UN GLOBAL COMPACT

COMMUNICATION ON PROGRESS

2021
Dear Secretary-General,

I am pleased to update you on our continued support of The Ten Principles of the UN Global Compact and how we are embedding them into our strategy, corporate culture and day to day operations.

Gazprom Neft joined the UN Global Compact in 2020, which beyond doubt was an extraordinary year, hard-hit by the COVID-19 pandemic. The COVID crisis had a significant impact on the energy market, and it once again has proven the importance of sustainable development principles to society and the business community. Saying that, we as a company, are proud of our progress in this very challenging year.

In 2020, our commitment to Sustainable Development Goals and Principles allowed us to develop our first Sustainable Development Strategy that will carry ambitious long-term targets, including reduction of our carbon intensity by 30% by 2030. We also announced our support of the ‘Zero routine flaring by 2030’ initiative.

Moreover, we continue to focus on industrial safety, human rights and health and safety of our people. Our company has zero tolerance towards any form of discrimination and corruption, and this is stated in our policies that comply with the best industry practices. Our commitment is supported with zero fatalities and industrial incidents, as well as zero confirmed corruption cases during 2020.

We consider sustainability to be essential to our business strategy. We believe that openness is one of the most important elements in our commitment to investors, partners, clients, communities, and society. We are committed to being a fully transparent company, and the one that discloses both financial and operational results as well as presents its corporate, social and environmental policy in detail, not only discussing successful cases but also reflecting on problem areas. These commitments are what enables the company to remain effective and efficient in the rapidly changing environment in which we are operating notwithstanding.

UN Global Compact continues to contribute to our sustainable business thinking and establishing a culture of integrity, setting the stage for long-term success. On our part, we are committed to upholding the core values of the initiative and to broaden our input.

I am confident that we have all the necessary tools and resources, and our team is ready to play a significant role in solving the complex challenges we are facing and to achieve a better world.

Chairman of the Management Board,
Chief Executive Officer
HUMAN RIGHTS

UNGC PRINCIPLE

1. Businesses should support and respect the protection of internationally proclaimed human rights.

2. Businesses should make sure that they are not complicit in human rights abuses.
GAZPROM NEFT APPROACH

We uphold and respect internationally recognised human rights and comply with applicable laws.

The company promotes equal opportunities, creates a working environment free from bullying and harassment, prohibits discrimination on the grounds of race, ethnicity, religious belief, gender, background, age or on any other grounds, and expects its employees to treat each other with respect and dignity.

The company understands its responsibilities in regards to to human rights and, consequently, our corporate Code of Conduct includes statements and requirements for our employees concerning human rights.

Besides respecting general human rights, we also care about respecting rights of certain social groups, in particular the indigenous peoples of the Far North that may be affected in the course of our operations.

Gazprom Neft assesses human rights risks and develops measures to prevent them.
Gazprom Neft has set up an Ethics Committee as an independent collegial body reporting to the CEO.

47
REPORTS RECEIVED BY THE ETHICS COMMITTEE IN 2020

22
REPORTS LED TO IDENTIFIED VIOLATIONS OF THE CORPORATE CODE OF CONDUCT

1087
COURSES RELATED TO HUMAN RIGHTS CONDUCTED

MATERIALS ON HUMAN RIGHTS ARE INCORPORATED INTO THE CORPORATE EDUCATION SYSTEM
When operating in indigenous peoples’ traditional lands in accordance with UN recommendations Gazprom Neft makes sure that these people have equal access to current opportunities, while, at the same time, encouraging and supporting the preservation of their ethnic culture. Interaction with indigenous peoples includes:

Making sure the company’s own staff (and its contractors and subcontractors) are fully up-to-date with regulation governing engagement with the indigenous peoples of the Russian Far North (with materials being updated and disseminated on an annual basis);

Holding regular meetings and public hearings to ensure the indigenous peoples of the Russian Far North are fully informed about the Company’s planned activities;

Partnering with municipal administrations in those locations inhabited by indigenous peoples;

No cases of indigenous peoples’ rights infringement identified.
UNGC PRINCIPLE

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

4. Businesses should uphold the elimination of all forms of forced and compulsory labour.

5. Businesses should uphold the effective abolition of child labour.

6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.
GAZPROM NEFT APPROACH

We always place the safety of our employees, local communities and the environment above financial, technical or any other considerations.

The company is committed to providing a safe working environment for its people and expects the same from its partners. Our safety culture pivots on the personal responsibility of each employee and the engagement of all employees and contractor personnel in improving safety. Gazprom Neft employees and contractor personnel are entitled to refuse to carry out unsafe work.

We accept our employees’ right to voluntarily create and join unions to protect their rights and interests.

The company fosters long-term partnerships with trade unions. Trade union representatives are actively involved in developing a safety culture at the company and discussing improvements to Gazprom Neft’s employee benefits system. They also attend HR management meetings and contribute to occupational safety initiatives.

Gazprom Neft is a member of the Russian Union of Oil and Gas Industry Employers and actively participates in the drafting of legislation governing relations between employers and trade unions.

We do not use child and compulsory labour.

Relationships within the organization are based on trust. Internal professional interactions are not based on race, ethnicity, religious belief, gender, background, age or on any other grounds.
KEY PROGRAMS AND RESULTS

Gazprom Neft has a collective bargaining framework in place. Collective bargaining agreements and local regulations outline the company’s social commitments towards its employees.

**47 %**
The company offers the same basic salary to men and women

**5 %**
Growth in average monthly salary in 2020

**47 % of employees are covered by collective bargaining agreements**

**The social benefits system is in place at the company. Basic social benefits are provided to employees regardless of their employment type**
The Gazprom Neft Group complies with government requirements for quotas and employment of people with disabilities. Employees with disabilities are offered benefits guaranteed by the Russian Labour Code depending on their individual rehabilitation plans.

Company’s education and development system covers all employees, contract workers and target groups of potential employees – high school and university students.
ENVIRONMENT

UNGC PRINCIPLE

7 BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES

8 BUSINESSES SHOULD UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY

9 BUSINESSES SHOULD ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES
GAZPROM NEFT APPROACH

We assess and adopt measures to minimise environmental risks, while also investing significant resources into various environmental safety programmes and implementing advanced technologies to mitigate negative environmental impacts.

Gazprom Neft supports the Paris Agreement on climate change.

A risk-based approach that considers the impact of current and planned operations on ecosystems and ensures environmental safety.

Gazprom Neft analyses the environmental footprint of its facilities at all stages of its operations, with this analysis serving as a core aspect of managerial and investment decision-making.

Improvement of industrial and environmental safety is a priority for the company’s technological development. The company constantly develops safe technologies and supports environmental startups.

Our safety culture pivots on the personal responsibility of each employee and the engagement of all employees and contractor personnel in improving safety. With safety being the company’s key value, Gazprom Neft employees and contractor personnel are entitled to refuse to carry out unsafe work.
KEY PROGRAMS AND RESULTS

-9.7%  
REDUCTION IN GREENHOUSE GAS EMISSIONS (SCOPE 1 + SCOPE 2) IN 2020

91.1%  
(2.1% GROWTH ON 2019)  
APG UTILIZATION RATE

4.5  
MILLION GJ ENERGY SAVINGS THROUGH ENERGY-SAVING AND ENERGY-EFFICIENCY PROGRAMMES

IN 2021, THE COMPANY INITIATED DEVELOPMENT OF ITS FIRST CLIMATE STRATEGY THAT WILL INCLUDE TARGETS AND MEANS TO REDUCE THE CARBON INTENSITY
The company develops CCUS projects (carbon capture, utilization and storage).

Gazprom Neft has developed a roadmap for implementing the corporate Biodiversity Preservation Programme based on a list of plant and animal indicator species for a healthy Arctic marine ecosystem.

An important part of field development is the aquatic bioresources reintroduction programme

45 million precious juvenile fish released into water bodies.

Building Biosphere biological treatment facilities at the Moscow and Omsk Refineries ranks among the company’s key water management projects.

–28% reduction in internal water consumption.

Gazprom Neft has been developing Green Seismic technology since 2014, which, backed by its compact size, significantly curbs the number of trees felled for seismic lines and cuts fuel consumption for seismic surveys, all while improving safety.

4.5+ million trees saved between 2016 and 2020 due to implementation of the Green Seismic technology.
ANTI-CORRUPTION

UNGC PRINCIPLE

10.

Businesses should work against corruption in all its forms, including extortion and bribery.
GAZPROM NEFT APPROACH

We have zero tolerance for any form of corruption, including extortion and bribery. In all cases of anti-corruption law breaches company prosecutes its employees and contractors.

Gazprom Neft has approved a publicly available Anti-Fraud and Anti-Corruption Policy. This Policy defines the concept of fraud and other terminology, and outlines the approach of the company’s senior management, who have put in place a single and cohesive ethical standard for zero-tolerance for any type or form of corruption. The Policy lists the key principles of combatting fraud and corruption, as well as the methods and procedures used by the company, in particular, the company hotline, internal investigations, and prosecution of identified fraud cases.

The Policy contains a section setting out the basis for implementing those of the company’s business processes that are most exposed to fraud risks, including interaction with officials, receiving and giving gifts, charitable and sponsorship activities, and financial affairs with third parties.
The following courses have been developed and are used in the corporate training system: Preventing and Combating Corporate Corruption; Corruption Prevention; Combating Corruption and Fraud. These courses are mandatory for all employees and newly hired by the company.

230 reports via the company’s hotline

Company has a functioning hotline in place

Investigations into reports received via the company hotline in 2020 revealed no instances of corruption.
GAZPROM NEFT SUPPORTS THE UN SDGS

While developing and implementing its strategy, Gazprom Neft follows the principles and goals of sustainable development and corporate social responsibility.

These are integrated into the company’s business strategy, decision-making processes and operations. The company’s approach to sustainable development is aligned with the 2030 UN Sustainable Development Goals (SDGs).
COMPANY PRIORITISES THE FOLLOWING SDGS:

3. Good Health and Well-being

In developing its HSE practices, Gazprom Neft is focused on reducing work-related injury, occupational disease and industrial accident rates and minimising its negative environmental impacts. In 2020, Gazprom Neft ran a company-wide anti-COVID-19 programme to ensure employee and contractor health and safety. The programme included testing, support in cases of illness, vaccination and much more. The company is constantly increasing the level of safety across the whole perimeter, which resulted in 0 work-related injuries recorded in 2020 among company employees.

7. Affordable and Clean Energy

The company provides access to energy for consumers in Russia and in other countries, with a focus on driving energy efficiency across key business areas while maintaining reliability, safety and performance, achieved through technology innovation. The company builds up renewable generation capacity at assets where it brings economic and environmental benefits. To provide our community with cleaner energy, Gazprom Neft is planning to raise its gas production to 50 percent of total hydrocarbons portfolio by 2030.

8. Decent Work and Economic Growth

Gazprom Neft is fostering a unique corporate environment and culture in which employees can unlock their full individual potential through working towards common goals. The company seeks to create a working environment free from bullying and harassment, and prohibits discrimination on the grounds of ethnicity, gender, age, background and so forth. Company strives to provide increase potential of its employees providing wide range of educational programmes and courses available to all levels of employees. In 2020, Gazprom Neft invested 1.7 bln RUB in educational programmes. The company’s employees have completed over 173 thousand educational courses. All of the above led us to be named the best employers according to Universum and our Serbian Subsidiary NIS named Best Employer in Serbia.

11. Sustainable Cities and Communities

Gazprom Neft improves sustainability of the cities across Russia by investing in the social infrastructure in the regions of presence. The company develops new and more efficient materials used in road construction and protects cultural and natural heritage by supporting regional communities and local minorities in their efforts to promote and broaden general audience’s awareness of their culture and traditions. In 2020 company participated in road construction projects in 52 regions of Russia and entered into 17 cooperation agreements with constituent entities and regional municipalities with total social investments reaching 6.4 billion Rubles.

13. Climate Action

Gazprom Neft embraces the goals of the Paris Agreement that supports action against climate change. The company acknowledges that if no decisive action is taken today, then dealing with the consequences of climate change will require significantly more effort and costs in future. Understanding its climate risks and opportunities Gazprom Neft has set a new ambitious target to cut its carbon intensity by 30 percent by 2030 and included an internal carbon price in its investment decision making processes.