy on Regional Development and Interaction with the Subjects of the Russian Federation No. P3-01.08 P-01.

4.3.2. APPROACHES TO SOCIETY INTERACTION ACTIVITY

The Company tends to secure stability in relationship with the national regulatory and administrative authorities and stakeholders in the area of economic, legal, organizational interaction in the regions of operation.

While interacting with the national regulatory and administrative authorities and stakeholders on implementation of social and charitable programs the Company strictly observes the principle of combatting its involvement into corruption activities.

The Company's activities in this area include:

- conclusion of the agreements on cooperation with the subjects of the Russian Federation;
- participation in the industrial and economic development of the Company's regions of operation, including implementation of new construction projects, creation of jobs;
- participation in norm creating process on the issues concerning oil and gas sector regulation under the current statutory procedure;
- participation in social development of the subjects of the Russian Federation by means of social and charitable programs;

- facilitating the development of the educational system through arrangement of the pre-university training of the young professionals, development of partnership with specialized educational institutions of secondary and higher education and arrangement of on-the-job trainings of the students in the Company;
- facilitating the development of sports and recreation movement including development of infant and youth sports and physical education;
- support for indigenous small-numbered peoples of the North, including preservation of the national culture and minimization of the potentially negative influence thereon of the operation of the Company;
- improvement of the quality of the end product and level of service in accordance with the requirements of the current legislation and international standards of ISO 9000 series in the Group Entities;
- development of the marketing network in the regions of operation in accordance with the strategic plans of the development of the Company and on the basis of the mutually beneficial cooperation with the subjects of the Russian Federation.

4.4. HEALTH, SAFETY, AND ENVIRONMENT

The Company considers human life and health as the supreme value, it tends to take good care of the environment, takes all necessary actions on protection of biological diversity and ecosystems, gives priority to preventive measures aimed to secure safety of the employees, contractors' personnel and third persons, minimization of the influence of its operation on natural environment, human environment and efficient resource utilization.

To achieve these goals the Company implements all available and practical complex of measures to prevent disasters and accidents, injury and deterioration in health of workers, implements the latest technology, aims to use natural resources rationally, develops and implements targeted programs and actions in the area of industrial safety, labor and environmental protection.

In case of accidents the Company takes measures on their localization and liquidation, mitigation of the impact on the personnel, population and the environment.

4.4.1. REGULATION OF HSE ACTIVITY

General HSE goals as well as obligations the Company takes for achievement of the goals set are stipulated in Company Policy on Health and Safety No. P3-05.01 P-01, Company Policy on Environmental Protection No. P3-05.02 P-01, Code of Business and Corporate Ethics No. P3-01.06 P-01.

4.4.2. APPROACHES TO THE HSE ACTIVITY

Company's activity in the area of HSE includes set of actions and target programs intended to:

- continuing improvement of HSE management system based the requirements of the Russian legislation and international standards ISO 14001, OHSAS 18001;
- promotion of safety culture and leadership attributes of the management with regard to industrial safety, occupational safety, and environment protection;

- planning of the activity with consideration of the evaluation and prioritization of the risks of hazardous events that can adversely affect people's health, environment, and integrity of the production facilities;
- organization of interaction with contractors providing services (performing works) at the Company's production facilities and territories, regarding HSE issues and their involvement in HSE management system;
- organization of interaction with international and regional public and environmental organizations, public authorities and management, expert community in order to share experience and inform each other about HSE issues, as well as developing and implementing corresponding progressive norms and rules;
- preservation of biodiversity and prevention of the negative impact on the environment, including implementation of the provisions of the Declaration on Protecting Environment and Preserving Biodiversity in the Course of Mineral Resources Exploration and Development on the Russian Federation Arctic Continental Shelf;
- increase of the level of associated petroleum gas use, reduction of greenhouse gas emissions into the atmosphere;
- development and implementation of advanced technologies for complex processing and disposal of oil-containing and drilling waste, for cleaning and restoration of oil-contaminated and disturbed territories;
- monitoring of the HSE performance results and implementation of actions for management system amendment accounting for the best international practices.

4.5. EMERGENCY PREVENTION AND RESPONSE

The Company realizes its position in the sphere of safety of employees and facilities of the Company from the emergencies in the framework of the implementation of the state policy on protection of the population and territories against natural and man-made threats.

For these purposes the Company takes set of actions on protection of employees and facilities of the Company as well as population (in accordance with the laws and regulations of the Russian Federation) and environment against the threats of natural and man-made nature, aimed at minimizing possible fatalities, threats to life and health of people.

4.5.1. REGULATION OF THE ACTIVITY ON EMERGENCY PREVENTION AND RESPONSE

General goals in the area of emergency prevention and response as well as obligations the Company takes for achievement of the goals set are stipulated in Company Policy on Emergency Prevention and Liquidation No. P3-11.04 P-02.

4.5.2. APPROACHES TO THE EMERGENCY PREVENTION AND RESPONSE ACTIVITY

The Company's activities in this area include:

- use of the latest achievements of applied science, engineering and technology in the area of emergency prevention and response;

- provision of effective operation and constant development of facility-based RUERS sections of Rosneft and Group Entities within Company's RUERS sub-system;
- mitigation of emergencies;
- open communication with the federal regulatory authorities (and their territorial bodies), executive government body of the constituent entities of the Russian Federation, local government authorities of the municipal formations and organizations on emergency risks mitigation and remedial actions;
- development of Local Normative Documents (LNDs) set of the Company and Group Entities in the area of emergency prevention and response.

4.6. ENHANCEMENT OF ENERGY EFFICIENCY AND ENERGY SAVING

In the course of its production activities, the Company is one of the largest consumers of energy resources of the Russian Federation. It realizes that rational utilization of energy resources is an important value alongside with improvement of results of the Company's primary production activities, industrial safety and environment.

The Company guarantees, that the nature and scale of energy utilization and consumption is under its control. While planning its activities the Company puts more emphasis on enhancement of energy efficiency and rational utilization of energy resources.

4.6.1. REGULATION OF THE ACTIVITY ON ENERGY EFFICIENCY AND ENERGY SAVING

General goals in the area of energy efficiency and energy saving as well as obligations the Company takes for achievement of the goals set are stipulated in Company Policy in the area of Enhancement of Energy Efficiency and Energy Saving No. P2-04.02 P-01.

4.6.2. APPROACHES TO THE ACTIVITY ON ENERGY EFFICIENCY AND ENERGY SAVING

The Company's activities in the area of enhancement of energy efficiency and energy saving are performed with observance of the unified approaches and principles:

- observance of the requirements of the legislation of the Russian Federation, applicable norms of the international law, requirements of Russian and applicable international standards, industry documents and corporate requirements;
- maintenance of accounting and control of consumption efficiency, as well as losses of energy resources;
- inclusion of economically feasible new and innovative energy-efficient technologies into the Energy Saving Program;
- assessment of the risk of negative influence of the Energy Saving Program on the key production and financial indicators of the Company;
- monitoring of fulfillment of measures provided under the Energy Saving Program through energy efficiency audits;
- involvement of all Company's employees in activities for enhancement of energy efficiency and energy saving;

- implementation of the full economically accessible and practically realizable set of measures for reduction of specific consumption of energy resources for a given volume of production under comparable operating conditions.

4.7. SCIENTIFIC AND TECHNICAL DEVELOPMENT MANAGEMENT

To increase the efficiency of its business, the Company is engaged in innovative activities, including the development and introduction of new technologies at all stages and areas of its production activities. The creation and implementation of innovative technologies allows solving key production tasks established by the Company's Development Strategy.

4.7.1. REGULATION OF THE ACTIVITY ON SCIENTIFIC AND TECHNICAL DEVELOPMENT

General goals in the area of scientific and technical development as well as obligations the Company takes for achievement of the goals set are stipulated in Company Policy on Innovation Activity No. P4-02.02 P-01.

4.7.2. STRATEGY OF THE ACTIVITY ON SCIENTIFIC AND TECHNICAL DEVELOPMENT MANAGEMENT

The Company's activities in this area include:

- introduction of new production solutions on the basis of pilot testing projects, allowing to reduce the impact on the environment and increase the reliability of production;
- implementation of measures to increase the efficiency (modernization) of existing production processes and capacities in accordance with the leading international practice;
- scientific and technical work to improve the environmental protection system;
- involvement of Russian and world level specialists into the scientific and technical activity of the Company;
- development and implementation of the Knowledge Management System.

5. SUSTAINABLE DEVELOPMENT REPORTING

The Company is committed to transparency and awareness of the stakeholders about the results of its activities on sustainable development, including information on the results of engagement with various stakeholder groups.

5.1. REGULATION OF SUSTAINABLE DEVELOPMENT REPORTING

The annual issue of sustainability report is performed in accordance with this Policy and meets the requirements of the Concept for the Development of Public Non-Financial Reporting, established by RF Government Decree No. 876-r as of 05.05.2017.

5.2. PRINCIPLES OF PREPARATION OF SUSTAINABLE DEVELOPMENT REPORTING

Core principles in this area include:

- preparation and issue of the Company's sustainability reports on yearly basis for the purposes of informing of the stakeholders;
- timely publication of the reports on the official website of the Company to ensure access for all stakeholders;
- preparation of reports covering sustainable development activities, in accordance with the provisions of the GRI (Global Reporting Initiative) Standards;
- reporting in accordance with the principles on content and quality of reporting contained in GRI Standard 101;
- use of the best international and Russian experience in the area of sustainable development in the preparation of reports, including following standards:
 - ◆ IPIECA reporting recommendations that consider industrial specifics of sustainable development activity;
 - ◆ principles of the UN Global Compact;
 - ◆ basic performance indicators developed by RSPP that ensure comparability of information in Russian practice of non-financial reporting.

6. SYSTEMS AND METHODS OF SUSTAINABLE DEVELOPMENT MANAGEMENT

Management of the Company's sustainable development activities is performed within the framework of the general corporate governance system, Rosneft Vice President of Human Resources and Social Policy is responsible for coordination of activities in this area.

Direct management of the activities in the areas of industrial safety and labor protection, environmental protection, personnel management and social affairs, interaction with regulatory and administrative authorities, scientific and technological development, information transparency, developing a corporate culture and interacting with stakeholders in the regions of operation is performed by the specialized subdivisions in accordance with the applicable law, the Company's LNDs, and international standards.

Management of the activity in the area of sustainable development in the Company is implemented within the frame of operation of specialized subdivisions and business segments and includes:

- determination of the unified requirements and methodological approaches to the implementation of sustainable development activities, goals and objectives of the Company's development in the area of sustainable development;
- provision and coordination of activities in the area of sustainable development, implementing a complex of measures on observance of the applicable policies, standards and objectives of the Company (the level of business segments and the Group Entities).

Risk management in the area of sustainable development is performed within the framework of general corporate risk management system of the Company.

7. STRUCTURE AND HIERARCHY OF LOCAL NORMATIVE DOCUMENTS ON SUSTAINABLE DEVELOPMENT

All local normative documents on sustainable development are designed for achievement of goals and completion of tasks and realization of the principles in the area of sustainable development, formalized in this Policy.

In order to implement the basic principles of sustainable development established in this Policy, the Company develops local normative documents that regulate activities in the main areas of sustainable development, including without limitation the description of business processes, the details of operations/functions and the timing of their implementation, participants/assigned performers for each operation/function and decision-making levels, the workflow for each transaction/function and the requirements/constraints for each operation/function.

Standalone Policies on particular directions of sustainable development are accepted and put into effect in the Company, including Company Policy on Health and Safety No. P3-05.01 P-01, Company Policy on Environmental Protection No. P3-05.02 P-01, Company Policy on Emergency Prevention and Liquidation No. P3-11.04 P-02, Company Policy in the area of Enhancement of Energy Efficiency and Energy Saving No. P2-04.02 P-01, Company Policy on Innovation Activity No. P4-02.02 P-01, Company Policy on Regional Development and Interaction with the Subjects of the Russian Federation No. P3-01.08 P-01 and others.

8. REFERENCES

1. The Universal Declaration of Human Rights: adopted by Resolution 217 A (III) of the UN General Assembly as of 10.12.1948.
2. Federal Law as of 10.01.2002 No. 7-FZ “On Protection of Environment”.
3. Federal Law as of 21.12.1994 No. 68-FZ “On Protection of Population and Territories from Natural and Man-Made Emergencies”.
4. Federal Law as of 18.07.2011 No. 223-FZ “On Procurement of Goods, Works and Services by Certain Legal Entities”.
5. Federal Law as of 26.07.2006 No. 135-FZ “On Protection of Competition”.
6. Fundamentals of state policy on safety of population of the Russian Federation and protection of critical and potentially hazardous facilities against natural and man-caused hazards and terrorist acts for the period until 2020, approved by the President of the Russian Federation on 15.11.2011 No. Pr-3400.
7. Public Non-Financial Reporting Development Concept, approved by RF Government Executive Order as of 05.05.2017 No. 876-r.
8. RF Government Decree as of 11.12.2014 No. 1352 “On Peculiarities of Participation of Small and Middle Sized Businesses in the Procurements of Goods, Works, Services by Certain Kinds of Legal Entities”.
9. RF Government Decree as of 16.09.2016 No. 925 “On the Priority of Goods of Russian Origin and Works and Services Performed and Rendered by Russian Entities over Goods Originating from a Foreign Country and Works and Services Performed and Rendered by Foreign Entities”.
10. RF Government Decree as of 25.12.2015 No. 1442 “On Procurement of Innovative Products, High-Tech Products by Certain Types of Legal Entities and Amendments to Certain Acts of the Government of the Russian Federation”.
11. Declaration on Protecting Environment and Preserving Biodiversity in the Course of Mineral Resources Exploration and Development on the Russian Federation Arctic Continental Shelf, signed by the President of Rosneft I.I. Sechin and Chief Executive Officer of Statoil ASA Helge Lund, 2012.
12. ISO 50001:2011 Energy management systems - Requirements with guidance for use.
13. ISO 14001:2004 Environmental management systems - Requirements with guidance for use.
14. ISO 9001:2008 Quality management systems — Requirements.
15. OHSAS 18001:2007 Occupational health and safety management systems – Requirements.

16. Rosneft Code of Business and Corporate Ethics No. P3-01.06 P-01 version 1.00, approved by resolution of Rosneft Board of Directors on 05.06.2015 (Minutes as of 05.06.2015 No. 35), enacted by Rosneft order dated 28.09.2015 No. 428.
17. Rosneft Code of corporate governance No. P3-01 KS-01 version 1.00, approved by resolution of Rosneft Board of Directors 11.06.2015 (minutes dated 15.06.2015 No. 36).
18. Company Policy on Health and Safety No. P3-05.01 P-01 Version 1.00, approved by resolution of Rosneft Board of Directors on 30.07.2015 (Minutes as of 03.08.2015 No. 2), put into effect by Rosneft Order dated 30.12.2015 No. 658.
19. Company Policy “Risk management and internal control system” No. P4-01 P-01 version 2.00, approved by resolution of Rosneft Board of Directors on 16.11.2015 (minutes No.8), put into effect by Rosneft Order dated 16.11.2015 No. 522.
20. Company Policy on Environmental Protection No. P3-05.02 P-01 Version 1.00, approved by resolution of Rosneft Board of Directors on 30.07.2015 (Minutes as of 03.08.2015 No. 2), put into effect by Rosneft Order dated 30.12.2015 No. 658.
21. Company Policy on Emergency Prevention and Liquidation No. P3-11.04 P-02 Version 2.00, approved by Rosneft Board Resolution on 21.02.2017 (Minutes as of 21.02.2017 No. Pr-IS-04p), put into effect by Rosneft Order dated 28.03.2017 No. 158.
22. Company Policy in the Field of Civil Defense No. P3-11.04 P-01 Version 1.00, approved by resolution of Rosneft Board of Directors on 30.06.2014 (Minutes as of 30.06.2014 No. 39), put into effect by Rosneft Order dated 25.07.2014 No. 368.
23. Company Policy in the area of Enhancement of Energy Efficiency and Energy Saving No. P2-04.02 P-01 Version 1.00, approved by resolution of Rosneft Board of Directors on 20.03.2014 (Minutes as of 20.03.2014 No. 28), put into effect by Rosneft Order dated 21.04.2014 No. 208.
24. Company Policy on Combating Involvement in Corruption Activities No. P3-11.03.01 P-01 Version 2.00, approved by resolution of Rosneft Board of Directors on 24.12.2014 (Minutes as of 29.12.2014 No. 17), put into effect by Rosneft Order dated 30.12.2014 No. 726.
25. Company Policy on Countering Corporate Fraud No. P3-11.03.02 P-01 Version 2.00, approved by resolution of Rosneft Board of Directors on 24.12.2014 (Minutes as of 29.12.2014 No. 17), put into effect by Rosneft Order dated 30.12.2014 No. 726.
26. Company Policy on Regional Development and Interaction with the Subjects of the Russian Federation No. P3-01.08 P-01 Version 1.00, approved by resolution of Rosneft Board of Directors on 15.12.2014 (Minutes as of 15.12.2014 No. 13), put into effect by Rosneft Order dated 27.02.2015 No. 83.
27. Company Policy on Innovation Activity No. P4-02.02 P-01 Version 1.00, approved by resolution of Rosneft Board of Directors on 11.12.2012 (Minutes as of 11.12.2012 No. 2), put into effect by Rosneft Order dated 19.02.2013 No. 66.

28. Rosneft Regulation “On Procurement of Goods, Works and Services” No. P2-08 P-0019, approved by resolution of Rosneft Board of Directors on 03.04.2015 (Minutes as of 06.04.2015 No. 27), put into effect on 29.05.15 by Rosneft Order dated 26.05.2015 No. 230.

9. LITERATURE

1. Key Performance Indicators. Recommendations on use in management practice and corporate non-financial reporting / F. Prokopov, E. Feoktistova and others; endorsed by A. Shokhin. - Moscow: RSPP, 2008. – 68 p.
2. Brundtland G.H. Our Common Future: Report of the World Commission on Environment and Development. - Moscow: Progress, 1989. - 372 p.
3. Global Compact/UN: officially accepted in the Headquarters of the United Nations in New York in July 2000.
4. Sustainable Development Goals / UN: Transforming our world: the 2030 Agenda for Sustainable Development, UN General Assembly Resolution as of September 25, 2015.
5. Oil and gas industry guidance on voluntary sustainability reporting: 2015 (3rd Edition) / IPIECA, API, IOGP.
6. Global Reporting InitiativeTM (GRI) Sustainability Reporting Standards, 2016.
7. Russian Business Social Charter / RSPP.- Moscow, 2008.

10. REGISTRATION OF AMENDMENTS TO THE LOCAL NORMATIVE DOCUMENT

Table 1
List of changes in the Company Policy

VERSION	DOCUMENT TITLE	DOCUMENT NUMBER	DATE OF APPROVAL	DATE OF VALIDITY	DOCUMENT DETAILS
1	2	3	4	5	6
1.00	Company Policy on Sustainable Development	No. P3-01	16.11.2009	16.11.2009	Rosneft Order dated 16.11.2009 No. 574